
**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 January 31, 2020

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)

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)

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

Title of each class

Common Stock

Trading Symbol

AMSWA

Name of each exchange on which registered

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, an emerging growth company or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer,” “emerging growth company” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input 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

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

<u>Classes</u>	<u>Outstanding at March 3, 2020</u>
Class A Common Stock, \$.10 par value	30,368,467 Shares
Class B Common Stock, \$.10 par value	1,821,587 Shares

AMERICAN SOFTWARE, INC. AND SUBSIDIARIES
Form 10-Q

Quarter ended January 31, 2020

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PART I—FINANCIAL INFORMATION**Item 1. Financial Statements**

American Software, Inc. and Subsidiaries
Condensed Consolidated Balance Sheets (Unaudited)
(in thousands, except share data)

	January 31, 2020	April 30, 2019
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 68,809	\$ 61,288
Investments	27,478	24,710
Trade accounts receivable, less allowance for doubtful accounts of \$225 at January 31, 2020 and \$153 at April 30, 2019:		
Billed	21,202	18,819
Unbilled	2,436	1,475
Prepaid expenses and other current assets	6,576	6,210
Total current assets	126,501	112,502
Investments—noncurrent	—	2,484
Property and equipment, net of accumulated depreciation of \$29,804 at January 31, 2020 and \$29,327 at April 30, 2019	3,447	3,585
Capitalized software, net of accumulated amortization of \$33,285 at January 31, 2020 and \$28,740 at April 30, 2019	9,215	11,063
Goodwill	25,888	25,888
Other intangibles, net of accumulated amortization of \$11,931 at January 31, 2020 and \$10,643 at April 30, 2019	1,444	2,732
Lease right of use assets	2,228	—
Deferred sales commissions—noncurrent	2,231	1,546
Other assets	1,738	1,510
Total assets	\$ 172,692	\$ 161,310
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 1,772	\$ 2,448
Accrued compensation and related costs	6,006	2,561
Dividends payable	3,522	3,434
Operating lease obligations	770	—
Other current liabilities	1,520	1,375
Deferred revenue	34,419	33,283
Total current liabilities	48,009	43,101
Deferred income taxes	3,322	3,514
Long-term operating lease obligations	1,596	—
Other long-term liabilities	93	88
Total liabilities	53,020	46,703
Shareholders' equity:		
Common stock:		
Class A, \$.10 par value. Authorized 50,000,000 shares: 34,782,183 and 30,193,551 shares issued and outstanding respectively at January 31, 2020 and 33,979,739 and 29,391,107 shares issued and outstanding respectively at April 30, 2019	3,478	3,398
Class B, \$.10 par value. Authorized 10,000,000 shares: 1,821,587 shares issued and outstanding at January 31, 2020 and April 30, 2019; convertible into Class A Common Shares on a one-for-one basis	182	182
Additional paid-in capital	147,582	138,315
Retained deficit	(6,011)	(1,729)
Class A treasury stock, 4,588,632 shares at January 31, 2020 and April 30, 2019, at cost	(25,559)	(25,559)
Total shareholders' equity	119,672	114,607
Commitments and contingencies		
Total liabilities and shareholders' equity	\$ 172,692	\$ 161,310

See accompanying notes to condensed consolidated financial statements—unaudited.

American Software, Inc. and Subsidiaries
Condensed Consolidated Statements of Operations (Unaudited)
(in thousands, except per share data)

	Three Months Ended January 31,		Nine Months Ended January 31,	
	2020	2019	2020	2019
Revenues:				
Subscription fees	\$ 5,802	\$ 3,687	\$ 15,752	\$ 10,196
License	3,695	1,718	6,519	5,432
Professional services and other	10,308	10,176	31,271	32,240
Maintenance	10,795	11,422	32,651	34,567
Total revenues	<u>30,600</u>	<u>27,003</u>	<u>86,193</u>	<u>82,435</u>
Cost of revenues:				
Subscription fees	1,976	1,389	6,711	3,746
License	1,582	1,831	3,969	5,305
Professional services and other	7,764	7,714	22,712	24,484
Maintenance	1,836	2,030	5,551	6,442
Total cost of revenues	<u>13,158</u>	<u>12,964</u>	<u>38,943</u>	<u>39,977</u>
Gross margin	<u>17,442</u>	<u>14,039</u>	<u>47,250</u>	<u>42,458</u>
Research and development	3,853	2,811	11,390	9,818
Sales and marketing	5,519	4,699	16,246	15,183
General and administrative	5,194	4,302	14,923	12,903
Amortization of acquisition-related intangibles	57	97	232	291
Total operating expenses	<u>14,623</u>	<u>11,909</u>	<u>42,791</u>	<u>38,195</u>
Operating income	<u>2,819</u>	<u>2,130</u>	<u>4,459</u>	<u>4,263</u>
Other income:				
Interest income	360	523	1,234	1,551
Other, net	618	4	981	(461)
Earnings before income taxes	<u>3,797</u>	<u>2,657</u>	<u>6,674</u>	<u>5,353</u>
Income tax expense	511	356	477	424
Net earnings	<u>\$ 3,286</u>	<u>\$ 2,301</u>	<u>\$ 6,197</u>	<u>\$ 4,929</u>
Earnings per common share (a):				
Basic	<u>\$ 0.10</u>	<u>\$ 0.07</u>	<u>\$ 0.20</u>	<u>\$ 0.16</u>
Diluted	<u>\$ 0.10</u>	<u>\$ 0.07</u>	<u>\$ 0.19</u>	<u>\$ 0.16</u>
Cash dividends declared per common share	<u>\$ 0.11</u>	<u>\$ 0.11</u>	<u>\$ 0.33</u>	<u>\$ 0.33</u>
Shares used in the calculation of earnings per common share:				
Basic	<u>31,955</u>	<u>31,010</u>	<u>31,611</u>	<u>30,887</u>
Diluted	<u>32,668</u>	<u>31,183</u>	<u>32,260</u>	<u>31,351</u>

- (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 \$0.10 and \$0.07 for the three months ended January 31, 2020 and 2019, and \$0.20 and \$0.16 for the nine months ended January 31, 2020 and 2019 respectively. See Note E to the Condensed Consolidated Financial Statements.

See accompanying notes to condensed consolidated financial statements—unaudited.

American Software, Inc. and Subsidiaries
Condensed Consolidated Statements of Shareholders' Equity (Unaudited)
(in thousands, except share data)

	Common stock							
	Class A		Class B		Additional paid-in capital	Retained earnings/ deficit	Treasury stock	Total shareholders' equity
	Shares	Amount	Shares	Amount				
For the Three Months Ended January 31, 2019								
Balance at October 31, 2018	33,721,076	\$ 3,372	1,821,587	\$ 182	\$ 135,150	\$ 943	\$ (25,559)	\$ 114,088
Proceeds from stock options exercised	112,600	11	—	—	906	—	—	917
Stock-based compensation	—	—	—	—	466	—	—	466
Net earnings	—	—	—	—	—	2,301	—	2,301
Dividends declared*	—	—	—	—	—	(3,416)	—	(3,416)
Balance at January 31, 2019	<u>33,833,676</u>	<u>\$ 3,383</u>	<u>1,821,587</u>	<u>\$ 182</u>	<u>\$ 136,522</u>	<u>\$ (172)</u>	<u>\$ (25,559)</u>	<u>\$ 114,356</u>
For the Three Months Ended January 31, 2020								
Balance at October 31, 2019	34,630,682	\$ 3,463	1,821,587	\$ 182	\$ 145,554	\$ (5,774)	\$ (25,559)	\$ 117,866
Proceeds from stock options exercised	151,501	15	—	—	1,465	—	—	1,480
Stock-based compensation*	—	—	—	—	563	—	—	563
Net earnings	—	—	—	—	—	3,286	—	3,286
Dividends declared*	—	—	—	—	—	(3,523)	—	(3,523)
Balance at January 31, 2020	<u>34,782,183</u>	<u>\$ 3,478</u>	<u>1,821,587</u>	<u>\$ 182</u>	<u>\$ 147,582</u>	<u>\$ (6,011)</u>	<u>\$ (25,559)</u>	<u>\$ 119,672</u>

*Amounts adjusted for rounding

See accompanying notes to condensed consolidated financial statements—unaudited.

American Software, Inc. and Subsidiaries
Condensed Consolidated Statements of Shareholders' Equity (Unaudited)
(in thousands, except share data)

	Common stock							
	Class A		Class B		Additional paid-in capital	Retained earnings/ deficit	Treasury stock	Total shareholders' equity
	Shares	Amount	Shares	Amount				
For the Nine Months Ended January 31, 2019								
Balance at April 30, 2018	33,141,764	\$ 3,314	2,057,390	\$ 205	\$ 131,258	\$ 3,366	\$ (25,559)	\$ 112,584
Cumulative effect of the adoption of Topic 606	—	—	—	—	—	1,753	—	1,753
Proceeds from stock options exercised*	456,109	46	—	—	3,957	—	—	4,003
Conversion of Class B shares into Class A shares	235,803	23	(235,803)	(23)	—	—	—	—
Stock-based compensation*	—	—	—	—	1,307	—	—	1,307
Net earnings	—	—	—	—	—	4,929	—	4,929
Dividends declared*	—	—	—	—	—	(10,220)	—	(10,220)
Balance at January 31, 2019	<u>33,833,676</u>	<u>\$ 3,383</u>	<u>1,821,587</u>	<u>\$ 182</u>	<u>\$ 136,522</u>	<u>\$ (172)</u>	<u>\$ (25,559)</u>	<u>\$ 114,356</u>
For the Nine Months Ended January 31, 2020								
Balance at April 30, 2019	33,979,739	\$ 3,398	1,821,587	\$ 182	\$ 138,315	\$ (1,729)	\$ (25,559)	\$ 114,607
Proceeds from stock options exercised	802,444	80	—	—	7,757	—	—	7,837
Stock-based compensation	—	—	—	—	1,510	—	—	1,510
Net earnings	—	—	—	—	—	6,197	—	6,197
Dividends declared*	—	—	—	—	—	(10,479)	—	(10,479)
Balance at January 31, 2020	<u>34,782,183</u>	<u>\$ 3,478</u>	<u>1,821,587</u>	<u>\$ 182</u>	<u>\$ 147,582</u>	<u>\$ (6,011)</u>	<u>\$ (25,559)</u>	<u>\$ 119,672</u>

*Amounts adjusted for rounding

See accompanying notes to condensed consolidated financial statements—unaudited.

American Software, Inc. and Subsidiaries
Condensed Consolidated Statements of Cash Flows (Unaudited)
(in thousands)

	<u>Nine Months Ended January 31,</u>	
	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Net earnings	\$ 6,197	\$ 4,929
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	6,310	5,671
Stock-based compensation expense	1,510	1,308
Net (gain)/loss on investments	(1,036)	393
Deferred income taxes	(192)	(166)
Changes in operating assets and liabilities:		
Purchases of trading securities	(21,934)	(7,427)
Proceeds from maturities and sales of trading securities	22,687	12,944
Accounts receivable, net	(3,344)	(831)
Prepaid expenses and other assets	(1,279)	724
Accounts payable and other liabilities	3,058	(4,031)
Deferred revenue	1,135	94
Net cash provided by operating activities	<u>13,112</u>	<u>13,608</u>
Cash flows from investing activities:		
Capitalized computer software development costs	(2,697)	(4,162)
Purchases of property and equipment, net of disposals	(339)	(1,014)
Net cash used in investing activities	<u>(3,036)</u>	<u>(5,176)</u>
Cash flows from financing activities:		
Proceeds from exercise of stock options	7,837	4,004
Dividends paid	(10,392)	(10,172)
Net cash used in financing activities	<u>(2,555)</u>	<u>(6,168)</u>
Net change in cash and cash equivalents	7,521	2,264
Cash and cash equivalents at beginning of period	61,288	52,794
Cash and cash equivalents at end of period	<u>\$ 68,809</u>	<u>\$ 55,058</u>
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Income taxes, net of refunds	\$ 504	\$ 505
Supplemental disclosures of noncash operating, investing and financing activities:		
Accrual of dividends payable	\$ 3,523	\$ 3,416

See accompanying notes to condensed consolidated financial statements—unaudited.

AMERICAN SOFTWARE, INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements—Unaudited
January 31, 2020

A. Presentation and Summary of Significant Accounting Policies

Basis of Presentation

The accompanying unaudited Condensed Consolidated Financial Statements have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP") for interim financial information and the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required for complete consolidated financial statements. In the opinion of our management, these Condensed Consolidated Financial Statements contain all normal recurring adjustments considered necessary for a fair presentation of the Company's financial position at January 31, 2020, results of operations for the three and nine months ended January 31, 2020 and 2019, consolidated statements of shareholders' equity for the three and nine months ended January 31, 2020 and 2019 and cash flows for the nine months ended January 31, 2020 and 2019. The Company's results for the three and nine months ended January 31, 2020 are not necessarily indicative of the results expected for the full year. You should read these statements in conjunction with our audited consolidated financial statements and management's discussion and analysis and results of operations included in our Annual Report on Form 10-K (the "Annual Report") for the fiscal year ended April 30, 2019. The terms "fiscal 2020" and "fiscal 2019" refer to our fiscal years ending April 30, 2020 and 2019, respectively.

The preparation of these Condensed Consolidated Financial Statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosures of contingent assets and liabilities, at the date of the Condensed Consolidated Financial Statements and the reported amounts of revenues and expenses during the reporting period. Note 1 in the Notes to the Consolidated Financial Statements for fiscal 2019 contained in the Annual Report describes the significant accounting policies that we have used in preparing our consolidated financial statements. On an ongoing basis, we evaluate our estimates, including but not limited to those related to revenue/collectability and income taxes. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Our actual results could differ materially from these estimates under different assumptions or conditions.

Principles of Consolidation

The accompanying unaudited Condensed Consolidated Financial Statements include the accounts of American Software, Inc. ("American Software") and its wholly-owned subsidiaries (collectively, the "Company"). All significant intercompany balances and transactions have been eliminated in consolidation.

Recent Accounting Pronouncements

Adoption of New Accounting Standard

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-02, *Leases*, which established new FASB Accounting Standards Codification ("ASC") Topic 842 ("ASC 842"), to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. Under the new guidance, a lessee is required to recognize assets and liabilities for leases with lease terms of more than 12 months.

Consistent with previous guidance, the recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee primarily will depend on its classification as a finance or operating lease. However, unlike previous guidance, which required only capital leases to be recognized on the balance sheet, the new standard requires both types of leases to be recognized on the balance sheet. ASC 842 also requires disclosures to help investors and other financial statement users better understand the amount, timing, and uncertainty of cash flows arising from leases. These disclosures include qualitative and quantitative requirements, providing additional information about the amounts recorded in the Condensed Consolidated Financial Statements.

The new lease standard is effective for public companies for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. The Company adopted ASC 842 on May 1, 2019, using the modified retrospective method and utilized the optional transition method under which the Company continues to apply the legacy guidance in ASC 840, *Leases*, including its disclosure requirements, in the comparative period presented. Therefore, the adjustment to recognize the Company's leases on the Condensed Consolidated Balance Sheet related to the adoption of the new standard was recorded as of the adoption date and prior periods were not restated.

As part of the adoption of ASC 842, the Company elected to adopt certain of the optional practical expedients, including the package of practical expedients which, among other things, gives us the option to not reassess: 1) whether expired or existing contracts are or contain leases; 2) the lease classification for expired or existing leases; and 3) initial direct costs for existing leases. The Company also elected the practical expedient to not record lease right-of-use (“ROU”) assets and lease obligations for leases with terms of 12 months or less. Finally, the Company also elected the practical expedient to not separate lease and non-lease components, which allows it to account for lease and non-lease components as a single lease component. The Company did not elect the hindsight practical expedient in its determination of the lease term for existing leases; therefore, the original lease terms, as determined under ASC 840, were used in the calculation of the Company’s initial ASC 842 lease liabilities.

Adoption of the new standard resulted in the recognition of operating lease ROU assets of approximately \$2.7 million, current operating lease liabilities of approximately \$0.7 million and long-term operating lease liabilities of approximately \$2.1 million as of May 1, 2019.

The adoption had no impact on retained deficit, the Condensed Consolidated Statements of Operations, or the Condensed Consolidated Statements of Cash Flows. See Note C for further discussion of the Company’s leases.

B. Revenue Recognition

We recognize revenue when we transfer control of the promised goods or services to our customers, in an amount that reflects the consideration we expect to receive in exchange for those goods or services. We derive our revenue from software licenses; maintenance services; consulting, implementation and training services; and Software-as-a-Service (“SaaS”), which includes a subscription to our software as well as maintenance, hosting and managed services.

The Company determines revenue recognition through the following steps:

Step 1 – Identification of the Contract with the Customer

Step 2 – Identification of Promised Goods and Services and Evaluation of Whether the Promised Goods and Services are Distinct Performance Obligations

Step 3 – Determination of the Transaction Price

Step 4 – Allocation of the Transaction Price to Distinct Performance Obligations

Step 5 – Attribution of Revenue for Each Distinct Performance Obligation

Nature of Products and Services.

Subscription Fees. Subscription fees include SaaS revenues for the right to use the software for a limited period of time in an environment hosted by the Company or by a third party. The customer accesses and uses the software on an as-needed basis over the Internet or via a dedicated line; however, the customer has no right to take delivery of the software without incurring a significant penalty. The underlying arrangements typically include a single fee for the service that is billed monthly, quarterly or annually. The Company’s SaaS solutions represent a series of distinct services that are substantially the same and have the same pattern of transfer to the customer. Revenue from a SaaS solution is generally recognized ratably over the term of the arrangement.

Licenses. Our perpetual software licenses provide the customer with a right to use the software as it exists at the time of purchase. We recognize revenue for distinct software licenses once the license period has begun and we have made the software available to the customer.

Our perpetual software licenses are sold with maintenance under which we provide customers with telephone consulting, product updates on a when and if available basis, and releases of new versions of products previously purchased by the customer, as well as error reporting and correction services.

Professional Services and Other. Our services revenue consists of fees generated from consulting, implementation and training services, including reimbursements of out-pocket expenses in connection with our services. Services are typically optional to our customers, and are distinct from our software. Fees for our services are separately priced and are generally billed on an hourly basis, and revenue is recognized over time as the services are performed. We believe the output method of hours worked provides the best depiction of the transfer of our services since the customer is receiving the benefit from our services as the work is performed. The total amount of expense reimbursement included in professional services and other revenue was approximately \$0.4 million and \$1.3 million for the three and nine months ended January 31, 2020, respectively and approximately \$0.3 million and \$1.1 million for the three and nine months ended January 31, 2019, respectively.

Maintenance. Revenue is derived from maintenance under which we provide customers with telephone consulting, product updates on a when and if available basis, and releases of new versions of products previously purchased by the customer, as well as error reporting and correction services. Maintenance for perpetual licenses is renewable, generally on an annual basis, at the option of the customer. Maintenance terms typically range from one to three years. Revenue related to maintenance is generally paid in advance and recognized ratably over the term of the agreement since the Company is standing ready to provide a series of maintenance services that are substantially the same each period over the term; therefore, time is the best measure of progress.

Indirect Channel Revenue. We record revenues from sales made through the indirect sales channels on a gross basis, because we control the goods or services and act as the principal in the transaction. In reaching this determination, we evaluated sales through our indirect channel on a case-by-case basis and considered a number of factors including indicators of control such as the party having the primary responsibility to provide specified goods or services and the party having discretion in establishing prices.

Sales Taxes. We account for sales taxes collected from customers on a net basis.

Significant Judgments. Our contracts with customers typically contain promises to transfer multiple products and services to a customer. Judgment is required to determine whether each product and service is considered to be a distinct performance obligation that should be accounted for separately under the contract. We allocate the transaction price to distinct performance obligations based on their relative standalone selling price (“SSP”). We estimate SSP primarily based on the prices charged to customers for products or services sold on a standalone basis, or by using information such as market conditions and other observable inputs. However, the selling prices of our software licenses are highly variable or uncertain. Therefore, we estimate SSP for software licenses using the residual approach, determined based on total transaction price less the SSP of other products and services promised in the contract. When performing relative selling price allocations, we use the contract price as the estimate of SSP if it falls within the Company’s range estimate of SSP, since any point within the range would be a valid price point on a standalone basis. If the contract price falls outside of the range of SSP, the Company will use the nearest point in the SSP range in its relative selling price allocation.

Contract Balances. Timing of invoicing to customers may differ from timing of revenue recognition and these timing differences result in receivables, contract assets (unbilled accounts receivable), or contract liabilities (deferred revenue) on the Company’s Condensed Consolidated Balance Sheets. Fees for our software licenses are generally due within 30 days of contract execution. We have an established history of collecting under the terms of our software license contracts without providing refunds or concessions to our customers. SaaS solutions and maintenance are typically billed in advance on a monthly, quarterly, or annual basis. Services are typically billed as performed. In instances where the timing of revenue recognition differs from the timing of invoicing, we have determined that our contracts generally do not include a significant financing component. The primary purpose of our invoicing terms is to provide customers with predictable ways to purchase our software and services, not to provide or receive financing. Additionally, we are applying the practical expedient to exclude any financing component from consideration for any contracts with payment terms of one year or less since we rarely offer terms extending beyond one year. The consideration in our customer contracts is fixed.

We have an unconditional right to consideration for all goods and services transferred to our customers. That unconditional right to consideration is reflected in billed and unbilled accounts receivable in the accompanying Condensed Consolidated Balance Sheets in accordance with ASC Topic 606.

Deferred revenue consists of amounts collected prior to having completed the performance of maintenance, SaaS, hosting, and managed services. We typically invoice customers for cloud subscription and support fees in advance on a monthly, quarterly or annual basis, with payment due at the start of the cloud subscription or support term. During the three months ended January 31, 2020, we recognized \$14.0 million of revenue that was included in the deferred revenue balance as of October 31, 2019. During the nine months ended January 31, 2020, we recognized \$29.0 million of revenue that was included in the deferred revenue balance as of April 30, 2019.

	January 31, 2020	April 30, 2019
	(in thousands)	
Contract Balances:		
Contract assets, current	\$ 2,436	\$ 1,475
Total contract assets	\$ 2,436	\$ 1,475
Deferred revenue, current	\$ 34,419	\$ 33,283
Total deferred revenue	\$ 34,419	\$ 33,283

Remaining Performance Obligations. A performance obligation is a promise in a contract to transfer a distinct good or service to the customer and is the unit of account under Topic 606. The transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied by transferring the promised good or service to the customer. The Company identifies and tracks the performance obligations at contract inception so that the Company can monitor and account for the performance obligations over the life of the contract. Remaining performance obligations represent the transaction price of orders for which products have not been delivered or services have not been performed. As of January 31, 2020, the aggregate amount of the transaction price allocated to remaining performance obligations was approximately \$80.0 million. The Company expects to recognize revenue on approximately two-thirds of the remaining performance obligations over the next 12 months, with the remainder recognized thereafter.

Disaggregated Revenue. The Company disaggregates revenue from contracts with customers by geography, as it believes it best depicts how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors.

The Company's revenue by geography is as follows:

	Three Months Ended January 31,		Nine Months Ended January 31,	
	2020	2019	2020	2019
	(in thousands)		(in thousands)	
Revenues:				
Domestic	\$ 24,902	\$ 22,368	\$ 69,076	\$ 66,825
International	5,698	4,635	17,117	15,610
	<u>\$ 30,600</u>	<u>\$ 27,003</u>	<u>\$ 86,193</u>	<u>\$ 82,435</u>

Contract Costs. The Company capitalizes the incremental costs of obtaining a contract with a customer if the Company expects to recover those costs. The incremental costs of obtaining a contract are those that the Company incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained (for example, a sales commission). The Company capitalizes the costs incurred to fulfill a contract only if those costs meet all of the following criteria:

- The costs relate directly to a contract or to an anticipated contract that the Company can specifically identify.
- The costs generate or enhance resources of the Company that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.
- The costs are expected to be recovered.

Certain sales commissions incurred by the Company were determined to be incremental costs to obtain the related contracts, which are deferred and amortized ratably over the economic benefit period. These deferred commission costs are classified as current or non-current based on the timing of when the Company expects to recognize the expense. The current and non-current portions of deferred commissions are included in prepaid expenses and deferred sales commissions—noncurrent, respectively, in the Company's Condensed Consolidated Balance Sheets. Total deferred commissions at January 31, 2020 and April 30, 2019 were \$3.5 million and \$2.3 million, respectively. Amortization of sales commissions was \$0.6 million and \$1.4 million for the three and nine months ended January 31, 2020, respectively, which is included in "Sales and marketing" expense in the accompanying Condensed Consolidated Statements of Operations. No impairment losses were recognized during the periods.

C. Leases

The Company's operating leases are primarily related to facility leases for administration and sales. The operating leases have terms ranging from three to five years. While each of the leases includes renewal options, the Company has only included the base lease term in its calculation of lease assets and liabilities. The Company does not have any finance leases.

Balance sheet information related to operating leases is as follows (in thousands):

	January 31, 2020
Assets	
Right of use assets	\$ 2,228
Liabilities	
Current lease liabilities	770
Long-term lease liabilities	1,596
Total liabilities	<u>\$ 2,366</u>

Lease cost information related to operating leases is as follows (in thousands):

	Three Months Ended January 31, 2020
Lease cost	
Operating lease cost	\$ 193
Short-term lease cost	145
Variable lease cost	65
Total lease cost	<u>\$ 403</u>

	Nine Months Ended January 31, 2020
Lease cost	
Operating lease cost	581
Short-term lease cost	439
Variable lease cost	176
Total lease cost	<u>\$ 1,196</u>

Lease costs are primarily included in "Sales and marketing" and "General and administrative" expenses in the Company's Condensed Consolidated Statements of Operations.

The impact of the Company's leases on Condensed Consolidated Statement of Cash Flows is presented in the operating activities section, which mainly consisted of cash paid for operating lease liabilities of approximately \$0.9 million during the nine months ended January 31, 2020. The Company did not modify any existing leases or execute any new leases during the three and nine months ended January 31, 2020.

Weighted average information associated with the measurement of the Company's remaining operating lease obligations is as follows:

	January 31, 2020
Weighted average remaining lease term	3.5 years
Weighted average discount rate	3.5%

The following table summarizes the maturity of the Company's operating lease liabilities as of January 31, 2020 (in thousands):

FY2020	\$ 198
FY2021	775
FY2022	702
FY2023	470
FY2024	346
Thereafter	20
Total operating lease payments	<u>\$ 2,511</u>
Less imputed interest	<u>(145)</u>
Total operating lease liabilities	<u><u>\$ 2,366</u></u>

Future minimum lease payments under noncancelable operating leases (due to existence of renewal or escalation clauses) with initial or remaining lease terms in excess of one year as of April 30, 2019 are as follows (in thousands):

Years ended April 30:	
2020	\$ 847
2021	790
2022	706
2023	433
2024	317
Thereafter	17
	<u><u>\$ 3,110</u></u>

The Company leases to other tenants a portion of its headquarters building that it owns in Atlanta, Georgia. The leases expire at various dates through March 2022. Lease income is included in "Other, net" in the Company's Condensed Consolidated Statements of Operations and totaled approximately \$70,000 and \$0.2 million for the three and nine months ended January 31, 2020. Lease payments to be received as of January 31, 2020 are as follows (in thousands):

FY2020	\$ 43
FY2021	105
FY2022	55
FY2023	—
FY2024	—
Thereafter	—
Total	<u><u>\$ 203</u></u>

Future minimum lease rentals receivable under noncancelable operating leases (with initial or remaining lease terms in excess of one year) as of April 30, 2019 are as follows (already included or prorated at the Company's occupied building) (in thousands):

Years ended April 30:	
2020	\$ 194
2021	105
2022	55
2023	—
2024	—
Thereafter	—
	<u><u>\$ 354</u></u>

D. Declaration of Dividend Payable

On November 12, 2019, our Board of Directors declared a quarterly cash dividend of \$0.11 per share of our Class A and Class B common stock. The cash dividend is payable on February 21, 2020 to Class A and Class B shareholders of record at the close of business on February 7, 2020.

E. Earnings Per Common Share

The Company has two classes of common stock. Class B common shares are convertible into Class A common shares at any time, on a one-for-one basis. Under the Company's Articles of Incorporation, if dividends are declared, holders of Class A common shares shall receive a \$0.05 dividend per share prior to the Class B common shares receiving any dividend and holders of Class A common shares shall receive a dividend at least equal to Class B common shares dividends on a per share basis. As a result, the Company has computed the earnings per share in compliance with the Earnings Per Share Topic of the FASB ASC, which requires companies that have multiple classes of equity securities to use the "two-class" method in computing earnings per share.

For the Company's basic earnings per share calculation, the Company uses the "two-class" method. Basic earnings per share are calculated by dividing net earnings attributable to each class of common stock by the weighted average number of shares outstanding. All undistributed earnings are allocated evenly between Class A and B common shares in the earnings per share calculation to the extent that earnings equal or exceed \$0.05 per share. This allocation is based on management's judgment after considering the dividend rights of the two-classes of common stock, the control of the Class B shareholders and the convertibility rights of the Class B shares to Class A shares. If Class B shares convert to Class A shares during the period, the distributed net earnings for Class B shares is calculated using the weighted average common shares outstanding during the period.

Diluted earnings per share is calculated similarly to basic earnings per share, except that the calculation includes the dilutive effect of the assumed exercise of options issuable under the Company's stock incentive plans. For the Company's diluted earnings per share calculation for Class A shares, the Company uses the "if-converted" method. This calculation assumes that all Class B common shares are converted into Class A common shares and, as a result, assumes there are no holders of Class B common shares to participate in undistributed earnings.

For the Company's diluted earnings per share calculation for Class B shares, the Company uses the "two-class" method. This calculation does not assume that all Class B common shares are converted into Class A common shares. In addition, this method assumes the dilutive effect of Class A stock options were converted to Class A shares and the undistributed earnings are allocated evenly to both Class A and B shares including Class A shares issued pursuant to those converted stock options. This allocation is based on management's judgment after considering the dividend rights of the two-classes of common stock, the control of the Class B shareholders and the convertibility rights of the Class B shares into Class A shares.

The following tables set forth the computation of basic earnings per common share and diluted earnings per common share (in thousands except for per share amounts):

Basic earnings per common share:

	Three Months Ended January 31, 2020		Nine Months Ended January 31, 2020	
	Class A Common Shares	Class B Common Shares	Class A Common Shares	Class B Common Shares
Distributed earnings	\$ 0.11	\$ 0.11	\$ 0.33	\$ 0.33
Undistributed losses	(0.01)	(0.01)	(0.13)	(0.13)
Total	\$ 0.10	\$ 0.10	\$ 0.20	\$ 0.20
Distributed earnings	\$ 3,321	\$ 201	\$ 9,873	\$ 604
Undistributed losses	(223)	(13)	(4,033)	(247)
Total	\$ 3,098	\$ 188	\$ 5,840	\$ 357
Basic weighted average common shares outstanding	30,133	1,822	29,789	1,822

	Three Months Ended January 31, 2019		Nine Months Ended January 31, 2019	
	Class A Common Shares	Class B Common Shares	Class A Common Shares	Class B Common Shares
Distributed earnings	\$ 0.11	\$ 0.11	\$ 0.33	\$ 0.33
Undistributed losses	(0.04)	(0.04)	(0.17)	(0.17)
Total	\$ 0.07	\$ 0.07	\$ 0.16	\$ 0.16
Distributed earnings	\$ 3,213	\$ 204	\$ 9,609	\$ 613
Undistributed losses	(1,047)	(69)	(4,974)	(319)
Total	\$ 2,166	\$ 135	\$ 4,635	\$ 294
Basic weighted average common shares outstanding	29,188	1,822	29,036	1,851

Diluted EPS for Class A Common Shares Using the If-Converted Method

Three Months Ended January 31, 2020

	Undistributed & Distributed Earnings to Class A Common Shares	Class A Common Shares	EPS*
Per Basic	\$ 3,098	30,133	\$ 0.10
Common Stock Equivalents	—	713	—
	3,098	30,846	0.10
Class B Common Share Conversion	188	1,822	—
Diluted EPS for Class A Common Shares	\$ 3,286	32,668	\$ 0.10

Nine Months Ended January 31, 2020

	Undistributed & Distributed Earnings to Class A Common Shares	Class A Common Shares	EPS*
Per Basic	\$ 5,840	29,789	\$ 0.20
Common Stock Equivalents	—	649	—
	5,840	30,438	0.19
Class B Common Share Conversion	357	1,822	—
Diluted EPS for Class A Common Shares	\$ 6,197	32,260	\$ 0.19

Three Months Ended January 31, 2019

	Undistributed & Distributed Earnings to Class A Common Shares	Class A Common Shares	EPS*
Per Basic	\$ 2,166	29,188	\$ 0.07
Common Stock Equivalents	—	173	—
	2,166	29,361	0.07
Class B Common Share Conversion	135	1,822	—
Diluted EPS for Class A Common Shares	\$ 2,301	31,183	\$ 0.07

Nine Months Ended January 31, 2019

	Undistributed & Distributed Earnings to Class A Common Shares	Class A Common Shares	EPS*
Per Basic	\$ 4,635	29,036	\$ 0.16
Common Stock Equivalents	—	464	—
	<u>4,635</u>	<u>29,500</u>	<u>0.16</u>
Class B Common Share Conversion	294	1,851	—
Diluted EPS for Class A Common Shares	<u>\$ 4,929</u>	<u>31,351</u>	<u>\$ 0.16</u>

Diluted EPS for Class B Common Shares Using the Two-Class Method**Three Months Ended January 31, 2020**

	Undistributed & Distributed Earnings to Class B Common Shares	Class B Common Shares	EPS*
Per Basic	\$ 188	1,822	\$ 0.10
Reallocation of undistributed earnings/losses from Class A Common Shares to Class B Common Shares	—	—	—
Diluted EPS for Class B Common Shares	<u>\$ 188</u>	<u>1,822</u>	<u>\$ 0.10</u>

Nine Months Ended January 31, 2020

	Undistributed & Distributed Earnings to Class B Common Shares	Class B Common Shares	EPS*
Per Basic	\$ 357	1,822	\$ 0.20
Reallocation of undistributed earnings/losses from Class A Common Shares to Class B Common Shares	5	—	—
Diluted EPS for Class B Common Shares	<u>\$ 362</u>	<u>1,822</u>	<u>\$ 0.20</u>

Three Months Ended January 31, 2019

	Undistributed & Distributed Earnings to Class B Common Shares	Class B Common Shares	EPS*
Per Basic	\$ 135	1,822	\$ 0.07
Reallocation of undistributed earnings/losses from Class A Common Shares to Class B Common Shares	1	—	—
Diluted EPS for Class B Common Shares	<u>\$ 136</u>	<u>1,822</u>	<u>\$ 0.07</u>

Nine Months Ended January 31, 2019

	Undistributed & Distributed Earnings to Class B Common Shares	Class B Common Shares	EPS*
Per Basic	\$ 294	1,851	\$ 0.16
Reallocation of undistributed earnings/losses from Class A Common Shares to Class B Common Shares	1	—	—
Diluted EPS for Class B Common Shares	<u>\$ 295</u>	<u>1,851</u>	<u>\$ 0.16</u>

*Amounts adjusted for rounding

For the three and nine months ended January 31, 2020, we excluded options to purchase 26,000 and 278,116 Class A Common Shares, respectively, and for the three and nine months ended January 31, 2019, we excluded options to purchase 2,416,421 and 464,475 Class A Common Shares, respectively, from the computation of diluted earnings per Class A Common Shares. We excluded these option share amounts because the exercise prices of those options were greater than the average market price of the Class A Common Shares during the applicable period. As of January 31, 2020, we had a total of 3,998,128 options outstanding and as of January 31, 2019, we had a total of 4,017,123 options outstanding.

F. Stock-Based Compensation

During the nine months ended January 31, 2020 and 2019, we granted options for 1,093,000 and 1,201,000 shares of Class A common stock, respectively. The fair value of each option award is estimated on the date of grant using the Black-Scholes option pricing model. The forfeiture rates are estimated using historical data. We recorded stock option compensation cost of approximately \$0.6 million and \$0.5 million and income tax benefits of approximately \$141,000 and \$26,000 from option exercises during the three months ended January 31, 2020 and 2019, respectively. We recorded stock option compensation cost of approximately \$1.5 million and \$1.3 million and income tax benefits of approximately \$614,000 and \$260,000 from option exercises during the nine months ended January 31, 2020 and 2019, respectively. We record stock-based compensation expense on a straight-line basis over the vesting period directly to additional paid-in capital.

During the nine months ended January 31, 2020 and 2019, we issued 802,444 and 456,113 shares of Class A common stock, respectively, resulting from the exercise of stock options. The total intrinsic value of options exercised during the nine months ended January 31, 2020 and 2019 based on market value at the exercise dates was approximately \$4.1 million and \$2.1 million, respectively. As of January 31, 2020, unrecognized compensation cost related to unvested stock option awards approximated \$6.1 million, which we expect to recognize over a weighted average period of 1.91 years.

G. Fair Value of Financial Instruments

We measure our investments based on a fair value hierarchy disclosure framework that prioritizes and ranks the level of market price observability used in measuring assets and liabilities at fair value. A number of factors affect market price observability, including the type of asset or liability and its characteristics. This hierarchy prioritizes the inputs into three broad levels as follows:

- Level 1—Quoted prices for identical instruments in active markets.
- Level 2—Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets.
- Level 3—Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

The following is a general description of the valuation methodologies we use for financial assets and liabilities measured at fair value, including the general classification of such assets and liabilities pursuant to the valuation hierarchy.

Cash Equivalents—Cash equivalents include investments in government obligation based money-market funds, other money market instruments and interest-bearing deposits with initial terms of three months or less. The fair value of cash equivalents approximates its carrying value due to the short-term nature of these instruments.

Marketable Securities—Marketable securities utilizing Level 1 inputs include active exchange-traded equity securities and equity index funds, and most U.S. government debt securities, as these securities all have quoted prices in active markets. Marketable securities utilizing Level 2 inputs include municipal bonds. We value these securities using market-corroborated pricing or other models that use observable inputs such as yield curves.

The following tables present our assets and liabilities that we measured at fair value on a recurring basis as of January 31, 2020 and April 30, 2019, and indicate the fair value hierarchy of the valuation techniques we used to determine such fair value (in thousands):

	January 31, 2020			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance
Cash equivalents	\$ 64,363	\$ —	\$ —	\$ 64,363
Marketable securities	13,339	14,139	—	27,478
Total	<u>\$ 77,702</u>	<u>\$ 14,139</u>	<u>\$ —</u>	<u>\$ 91,841</u>

	April 30, 2019			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance
Cash equivalents	\$ 56,645	\$ —	\$ —	\$ 56,645
Marketable securities	11,002	16,192	—	27,194
Total	<u>\$ 67,647</u>	<u>\$ 16,192</u>	<u>\$ —</u>	<u>\$ 83,839</u>

H. Stock Repurchases

On August 19, 2002, our Board of Directors authorized the repurchase of up to an additional 2.0 million shares of our Class A common stock. We have made and will make these repurchases through open market purchases at prevailing market prices. The timing of any repurchase will depend upon market conditions, the market price of our Class A common stock and management's assessment of our liquidity and cash flow needs. Under this repurchase plan, we have repurchased 1,053,679 shares of Class A common stock at a cost of approximately \$6.2 million, which had no impact on fiscal 2020. As of January 31, 2020, under all repurchase plans previously authorized, including this most recent plan, we have repurchased a total of 4,588,632 shares of common stock at a cost of approximately \$25.6 million.

I. Comprehensive Income

We have not included condensed consolidated statements of comprehensive income in the accompanying unaudited Condensed Consolidated Financial Statements since comprehensive income and net earnings presented in the accompanying Condensed Consolidated Statements of Operations would be substantially the same.

J. Industry Segments

FASB ASC 280, *Segment Reporting*, establishes standards for reporting information about operating segments. Operating segments are defined as components of a public entity about which separate financial information is available that is evaluated regularly by the chief operating decision makers ("CODMs"), or decision making group, in deciding how to allocate resources and in assessing performance. Our CODMs are our Principal Executive Officer and our President. While our CODMs are apprised of a variety of financial metrics and information, we manage our business primarily on a segment basis, with the CODMs evaluating performance based upon segment operating profit or loss, with certain corporate and other common expenses included in the Other segment. Our CODMs review the operating results of our three segments, assess performance and allocate resources in a manner that is consistent with the changing market dynamics that we have experienced. We recently updated our operating segments to reflect the fact that we provide our software solutions through three major operating segments, which are further broken down

into a total of six major product and service groups. The three operating segments are (1) Supply Chain Management (“SCM”), (2) Information Technology (“IT”) Consulting and (3) Other.

Our primary operating units under our SCM segment include Logility, Inc., New Generation Computing, Inc. (“NGC”), Demand Management, Inc. (“DMI”), and Halo Business Intelligence (“Halo”). Logility and NGC are wholly-owned subsidiaries of American Software; DMI is a wholly-owned subsidiary of Logility; and Halo is a division of Logility. In addition to our core SCM software business, we also offer technology staffing and consulting services through our wholly-owned subsidiary, The Proven Method, Inc., in the IT Consulting segment. The Other segment consists of software and services provided to our legacy enterprise resource planning (“ERP”) customers, as well as corporate overhead and other common expenses.

All of our revenues are derived from external customers. We do not have any intersegment revenue. Our income taxes and dividends are paid at a consolidated level. Consequently, it is not practical to show these items by operating segment.

In the following table, we have broken down the intersegment transactions applicable to the three and nine months ended January 31, 2020 and 2019 (in thousands):

	Three Months Ended January 31,		Nine Months Ended January 31,	
	2020	2019	2020	2019
Revenues:				
Supply Chain Management	\$ 25,578	\$ 21,494	\$ 71,411	\$ 65,066
IT Consulting	4,475	4,938	13,011	15,517
Other	547	571	1,771	1,852
	<u>\$ 30,600</u>	<u>\$ 27,003</u>	<u>\$ 86,193</u>	<u>\$ 82,435</u>
Operating income (loss):				
Supply Chain Management	\$ 6,693	\$ 4,981	\$ 14,904	\$ 12,021
IT Consulting	43	244	210	999
Other	(3,917)	(3,095)	(10,655)	(8,757)
	<u>\$ 2,819</u>	<u>\$ 2,130</u>	<u>\$ 4,459</u>	<u>\$ 4,263</u>
Capital expenditures:				
Supply Chain Management	\$ 43	\$ 21	\$ 117	\$ 145
IT Consulting	—	—	—	1
Other	58	99	222	868
	<u>\$ 101</u>	<u>\$ 120</u>	<u>\$ 339</u>	<u>\$ 1,014</u>
Capitalized software:				
Supply Chain Management	\$ 807	\$ 2,073	\$ 2,697	\$ 4,162
IT Consulting	—	—	—	—
Other	—	—	—	—
	<u>\$ 807</u>	<u>\$ 2,073</u>	<u>\$ 2,697</u>	<u>\$ 4,162</u>
Depreciation and amortization:				
Supply Chain Management	\$ 1,785	\$ 1,862	\$ 6,026	\$ 5,416
IT Consulting	2	2	4	6
Other	95	96	280	249
	<u>\$ 1,882</u>	<u>\$ 1,960</u>	<u>\$ 6,310</u>	<u>\$ 5,671</u>
Earnings (loss) before income taxes:				
Supply Chain Management	\$ 6,743	\$ 5,190	\$ 15,259	\$ 12,248
IT Consulting	43	244	209	999
Other	(2,989)	(2,777)	(8,794)	(7,894)
	<u>\$ 3,797</u>	<u>\$ 2,657</u>	<u>\$ 6,674</u>	<u>\$ 5,353</u>

K. Major Customers

No single customer accounted for more than 10% of total revenues for the three and nine months ended January 31, 2020 and 2019.

L. Contingencies

We generally indemnify our customers against damages and costs resulting from third-party claims of patent, copyright or trademark infringement associated with use of our products. Historically, we have not been required to make any payments under such indemnifications. However, we continue to monitor the conditions that are subject to indemnification to identify whether it is probable that a loss has occurred, and would recognize any such losses when those losses are estimable. In addition, we warrant to our customers that our software products operate substantially in accordance with their specifications. Historically, we have incurred no costs related to software product warranties and we do not expect to incur such costs in the future, and as such we have made no accruals for software product warranty costs. Additionally, we are involved in various claims arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on our financial position or results of operations.

M. Subsequent Event

On February 12, 2020, our Board of Directors declared a quarterly cash dividend of \$0.11 per share of our Class A and Class B common stock. The cash dividend is payable on May 22, 2020 to Class A and Class B shareholders of record at the close of business on May 8, 2020.

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations**FORWARD-LOOKING STATEMENTS**

This quarterly report on Form 10-Q (this “Quarterly Report”) contains forward-looking statements relating to our future financial performance, business strategy, financing plans and other future events that involve uncertainties and risks. You can identify these statements by forward-looking words such as “anticipate,” “intend,” “plan,” “continue,” “could,” “grow,” “may,” “potential,” “predict,” “strive” “will,” “seek,” “estimate,” “believe,” “expect,” and similar expressions that convey uncertainty of future events or outcomes. Any forward-looking statements we make herein are pursuant to the safe harbor provision of the Private Securities Litigation Reform Act of 1995. Forward-looking statements include statements concerning future:

- results of operations;
- liquidity, cash flow and capital expenditures;
- demand for and pricing of our products and services;
- cloud services annual contract value (“ACV”);
- viability and effectiveness of strategic alliances;
- industry conditions and market conditions;
- acquisition activities and the effect of completed acquisitions; and
- general economic conditions.

Although we believe that the goals, plans, expectations, and prospects that our forward-looking statements reflect are reasonable in view of the information currently available to us, those statements are not guarantees of performance. There are many factors that could cause our actual results to differ materially from those anticipated by forward-looking statements made herein. These factors include, but are not limited to, continuing U.S. and global economic uncertainty, the timing and degree of business recovery, unpredictability and the irregular pattern of future revenues, dependence on particular market segments or customers, competitive pressures, delays, product liability and warranty claims and other risks associated with new product development, undetected software errors, market acceptance of our products, technological complexity, the challenges and risks associated with integration of acquired product lines, companies and services, as well as a number of other risk factors that could affect our future performance. All forward-looking statements included in this Quarterly Report are based upon information available to us as of the filing date of this Quarterly Report. We undertake no obligation to update any of these forward-looking statements for any reason. These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance, or achievements to differ materially from those expressed or implied by these statements. We discuss certain factors in greater detail in “Business Overview” below.

ECONOMIC OVERVIEW

Corporate capital spending trends and commitments are the primary determinants of the size of the market for business software. Corporate capital spending is, in turn, a function of general economic conditions in the U.S. and abroad and in particular may be affected by conditions in global credit markets.

In January 2020, the International Monetary Fund (“IMF”) provided an update to the World Economic Outlook for 2020. The update noted that, *“Global growth is projected to rise from an estimated 2.9 percent in 2019 to 3.3 percent in 2020 and 3.4 percent for 2021—a downward revision of 0.1 percentage point for 2019 and 2020 and 0.2 for 2021 compared to those in the October World Economic Outlook (WEO). The downward revision primarily reflects negative surprises to economic activity in a few emerging market economies, notably India, which led to a reassessment of growth prospects over the next two years. In a few cases, this reassessment also reflects the impact of increased social unrest.”*

For fiscal 2021, we expect the global economy to improve modestly when compared to recent periods. We believe information technology spending will incrementally improve over the long term as increased global competition forces companies to improve productivity by upgrading their technology systems, which could result in an improved selling environment. Although this improvement could slow or regress at any time, due in part to concerns related to the spread of the global virus and trade conflicts on global capital markets and general economic conditions, we believe that our organizational and financial structure will enable us to take advantage of any sustained economic rebound. While we do not expect that the virus will have a material adverse effect on our business or financial results at this time, we are unable to accurately predict the impact that the coronavirus will have due to various uncertainties, including the ultimate geographic spread of the virus, the severity of the disease, the duration of the

outbreak, and actions that may be taken by governmental authorities. Customers continue to take long periods to evaluate discretionary software purchases.

We believe improved economic conditions and increasingly complex supply chain challenges may be driving some businesses to focus on achieving more process and efficiency enhancements in their operations and to invest in solutions that improve operating margins, rather than make large infrastructure-type technology purchases. If this trend continues, we believe it may tend to favor solutions such as our supply chain solutions, which are designed to provide a more rapid return on investment and are targeted at some of the largest profit drivers in a customer's business.

BUSINESS OVERVIEW

American Software was incorporated as a Georgia corporation in 1970. We develop, market and support a portfolio of software and services that deliver enterprise management and collaborative supply chain solutions to the global marketplace. We have designed our software and services to bring business value to enterprises by supporting their operations over intranets, extranets, client/servers or the Internet. References to "the Company," "our products," "our software," "our services" and similar references include the appropriate business segment actually providing the product or service.

The Company enables enterprises to accelerate their operations from product concept to customer availability. Our four brands - Logility, Demand Solutions, Halo and NGC Software - provide a single platform spanning eight supply chain process areas, including demand optimization, inventory optimization, supply optimization, retail optimization, quality and compliance, product lifecycle management, sourcing management and integrated business planning. Our platform includes advanced analytics and is fueled by supply chain master data, allowing for the automation of critical business processes through the application of artificial intelligence and machine learning algorithms to a variety of internal and external data streams.

Our primary operating units under our SCM segment include Logility, Inc., New Generation Computing, Inc. ("NGC"), Demand Management, Inc. ("DMI"), and Halo Business Intelligence ("Halo"). Logility and NGC are wholly-owned subsidiaries of American Software; DMI is a wholly-owned subsidiary of Logility; and Halo is a division of Logility. In addition to our core SCM software business, we also offer technology staffing and consulting services through our wholly-owned subsidiary, The Proven Method, Inc., in the IT Consulting segment. The Other segment consists of software and services provided to our legacy enterprise resource planning ("ERP") customers, as well as corporate overhead and other common expenses.

We derive revenues primarily from four sources: software licenses, subscriptions, professional services and other, and maintenance. We generally determine software license and SaaS fees based on the depth of functionality, contractual term, number of production deployments, users and/or sites licensed and/or subscribed. Professional services and other revenues consist primarily of fees from software implementation, training, and consulting services. We bill primarily under time and materials arrangements and recognize revenues as we perform services. SaaS and maintenance agreements typically are for a one- to three-year term, commencing at the time of the initial contract. We generally bill these fees, monthly, quarterly and annually in advance under agreements with terms of one to three years, and then recognize the resulting revenues ratably over the term of the agreement. Deferred revenue represents payments or billings for subscriptions and services and maintenance in advance of the time we recognize the related revenues.

Our cost of revenue for licenses and subscriptions includes amortization of capitalized computer software development costs, amortization of acquired developed technology, royalties paid to third-party software vendors, and agent commission expenses related to revenues generated by the indirect channel, primarily from DMI. Costs for maintenance and services include the cost of personnel to conduct implementations and customer support, consulting, other personnel-related expenses, and agent commission expenses related to maintenance revenues generated by the indirect channel, primarily from DMI. We account for the development costs of software intended for sale in accordance with the Software topic of the FASB ASC. We monitor the net realizable value of our capitalized software on a quarterly basis based on an estimate of future product revenues. We currently expect to fully recover the value of the capitalized software asset recorded on our Condensed Consolidated Balance Sheets; however, if future product revenues are less than management's current expectations, we may incur a write-down of capitalized software costs.

Our selling expenses mainly include the salary and commissions paid to our sales professionals, along with marketing, promotional, travel and associated costs. Our general and administrative expenses mainly include the salary and benefits paid to executive, corporate and support personnel, as well as facilities-related costs, utilities, communications expenses, and various professional fees.

We currently view the following factors as the primary opportunities and risks associated with our business:

- Acquisition Opportunities. There are opportunities for selective acquisitions or investments to expand our sales distribution channels and/or broaden our product offering by providing additional solutions for our target markets.

- Dependence on Capital Spending Patterns. There is risk associated with our dependence on the capital spending patterns of U.S. and international businesses, which in turn are functions of economic trends and conditions over which we have no control.
- Acquisition Risks. There are risks associated with acquisitions of complementary companies, products and technologies, including the risks that we will not achieve the financial and strategic goals that we contemplate at the time of the transaction. More specifically, in any acquisition we will face risks and challenges associated with the uncertain value of the acquired business or assets, the difficulty of assimilating operations and personnel, integrating acquired technologies and products and maintaining the loyalty of the customers of the acquired business.
- Competitive Technologies. There is a risk that our competitors may develop technologies that are substantially equivalent or superior to our technology.
- Competition in General. There are risks inherent in the market for business application software and related services, which has been and continues to be intensely competitive; for example, some of our competitors may become more aggressive with their prices and/or payment terms, which may adversely affect our profit margins.

A discussion of a number of additional risk factors associated with our business is included in our Annual Report for fiscal 2019. Additional information and other factors that could affect future financial results may be included, from time to time, in our filings with the Securities and Exchange Commission (“SEC”).

Recent Accounting Pronouncements

For information with respect to recent accounting pronouncements, if any, and the impact of these pronouncements on our consolidated financial statements, if any, see Note A in the Notes to Condensed Consolidated Financial Statements included elsewhere in this Quarterly Report.

COMPARISON OF RESULTS OF OPERATIONS

Three-Month Comparisons. The following table sets forth certain revenue and expense items as a percentage of total revenues and the percentage changes in those items for the three months ended January 31, 2020 and 2019:

	Three Months Ended January 31,		
	Percentage of Total Revenues		Pct. Change in Dollars
	2020	2019	2020 vs. 2019
Revenues:			
Subscription fees	19%	14%	57 %
License	12%	6%	115 %
Professional services and other	34%	38%	1 %
Maintenance	35%	42%	(5)%
Total revenues	<u>100%</u>	<u>100%</u>	13 %
Cost of revenues:			
Subscription fees	6%	5%	42 %
License	5%	7%	(14)%
Professional services and other	25%	29%	1 %
Maintenance	6%	8%	(10)%
Total cost of revenues	<u>42%</u>	<u>49%</u>	1 %
Gross margin	<u>58%</u>	<u>51%</u>	24 %
Research and development	13%	10%	37 %
Sales and marketing	18%	17%	17 %
General and administrative	17%	16%	21 %
Amortization of acquisition-related intangibles	—%	—%	(41)%
Total operating expenses	<u>48%</u>	<u>43%</u>	23 %
Operating income	<u>10%</u>	<u>8%</u>	32 %
Other income:			
Interest income	1%	2%	(31)%
Other, net	2%	—%	nm
Earnings before income taxes	<u>13%</u>	<u>10%</u>	43 %
Income tax expense	2%	1%	44 %
Net earnings	<u>11%</u>	<u>9%</u>	43 %

nm - not meaningful

Nine-Month Comparisons. The following table sets forth certain revenue and expense items as a percentage of total revenues and the percentage changes in those items for the nine months ended January 31, 2020 and 2019:

	Nine Months Ended January 31,		
	Percentage of Total Revenues		Pct. Change in Dollars
	2020	2019	2020 vs. 2019
Revenues:			
Subscription fees	18%	12 %	54 %
License	8%	7 %	20 %
Professional services and other	36%	39 %	(3)%
Maintenance	38%	42 %	(6)%
Total revenues	<u>100%</u>	<u>100 %</u>	5 %
Cost of revenues:			
Subscription fees	8%	5 %	79 %
License	5%	6 %	(25)%
Professional services and other	26%	30 %	(7)%
Maintenance	6%	8 %	(14)%
Total cost of revenues	<u>45%</u>	<u>49 %</u>	(3)%
Gross margin	<u>55%</u>	<u>51 %</u>	11 %
Research and development	13%	12 %	16 %
Sales and marketing	18%	18 %	7 %
General and administrative	17%	16 %	16 %
Amortization of acquisition-related intangibles	—%	— %	(20)%
Total operating expenses	<u>49%</u>	<u>46 %</u>	12 %
Operating income	<u>6%</u>	<u>5 %</u>	5 %
Other income:			
Interest income	1%	2 %	(20)%
Other, net	1%	(1)%	nm
Earnings before income taxes	<u>9%</u>	<u>6 %</u>	25 %
Income tax expense	1%	1 %	13 %
Net earnings	<u>8%</u>	<u>5 %</u>	26 %

nm - not meaningful

COMPARISON OF RESULTS OF OPERATIONS FOR THE THREE AND NINE MONTHS ENDED JANUARY 31, 2020 AND 2019

REVENUES

	Three Months Ended January 31,				
	2020	2019	% Change	% of Total Revenue	
				2020	2019
	(in thousands)				
Subscription fees	\$ 5,802	\$ 3,687	57 %	19%	14%
License	\$ 3,695	1,718	115 %	12%	6%
Professional services and other	10,308	10,176	1 %	34%	38%
Maintenance	10,795	11,422	(5)%	35%	42%
Total revenues	<u>\$ 30,600</u>	<u>\$ 27,003</u>	13 %	<u>100%</u>	<u>100%</u>

Nine Months Ended January 31,

				% of Total Revenue	
	2020	2019	% Change	2020	2019
	(in thousands)				
Subscription fees	\$ 15,752	\$ 10,196	54 %	18%	12%
License	6,519	5,432	20 %	8%	7%
Professional services and other	31,271	32,240	(3)%	36%	39%
Maintenance	32,651	34,567	(6)%	38%	42%
Total revenues	\$ 86,193	\$ 82,435	5 %	100%	100%

For the three months ended January 31, 2020 compared to January 31, 2019 revenues increased attributable primarily to a 115% increase in license revenues, a 57% increase in subscription fees and a 1% increase in professional fees and other revenues that were partially offset by a 5% decrease in maintenance revenues when compared to the same period last year.

For the nine months ended January 31, 2020 compared to January 31, 2019 revenues increased attributable primarily to a 54% increase in subscription fees and a 20% increase in license revenues that were partially offset by a 6% decrease in maintenance revenues and a 3% decrease in professional fees and other revenues when compared to the same period last year.

Due to intense competition in our industry, we sometimes discount license fees from our published list price. Numerous factors contribute to the amount of the discount provided, such as previous customer purchases, the number of customer sites utilizing the software, the number of modules purchased and the number of users, as well as the overall size of the contract. While all these factors may affect the discount amount of a particular contract, the overall percentage discount has not materially changed in the recent reported fiscal periods.

The change in our revenues from period to period is primarily due to the volume of products and related services sold in any period and the number of products or modules purchased with each sale.

International revenues represented approximately 19% and 20% of total revenues in the three and nine months ended January 31, 2020, respectively, compared to 17% and 19% for the same periods in the prior year. Our revenues, particularly our international revenues, may fluctuate substantially from period to period, primarily because we derive most of our license and subscription fee revenues from a relatively small number of customers in a given period.

Subscription Fees

Three Months Ended January 31,

			% Change
	2020	2019	
	(in thousands)		
Supply Chain Management	\$ 5,802	\$ 3,687	57%
Total subscription fees revenues	\$ 5,802	\$ 3,687	57%

Nine Months Ended January 31,

			% Change
	2020	2019	
	(in thousands)		
Supply Chain Management	\$ 15,752	\$ 10,196	54%
Total subscription fees revenues	\$ 15,752	\$ 10,196	54%

For the three and nine months ended January 31, 2020, subscription fees revenues increased by 57% and 54%, respectively, primarily due to an increase in the number of contracts, contracts with a higher cloud services ACV, as well as an increase in multi-year contracts. This is evidence of our successful transition to the cloud subscription model.

For the nine months ended January 31, 2020, cloud services ACV increased approximately 58% to \$25.5 million compared to \$16.1 million in the same period of the prior year due to increased sales of our products on our cloud services platform that require revenue to be deferred over the life of the contracted period, which is typically one to five years. ACV is a forward-looking operating measure used by management to better understand cloud services (SaaS and other related cloud services) revenue trends within our business, as it reflects our current estimate of revenue to be generated under existing client contracts in the forward 12-month period.

License Revenues

	Three Months Ended January 31,		
	2020	2019	% Change
	(in thousands)		
Supply Chain Management	\$ 3,665	\$ 1,683	118 %
Other	30	35	(14)%
Total license revenues	<u>\$ 3,695</u>	<u>\$ 1,718</u>	115 %

	Nine Months Ended January 31,		
	2020	2019	% Change
	(in thousands)		
Supply Chain Management	\$ 6,389	\$ 5,298	21 %
Other	130	134	(3)%
Total license revenues	<u>\$ 6,519</u>	<u>\$ 5,432</u>	20 %

For the three and nine months ended January 31, 2020, license fee revenues increased 115% and 20%, respectively, when compared to the same period in the prior year. In the three and nine months ended January 31, 2020, license fee revenues from our SCM segment increased 118% and 21%, respectively, when compared to the corresponding periods in the prior year. The increase is associated with new customers choosing to deploy our software on-premise this quarter for a total of \$1.3 million in license fees. The majority of our current license fee revenue is generated from additional users and expanded scope from our existing customers. For the three months ended January 31, 2020 and 2019, our SCM segment constituted approximately 99% and 98% of total license fee revenues, respectively. For the nine months ended January 31, 2020 and 2019, our SCM segment constituted approximately 98% of total license fee revenues for both periods. Our Other segment license fee revenues decreased by 14% and 3%, respectively, for the three and nine months ended January 31, 2020 when compared to the same period in the prior year primarily due to timing of sales to our existing ERP customers.

The direct sales channel provided approximately 89% and 91% of license fee revenues for the three and nine months ended January 31, 2020, compared to approximately 79% and 87% in the comparable periods last year. The increase in the percentage of sales by our direct sales channel for the nine month period was due to our indirect channel selling proportionately more SaaS than license contracts compared to our direct channel. For the three and nine months ended January 31, 2020, our margins after commissions on direct sales were approximately 90% for both periods, compared to 95% and 90%, respectively, in the comparable periods last year. The decrease in margins is due to the mix of sales commission rates based on each individual salesperson's quotas and related achievement. For the three months ended January 31, 2020 and 2019, our margins after commissions on indirect sales were approximately 49% and 52%, respectively. For the nine months ended January 31, 2020 and 2019, our margins after commissions on indirect sales were approximately 52% and 54%, respectively. The indirect channel margins for the fiscal year decreased compared to the same periods in the prior year due to the mix of value-added reseller ("VAR") commission rates. These margin calculations include only commission expense for comparative purposes and do not include other costs of license fees such as amortization of capitalized software.

Professional Services and Other Revenues

	Three Months Ended January 31,		
	2020	2019	% Change
	(in thousands)		
Supply Chain Management	\$ 5,619	\$ 5,009	12 %
IT Consulting	4,475	4,938	(9)%
Other	214	229	(7)%
Total professional services and other revenues	<u>\$ 10,308</u>	<u>\$ 10,176</u>	1 %

	Nine Months Ended January 31,		
	2020	2019	% Change
	(in thousands)		
Supply Chain Management	\$ 17,551	\$ 16,007	10 %
IT Consulting	13,011	15,517	(16)%
Other	709	716	(1)%
Total professional services and other revenues	<u>\$ 31,271</u>	<u>\$ 32,240</u>	(3)%

For the three and nine months ended January 31, 2020, professional services and other revenues remained relatively flat and decreased by 3%, respectively, due to the decreased professional services and other revenues from our Other and IT Consulting segments. This decrease was partially offset by an increase in professional services and other revenues from our SCM segment. For the three and nine months ended January 31, 2020, our Other segment's revenues decreased 7% and 1%, respectively when compared to the same periods last year. For the three and nine months ended January 31, 2020, our IT Consulting segment's revenues decreased 9% and 16%, respectively, when compared to the same periods in the prior year due to a decrease in project work from existing customers. For the three and nine months ended January 31, 2020, our SCM segment's revenues increased 12% and 10%, respectively, primarily due to a ramp up of implementation project work due to increased subscription and license fee sales in recent periods. We have observed that there is a tendency for services and other revenues, other than from IT Consulting, to lag changes in license and subscription revenues by one to three quarters, as new licenses and subscriptions in one quarter often involve implementation and consulting services in subsequent quarters, for which we recognize revenues only as we perform those services.

Maintenance Revenues

	Three Months Ended January 31,		
	2020	2019	% Change
	(in thousands)		
Supply Chain Management	\$ 10,492	\$ 11,115	(6)%
Other	303	307	(1)%
Total maintenance revenues	<u>\$ 10,795</u>	<u>\$ 11,422</u>	(5)%

	Nine Months Ended January 31,		
	2020	2019	% Change
	(in thousands)		
Supply Chain Management	\$ 31,720	\$ 33,565	(5)%
Other	931	1,002	(7)%
Total maintenance revenues	<u>\$ 32,651</u>	<u>\$ 34,567</u>	(6)%

For the three and nine months ended January 31, 2020, maintenance revenues decreased 5% and 6%, respectively when compared to the same periods in the prior year. Our SCM maintenance revenue decreased 6% and 5% for the three and nine months ended January 31, 2020, respectively, when compared to the same periods last year due to normal customer attrition. The SCM segment accounted for 97% of total maintenance revenues for the three and nine months ended January 31, 2020 and for the same periods in the prior year. Typically, our maintenance revenues have had a direct relationship to current and historic license fee revenues, since licenses are the source of maintenance customers.

GROSS MARGIN

The following table provides both dollar amounts (in thousands) and percentage measures of gross margin:

	Three Months Ended January 31,				Nine Months Ended January 31,			
	2020	%	2019	%	2020	%	2019	%
Gross margin on subscription fees	\$ 3,826	66%	\$ 2,298	62 %	\$ 9,041	57%	\$ 6,450	63%
Gross margin on license fees	2,113	57%	(113)	(7)%	2,550	39%	127	2%
Gross margin on professional services and other	2,544	25%	2,462	24 %	8,559	27%	7,756	24%
Gross margin on maintenance	8,959	83%	9,392	82 %	27,100	83%	28,125	81%
Total gross margin	<u>\$ 17,442</u>	58%	<u>\$ 14,039</u>	51 %	<u>\$ 47,250</u>	55%	<u>\$ 42,458</u>	51%

For the three months ended January 31, 2020, our total gross margin percentages increased when compared to the same period in the prior year primarily due to our higher margins on maintenance revenue, subscription fees, license fee revenue and professional services and other revenue. For the nine months ended January 31, 2020, our total gross margin percentages increased when compared to the same period in the prior year primarily due to our higher margins on maintenance revenue, higher margins on license fee revenue and higher margins on professional services and other revenue, partially offset by lower margins on subscription fees.

Gross Margin on Subscription Fees

For the three months ended January 31, 2020, our gross margin percentage on subscription fees revenues increased from 62% to 66% when compared to the same period in the prior year, primarily due to higher margins on cloud revenue. For the nine months ended January 31, 2020, our gross margin percentage on subscription fees revenues decreased from 63% to 57% when compared to the same period in the prior year, primarily due to an increase in capitalized software amortization expense and hosting expense.

Gross Margin on License Fees

License fee gross margin percentage for the three and nine months ended January 31, 2020 increased, when compared to the same period in the prior year. License fee gross margin percentage tends to be directly related to the level of license fee revenues due to the relatively fixed cost of computer software amortization expense, amortization of acquired software and the sales mix between our direct and indirect channels.

Gross Margin on Professional Services and Other

Our gross margin percentage on professional services and other revenues increased from 24% for the three months ended January 31, 2019 to 25% for the three months ended January 31, 2020, and increased from 24% for the nine months ended January 31, 2019 to 27% for the nine months ended January 31, 2020. This increase was primarily due to higher gross margins in our SCM segment services of 30% and 28% for the three months ended January 31, 2020 and 2019, and 33% and 23% for the nine months ended January 31, 2020 and 2019, respectively, due to higher billing utilization from several large projects ending during the quarter. Our Other segment professional services gross margin decreased to 44% from 51% for the three months ended January 31, 2020 and 2019, respectively, and increased to 49% from 45% for the nine months ended January 31, 2020 and 2019, respectively, due to higher margin projects year to date. Our IT Consulting segment professional services gross margin decreased to 17% from 24% for the three months ended January 31, 2020 and 2019, respectively, and to 19% from 24% for the nine months ended January 31, 2020 and 2019, respectively, due to lower margin projects in the current quarter. Professional services and other gross margin is directly related to the level of services and other revenues. The primary component of cost of services and other revenues is services staffing, which is relatively inelastic in the short term.

Gross Margin on Maintenance

Maintenance gross margin percentage increased from 82% and 81% for the three and nine months ended January 31, 2019 to 83% for both the three and nine months ended January 31, 2020, respectively. The primary cost component is maintenance staffing, which is relatively inelastic in the short term.

EXPENSES

	Three Months Ended January 31,				Nine Months Ended January 31,			
			% of Revenues				% of Revenues	
	2020	2019	2020	2019	2020	2019	2020	2019
	(in thousands)				(in thousands)			
Research and development	\$ 3,853	\$ 2,811	13%	10%	\$ 11,390	\$ 9,818	13%	12%
Sales and marketing	\$ 5,519	\$ 4,699	18%	17%	\$ 16,246	\$ 15,183	18%	18%
General and administrative	\$ 5,194	\$ 4,302	17%	16%	\$ 14,923	\$ 12,903	17%	16%
Amortization of acquisition-related intangible assets	\$ 57	\$ 97	—%	—%	\$ 232	\$ 291	—%	—%
Other income, net	\$ 978	\$ 527	3%	2%	\$ 2,215	\$ 1,090	2%	1%
Income tax expense	\$ 511	\$ 356	2%	1%	\$ 477	\$ 424	1%	1%

Research and Development

Gross product research and development costs include all non-capitalized and capitalized software development costs. A breakdown of the research and development costs is as follows:

	Three Months Ended January 31,		
	2020	2019	% Change
	(in thousands)		
Total capitalized computer software development costs	\$ 807	\$ 2,073	(61)%
Percentage of gross product research and development costs	17%	42%	
Total research and development expense	\$ 3,853	\$ 2,811	37 %
Percentage of total revenues	13%	10%	
Total gross product research and development expense and capitalized computer software development costs	\$ 4,660	\$ 4,884	(5)%
Percentage of total revenues	15%	18%	
Total amortization of capitalized computer software development costs *	\$ 1,408	\$ 1,195	18 %

	Nine Months Ended January 31,		
	2020	2019	% Change
	(in thousands)		
Total capitalized computer software development costs	\$ 2,697	\$ 4,162	(35)%
Percentage of gross product research and development costs	19%	30%	
Total research and development expense	\$ 11,390	\$ 9,818	16 %
Percentage of total revenues	13%	12%	
Total gross product research and development expense and capitalized computer software development costs	\$ 14,087	\$ 13,980	1 %
Percentage of total revenues	16%	17%	
Total amortization of capitalized computer software development costs *	\$ 4,545	\$ 3,393	34 %

*Included in cost of license fees and subscription fees.

For the three months ended January 31, 2020, gross product research and development costs decreased 5% when compared to the same period in the previous year, primarily due to a decrease in the use of third party contractors. For the nine months ended January 31, 2020, gross product research and development costs increased 1% when compared to the same period in the previous year, primarily due to an increase in variable compensation and infrastructure costs in our SCM segment. We expect capitalized product development costs to decrease due to timing of projects and we expect capitalized software amortization expense to be relatively stable in the coming quarters. Costs included in gross product development are salaries of product development personnel, hardware lease expense, computer software expense, telephone expense and rent.

Sales and Marketing

For the three and nine months ended January 31, 2020, sales and marketing expenses increased 17% and 7%, respectively, when compared to the same periods a year ago, primarily due to an increase in variable sales commission and headcount.

General and Administrative

For the three and nine months ended January 31, 2020, general and administrative expenses increased 21% and 16%, respectively, when compared to the same periods a year ago, primarily due to an increase in variable compensation and to a lesser extent audit, insurance and legal fees.

At January 31, 2020, the total number of employees was 428 compared to 434 at January 31, 2019.

Operating Income/(Loss)

	Three Months Ended January 31,			Nine Months Ended January 31,		
	2020	2019	% Change	2020	2019	% Change
	(in thousands)			(in thousands)		
Supply Chain Management	\$ 6,693	\$ 4,981	34 %	\$ 14,904	\$ 12,021	24 %
IT Consulting	43	244	(82)%	210	999	(79)%
Other*	(3,917)	(3,095)	27 %	(10,655)	(8,757)	22 %
Total Operating Income	<u>\$ 2,819</u>	<u>\$ 2,130</u>	32 %	<u>\$ 4,459</u>	<u>\$ 4,263</u>	5 %

* Includes all corporate overhead and other common expenses.

Our SCM segment operating income increased by 34% and 24% in the three and nine months ended January 31, 2020, respectively, compared to the same periods in the prior year primarily due to an overall increase in revenues and improved gross margins.

Our IT Consulting segment operating income decreased by 82% and 79% for the three and nine months ended January 31, 2020, respectively, compared to same periods last year primarily due to decreased revenues and lower gross margins.

Our Other segment operating loss increased by 27% and 22% for the three and nine months ended January 31, 2020, respectively, when compared to the same periods in the prior year due to an increase in corporate expenses, primarily variable compensation.

Other Income

Other income is comprised of net interest and dividend income, rental income, exchange rate gains and losses, and realized and unrealized gains and losses from investments. For the three and nine months ended January 31, 2020, the increase in other income is mainly due to unrealized gains on investments when compared to losses in the same periods last year. We recorded realized losses of approximately \$0.1 million and \$0.5 million and unrealized gains of approximately \$0.8 million and \$1.5 million for the three and nine months ended January 31, 2020, respectively, from our trading securities portfolio. We recorded realized losses of approximately \$0.2 million and \$0.4 million and unrealized gains of approximately \$0.2 million and \$43,000 the three and nine months ended January 31, 2019 respectively, from our trading securities portfolio.

For the three and nine months ended January 31, 2020, our investments generated an annualized yield of approximately 1.47% and 1.78%, respectively, compared to approximately 1.33% and 1.38% for the three and nine months ended January 31, 2019, respectively.

Income Taxes

We recognize deferred tax assets and liabilities based on the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their tax bases. We measure deferred tax assets and liabilities using statutory tax rates in effect in the year in which we expect the differences to reverse. We establish a deferred tax asset for the expected future benefit of net operating loss and credit carry-forwards. Under the Income Tax Topic of the FASB ASC, we cannot recognize a deferred tax asset for the future benefit of our net operating losses, tax credits and temporary differences unless we can establish that it is “more likely than not” that the deferred tax asset would be realized.

During the three and nine months ended January 31, 2020, we recorded an income tax expense of \$511,000 and \$477,000, respectively, primarily due to discrete stock compensation benefits of \$0.1 million and \$0.6 million respectively, net of normal

income tax expense from operations. During the three and nine months ended January 31, 2019, we recorded income tax expense of \$356,000 and \$424,000 respectively, primarily due to discrete stock compensation benefits of \$26,000 and \$0.3 million respectively, net of normal income tax expense from operations. Before adjusting for these discrete tax benefits, our effective tax rate would have been 18.4% and 17.0%, respectively, in the three and nine months ended January 31, 2020 compared to our effective tax rate of 14.3% and 13.7% in the three and nine months ended January 31, 2019. In addition, research and development and foreign tax credits reduced our effective tax rate by 6.5% and 1.2%, respectively, in the nine months ended January 31, 2020, compared to reductions of 7.5% and 2.7%, respectively, in the nine months ended January 31, 2019.

Operating Pattern

We experience an irregular pattern of quarterly operating results, caused primarily by fluctuations in both the number and size of software license and subscription contracts received and delivered from quarter to quarter and our ability to recognize revenues in that quarter in accordance with our revenue recognition policies. We expect this pattern to continue.

LIQUIDITY, CAPITAL RESOURCES AND FINANCIAL CONDITION

Sources and Uses of Cash

We have historically funded, and continue to fund, our operations and capital expenditures primarily with cash generated from operating activities. The changes in net cash that our operating activities provide generally reflect the changes in net earnings and non-cash operating items plus the effect of changes in operating assets and liabilities, such as investment trading securities, trade accounts receivable, trade accounts payable, accrued expenses and deferred revenue. We have no debt obligations or off-balance sheet financing arrangements, and therefore, we used no cash for debt service purposes.

The following table shows information about our cash flows and liquidity positions during the nine months ended January 31, 2020 and 2019. You should read this table and the discussion that follows in conjunction with our Condensed Consolidated Statements of Cash Flows contained in Item 1 in Part I of this Quarterly Report and in our Annual Report for fiscal 2019.

	Nine Months Ended January 31, (in thousands)	
	2020	2019
Net cash provided by operating activities	\$ 13,112	\$ 13,608
Net cash used in investing activities	(3,036)	(5,176)
Net cash used in financing activities	(2,555)	(6,168)
Net change in cash and cash equivalents	<u>\$ 7,521</u>	<u>\$ 2,264</u>

For the nine months ended January 31, 2020, the net decrease in cash provided by operating activities when compared to the same period last year was due primarily to the following: (1) an increase in purchases of trading securities, (2) a relative increase in customer accounts receivables caused by the timing of closing customer sales and related collections, (3) a relative increase in prepaid expenses when compared to a decrease in the same period last year due to the timing of purchases, (4) higher gains on investments compared to a loss in the same period last year and (5) an increase in deferred income tax.

This decrease in cash provided by operating activities was partially offset by: (1) higher proceeds from the maturity and sales of trading securities, (2) a relative increase in accounts payable and other accruals compared to a relative decrease in the same period last year due to timing of payments, (3) a relative increase in deferred revenue due to timing of revenue recognition, (4) an increase in net earnings, (5) an increase in depreciation and amortization and (6) an increase in stock-based compensation expense.

The decrease in cash used in investing activities when compared to the same period in the prior year was mainly due to decreases in capitalized computer software development costs and purchases of property and equipment.

The decrease in cash used in financing activities compared to the prior year was due primarily to an increase in proceeds from exercise of stock options, which was partially offset by an increase in dividends paid.

The following table shows net changes in total cash, cash equivalents, and investments, which is one measure management uses to understand net total cash generated by our activities:

	As of January 31, (in thousands)	
	2020	2019
Cash and cash equivalents	\$ 68,809	\$ 55,058
Short and long-term investments	27,478	29,105
Total cash and short and long-term investments	<u>\$ 96,287</u>	<u>\$ 84,163</u>
Net increase/(decrease) in total cash and investments (nine months ended January 31)	\$ 7,805	\$ (5,863)

Our total activities used less cash and investments during the nine months ended January 31, 2020, when compared to the prior year period, in the course of normal business operations.

Days Sales Outstanding in accounts receivable were 70 days as of January 31, 2020, compared to 78 days as of January 31, 2019. This decrease is primarily due to the timing of billings and cash collections. Our current ratio on January 31, 2020 was 2.6 to 1 and on January 31, 2019 was 2.7 to 1.

Our business in recent periods has generated substantial positive cash flow from operations, excluding purchases and proceeds of sale of trading securities. For this reason, and because we had \$96.3 million in cash and investments with no debt as of January 31, 2020, we believe that our sources of liquidity and capital resources will be sufficient to satisfy our presently anticipated requirements during at least the next twelve months for working capital, capital expenditures and other corporate needs. However, at some future date we may need to seek additional sources of capital to meet our requirements. If such need arises, we may be required to raise additional funds through equity or debt financing. We do not currently have a bank line of credit. We can provide no assurance that bank lines of credit or other financing will be available on terms acceptable to us. If available, such financing may result in dilution to our shareholders or higher interest expense.

On August 19, 2002, our Board of Directors approved a resolution authorizing the repurchase of up to an additional 2.0 million shares of our Class A common stock. We have made and will make these repurchases through open market purchases at prevailing market prices. The timing of any repurchase will depend upon market conditions, the market price of our common stock and management's assessment of our liquidity and cash flow needs. Under this repurchase plan, through January 31, 2020, we have repurchased 1,053,679 shares of common stock at a cost of approximately \$6.2 million. As of January 31, 2020, under all repurchase plans previously authorized, including this most recent plan, we have repurchased a total of 4,588,632 shares of common stock at a cost of approximately \$25.6 million.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

We have based the foregoing discussion and analysis of financial condition and results of operations on our Condensed Consolidated Financial Statements, which we have prepared in accordance with U.S. GAAP. The preparation of these Condensed Consolidated Financial Statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosures of contingent assets and liabilities at the date of the Condensed Consolidated Financial Statements and the reported amounts of revenues and expenses during the reporting period. Note 1 in the Notes to the Consolidated Financial Statements in our Annual Report for fiscal 2019, describes the significant accounting policies that we have used in preparing our Condensed Consolidated Financial Statements. On an ongoing basis, we evaluate our estimates, including, but not limited to, those related to revenue/collectability, and income taxes. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Our actual results could differ materially from these estimates under different assumptions or conditions.

We believe the critical accounting policies listed below affect significant judgments and estimates used in the preparation of the Condensed Consolidated Financial Statements.

Revenue Recognition. For information with respect to revenue recognition policy, see Note B in the Notes to Condensed Consolidated Financial Statements included elsewhere in this Quarterly Report.

Income Taxes. We provide for the effect of income taxes on our financial position and results of operations in accordance with the Income Tax Topic of the FASB ASC. Under this accounting guidance, income tax expense is recognized for the amount of income taxes payable or refundable for the current year and for the change in net deferred tax assets or liabilities resulting from

events that are recorded for financial reporting purposes in a different reporting period than recorded in the tax return. Management must make significant assumptions, judgments and estimates to determine our current provision for income taxes and also our deferred tax assets and liabilities and any valuation allowance to be recorded against our net deferred tax asset. Our judgments, assumptions and estimates relative to the current provision for income tax take into account current tax laws, our interpretation of current tax laws, allowable deductions, and projected tax credits. Changes in tax law or our interpretation of tax laws could significantly impact the amounts provided for income taxes in our financial position and results of operations. Our assumptions, judgments and estimates relative to the value of our deferred tax assets take into account our expectations of the amount and category of future taxable income. Actual operating results and the underlying amount and category of income in future years, which could significantly increase tax expense, could render inaccurate our current assumptions, judgments and estimates of recoverable net deferred taxes.

Item 3 Quantitative and Qualitative Disclosures About Market Risk

Foreign Currency. In the three and nine months ended January 31, 2020, we generated approximately 19% and 20% of our revenues outside the United States. We typically make international sales through our VARs and employees located in foreign countries and denominate those sales in U.S. dollars, British pounds sterling or euros. However, expenses incurred in connection with these sales are typically denominated in the local currencies. We recorded exchange rate losses of approximately \$0.1 million and \$0.4 million for the three and nine months ended January 31, 2020 compared to an exchange rate loss of approximately \$21,000 and \$0.4 million for the same periods in the prior year. We estimate that a 10% movement in foreign currency rates would have had the effect of creating up to a \$0.4 million and \$0.5 million exchange rate gain or loss for the three and nine months ended January 31, 2020. We have not engaged in any hedging activities.

Interest Rates and Other Market Risks. We have no debt, and therefore limit our discussion of interest rate risk to risk associated with our investment profile. We manage our interest rate risk by maintaining an investment portfolio of trading investments with high credit quality and relatively short average maturities. These instruments include, but are not limited to, money-market instruments, bank time deposits, and taxable and tax-advantaged variable rate and fixed rate obligations of corporations, municipalities, and national, state, and local government agencies, in accordance with an investment policy approved by our Board of Directors. These instruments are denominated in U.S. dollars. The fair market value of these instruments as of January 31, 2020 was approximately \$91.8 million compared to \$78.3 million as of January 31, 2019.

We also hold cash balances in accounts with commercial banks in the United States and foreign countries. These cash balances represent operating balances only and are invested in short-term time deposits of the local bank. Such operating cash balances held at banks outside the United States are denominated in the local currency and are minor.

Many of our investments carry a degree of interest rate risk. When interest rates fall, our income from investments in variable-rate securities declines. When interest rates rise, the fair market value of our investments in fixed-rate securities declines. In addition, our investments in equity securities are subject to stock market volatility. Due in part to these factors, our future investment income may fall short of expectations or we may suffer losses in principal if forced to sell securities, which have seen a decline in market value due to changes in interest rates. We attempt to mitigate risk by holding fixed-rate securities to maturity, but, if our liquidity needs force us to sell fixed-rate securities prior to maturity, we may experience a loss of principal.

Inflation. Although we cannot accurately determine the amounts attributable thereto, we have been affected by inflation through increased costs of employee compensation and other operational expenses. To the extent permitted by the marketplace for our products and services, we attempt to recover increases in costs by periodically increasing prices.

Item 4. Controls and Procedures

Management's Report on Internal Control Over Financial Reporting

Our disclosure controls and procedures (as defined in Rule 13a-15(e) of the Securities Exchange Act of 1934 (“Exchange Act”)) are designed to provide reasonable assurance that information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms. Our disclosure controls and procedures are also designed to ensure that such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer, to allow timely decisions regarding disclosure.

Our principal executive officer and principal financial officer, with the assistance of our Disclosure Committee, have conducted an evaluation of the effectiveness of our disclosure controls and procedures as of the end of the period covered by this Quarterly Report. We perform this evaluation on a quarterly basis so that the conclusions concerning the effectiveness of our disclosure controls and procedures can be reported in our Annual Report and Quarterly Reports. Based on this evaluation, our principal executive officer and principal financial officer have concluded that our disclosure controls and procedures were effective as of the end of the period covered by this Quarterly Report.

Changes in Internal Control over Financial Reporting

There have not been any changes in our internal control over financial reporting (as such term is defined in Rules [13a-15\(f\)](#) and [15d-15\(f\)](#) under the Exchange Act) during the fiscal quarter to which this report relates that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings

We are not currently involved in legal proceedings requiring disclosure under this item.

Item 1A. Risk Factors

In addition to the other information set forth in this Quarterly Report, you should carefully consider the risk factors disclosed in Item 1A, “Risk Factors,” of our Annual Report for fiscal 2019. There have been no material changes to the risk factors as previously disclosed in such Annual Report.

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

None.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

Exhibit 3.1	Amended and Restated Articles of Incorporation, and amendments thereto. (1) (P)
Exhibit 3.2	Amended and Restated By-Laws dated May 18, 2009. (2)
Exhibits 31.1-31.2.	Rule 13a-14(a)/15d-14(a) Certifications
Exhibit 32.1.	Section 906 Certifications
Exhibit 101.INS	XBRL Instance Document.
Exhibit 101.SCH	XBRL Taxonomy Extension Schema Document.
Exhibit 101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.
Exhibit 101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.
Exhibit 101.LAB	XBRL Taxonomy Extension Label Linkbase Document.
Exhibit 101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.

(1) Incorporated by reference herein. Filed by the Company as an exhibit to its Quarterly Report filed on Form 10-Q for the quarter ended October 31, 1990. (P) Filed in paper format.

(2) Incorporated by reference herein. Filed by the Company as Exhibit 3.1 to its Quarterly Report filed on Form 10-Q for the quarter ended January 31, 2010.

SIGNATURES

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

AMERICAN SOFTWARE, INC.

Date: March 6, 2020

By: /s/ James C. Edenfield

James C. Edenfield
Executive Chairman, Treasurer and Director
(Principal Executive Officer)

Date: March 6, 2020

By: /s/ Vincent C. Klinges

Vincent C. Klinges
Chief Financial Officer
(Principal Financial Officer)

Date: March 6, 2020

By: /s/ Bryan L. Sell

Bryan L. Sell
Controller and Principal Accounting Officer

RULE 13a-14(a)/15d-14(a) CERTIFICATION

I, James C. Edenfield, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of American Software, 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 officer 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 we 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 (the registrant's fourth fiscal quarter in the case of an annual report) 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 officer 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: March 6, 2020

By: /s/ James C. Edenfield

James C. Edenfield

Executive Chairman, Treasurer and Director
(Principal Executive Officer)

RULE 13a-14(a)/15d-14(a) CERTIFICATION

I, Vincent C. Klinges, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of American Software, 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 officer 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 we 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 (the registrant's fourth fiscal quarter in the case of an annual report) 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 officer 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: March 6, 2020

By: /s/ Vincent C. Klinges

Vincent C. Klinges

Chief Financial Officer
(Principal Financial Officer)

**Certifications Pursuant to Section 906 of
The Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350)**

The undersigned, as the Principal Executive Officer of American Software, Inc., certifies that, to the best of his knowledge and belief, this report on Form 10-Q for the fiscal quarter ended January 31, 2020 (the "Report"), which accompanies this certification, fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 and the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of American Software, Inc. at the dates and for the periods indicated. The foregoing certification is made pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350) and shall not be relied upon for any other purpose.

This 6th day of March, 2020

/s/ James C. Edenfield

James C. Edenfield

Executive Chairman, Treasurer and Director
(Principal Executive Officer)

The undersigned, as the Principal Financial Officer of American Software, Inc., certifies that, to the best of his knowledge and belief, this report on Form 10-Q for the fiscal quarter ended January 31, 2020 (the "Report"), which accompanies this certification, fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 and the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of American Software, Inc. at the dates and for the periods indicated. The foregoing certification is made pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350) and shall not be relied upon for any other purpose.

This 6th day of March, 2020

/s/ Vincent C. Klinges

Vincent C. Klinges

Chief Financial Officer
(Principal Financial Officer)

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to American Software, Inc. and will be retained by American Software, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

The information in this Exhibit 32.1 shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, except as shall be expressly set forth by specific reference in such filing.