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 July 31, 2024

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _________ to _________

Commission File Number: 000-12456

AMERICAN SOFTWARE, INC.
(Exact name of registrant as specified in its charter)

Georgia	**58-1098795**
(State or other jurisdiction of incorporation or organization)	**(IRS Employer Identification Number)**

470 East Paces Ferry Road, N.E.	**Atlanta**	**Georgia**	**30305**
	(Address of principal executive offices)		**(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	Trading Symbol	Name of each exchange on which registered
Common Stock	AMSWA	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	☐	Accelerated Filer	☒
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

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

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

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

Classes	Outstanding at August 27, 2024
Class A Common Stock, $.10 par value	33,659,006 Shares

AMERICAN SOFTWARE, INC. AND SUBSIDIARIES
Form 10-Q

Quarter ended July 31, 2024

Index

PART I—FINANCIAL INFORMATION

Item 1. Financial Statements

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

	As of July 31, 2024	As of April 30, 2024
ASSETS		
Current assets:		
Cash and cash equivalents	$ 53,917	$ 59,512
Investments	38,038	24,261
Trade accounts receivable, less allowance for doubtful accounts of $201 at July 31, 2024 and $143 at April 30, 2024:		
Billed	16,852	28,043
Unbilled	774	296
Prepaid expenses and other current assets	6,004	6,584
Total current assets	115,585	118,696
Property and equipment, net of accumulated depreciation of $30,350 at July 31, 2024 and $30,022 at April 30, 2024	5,362	5,554
Goodwill	45,782	45,782
Other intangibles, net of accumulated amortization of $17,488 at July 31, 2024 and $16,639 at April 30, 2024	9,718	10,567
Deferred tax assets	8,490	7,588
Other assets	4,006	4,257
Total assets	$ 188,943	$ 192,444
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 1,250	$ 1,248
Accrued compensation and related costs	2,888	2,805
Dividends payable	3,662	3,657
Other current liabilities	6,424	5,012
Deferred revenue	42,803	47,621
Total current liabilities	57,027	60,343
Other long-term liabilities	1,462	1,620
Total liabilities	58,489	61,963
Shareholders' equity:		
Common stock:		
Class A, $0.10 par value. Authorized 50,000,000 shares: 37,008,055 shares issued and outstanding at July 31, 2024 and 36,933,495 shares issued and outstanding at April 30, 2024	3,701	3,693
Class B, $0.10 par value. Authorized 10,000,000 shares: 1,821,587 shares issued and outstanding at July 31, 2024 and April 30, 2024; convertible into Class A Common Shares on a one-for-one basis	182	182
Additional paid-in capital	190,908	189,330
Retained deficit	(28,543)	(26,930)
Class A treasury stock, 5,534,953 shares at July 31, 2024 and 5,534,953 shares at April 30, 2024, at cost	(35,794)	(35,794)
Total shareholders' equity	130,454	130,481
Commitments and contingencies		
Total liabilities and shareholders' equity	$ 188,943	$ 192,444

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 July 31, 2024	2023
Revenues:		
Subscription fees	$ 14,791	$ 13,764
License	241	289
Professional services and other	3,870	3,685
Maintenance	7,290	8,163
Total revenues	26,192	25,901
Cost of revenues:		
Subscription fees	4,694	4,217
License	44	72
Professional services and other	2,696	3,060
Maintenance	1,290	1,695
Total cost of revenues	8,724	9,044
Gross margin	17,468	16,857
Research and development	4,364	4,249
Sales and marketing	5,636	5,731
General and administrative	5,433	5,461
Amortization of acquisition-related intangibles	191	25
Total operating expenses	15,624	15,466
Operating income	1,844	1,391
Other income:		
Interest income	937	1,089
Other, net	198	798
Earnings before income taxes	2,979	3,278
Income tax expense	925	664
Net earnings from continuing operations	$ 2,054	$ 2,614
Discontinued operations (Note F)		
Earnings from operations of discontinued operations	—	176
Income tax expense of discontinued operations	—	42
Earnings from discontinued operations, net of income taxes	—	134
Net earnings	$ 2,054	$ 2,748
Earnings per common share from continuing operations (a):		
Basic	$ 0.06	$ 0.08
Diluted	$ 0.06	$ 0.08
Earnings per common share from discontinued operations (a):		
Basic	$ —	$ —
Diluted	$ —	$ —
Earnings per common share: (a)		
Basic	$ 0.06	$ 0.08
Diluted	$ 0.06	$ 0.08
Cash dividends declared per common share	$ 0.11	$ 0.11
Shares used in the calculation of earnings per common share:		
Basic	33,284	34,155
Diluted	33,307	34,160

(a) Basic per share amounts are the same for Class A and Class B shares. Diluted per share amounts for Class A shares are shown above. Diluted earnings per share for Class B shares under the two-class method are $0.06 and $0.08 for the three months ended July 31, 2024 and 2023. See Note D 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					
For the Three Months Ended July 31, 2023	**Shares**	**Amount**	**Shares**	**Amount**	**Additional paid-in capital**	**Retained deficit**	**Treasury stock**	**Total shareholders' equity**
Balance at April 30, 2023	36,907,242	$3,691	1,821,587	$ 182	$ 182,722	$(23,479)	$ (25,559)	$ 137,557
Issuance of common stock for equity incentive awards	22,253	2	—	—	244	—	—	246
Stock-based compensation	—	—	—	—	1,554	—	—	1,554
Net earnings	—	—	—	—	—	2,748	—	2,748
Dividends declared*	—	—	—	—	—	(3,757)	—	(3,757)
Balance at July 31, 2023	36,929,495	$3,693	1,821,587	$ 182	$ 184,520	$(24,488)	$ (25,559)	$ 138,348
For the Three Months Ended July 31, 2024								
Balance at April 30, 2024	36,933,495	$3,693	1,821,587	$ 182	$ 189,330	$(26,930)	$ (35,794)	$ 130,481
Issuance of common stock for equity incentive awards	74,560	8	—	—	(8)	—	—	—
Stock-based compensation	—	—	—	—	1,586	—	—	1,586
Net earnings	—	—	—	—	—	2,054	—	2,054
Dividends declared*	—	—	—	—	—	(3,667)	—	(3,667)
Balance at July 31, 2024	37,008,055	$3,701	1,821,587	$ 182	$ 190,908	$(28,543)	$ (35,794)	$ 130,454

*Amounts adjusted for rounding

See accompanying notes to condensed consolidated financial statements

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

	Three Months Ended July 31,	
	2024	**2023**
Cash flows from operating activities:		
Net earnings	$ 2,054	$ 2,748
Earnings from discontinued operations, net of tax	—	(134)
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	1,188	731
Stock-based compensation expense	1,586	1,546
Net gain on investments	(191)	(755)
Deferred income taxes	(1,072)	(657)
Changes in operating assets and liabilities:		
Purchases of trading securities	(17,956)	—
Proceeds from sales and maturities of trading securities	4,370	3,251
Accounts receivable, net	10,713	3,973
Prepaid expenses and other assets	820	2,053
Accounts payable and other liabilities	1,507	(2,403)
Deferred revenue	(4,818)	(3,327)
Net cash (used in) provided by operating activities of continuing operations	(1,799)	7,026
Net cash provided by operating activities of discontinued operations	—	142
Net cash (used in) provided by operating activities	(1,799)	7,168
Cash flows from investing activities:		
Purchases of property and equipment, net of disposals	(136)	(467)
Net cash used in investing activities of continuing operations	(136)	(467)
Cash flows from financing activities:		
Proceeds from exercise of stock options	—	246
Dividends paid	(3,660)	(3,756)
Net cash used in financing activities of continuing operations	(3,660)	(3,510)
Net change in cash and cash equivalents	(5,595)	3,191
Cash and cash equivalents at beginning of period	59,512	90,696
Cash and cash equivalents at end of period	$ 53,917	$ 93,887
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Income taxes, net of refunds	$ —	$ —
Supplemental disclosures of noncash operating, investing and financing activities:		
Accrual of dividends payable	$ 3,662	$ 3,758

See accompanying notes to condensed consolidated financial statements—unaudited.

AMERICAN SOFTWARE, INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements—Unaudited
July 31, 2024

A. Presentation and Summary of Significant Accounting Policies

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements ("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 July 31, 2024, results of operations for the three months ended July 31, 2024 and 2023, consolidated statements of shareholders’ equity for the three months ended July 31, 2024 and 2023, and cash flows for the three months ended July 31, 2024 and 2023. The Company’s results for the three months ended July 31, 2024 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, 2024. The terms “fiscal 2025” and “fiscal 2024” refer to our fiscal years ending April 30, 2025 and 2024, 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 revenue and expenses during the reporting period. Note 1 in the Notes to Consolidated Financial Statements contained in the Annual Report 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 reserves and allowances. 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 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.

In September 2023, we disposed of our 100% equity interest in our information technology staffing firm, The Proven Method ("TPM") for approximately $2.1 million in cash. For further information regarding the transaction, see Note F to the accompanying condensed consolidated financial statements.

Recent Accounting Pronouncements

ASU 2023-07 — In November 2023, the Financial Accounting Standards Board ("FASB") issued ASU 2023-07, "Segment Reporting (Topic 280): *Improvements to Reportable Segment Disclosures*", which expands disclosures about a public entity’s reportable segments and requires more enhanced information about a reportable segment’s expenses, interim segment profit or loss, and how a public entity’s chief operating decision maker uses reported segment profit or loss information in assessing segment performance and allocating resources. The standard is effective for annual periods beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024, with early adoption permitted. The Company will begin providing the enhanced reportable segment financial disclosures effective with its Annual Report on Form 10-K for the year ending April 30, 2025.

ASU 2023-09 — In December 2023, the FASB issued ASU 2023-09, "Income Taxes (Topic 740): *Improvements to Income Tax Disclosures*", which expands disclosures in an entity’s income tax rate reconciliation table and regarding cash taxes paid both in the U.S. and foreign jurisdictions. The standard is effective for annual periods beginning after December 15, 2024, with early adoption permitted. The Company is assessing the effect of this update on our consolidated financial statements and related disclosures.

B. Revenue Recognition

In accordance with ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606), we recognize revenue when we transfer control of the promised goods or services to our clients, 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 support, hosting and managed services.

The Company recognizes revenue in accordance with the following steps:

Step 1 - Identification of the Contract with the Client

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. Subscription fees include SaaS revenue 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 client accesses and uses the software on an as-needed basis over the Internet or via a dedicated line; however, the client has no right to take delivery of the software. 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 client. Revenue from a SaaS solution is generally recognized ratably over the term of the arrangement.

License. Our perpetual software licenses provide the client 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 client. Our perpetual software licenses are sold with maintenance under which we provide clients with telephone consulting, product updates on a when available basis, and releases of new versions of products previously purchased by the client, 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 clients, 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 client 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 immaterial for the three months ended July 31, 2024 and 2023.

Maintenance. Revenue is derived from maintenance under which we provide clients with telephone consulting, product updates and releases of new versions of products previously purchased by the client on a when and-if-available basis, as well as error reporting and correction services. Maintenance for perpetual licenses is renewable, generally on an annual basis, at the option of the client. 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. Support services for subscriptions are included in the subscription fees and are recognized as a component of such fees.

Indirect Channel Revenue. We record revenue 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 clients on a net basis.

Contract Balances. Timing of invoicing to clients may differ from timing of revenue recognition and these timing differences result in unbilled accounts receivables 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 clients. 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 significant financing component. The primary purpose of our invoicing terms is to provide clients 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 client contracts is fixed.

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

Deferred revenue consists of amounts collected prior to having completed the performance of maintenance, SaaS, hosting, and managed services. We typically invoice clients 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 July 31, 2024, we recognized $19.4 million of revenue that was included in the deferred revenue balance as of April 30, 2024.

	July 31, 2024	April 30, 2024
	(in thousands)	
Deferred revenue	$ 42,803	$ 47,621

Remaining Performance Obligations. A performance obligation is a promise in a contract to transfer a distinct good or service to the client 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 client. 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 July 31, 2024, the aggregate amount of the transaction price allocated to remaining performance obligations was approximately $125.0 million. The Company expects to recognize revenue on approximately 51% of the remaining performance obligations over the next 12 months, with the remainder recognized thereafter.

Disaggregated Revenue. The Company disaggregates revenue from contracts with clients 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 July 31,	
	2024	2023
	(in thousands)	
Revenues:		
Domestic	$ 20,492	$ 20,548
International	5,700	5,353
	$ 26,192	$ 25,901

Contract Costs. The Company capitalizes the incremental costs of obtaining a contract with a client 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 client 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 other current assets and other assets, respectively, in the Company's Condensed Consolidated Balance Sheets. Total deferred commissions at July 31, 2024 and April 30, 2024 were $2.2 million and $2.5 million, respectively. Amortization of sales commissions was $0.4 million and $0.4 million for the three months ended July 31, 2024 and 2023, 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. Declaration of Dividend Payable

On May 30, 2024, 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 August 30, 2024 to Class A and Class B shareholders of record at the close of business on August 16, 2024.

D. 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 260, *Earnings Per Share*, 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. 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 is adjusted to give effect to dilutive elements including stock options and restricted stock units ("RSUs") issuable under the Company's stock incentive plans, to the extent these are dilutive. 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 and RSUs 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 July 31, 2024		Three Months Ended July 31, 2023	
	Class A Common Shares	Class B Common Shares	Class A Common Shares	Class B Common Shares
Distributed earnings	$ 0.11	$ 0.11	$ 0.11	$ 0.11
Undistributed losses	(0.05)	(0.05)	(0.03)	(0.03)
Total from continuing operations	$ 0.06	$ 0.06	$ 0.08	$ 0.08
Total	$ 0.06	$ 0.06	$ 0.08	$ 0.08
Distributed earnings	$ 3,462	$ 200	$ 3,558	$ 200
Undistributed losses	(1,520)	(88)	(956)	(54)
Total from continuing operations	$ 1,942	$ 112	$ 2,468	$ 146
Total from discontinued operations	—	—	134	—
Total	$ 1,942	$ 112	$ 2,602	$ 146
Basic weighted average common shares outstanding	31,462	1,822	32,333	1,822

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

Three Months Ended July 31, 2024

	Undistributed & Distributed Earnings to Class A Common Shares	Class A Common Shares	EPS*
Per Basic	$ 1,942	31,462	$ 0.06
Common Stock Equivalents	—	23	—
	1,942	31,485	0.06
Class B Common Share Conversion*	112	1,822	—
Diluted EPS for Class A Common Shares	$ 2,054	33,307	$ 0.06

Three Months Ended July 31, 2023

	Undistributed & Distributed Earnings to Class A Common Shares	Class A Common Shares	EPS*
Per Basic	$ 2,602	32,333	$ 0.08
Common Stock Equivalents	—	5	—
	2,602	32,338	0.08
Class B Common Share Conversion	146	1,822	—
Diluted EPS for Class A Common Shares	$ 2,748	34,160	$ 0.08

Diluted EPS for Class B Common Shares Using the Two-Class Method

Three Months Ended July 31, 2024

	Undistributed & Distributed Earnings to Class B Common Shares	Class B Common Shares	EPS*
Per Basic	$ 112	1,822	$ 0.06
Reallocation of undistributed earnings/losses from Class A Common Shares to Class B Common Shares	—	—	—
Diluted EPS for Class B Common Shares	$ 112	1,822	$ 0.06

Three Months Ended July 31, 2023

	Undistributed & Distributed Earnings to Class B Common Shares	Class B Common Shares	EPS*
Per Basic	$ 146	1,822	$ 0.08
Reallocation of undistributed earnings/losses from Class A Common Shares to Class B Common Shares	—	—	—
Diluted EPS for Class B Common Shares	$ 146	1,822	$ 0.08

*Amounts adjusted for rounding

For the three months ended July 31, 2024 and 2023 we excluded options to purchase 6,395,415 and 5,799,695 Class A Common Shares, respectively, 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 July 31, 2024, we had a total of 6,109,404 options outstanding and as of July 31, 2023, we had a total of 6,088,804 options outstanding. As of July 31, 2024, we had a total of 104,640 RSUs outstanding and as of July 31, 2023, we had a total of 74,560 RSUs outstanding.

E. Acquisitions

We account for business combinations using the acquisition method of accounting and, accordingly, the identifiable assets acquired and liabilities assumed are recorded based upon management's estimates of current fair values as of the acquisition date. The estimation process includes analyses based on income and market approaches. Goodwill represents the excess purchase price over the fair value of net assets, including the amount assigned to identifiable intangible assets. The goodwill generated is due in part to the synergies that are not included in the fair value of identifiable intangible assets. Goodwill recorded in an acquisition is assigned to applicable reporting units based on expected revenues. Identifiable intangible assets with finite lives are amortized over their useful lives. Amortization of current technology is recorded in cost of revenue-subscription fees and amortization of all other intangible assets is recorded in amortization of acquisition-related intangibles. Acquisition-related costs, including advisory, legal, accounting, valuation and other costs, are expensed in general and administrative expenses in the periods in which such costs are incurred. The results of operations of acquired businesses are included in the condensed consolidated financial statements from the acquisition date.

Effective September 5, 2023, the Company entered into a Stock Purchase Agreement ("Garvis Purchase Agreement") with privately-held Garvis AI Limited, a private limited company organized and registered under the laws of England and Wales ("Garvis"). Pursuant to the Garvis Purchase Agreement, the Company acquired 100% of the total issued and outstanding shares of capital stock of Garvis, a visionary SaaS startup that can combine a large language model-based AI interface (e.g. ChatGPT) with AI-native demand forecasting.

Garvis designed from the ground up an AI-first forecasting solution now called DemandAI+. When combined with Generative AI, DemandAI+ creates a modern, more inclusive, and intuitive planning paradigm that quickly digitizes supply chain relationships and exposes that data to any stakeholder across the organization. By simply asking questions planners, executives, and non-planners alike get answers to unanticipated queries in real-time, providing transparency for more informed decisions that saves precious planning time. Demand AI+, built for the cloud, will be embedded into the Logility Digital Supply Chain Platform. The combined solutions will enable a new supply chain planning paradigm with DemandAI+ that moves beyond conventional methods to plan demand and inventory at the speed of the market.

Under the terms of the Garvis Purchase Agreement, the Company acquired the capital stock for cash consideration paid, net of cash acquired, of approximately $25.0 million, subject to certain post-closing adjustments. The Company incurred acquisition costs of $0 and $0 during the three months ended July 31, 2024 and 2023, respectively. The operating results of Garvis are not material for proforma disclosure. The Company allocated $16.2 million of the total purchase price to goodwill, which has been assigned to the Supply Chain Management segment and is not deductible for income tax purposes.

The following allocation of the total purchase price reflects the fair value of the assets acquired and liabilities assumed as of September 5, 2023 (in thousands):

		Useful Life
Cash	67	
Accounts receivable, net	352	
Current assets	47	
Property and equipment, net	27	
Goodwill	16,224	
Non-compete	2,000	3 years
Current technology	9,000	5 years
Total assets acquired	27,717	
Current liabilities	(617)	
Long-term liabilities	(1,992)	
Total liabilities assumed	$ (2,609)	
Net assets acquired	$ 25,108	

Current technology and non-compete agreements are being amortized on a straight-line basis over the remaining estimated economic life of the assets, including the period being reported.

F. Divestitures

Discontinued Operations

On September 18, 2023, the Company disposed of its 100% equity interest in its information technology staffing firm, TPM to Marathon TS, Inc., an IT professional services firm for approximately $2.1 million in cash, of which $300,000 is held in escrow. The amounts held in escrow are limited to claims arising out of or relating to any pre-closing taxes. Any escrow amounts that are not subject to then outstanding indemnification claims shall be released to the Company in equal $100,000 increments on the 12, 24 and 36 month anniversary of the transaction closing date and are included in prepaid expenses and other current assets and other assets in the Condensed Consolidated Balance Sheet as of July 31, 2024. There have not been any submitted, or expected, indemnification claims against these escrowed funds. This transaction enables us to focus on our core supply chain planning business allowing Logility to continue to expand its AI-first supply chain management platform.

In accordance with applicable accounting guidance for the disposal of long-lived assets, the results of TPM are presented as discontinued operations and, as such, have been excluded from both continuing operations and segment results in the accompanying Condensed Consolidated Statements of Operations, Condensed Consolidated Statements of Cash Flows and in the Notes to Condensed Consolidated Financial Statements. TPM was previously reported in the former IT Consulting

The following is selected financial information included in Earnings from discontinued operations for TPM:

	Three Months Ended July 31,	
	2024	2023
Revenue	$ —	$ 3,266
Cost of revenue	—	2,551
Total operating expenses	$ —	$ 539
Earnings before income taxes	$ —	$ 176
Income tax expense		42
Earnings from discontinued operations, net of taxes	$ —	$ 134

G. Stock-Based Compensation

The Compensation Committee of our Board of Directors awarded RSUs to independent directors not employed by the Company that will vest, and shares of Class A common stock will be issued, on the first anniversary of the date of the grant. In addition, stock option grants for employees and contractors for Class A common shares were issued, as follows:

	Three Months Ended July 31,	
	2024	2023
Awards granted:		
Options	255,000	880,000
RSUs	83,587	74,560
Total awards granted	338,587	954,560

The fair value of each option award is estimated on the date of grant using the Black-Scholes option pricing model and the fair value of each RSU award is estimated on the date of grant using the fair value method. The forfeiture rates are estimated using historical data. We recorded total compensation cost related to stock options of approximately $1.3 million and $1.4 million of which, $0 and $8,000 was included in discontinued operations, and income tax expense of approximately $418,000 and $0 from option expirations during the three months ended July 31, 2024 and 2023, respectively. The Company recorded compensation cost related to RSUs of approximately $0.3 million and $0.2 million during the three months ended July 31, 2024 and 2023, respectively. We record stock-based compensation expense on a straight-line basis over the vesting period directly to additional paid-in capital.

During the three months ended July 31, 2024 and 2023, we issued 0 and 22,253 shares of Class A common stock, respectively, resulting from the exercise of stock options. During the three months ended July 31, 2024 and 2023, we issued 74,560 and 0 shares of Class A common stock, respectively, resulting from the vesting of RSUs. The total intrinsic value of options exercised during the three months ended July 31, 2024 and 2023 based on market value at the exercise dates was approximately $0 and $40,000, respectively. The total intrinsic value of RSUs released during the three months ended July 31, 2024 and 2023 based on market value at the exercise dates was approximately $889,974 and $0, respectively. As of July 31, 2024, unrecognized compensation cost related to unvested stock option and RSU awards approximated $12.2 million and $0.7 million, which we expect to recognize over a weighted average period of 1.55 years.

H. 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 July 31, 2024 and April 30, 2024, and indicate the fair value hierarchy of the valuation techniques we used to determine such fair value (in thousands):

	July 31, 2024			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance
Cash equivalents	$ 48,365	$ —	$ —	$ 48,365
U.S. Treasury securities	38,038	—	—	38,038
Total	$ 86,403	$ —	$ —	$ 86,403

	April 30, 2024			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance
Cash equivalents	$ 53,521	$ —	$ —	$ 53,521
U.S. Treasury securities	24,261	—	—	24,261
Total	$ 77,782	$ —	$ —	$ 77,782

I. 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 made these repurchases through open market purchases at prevailing market prices. We have completed our repurchase of 2.0 million shares of Class A common stock at a cost of approximately $16.4 million, which had no impact on fiscal 2025. As of July 31, 2024, under all repurchase plans previously authorized, including this most recent plan, we have repurchased a total of 5,534,953 shares of common stock at a cost of approximately $35.8 million.

J. 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.

K. 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 Chief Executive Officer and President and our Chief Financial Officer. 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 that includes an allocation of common expenses, but excludes certain unallocated corporate expenses, which are included in the Other segment. Our CODMs review the operating results of our two segments, assess performance and allocate resources in a manner that is consistent with the changing market dynamics that we have experienced. The two operating segments are: (1) Supply Chain Management ("SCM") and (2) Other.

The SCM segment leverages a single platform spanning seven supply chain process areas, including product, demand, inventory, supply, deploy, integrated business planning and supply chain data management. The Other segment consists of (i) American Software enterprise resource planning ("ERP"), which provides purchasing and materials management, client order processing, financial, e-commerce and traditional manufacturing solutions, and (ii) unallocated corporate overhead expenses.

During the first quarter of fiscal 2025, the Company changed the structure of its internal organization to accelerate the execution of its strategy, including strengthening the Company's ability to deliver strong financial performance, drive growth in its SCM service offerings, meet changing customer demands in supply chain networks, achieve cost savings and enable strategic innovation across the Company's SCM businesses. The result of this change was that the operating results related to the Company's subsidiary New Generation Computing's legacy enterprise resource planning business was repositioned out of the SCM segment and into the Other segment. Certain prior year amounts have been recast to conform to fiscal 2025 presentation. Furthermore, this change had no effect on our previously reported consolidated financial position or results of operations.

All of our revenue is derived from external clients. We do not have any inter-segment 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 months ended July 31, 2024 and 2023 (in thousands):

	Three Months Ended July 31,	
	2024	2023
Revenue:		
Supply Chain Management	$ 25,359	$ 24,969
Other	833	932
	$ 26,192	$ 25,901
Operating income\(loss):		
Supply Chain Management	$ 6,577	$ 6,170
Other	(4,733)	(4,779)
	$ 1,844	$ 1,391
Capital expenditures:		
Supply Chain Management	$ 7	$ 350
Other	129	117
	$ 136	$ 467
Depreciation and amortization:		
Supply Chain Management	$ 1,020	$ 550
Other	168	181
	$ 1,188	$ 731
Earnings\(loss) before income taxes:		
Supply Chain Management	$ 7,105	$ 6,416
Other	(4,126)	(3,138)
	$ 2,979	$ 3,278

L. Major Clients

No single client accounted for more than 10% of total revenue for the three months ended July 31, 2024 and 2023.

M. Contingencies

The Company more often than not indemnifies its clients against damages and costs resulting from third-party claims of intellectual property infringement associated with use of the Company’s products. The Company historically has not been required to make any payments under such indemnification obligations. However, the Company continues to monitor the circumstances that are subject to indemnification to identify whether it is probable that a loss has occurred, and would recognize any such losses under such indemnification obligations when they are estimable.

In addition, the Company warrants to clients that the Company’s products operate substantially in accordance with the software product’s specifications. Historically, no costs have been incurred related to software product warranties and none are expected in the future, and as such no accruals for software product warranty costs have been made. Additionally, the Company is 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 the financial position or results of operations of the Company.

N. Subsequent Events

On August 20, 2024, our Board of Directors declared a quarterly cash dividend of $0.11 per share of our Class A common stock. The cash dividend is payable on November 29, 2024 to Class A shareholders of record at the close of business on November 15, 2024.

On August 20, 2024, the Company consummated the previously announced reclassification (the “Reclassification”) of the Company’s common stock to eliminate its Class B Common Stock. In connection with the Reclassification, the Company issued 2,185,904 shares of Class A Common Stock to James C. Edenfield, the beneficial owner of all of the issued and outstanding shares of the Class B Shares (the “Class B Shareholder”), pursuant to that certain Reclassification Agreement, dated April 10, 2024 (the “Reclassification Agreement”), by and between the Company and the Class B Shareholder. Pursuant to the Reclassification Agreement, the Company amended and restated its Amended and Restated Articles of Incorporation (the “Second Amended and Restated Articles”), which the Company filed with the Secretary of State of the State of Georgia on August 21, 2024 (the “Effective Time”) to give effect to the Reclassification and the other amendments approved by the Registrant’s shareholders at the Company’s annual meeting of shareholders held on August 20, 2024. Following the Effective Time, each share of Class B Common Stock issued and outstanding immediately prior to the Effective Time was reclassified, exchanged and converted into 1.2 shares of the Company’s Common Stock (formerly known, after giving effect to the Second Amended and Restated Articles, as Class A Common Stock). The shares issued to the Class B Shareholder were issued in reliance upon an exemption from registration pursuant to Section 4(a)(2) under the Securities Act of 1933, as amended, which exempts transactions by an issuer not involving any public offering.

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;
- viability and effectiveness of strategic alliances;
- industry 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, the irregular pattern of our revenue, dependence on particular market segments or clients, 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, undetected software errors; potential product liability or warranty claims; risks associated with new product development; the challenges and risks associated with integration of acquired product lines, companies and services, uncertainty about the viability and effectiveness of strategic alliances; 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

In July 2024, the International Monetary Fund ("IMF") provided an update to the World Economic Outlook for 2024. The update noted that, *"Global growth is projected to be in line with the April 2024 World Economic Outlook (WEO) forecast, at 3.2 percent in 2024 and 3.3 percent in 2025.*

Services inflation is holding up progress on disinflation, which is complicating monetary policy normalization. Upside risks to inflation have thus increased, raising the prospect of higher for even longer interest rates, in the context of escalating trade tensions and increased policy uncertainty. The policy mix should thus be sequenced carefully to achieve price stability and replenish diminished buffers."

For fiscal 2025, we believe that the important nature of our software, combined with a challenging global macro economic environment from increased global disruptions on companies' supply chains will require them to improve productivity and profitability by upgrading their technology systems, which may result in an improved selling environment. Although this improvement could slow or regress at any time, due in part to the effects of a possible recession and trade conflicts on global capital markets, we believe that our organizational and financial structure will enable us to take advantage of any sustained economic rebound. That said, the current business climate within the U.S. and geographic regions in which we operate may affect clients' and prospects' decisions regarding timing of strategic capital expenditures by taking longer periods to evaluate discretionary software purchases.

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 U.S. and global credit markets. In recent years, the weakness in the overall global economy and the U.S. economy has resulted in reduced expenditures in the business software market.

COMPANY OVERVIEW

American Software was incorporated in Georgia in 1970. The Company is headquartered in Atlanta, Georgia with another U.S. office in Miami; and international offices in Belgium, the United Kingdom, India, Germany, New Zealand and Australia.

We provide our software and services solutions through two major operating segments: (1) Supply Chain Management and (2) Other. The SCM software business is our core market. We continue to provide limited services to our legacy ERP clients included in the Other segment.

American Software through its wholly-owned subsidiary and operating entity Logility, Inc ("Logility"), delivers prescriptive demand, inventory, manufacturing, and supply planning tools – helping to provide executives the confidence and control to increase margins and service levels, while delivering sustainable supply chains. Designed for speed and agility, Logility's SaaS cloud-based platform provides an innovative blend of artificial intelligence (AI), machine learning, and predictive analytics to help deliver integrated planning and operations across the end-to-end supply chain. Our prescriptive approach drives team alignment for enterprises with prioritized outcomes that assure demonstrable value.

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, the comprehensive Logility portfolio delivered in the cloud includes advanced analytics, supply chain visibility, demand, inventory and replenishment planning, Sales and Operations Planning, Integrated Business Planning, supply and inventory optimization, manufacturing planning and scheduling, network design and optimization, retail merchandise and assortment planning and allocation, product lifecycle management, sourcing management, vendor quality and compliance, and product traceability.

We believe enterprises are facing unprecedented rates of change and disruption across their operations with a significant transformation in supply chain planning due to advancements in technology, generational shifts of planners, and the significant speed of market changes and disruptions. With increasing consumer expectations for convenience and personalization, fast and free delivery and product freshness forcing enterprises to adapt or be left behind. Given constraints arising from a shortage of skilled supply chain talent and a desire to keep costs at a minimum, we expect enterprises to embrace digital transformation initiatives to meet these challenges. Our solution reduces the business cycle time required from product concept to client availability. Our platform allows our clients to create a digital model of their physical supply chain networks that improves the speed and agility of their operations by implementing automated planning processes. These processes regularly analyze business and market signals to better inform product design and development, increase forecast accuracy, optimize inventory across the supply chain, improve sourcing of sustainable and ethically produced products, and contribute to high client satisfaction.

Our platform is highly regarded by clients and industry analysts alike. Logility, is positioned by Gartner as a Leader in the *2024 Gartner Magic Quadrant for Supply Chain Planning Solutions*. The evaluation was based on the company's overall Completeness of Vision and Ability to Execute. Quadrant Knowledge Solutions also positioned Logility as a leader in their *SPARK Matrix* report for *Global Supply Chain Inventory Optimization 2024*. We believe our platform is rated highly due to our flexible advanced analytics, underlying SaaS architecture, ease of integration with third-party systems, lower total cost of ownership relative to competitors and the broad scope of supply chain planning functions supported.

Logility is also a leader in multiple *IDC MarketScape* reports including; the September 2022 report *IDC MarketScape: Worldwide Holistic Supply Chain Planning 2022 Vendor Assessment*; the September 2022 report *IDC MarketScape: Worldwide Supply Chain Demand Planning 2022 Vendor Assessment*; the September 2022 report *IDC MarketScape: Worldwide Supply Chain Sales and Operations Planning 2022 Vendor Assessment*; and the September 2022 report *IDC MarketScape: Worldwide Supply Chain Inventory Optimization 2022 Vendor Assessment*. Logility, Inc. was also named as a Major Player in the September *2022 IDC MarketScape*: *Worldwide Holistic Supply Planning 2022 Vendor Assessment*.

We serve approximately 550 clients located in approximately 80 countries, largely concentrated within key vertical markets including apparel and other soft goods, food and beverage, consumer packaged goods, consumer durable goods, wholesale distribution, specialty chemical and other process manufacturing. Our solutions are marketed and sold through a direct sales team as well as an indirect global value-added reseller ("VAR") distribution network. Our solutions may be deployed in the cloud or with existing on-premise clients who may require additional components. We further support our clients with an array of consulting, implementation, operational and training services as well as technical support and hosting.

We derive revenue from four sources: subscriptions, software licenses, maintenance and services. We generally determine SaaS subscription and software license fees based on the breadth of functionality and number of users and/or divisions. Services and other revenues consist primarily of fees from software implementation, training, consulting services, hosting and managed services. We bill for consulting services primarily under time and materials arrangements and recognize revenue as we perform services. Subscription and maintenance agreements typically are for a three- to five-year term. We generally bill these fees annually in advance and then recognize the resulting revenue ratably over the term of the agreement. Deferred revenues represent advance payments or fees for subscriptions, software licenses, services and maintenance billed in advance of the time we recognize the related revenue.

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 clients 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 2024. 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 (the “SEC”).

Recent Accounting Pronouncements

For information with respect to recent accounting pronouncements, if any, and the impact of these pronouncements on our condensed 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 revenue and the percentage changes in dollars for such items for the three months ended July 31, 2024 and 2023:

	Three Months Ended July 31,		
	Percentage of Total Revenue		Pct. Change in Dollars
	2024	2023	2024 vs. 2023
Revenue:			
Subscription fees	56 %	53 %	7 %
License	1 %	1 %	(17)%
Professional services and other	15 %	14 %	5 %
Maintenance	28 %	32 %	(11)%
Total revenue	100 %	100 %	1 %
Cost of revenue:			
Subscription fees	18 %	16 %	11 %
License	— %	— %	(39)%
Professional services and other	10 %	12 %	(12)%
Maintenance	5 %	7 %	(24)%
Total cost of revenue	33 %	35 %	(4)%
Gross margin	67 %	65 %	4 %
Research and development	17 %	16 %	3 %
Sales and marketing	22 %	22 %	(2)%
General and administrative	21 %	21 %	3 %
Total operating expenses	60 %	59 %	1 %
Operating income	7 %	6 %	33 %
Other income:			
Other, net	4 %	7 %	(40)%
Earnings before income taxes	11 %	13 %	(9)%
Income tax expense	4 %	3 %	39 %
Net earnings from continuing operations	7 %	10 %	(21)%
Earnings from discontinued operations, net of income taxes	— %	1 %	nm
Net earnings	7 %	11 %	(25)%

nm - not meaningful

COMPARISON OF RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED JULY 31, 2024 AND 2023

REVENUE

	Three Months Ended July 31,				
				% of Total Revenue	
	2024	2023	% Change	2024	2023
	(in thousands)				
Subscription fees	$ 14,791	$ 13,764	7 %	56 %	53 %
License	241	289	(17)%	1 %	1 %
Professional services and other	3,870	3,685	5 %	15 %	14 %
Maintenance	7,290	8,163	(11)%	28 %	32 %
Total revenue	$ 26,192	$ 25,901	1 %	100 %	100 %

For the three months ended July 31, 2024, revenue increased by 1% when compared to the same period last year, which was attributable primarily to a 7% increase in subscription fees, a 5% increase in professional services and other revenue, partially offset by a 17% decrease in license revenue and an 11% decrease in maintenance revenue.

Due to intense competition in our industry, we sometimes discount SaaS and license fees from our published list price. Numerous factors contribute to the amount of the discount provided, such as previous client purchases, the number of client 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 revenue 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 revenue represented approximately 22% and 21% of total revenue in the three months ended July 31, 2024 and 2023. Our revenue, particularly our international revenue, may fluctuate substantially from period to period, primarily because we derive most of our license and subscription fee revenue from a relatively small number of clients in a given period.

Subscription Fees

	Three Months Ended July 31,		
	2024	2023	% Change
	(in thousands)		
Supply Chain Management	$ 14,760	$ 13,704	8 %
Other	$ 31	$ 60	(48)%
Total subscription fees revenue	$ 14,791	$ 13,764	7 %

For the three months ended July 31, 2024, subscription fees revenue increased 7%, when compared to the same period in the prior year, primarily due to an increase in the number of contracts, including contracts with a higher cloud services annual contract value, as well as an increase in multi-year contracts. For both the three months ended July 31, 2024 and 2023, our SCM segment constituted 100% of total subscription fee revenue.

The direct sales channel provided 100% of license fee revenues for both the three months ended July 31, 2024 and 2023, due to expanding user licenses and products.

For the three months ended July 31, 2024 and 2023 our margins after commissions on direct sales were approximately 94% and 92%, respectively. Margins are directly related to the mix of sales commission rates based on each individual salesperson's quotas and related achievement. For the three months ended July 31, 2024 and 2023, our margins after commissions on indirect sales were approximately 57% and 56%, respectively. The indirect channel margins increased for the three months ended July 31, 2024 compared to the same periods in the prior year due to the mix of 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.

License Revenue

	Three Months Ended July 31,		
	2024	2023	% Change
	(in thousands)		
Supply Chain Management	$ 225	$ 273	(18)%
Other	16	16	— %
Total license revenue	$ 241	$ 289	(17)%

For the three months ended July 31, 2024, license fee revenue decreased 17%, when compared to the same period in the prior year, which was primarily attributable to our SCM segment. The majority of our current license fee revenue is generated from additional users and expanded scope from our existing on-premise clients, as the market and we have moved away from on-premise licensed software. The decrease is due to the timing of purchases and the trend of on-premise clients moving to SaaS. For the three months ended July 31, 2024 and 2023, our SCM segment constituted 93% and 94%, respectively of total license fee revenue. Our Other segment revenue remained flat for the three months ended July 31, 2024 when compared to the same period in the prior year primarily due to timing of sales to our existing ERP clients.

Professional Services and Other Revenue

	Three Months Ended July 31,		
	2024	2023	% Change
	(in thousands)		
Supply Chain Management	$ 3,535	$ 3,301	7 %
Other	335	385	(13)%
Total professional services and other revenue	$ 3,870	$ 3,686	5 %

For the three months ended July 31, 2024, professional services and other revenue increased by 5%, when compared to the same period in the prior year, primarily due to higher professional services and other revenue derived from our SCM. For the three months ended July 31, 2024, our SCM segment's revenue increased 7% when compared to the same period in the prior year, primarily due to increased bookings in recent quarters resulting in increased project work and the timing of implementation project work in recent periods. For the three months ended July 31, 2024, our Other segment's revenue decreased 13% when compared to the same period in the prior year, primarily due to the timing of project work with existing clients. We have observed that there is a tendency for services and other revenue to lag changes in license and subscription revenue 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 revenue only as we perform those services.

Maintenance Revenue

	Three Months Ended July 31,		
	2024	2023	% Change
	(in thousands)		
Supply Chain Management	$ 6,839	$ 7,691	(11)%
Other	451	472	(4)%
Total maintenance revenue	$ 7,290	$ 8,163	(11)%

For the three months ended July 31, 2024, maintenance revenue decreased 11% when compared to the same period in the prior year, mainly due to our SCM segment. Our SCM maintenance revenue decreased 11% for the three months ended July 31, 2024, when compared to the same period last year due to normal client attrition and clients converting from on-premise support to our SaaS cloud platform. The SCM segment accounted for 94% of total maintenance revenue for the three months ended July 31, 2024 and 2023. Our Other segment revenue decreased 4% for the three months ended July 31, 2024 when compared to the same period last year. Typically, our maintenance revenue has had a direct relationship to current and historic license fee revenue, since licenses are the source of maintenance clients.

GROSS MARGIN

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

	Three Months Ended July 31,			
	2024	%	2023	%
Gross margin on subscription fees	$ 10,097	68 %	$ 9,547	69 %
Gross margin on license fees	197	82 %	217	75 %
Gross margin on professional services and other	1,174	30 %	625	17 %
Gross margin on maintenance	6,000	82 %	6,468	79 %
Total gross margin	$ 17,468	67 %	$ 16,857	65 %

For the three months ended July 31, 2024, our total gross margin percentage increased by 2%, when compared to the same period in the prior year, primarily due to higher margins on professional services and other, license fees and maintenance.

Gross Margin on Subscription Fees

For the three months ended July 31, 2024, our gross margin percentage on subscription fees revenue slightly decreased from 69% to 68%, when compared to the same period in the prior year, primarily due to increased hosting costs and increased amortization of acquired software.

Gross Margin on License Fees

License fee gross margin percentage for the three months ended July 31, 2024 increased 7%, respectively, 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 revenue due to the sales mix between our direct and indirect channels.

Gross Margin on Professional Services and Other

For the three months ended July 31, 2024, our gross margin percentage on professional services and other revenue increased to 30% , an increase of 13% over the same period in the prior year, primarily due to an increase in revenues and staff utilization. Our gross margin percentage on professional services and other revenue in our SCM segment increased to 30% for the three months ended July 31, 2024, up 15% over the same period in the prior year. Our Other segment professional services gross margin slightly decreased from 43% to 42% for the three months ended July 31, 2024 when compared to the same period in the prior year. Professional services and other gross margin is directly related to the level of services and other revenue. The primary component of cost of services and other revenue is services staffing and staff utilization, which is relatively inelastic in the short term.

Our SCM segment was 91% and 90% of the Company's professional services and other revenue for the three months ended July 31, 2024 and 2023, respectively. Our Other segment was 9% and 10% of the Company's professional services and other revenue for the three months ended July 31, 2024 and 2023, respectively.

Gross Margin on Maintenance

Maintenance gross margin percentage for the three months ended July 31, 2024 increased 3%, respectively, when compared to the same period in the prior year. The increase is primarily due to a decrease in personnel costs when compared to the same periods in the prior year. The primary cost component is maintenance staffing, which is relatively inelastic in the short term.

EXPENSES

	Three Months Ended July 31,					
					% of Revenue	
	2024		2023		2024	2023
	(in thousands)					
Research and development	$	4,364	$	4,249	17 %	16 %
Sales and marketing	$	5,636	$	5,731	22 %	22 %
General and administrative	$	5,433	$	5,461	21 %	21 %
Amortization of acquisition-related intangible assets	$	191	$	25	1 %	— %
Other income	$	1,135	$	1,887	4 %	7 %
Income tax expense	$	925	$	664	4 %	3 %

Research and Development

Research and development costs include personnel costs, third-party contractors, travel expense, rent, software expense and other non-capitalized software development costs. A breakdown of the research and development costs is as follows:

	Three Months Ended July 31,				
	2024		2023		% Change
	(in thousands)				
Total research and development expense	$	4,364	$	4,249	3 %
Percentage of total revenue		17 %		16 %	
Total amortization of capitalized computer software development costs *	$	10	$	138	(93)%

*Included in cost of license fees and subscription fees.

For the three months ended July 31, 2024, total product research and development costs increased by 3% when compared to the same period in the previous year. The increase is primarily due to an increase in personnel costs, an increase in the use of third-party contractors, an increase in recruiting fees and in increase in dues and subscriptions. For the three months ended July 31, 2024 and 2023, amortization of capitalized software development costs decreased 93%, as most projects were fully amortized.

Sales and Marketing

For the three months ended July 31, 2024 and 2023 sales and marketing expenses as a percentage of revenue remained flat at 22%, which is primarily due to cost containment.

General and Administrative

For the three months ended July 31, 2024, general and administrative expenses remained flat at 21%.

At July 31, 2024, the total number of full-time personnel was 410, which includes 324 employees and 86 third-party contractors, compared to 489 full-time personnel, which includes 379 employees and 110 third-party contractors at July 31, 2023.

Operating Income/(Loss)

	Three Months Ended July 31,				
	2024		2023		% Change
	(in thousands)				
Supply Chain Management	$	6,577	$	6,170	7 %
Other*		(4,733)		(4,779)	(1)%
Total operating income	$	1,844	$	1,391	33 %

* Includes all corporate overhead and other common expenses.

Our SCM segment operating income increased by 7% for the three months ended July 31, 2024, when compared to the same period in the prior year primarily due to an increase in subscription and other recurring revenue and professional services and other revenue.

Our Other segment operating loss decreased by 1% for the three months ended July 31, 2024, when compared to the same period in the prior year due primarily to decreases in professional services, the use of third party contractors and insurance.

Other Income

Other income is comprised of net interest and dividend income, rental income, asset gains and losses, exchange rate gains and losses, and realized and unrealized gains and losses from investments. For the three months ended July 31, 2024, the decrease in Other income is mainly due to an increase in unrealized losses and a decrease in interest income, partially offset by an increase in realized gains, when compared to the same period in the prior year. We recorded unrealized losses of approximately $0.5 million and realized gains of approximately $0.6 million for the three months ended July 31, 2024 from our trading securities portfolio.

For the three months ended July 31, 2024 and 2023, our investments generated an annualized yield of approximately 5.31% and 4.04%, 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 losses, credit carry-forwards and nonqualified stock options. Under the Income Tax Topic of the FASB ASC 740, Income Taxes, 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 months ended July 31, 2024 and 2023, we recorded income tax expense from continuing operations of $925,000 and $664,000, respectively, which included discrete stock compensation expense of $418,000 and $0, respectively, net of normal income tax expense from operations. Before adjusting for these discrete tax costs, our effective tax rate in the three months ended July 31, 2024 and 2023 would have been 17.0% and 20.2%, respectively. In addition, research and development credits and various permanent differences reduced our effective tax rate by 6.6% and 3.6%, respectively, in the three months ended July 31, 2024, compared to a reduction of 2.8% and 2.2%, respectively, in the three months ended July 31, 2023.

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 revenue 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

Historically, we have funded, and we 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 three months ended July 31, 2024 and 2023. 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 2024.

	Three Months Ended July 31, 2024	Three Months Ended July 31, 2023
	(in thousands)	
Net cash (used in) provided by operating activities	(1,799)	7,168
Net cash used in investing activities	(136)	(467)
Net cash used in financing activities of continuing operations	(3,660)	(3,510)
Net change in cash and cash equivalents	$ (5,595)	$ 3,191

For the three months ended July 31, 2024, the net decrease in cash used in operating activities when compared to cash provided by operating activities in the same period last year was due primarily to the following: (1) an increase in the purchases of trading securities, (2) a higher decrease in deferred revenue when compared to the same period last year due to timing of revenue recognition, (3) a decrease in prepaid expenses and other assets when compared to the same period last year due to the timing of purchases, (4) a decrease in net earnings and (5) an increase in deferred tax assets relative to a lower increase in the prior year.

This net decrease used in operating activities was partially offset by: (1) a larger decrease in client accounts receivable when compared to the same period last year due to the timing of closing client sales and related collections, (2) an increase in accounts payable and other liabilities compared to the same period last year due to timing of payments, (3) an increase in the proceeds from the maturity and sales of trading securities, (4) a decrease in gains on our investments portfolio and (5) higher depreciation and amortization expense due to the acquisition of Garvis.

The decrease in cash used in investing activities when compared to the same period in the prior year was mainly due to a decrease in purchases of property and equipment.

The increase in cash used in financing activities when compared to the prior year was due primarily to decreases in dividends paid and in proceeds from exercise of stock options.

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 July 31, 2024	As of July 31, 2023
Cash and cash equivalents	$ 53,917	$ 93,479
Short and long-term investments	38,038	21,442
Total cash and short and long-term investments	91,955	114,921
Net decrease in total cash and investments during the three months ended July 31,	$ 8,182	$ 696

Our total activities used more cash and investments during the three months ended July 31, 2024, when compared to the prior year period, in the course of normal business operations.

Days Sales Outstanding in accounts receivable was 61 days as of July 31, 2024, compared to 76 days as of July 31, 2023. This decrease is primarily due to the timing of billings and cash collections. Our current ratio was 2.0 to 1 on July 31, 2024 and 2.9 to 1 on July 31, 2023.

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 $92.0 million in cash and investments with no debt as of July 31, 2024, we believe that our sources of liquidity and capital resources will be sufficient to satisfy our presently anticipated requirements for continuing operations for a minimum of 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 completed our repurchase of 2.0 million shares of common stock at a cost of approximately $16.4 million. As of July 31, 2024, under all repurchase plans previously authorized, including this most recent plan, we have repurchased a total of 5,534,953 shares of common stock at a cost of approximately $35.8 million.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

For the three months ended July 31, 2024, there were no significant changes to our critical accounting policies and estimates from those disclosed in the section "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report for fiscal 2024.

Item 3 Quantitative and Qualitative Disclosures About Market Risk

Foreign Currency. In the three months ended July 31, 2024 and 2023, we generated approximately 22% and 21% of our revenue outside the U.S. We typically make international sales through our VARs and employees located in foreign countries and denominate those sales in U.S. and New Zealand 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 $92,000 for the three months ended July 31, 2024 compared to exchange rate losses of approximately $65,000 for the same period in the prior year. We estimate that a 10% movement in foreign currency rates would have had the effect of creating up to a $412,000 exchange rate gain or loss for the three months ended July 31, 2024. 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. These instruments are denominated in U.S. dollars. The fair market value of these instruments as of July 31, 2024 was approximately $86.4 million compared to $110.5 million as of July 31, 2023.

We also hold cash balances in accounts with commercial banks in the U.S. 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 U.S. 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 operating 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

Management, under the supervision and with the participation of the Chief Executive Officer and Chief Financial Officer, has conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Disclosure controls and procedures are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to our management, including our principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure.

Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that as of July 31, 2024, our disclosure controls and procedures were effective.

Remediation of Previously Disclosed Material Weakness in Internal Control over Financial Reporting

As previously disclosed in our Annual Report on Form 10-K for the year ended April 30, 2024, management identified a material weakness as of the year ended April 30, 2024. The identified material weakness was related to certain process-level controls over the reconciliation of cash, accounts receivable, accounts payable, accrued compensation and related costs and cost of revenues were not designed or operated effectively. These ineffective controls were attributable to insufficient risk assessment, policies and procedures and training that impaired our ability to timely investigate and resolve reconciling items.

Remediation of this material weakness was completed as of July 31, 2024 and included implementation of enhanced policies and procedures over reconciliations and related training, including a focus on risk assessment and expectations and procedures for investigating and resolving reconciling items on a timely basis. In addition, the Company increased its usage of its financial close management software in order to strengthen account reconciliation accuracy, tracking, and reporting.

Changes in Internal Control Over Financial Reporting

The remediation change described above represents a change in internal control over financial reporting during the three months ended July 31, 2024 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Other than this change, there were no changes in the Company's internal control over financial reporting during the quarter ended July 31, 2024 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting. As noted above, the material weakness over certain process- level controls over the reconciliation of cash, accounts receivable, accounts payable, accrued compensation and related costs and cost of revenues reported has been fully remediated as of July 31, 2024.

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 2024. 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

Insider Trading Arrangements and Policies

During the quarter ended July 31, 2024, none of our directors or officers (as defined in Section 16 of the Exchange Act) adopted of terminated a "Rule 10b5-1 trading arrangement" or a "non-Rule 10b5-1 trading arrangement" (each defined in Item 408 of Regulation S-K).

Item 6. Exhibits

Exhibit 2.1	Stock Purchase Agreement, dated as of September 5, 2023, among Logility, Inc., each of the shareholders of Garvis AI Limited and Piet Buyck, as Shareholder Representative (1)
Exhibit 3.1	Second Amended and Restated Articles of Incorporation, and amendments thereto.
Exhibit 3.2	Amended and Restated By-Laws dated May 18, 2009. (3)
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 Exhibit 2.1 of the Company's Form 8-K (File No. 000-12456) as filed with the SEC on September 7, 2023.

(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: August 30, 2024	By: /s/ H. Allan Dow
	H. Allan Dow Chief Executive Officer and President (Principal Executive Officer)
Date: August 30, 2024	By: /s/ Vincent C. Klinges
	Vincent C. Klinges Chief Financial Officer (Principal Financial Officer)
Date: August 30, 2024	By: /s/ Bryan L. Sell
	Bryan L. Sell Controller and Principal Accounting Officer

SECOND AMENDED AND RESTATED ARTICLES OF INCORPORATION OF AMERICAN SOFTWARE, INC.

AMERICAN SOFTWARE, INC., a Georgia corporation (the "Corporation"), acting pursuant to Sections 14-2-602 and 14-2-1007 of the Georgia Business Corporation Code, does hereby submit the following Second Amended and Restated Articles of Incorporation (the "Second Amended and Restated Articles of Incorporation"), thereby amending and restating in their entirety the Corporation's existing Amended and Restated Articles of Incorporation (the "Amended and Restated Articles of Incorporation"), as amended.

FIRST: These Second Amended and Restated Articles of Incorporation were duly adopted in accordance with Sections 14-2-1003 and 14-2-1007 of the Georgia Business Corporation Code.

SECOND: These Second Amended and Restated Articles of Incorporation supersede the Amended and Restated Articles of Incorporation of the Corporation and all amendments in their entirety.

THIRD: These Second Amended and Restated Articles of Incorporation contain amendments to the Amended and Restated Articles of Incorporation requiring shareholder approval.

FOURTH: These Second Amended and Restated Articles of Incorporation were duly approved by the Corporation's shareholders in accordance with Section 14-2-1003 of the Georgia Business Corporation Code on August 20, 2024.

FIFTH: The Corporation's Amended and Restated Articles of Incorporation, as amended, will be amended and restated as set forth in **Exhibit A**.

Exhibit A

SECOND AMENDED AND RESTATED ARTICLES OF INCORPORATION

ARTICLE I.
NAME.

The name of the corporation is AMERICAN SOFTWARE, INC. (the "Corporation").

ARTICLE II.
PURPOSE.

The purpose of the Corporation is to engage in any form or type of business for any lawful purpose or purposes not specifically prohibited to corporations for profit under the laws of the State of Georgia and, to accomplish such purpose, it shall have all rights, powers, privileges and immunities which are now or hereafter may be allowed to corporations under the laws of the State of Georgia.

ARTICLE III.
DURATION.

The Corporation shall have perpetual duration.

ARTICLE IV.
ADDRESS; REGISTERED AGENT.

The address of the Corporation's registered office in the State of Georgia is 900 Old Roswell Lake Pkwy, Suite 310, in the City of Roswell, County of Fulton, 30076. The name of the Corporation's registered agent at such address is Registered Agent Solutions, Inc.

ARTICLE V.
CAPITAL STOCK.

(a) Authorized Classes of Stock. The aggregate number of shares of capital stock which the Corporation shall have the authority to issue shall be 50,000,000 shares, which shall consist entirely of shares of Common Stock (as defined below).

(b) Common Stock.

i. Reclassification of Class B Common Stock. Immediately upon the filing and effectiveness of these Second Amended and Restated Articles of Incorporation with the Secretary of State of the State of Georgia (the "Effective Time"), automatically and without further action on the part of the Corporation or the holders of capital stock of the Corporation, each share of Class B Common Stock, having a par value of Ten Cents ($0.10) per share, of the Corporation (the "Former Class B Common Stock"), issued and outstanding or held by the Corporation as treasury stock as of immediately prior to the Effective Time shall be reclassified and exchanged into 1.2 validly issued, fully paid and non-assessable shares of Class A Common Stock (the "Reclassification Consideration"), having a par value of Ten Cents ($0.10) per share of the Corporation (the "Class A Common Stock"). The procedures for exchanging or transferring, as applicable, the certificated and book-entry shares of Former Class B Common Stock following the Effective Time and for receiving the Reclassification Consideration upon such exchange or transfer are set forth in that certain Reclassification Agreement by and among the Corporation and the persons named therein, dated April 10, 2024, as it may be amended from time to time. After giving effect to the foregoing reclassification of the Former Class B Common Stock into Class A Common Stock, the Class A Common Stock is hereby referred to as "Common Stock".

ii. Voting Rights. Except as otherwise provided herein or by law, each holder of Common Stock shall have one vote in respect of each share of Common Stock held of record on each matter submitted to a vote of the shareholders of the Corporation.

iii. Liquidation. In the event of a liquidation, dissolution or winding-up of the Corporation or other similar event, the remaining assets of the Corporation available to shareholders shall be distributed equally per share to the holders of Common Stock. Neither the merger nor consolidation of the Corporation, nor the sale, lease or conveyance of all or part of its assets shall be deemed to be a liquidation, dissolution or winding-up of the Corporation within the meaning of this provision.

iv. Dividends. The holders of Common Stock shall be entitled to receive dividends as and when declared by the Board of Directors of the Corporation (the "Board") out of funds legally available therefor. Holders of Common Stock shall be entitled to share equally, share for share, in dividends declared on Common Stock.

ARTICLE VI.
PREEMPTIVE RIGHTS.

Preemptive rights are hereby denied. No holder of any shares of this Corporation shall have the preemptive right to purchase, subscribe for, or otherwise acquire any shares of stock of the Corporation of any class now or hereafter authorized or any securities exchangeable for or convertible into such shares, or any warrants or other instruments evidencing rights or options to subscribe for purchase or otherwise acquire shares.

ARTICLE VII.
BY-LAWS.

In furtherance and not in limitation of the powers conferred by law, the Board is expressly authorized and empowered to adopt, amend, alter, or repeal the By-Laws of the Corporation without any action on the part of the shareholders.

ARTICLE VIII.
INDEMNIFICATION

The Corporation shall indemnify, and advance expenses to, to the fullest extent permitted by the Georgia Business Corporation Code, any person who was or is a party to or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative by reason of the fact that the person is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise.

ARTICLE IX.
DIRECTOR LIABILITY.

To the fullest extent that the Georgia Business Corporation Code as the same exists or may hereafter be permits the limitation or elimination of the liability of directors, no director of the Corporation shall be personally liable to the Corporation or its shareholders for monetary damages for any action taken, or for failure to take action. Neither the amendment or repeal of this Article IX nor the adoption of any provision of these Second Amended and Restated Articles of Incorporation inconsistent with this Article IX shall eliminate or adversely affect any right or protection of a director of the Corporation existing immediately prior to such amendment, repeal or adoption.

ARTICLE X.
ADOPTION.

These Second Amended and Restated Articles of Incorporation were proposed by a majority vote of the Board, taken on the 29th day of May 2024, and were duly approved and adopted by the shareholders of the Corporation in accordance with the provisions of Code Section 14-2-1003 on the 20th day of August, 2024, there being 31,459,011 shares of Ten Cents ($0.10) par value Class A Common Stock of the Corporation outstanding and entitled to vote on that date, the affirmative vote of the holders of a majority of the shares entitled to vote being required to adopt these articles.

* * * * * *

IN WITNESS WHEREOF, AMERICAN SOFTWARE, INC. has caused these Second Amended and Restated Articles of Incorporation to be executed and its corporate seal to be affixed and has caused the foregoing to be attested, all by the duly authorized officers on this 20th day of August, 2024.

AMERICAN SOFTWARE, INC.

By: /s/ Vincent Klinges
Vincent Klinges, Chief Financial Officer

ATTEST:

By: /s/ James McGuone
James McGuone, Secretary

[CORPORATE SEAL]

Exhibit 31.1

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

I, H. Allan Dow, 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: August 30, 2024

By: /s/ H. Allan Dow

H. Allan Dow

Chief Executive Officer and President
(Principal Executive Officer) and Director

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: August 30, 2024

By: /s/ Vincent C. Klinges

Vincent C. Klinges

Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

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 July 31, 2024 (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 30th day of August, 2024

/s/ H. Allan Dow

H. Allan Dow

Chief Executive Officer and President (Principal Executive Officer) and Director

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 July 31, 2024 (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 30th day of August, 2024

/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.