

AGILYSYS INC  
Form DEFA14A  
June 14, 2011

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**SCHEDULE 14A**

(Rule 14a-101)

**INFORMATION REQUIRED IN PROXY STATEMENT**

**SCHEDULE 14A INFORMATION**

**Proxy Statement Pursuant to Section 14(a) of the**

**Securities Exchange Act of 1934**

(Amendment No. )

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

**Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

**Agilysys, Inc.**

(Name of Registrant as Specified In Its Charter)

n/a

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

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x No fee required.

.. Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

.. Fee paid previously with preliminary materials.

.. Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount previously paid with preliminary materials:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

**FOR IMMEDIATE RELEASE**

**Agilysys Announces Unaudited Fiscal 2011 Fourth-Quarter  
and Full-Year Financial Results**

*Consolidated Revenue Advances 5.8% in Fiscal 2011 Fourth Quarter Compared with Fiscal 2010 Fourth Quarter*

*Fiscal Year 2011 Revenue Grew 6.5% From Fiscal 2010, Led by 23% Increase in Software Sales*

*Cash on Hand at Fiscal Yearend Increases 13% to \$74.4 Million*

*Corporate Headquarters to Be Relocated to Alpharetta, Ga., in Fiscal 2012*

CLEVELAND June 14, 2011 Agilysys, Inc. (**Nasdaq: AGYS**), a leading provider of innovative IT solutions, today announced unaudited financial results for the fiscal 2011 fourth quarter and full year ended March 31, 2011.

**Fourth-Quarter 2011 Unaudited Results of Operations**

Fourth-quarter consolidated sales increased 5.8% to \$143.8 million, compared with \$135.8 million in the final quarter of fiscal 2010. Net revenues grew 16.5% and 8.7% in the Company's Hospitality Solutions Group (HSG) and Technology Solutions Group (TSG), respectively, more than offsetting a 13.6% decline in its Retail Solutions Group (RSG).

Gross margin contracted to 25.3% of sales, compared with 26.4% of sales in the fiscal 2010 fourth quarter. Margins were negatively impacted during the quarter due to lower services margins and vendor rebates.

Selling, general and administrative (SG&A) expense was \$44.8 million for the quarter, an increase of \$2.9 million from the prior year, primarily due to higher incentive compensation.

During the quarter, the Company conducted its annual goodwill impairment test and concluded certain goodwill and intangible assets related primarily to its TSG business segment were impaired. As a result, the Company recorded a non-cash impairment charge of \$37.7 million during the fiscal 2011 fourth quarter.

The reported operating loss for the quarter, which included the impairment charge and \$0.8 million in restructuring charges, was \$46.9 million. Adjusted EBITDA (operating loss plus depreciation and amortization), excluding asset impairment and restructuring charges, from continuing operations was a loss of \$5.1 million for the quarter, compared with a loss of \$2.9 million a year ago (see table attached).

The net loss from continuing operations for the quarter was \$45.0 million, or a loss of \$1.97 per diluted share, compared with a net loss from continuing operations of \$0.5 million, or a loss of \$0.02 per diluted share, in the prior-year fourth quarter.

James Dennedy, interim president and chief executive officer, commented: Looking ahead to fiscal 2012, we are optimistic that the decisions and actions taken subsequent to the March fiscal yearend will enhance shareholder value. After the proposed divestiture of the TSG segment is completed, Agilysys will have two industry-leading businesses that will serve as a solid platform for profitable future growth.

A major theme of the ongoing restructuring is to tighten our cost controls and better align corporate functions with our operating businesses. To that end, today we also announced that the Board of Directors has approved a restructuring plan, as well as the relocation of the Company's corporate functions from Solon, Ohio, to Alpharetta, Ga., during fiscal 2012.

### **Fiscal 2011 Unaudited Results of Operations**

Full-year revenue in fiscal 2011 increased 6.5% to \$675.5 million from \$634.3 million in fiscal 2010 due to improvement in customer demand and bundling more remarketed software with hardware purchases. Sales of hardware, software and services increased 4%, 23% and 7%, respectively, compared with the prior year.

Full-year gross profit declined 2.4% to \$157.7 million, versus \$161.5 million in fiscal 2010. Gross margin as a percentage of sales was 23.3% in fiscal 2011, compared with 25.5% last year. Gross margin was negatively impacted by lower vendor rebates and services margins.

SG&A expense increased 3.6% to \$173.2 million, compared with \$167.2 million in the prior fiscal year. The increase was primarily due to higher incentive compensation, Guest360™ development costs that were capitalized in fiscal 2010 and higher costs associated with the Company's ERP implementation in fiscal 2011.

Including the aforementioned asset impairment and restructuring charges, the operating loss for the year was \$54.4 million, compared with the operating loss of \$6.8 million in fiscal 2010. Charges related to restructuring and asset impairment totaled \$38.9 million in fiscal 2011, versus \$1.1 million in the prior year. Adjusted EBITDA from continuing operations, excluding asset impairment and restructuring charges, was a loss of \$1.9 million for fiscal 2011, compared with a positive \$10.1 million a year ago (see table attached).

The fiscal year 2011 net loss from continuing operations was \$55.5 million, or \$2.44 per diluted share. This compares with net income from continuing operations of \$3.6 million, or \$0.15 per diluted share, last year.

### **Liquidity**

Cash on hand grew \$8.8 million during the year, reaching \$74.4 million at the end of fiscal 2011 due to lower investments in working capital. The Company remains debt free, except for certain capital leases.

### **Business Outlook**

Management indicated that, at this time, it is not prepared to provide guidance for fiscal 2012. As soon as practicable after the close of the proposed TSG transaction, the Company intends to provide estimates regarding the cost of restructuring, as well as the expected impact of the restructuring on fiscal 2012's anticipated results.

The Company plans to file its Form 10-K with the SEC later today.

### **Conference Call Information**

A conference call will be held today at 11:00 a.m. ET. A slide deck, which will be the basis for the review, will accompany the conference call. Both the slide deck and the conference call can be accessed via the Investor Relations section of [www.agilysys.com](http://www.agilysys.com). In addition, a replay of the call will be archived on the website.

### **Additional Information**

In connection with the proposed TSG divestiture, the Company will file a proxy statement with the Securities and Exchange Commission (SEC). INVESTORS ARE URGED TO READ THE PROXY STATEMENT WHEN IT BECOMES AVAILABLE BECAUSE IT WILL CONTAIN IMPORTANT INFORMATION ABOUT THE PROPOSED TRANSACTION AND THE COMPANY. You will be

able to obtain the proxy statement, as well as other filings containing information about the Company, free of charge, at the website maintained by the SEC at [www.sec.gov](http://www.sec.gov). Copies of the proxy statement and other filings made by the Company with the SEC can also be obtained, free of charge, by directing a request to Agilysys Inc., 28925 Fountain Parkway, Solon, Ohio, 44139, Attention: Treasurer.

### **Participants in the Solicitation**

The Company and its directors and officers may be deemed to be participants in the solicitation of proxies from the Company's shareholders with respect to the special meeting of shareholders that will be held to consider the proposed transaction. Information about the Company's directors and executive officers and their ownership of the Company's common stock is set forth in the proxy statement for the Company's Annual Meeting of shareholders, which was filed with the SEC on June 25, 2010. Shareholders may obtain additional information regarding the interests of the Company and its directors and executive officers in the proposed transaction, which may be different than those of the Company's shareholders generally, by reading the proxy statement and other relevant documents regarding the proposed transaction, when filed with the SEC.

### **Forward-Looking Language**

This release contains certain management expectations, which may constitute forward-looking information within the meaning of Section 27A of the Securities Act of 1933, Section 21E of the Securities and Exchange Act of 1934, and the Private Securities Reform Act of 1995.

Forward-looking information speaks only as to the date of this release and may be identified by use of words such as may, will, believes, anticipates, plans, expects, estimates, projects, targets, forecasts, continues, seeks, or the negative of those terms or similar expressions. Important factors could cause actual results to be materially different from those in forward-looking information including, without limitation, competitive factors, disruption of supplies, changes in market conditions, pending or future claims or litigation, or technology advances. No assurances can be provided as to the outcome of cost reductions, expected benefits and outcomes from our recent ERP implementation, business strategies, future financial results, unanticipated downturns to our relationships with customers and macroeconomic demand for IT products and services, unanticipated difficulties integrating acquisitions, new laws and government regulations, interest rate changes, consequences related to the concentrated ownership of our outstanding shares by MAK Capital, and unanticipated deterioration in economic and financial conditions in the United States and around the world or the consequences; uncertainties associated with the proposed sale of the Company's TSG business to OnX Enterprise Solutions, including uncertainties related to the anticipated timing of filings and approvals relating to the transaction, the expected timing of completion of the transaction and the ability to complete the transaction. The Company does not undertake to update or revise any forward-looking information even if events make it clear that any projected results, actions, or impact, express or implied, will not be realized.

Other potential risks and uncertainties that may cause actual results to be materially different from those in forward-looking information are described in the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission (SEC), under Item 1A, Risk Factors. Copies are available from the SEC or the Agilysys website.

### **Use of Non-GAAP Financial Information**

To supplement the unaudited condensed consolidated financial statements presented in accordance with U.S. GAAP in this presentation, certain non-GAAP financial measures as defined by the SEC rules are used. Management believes that such information can enhance investors' understanding of the company's ongoing operations. The non-GAAP measures included in this presentation have been reconciled to the comparable GAAP measures within an accompanying table, shown on the last page of this presentation.

### **About Agilysys**

Agilysys is a leading developer and marketer of proprietary enterprise software, services and solutions to the hospitality and retail industries. The Company specializes in market-leading point-of-sale, property management, inventory & procurement, and mobile & wireless solutions that are designed to streamline

operations, improve efficiency and enhance the consumer's experience. Agilysys serves casinos, resorts, hotels, foodservice venues, stadiums, cruise lines, grocery stores, convenience stores, general & specialty retail businesses, and partners. Headquartered in Cleveland, Agilysys operates extensively throughout North America, with additional sales and support offices in the United Kingdom, Singapore and Hong Kong. For more information, visit [www.agilysys.com](http://www.agilysys.com)

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## AGILYSYS, INC.

## CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except share and per share data)	Three Months Ended March 31,		Year Ended March 31,	
	2011 (Unaudited)	2010 (Unaudited)	2011 (Unaudited)	2010
Net sales:				
Products	\$ 111,806	\$ 103,709	\$ 545,348	\$ 512,459
Services	31,971	32,139	130,122	121,861
Total net sales	143,777	135,848	675,470	634,320
Cost of goods sold:				
Products	93,917	87,787	460,969	421,431
Services	13,535	12,234	56,810	51,362
Total cost of goods sold	107,452	100,021	517,779	472,793
Gross margin	36,325	35,827	157,691	161,527
Selling, general and administrative expenses	44,823	41,907	173,211	167,248
Asset impairment charges	37,662	55	37,721	293
Restructuring charges	789	78	1,195	823
Operating loss	(46,949)	(6,213)	(54,436)	(6,837)
Other (income) expenses:				
Other income, net	(43)	(213)	(2,320)	(6,176)
Interest income	(69)	(4)	(130)	(31)
Interest expense	421	282	1,301	970
Loss before income taxes	(47,258)	(6,278)	(53,287)	(1,600)
Income tax (benefit) expense	(2,251)	(5,769)	2,188	(5,176)
(Loss) income from continuing operations	(45,007)	(509)	(55,475)	3,576
Income (loss) from discontinued operations, net of taxes		9		(29)
Net (loss) income	\$ (45,007)	\$ (500)	\$ (55,475)	\$ 3,547
Earnings per share basic:				
(Loss) income from continuing operations	\$ (1.97)	\$ (0.02)	\$ (2.44)	\$ 0.16
Net (loss) income	\$ (1.97)	\$ (0.02)	\$ (2.44)	\$ 0.16
Earnings per share diluted:				
(Loss) income from continuing operations	\$ (1.97)	\$ (0.02)	\$ (2.44)	\$ 0.15
Net (loss) income	\$ (1.97)	\$ (0.02)	\$ (2.44)	\$ 0.15
Weighted average shares outstanding				
Basic	22,805,434	22,628,788	22,785,192	22,626,586
Diluted	22,805,434	22,628,788	22,785,192	23,087,742
Cash dividends per share	\$	\$	\$	\$ 0.06





## AGILYSYS, INC.

## BUSINESS SEGMENT INFORMATION

<i>(In thousands)</i>	Three Months Ended March 31, 2011 (Unaudited)					Year Ended March 31, 2011 (Unaudited)				
	Reportable Segments			Corporate/	Consolidated	Reportable Segments			Corporate/	Consolidated
	HSG	RSG	TSG	Other		HSG	RSG	TSG	Other	
Total revenue	\$ 24,814	\$ 22,015	\$ 97,145	\$	\$ 143,974	\$ 92,839	\$ 109,147	\$ 474,052	\$	\$ 676,038
Elimination of intersegment revenue	(26)	(171)			(197)	(92)	(476)			(568)
Revenue from external customers	\$ 24,788	\$ 21,844	\$ 97,145	\$	\$ 143,777	\$ 92,747	\$ 108,671	\$ 474,052	\$	\$ 675,470
Gross margin	\$ 15,821	\$ 3,958	\$ 16,546	\$	\$ 36,325	\$ 54,669	\$ 20,970	\$ 82,052	\$	\$ 157,691
<i>Gross margin percentage</i>	<i>63.8%</i>	<i>18.1%</i>	<i>17.0%</i>		<i>25.3%</i>	<i>58.9%</i>	<i>19.3%</i>	<i>17.3%</i>		<i>23.3%</i>
Operating income (loss)	\$ 1,622	\$ (520)	\$ (41,288)	\$ (6,763)	\$ (46,949)	\$ 6,030	\$ 3,369	\$ (31,736)	\$ (32,099)	\$ (54,436)
Other income, net				(43)	(43)				(2,320)	(2,320)
Interest expense, net				352	352				1,171	1,171
Income (loss) from continuing operations before income taxes	\$ 1,622	\$ (520)	\$ (41,288)	\$ (7,072)	\$ (47,258)	\$ 6,030	\$ 3,369	\$ (31,736)	\$ (30,950)	\$ (53,287)
Other information:										
Capital expenditures	\$ 1,249	\$ 1	\$ 45	\$ 26	\$ 1,321	\$ 3,760	\$ 623	\$ 914	\$ 1,694	\$ 6,991
Other charges:										
Depreciation and amortization - non-cash (1)	\$ 1,091	\$ 203	\$ 329	\$ 1,771	\$ 3,394	\$ 4,297	\$ 449	\$ 2,881	\$ 5,987	\$ 13,614
Asset impairment charges - non-cash	900		36,762		37,662	959		36,762		37,721
Restructuring charges - cash			790		790			790		790
Restructuring charges (credits) - non-cash				(1)	(1)				405	405
Total	\$ 1,991	\$ 203	\$ 37,881	\$ 1,770	\$ 41,845	\$ 5,256	\$ 449	\$ 40,433	\$ 6,392	\$ 52,530

	Three Months Ended March 31, 2010 (Unaudited)					Year Ended March 31, 2010				
	Reportable Segments			Corporate/	Consolidated	Reportable Segments			Corporate/	Consolidated
	HSG	RSG	TSG	Other		HSG	RSG	TSG	Other	
Total revenue	\$ 21,313	\$ 25,373	\$ 89,295	\$	\$ 135,981	\$ 83,361	\$ 110,506	\$ 440,887	\$	\$ 634,754
Elimination of intersegment revenue	(33)	(91)	(9)		(133)	(206)	(155)	(73)		(434)
Revenue from external customers	\$ 21,280	\$ 25,282	\$ 89,286	\$	\$ 135,848	\$ 83,155	\$ 110,351	\$ 440,814	\$	\$ 634,320
Gross margin	\$ 13,374	\$ 5,840	\$ 16,613	\$	\$ 35,827	\$ 51,463	\$ 23,326	\$ 87,501	\$ (763)	\$ 161,527
<i>Gross margin percentage</i>	<i>62.8%</i>	<i>23.1%</i>	<i>18.6%</i>		<i>26.4%</i>	<i>61.9%</i>	<i>21.1%</i>	<i>19.8%</i>		<i>25.5%</i>
Operating income (loss)	\$ 2,220	\$ 737	\$ (1,531)	\$ (7,639)	\$ (6,213)	\$ 7,666	\$ 5,759	\$ 9,407	\$ (29,669)	\$ (6,837)

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Other income, net				(213)	(213)				(6,176)	(6,176)
Interest expense, net				278	278				939	939
Income (loss) from continuing operations before income taxes	\$ 2,220	\$ 737	\$ (1,531)	\$ (7,704)	\$ (6,278)	\$ 7,666	\$ 5,759	\$ 9,407	\$ (24,432)	\$ (1,600)
Other information:										
Capital expenditures	\$ 1,041	\$	\$ 41	\$ 2,552	\$ 3,634	\$ 4,694	\$ 31	\$ 103	\$ 8,478	\$ 13,306
Non-cash charges:										
Depreciation and amortization (1)	\$ 1,029	\$ 55	\$ 839	\$ 1,266	\$ 3,189	\$ 4,337	\$ 198	\$ 6,418	\$ 4,876	\$ 15,829
Asset impairment charges			55		55	90		55	148	293
Restructuring charges				78	78				823	823
Total	\$ 1,029	\$ 55	\$ 894	\$ 1,344	\$ 3,322	\$ 4,427	\$ 198	\$ 6,473	\$ 5,847	\$ 16,945

(1) Does not include the amortization of deferred financing fees totaling \$131 and \$139 for the three months ended March 31, 2011 and 2010, respectively, and \$524 and \$485 for the year ended March 31, 2011 and 2010, respectively.

## AGILYSYS, INC.

## CONDENSED CONSOLIDATED BALANCE SHEETS

<i>(In thousands, except share and per share data)</i>	<b>March 31, 2011 (Unaudited)</b>	March 31, 2010
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 74,354	\$ 65,535
Accounts receivable, net	123,666	104,808
Inventories, net	20,632	14,446
Deferred income taxes current, net		144
Prepaid expenses	3,063	4,399
Other current assets	6,494	726
Income taxes receivable	1,583	10,394
<b>Total current assets</b>	<b>229,792</b>	<b>200,452</b>
Goodwill	20,569	50,418
Intangible assets, net	22,535	32,510
Deferred income taxes non-current, net		899
Other non-current assets	12,959	18,175
Property and equipment, net	26,543	27,995
<b>Total assets</b>	<b>\$ 312,398</b>	<b>\$ 330,449</b>
<b>LIABILITIES AND SHAREHOLDERS EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 93,486	\$ 70,171
Deferred revenue	27,914	23,810
Accrued liabilities	23,887	17,183
Income taxes payable	156	
Deferred income taxes current, net	77	
Capital lease obligations current	1,267	311
<b>Total current liabilities</b>	<b>146,787</b>	<b>111,475</b>
Deferred income taxes non-current, net	3,894	412
Capital lease obligations non-current	1,461	384
Other non-current liabilities	12,152	19,254
Shareholders equity:		
Common shares, without par value, at \$0.30 stated value; 80,000,000 shares authorized; 31,606,831 shares issued; and 23,022,398 and 22,932,043 shares outstanding at March 31, 2011 and 2010, respectively	9,482	9,482
Treasury shares (8,584,433 and 8,674,788 shares at March 31, 2011 and 2010, respectively)	(2,575)	(2,602)
Capital in excess of stated value	(5,421)	(8,770)
Retained earnings	146,659	202,134
Accumulated other comprehensive loss	(41)	(1,320)
<b>Total shareholders equity</b>	<b>148,104</b>	<b>198,924</b>
<b>Total liabilities and shareholders equity</b>	<b>\$ 312,398</b>	<b>\$ 330,449</b>

## AGILYSYS, INC. CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

	Year Ended March 31,	
	2011	2010
	(Unaudited)	
<b>Operating activities:</b>		
Net (loss) income	\$ (55,475)	\$ 3,547
Add: Loss from discontinued operations		29
(Loss) income from continuing operations	(55,475)	3,576
Adjustments to reconcile net (loss) income from continuing operations to net cash provided by operating activities:		
Gain on redemption of Company-owned life insurance policies	(2,065)	
Gain on redemption of investment in The Reserve Fund's Primary Fund	(147)	(2,505)
Asset impairment charges	37,721	293
Loss on the sale of securities		91
Depreciation	4,698	3,914
Amortization	9,440	12,400
Deferred income taxes	4,133	6,596
Stock based compensation	3,614	2,426
Excess tax benefit from exercise of stock options		(9)
Change in cash surrender value of company owned life insurance policies	179	(802)
Changes in operating assets and liabilities:		
Accounts receivable	(17,908)	49,481
Inventories	(6,186)	12,839
Accounts payable	22,773	41,889
Accrued and other liabilities	4,004	(18,076)
Income taxes receivable	8,267	(9,021)
Other changes, net	2,213	(1,451)
Other non-cash adjustments	(478)	2,283
Total adjustments	70,258	100,348
Net cash provided by operating activities	14,783	103,924
<b>Investing activities:</b>		
Proceeds from The Reserve Fund's Primary Fund	147	4,772
Proceeds from redemption of/borrowings against Company-owned life insurance policies	15,980	12,500
Additional investments in Company-owned life insurance policies	(1,129)	(1,712)
Proceeds from the sale of marketable securities	14	61
Additional investments in marketable securities	(13,731)	(45)
Purchase of property and equipment	(6,991)	(13,306)
Net cash (used for) provided by investing activities	(5,710)	2,270
<b>Financing activities:</b>		
Floor plan financing agreement, net		(74,468)
Proceeds from borrowings under credit facility	15,325	5,077
Principal payments under credit facility	(15,325)	(5,077)
Debt financing costs		(1,578)
Issuance of common shares		89
Repurchase of common shares to satisfy employee tax withholding	(238)	
Excess tax benefit from exercise of stock options		9
Dividends paid		(1,360)
Principal payments under long term obligations	(419)	(216)
Net cash used for financing activities	(657)	(77,524)
Effect of exchange rate changes on cash	403	695

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Cash flows provided by continuing operations	<b>8,819</b>	29,365
Cash flows of discontinued operations - operating		(74)
Net increase in cash	<b>8,819</b>	29,291
Cash at beginning of period	<b>65,535</b>	36,244
Cash at end of period	<b>\$ 74,354</b>	\$ 65,535

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## AGILYSYS, INC.

## RECONCILIATION OF NET (LOSS) INCOME TO ADJUSTED EBITDA FROM CONTINUING OPERATIONS

(In thousands)	Three Months Ended March 31,		Year Ended March 31,	
	2011 (Unaudited)	2010 (Unaudited)	2011 (Unaudited)	2010
Net (loss) income	\$ (45,007)	\$ (500)	\$ (55,475)	\$ 3,547
<i>Plus:</i>				
Interest expense, net	352	278	1,171	939
Income tax (benefit) expense	(2,251)	(5,769)	2,188	(5,176)
Depreciation and amortization expense (a)	3,394	3,189	13,614	15,829
Other income, net	(43)	(213)	(2,320)	(6,176)
(Income) loss from discontinued operations, net of tax		(9)		29
Adjusted EBITDA from continuing operations	\$ (43,555)	\$ (3,024)	\$ (40,822)	\$ 8,992
Asset impairment charges	37,662	55	37,721	293
Restructuring charges	789	78	1,195	823
Adjusted EBITDA from continuing operations excluding asset impairment and restructuring charges	\$ (5,104)	\$ (2,891)	\$ (1,906)	\$ 10,108

(a) Depreciation and amortization expense excludes amortization of deferred financing fees totaling \$131 and \$139 for the three months ended March 31, 2011 and 2010, respectively, and \$524 and \$485 for the twelve months ended March 31, 2011 and 2010, respectively, as such costs are already included in interest expense, net.

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Agilysys, Inc. (Nasdaq: AGYS)  
Fiscal 2011 Unaudited Fourth Quarter & Full-Year Results  
June 14, 2011



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Forward looking statements & non-GAAP financial information

Forward-Looking Language

This release contains certain management expectations, which may constitute forward-looking information within the meaning of the Securities Act of 1933, Section 21E of the Securities and Exchange Act of 1934, and the Private Securities Reform Act of 1995. Forward-looking information is contained in this release to the date of this release and may be identified by use of words such as may, will, believes, anticipates, plans, expects, targets, forecasts, continues, seeks, or the negative of those terms or similar expressions. Many important factors could cause actual results to be materially different from those in forward-looking information including, without limitation, competitive factors, disruption of operations, pending or future claims or litigation, or technology advances. No assurances can be provided as to the outcome of our recent ERP implementation, business strategies, future financial results, unanticipated downturn in demand from our customers and macroeconomic demand for IT products and services, unanticipated difficulties integrating acquisitions, new laws and regulations, interest rate changes, consequences related to the concentrated ownership of our outstanding shares by MAK Capital, and unanticipated economic and financial conditions in the United States and around the world or the consequences; uncertainties associated with the Company's TSG business to OnX Enterprise Solutions, including uncertainties related to the anticipated timing of filings and the expected timing of completion of the transaction and the ability to complete the transaction. The Company does not undertake forward-looking information even if events make it clear that any projected results, actions, or impact, express or implied, will be realized. Other potential risks and uncertainties that may cause actual results to be materially different from those in forward-looking information are discussed in the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission (SEC), under Item 1A, Risk Factors, and on the SEC or the Agilysys website.

Use of Non-GAAP Financial Information

To supplement the unaudited condensed consolidated financial statements presented in accordance with U.S. GAAP in this release, certain non-GAAP financial measures as defined by the SEC rules are used.

Management believes that such information can enhance investors' understanding of the company's ongoing operations. The non-GAAP presentation have been reconciled to the comparable GAAP measures within an accompanying table, shown on the last page of this release. Additional Information

In connection with the proposed TSG divestiture, the Company will file a proxy statement with the Securities and Exchange Commission. **WE URGE YOU TO READ THE PROXY STATEMENT WHEN IT BECOMES AVAILABLE BECAUSE IT WILL CONTAIN IMPORTANT INFORMATION ABOUT THE COMPANY AND THE COMPANY'S BUSINESS.** You will be able to obtain the proxy statement, as well as other filings containing information about the Company, on the website maintained by the SEC at [www.sec.gov](http://www.sec.gov). Copies of the proxy statement and other filings made by the Company with the SEC are available, without charge, by directing a request to Agilysys Inc., 28925 Fountain Parkway, Solon, Ohio, 44139, Attention: Treasurer.

Participants in the Solicitation

The Company and its directors and officers may be deemed to be participants in the solicitation of proxies from the Company's shareholders for a special meeting of shareholders that will be held to consider the proposed transaction. Information about the Company's directors and their ownership of the Company's common stock is set forth in the proxy statement for the Company's Annual Meeting of Shareholders held on SEC on June 25, 2010. Shareholders may obtain additional information regarding the interests of the Company and its directors in the proposed transaction, which may be different than those of the Company's shareholders generally, by reading the proxy statement and other documents regarding the proposed transaction, when filed with the SEC.

3  
Strategic update  
Announced  
on  
May  
31  
st  
a  
definitive  
agreement  
to  
sell  
Technology  
Solutions  
Group  
(TSG)  
business  
for  
a  
purchase  
price  
of  
\$64  
million  
in

cash  
to  
OnX  
Enterprise  
Solutions  
Strategic  
emphasis  
focuses  
on  
improving  
business  
performance  
and  
returning  
capital  
to  
shareholders

Shareholder value to be driven by improved operating and financial results of remaining  
Hospitality Solution and Retail Solution Groups  
Customer and solution focus  
Profitable growth  
Select investments to enhance core offerings  
Reduce operating expenses  
Reduce corporate expense of servicing our businesses, including reducing our facilities  
footprint

Today announced relocation of corporate headquarters to Alpharetta, Georgia to reduce  
corporate costs and reposition support closer to key revenue producing locations in Georgia  
and South Carolina

4

Q4 review: consolidated results

Revenue increased 6%; hardware by 3%,  
software by 37% and services were flat

Gross margins decreased 1.1% due to lower  
services margins and vendor rebates

SG&A, excluding depr. & amort., increased by  
\$2.9M

Asset impairment charges primarily relate to  
write-down of TSG goodwill and intangible  
assets

Restructuring charges primarily associated  
with cost saving initiatives executed in TSG

Adjusted EBITDA, excluding charges,  
decreased from a loss of \$2.9M to a loss of  
\$5.1M

Loss from continuing operations increased to  
\$45.0M from \$0.5M in FY10 largely due to  
asset impairment and restructuring charges

Q4 Year-over-Year Commentary

Statement of Operations (\$Mil., except per share)

2011

2010

Net sales

\$143.8

\$135.9

Cost of goods sold

\$107.5

\$100.0

Gross profit

\$36.3

\$35.8

25.3%

26.4%

SG&A (excl. depr. & amort.)

\$41.9

\$39.0

Depreciation & amortization

\$2.9

\$2.9

Asset impairment charges

\$37.7

\$0.1

Restructuring charges

\$0.8

\$0.1

Operating loss

(\$47.0)

(\$6.2)

Other (income)/expense, net

(\$0.0)

(\$0.2)

Interest expense/(income), net

\$0.4

\$0.3

Loss before income taxes

(\$47.3)

(\$6.3)

Income tax (benefit)/expense

(\$2.3)

(\$5.8)

Loss from cont. ops.

(\$45.0)

(\$0.5)

Income from disc. ops., net of taxes

\$0.0

\$0.0

Net loss

(\$45.0)

(\$0.5)

Diluted earnings per share:

Continuing operations

(\$1.97)

(\$0.02)

Discontinued operations

\$0.00

\$0.00

Net loss

(\$1.97)

(\$0.02)

Adjusted EBITDA excl. charges

1

(\$5.1)

(\$2.9)

(3.6%)

(2.1%)

(1) Excludes Asset impairment and Restructuring charges

(2) \$0.5M and \$0.3M of developed technology amortization included in COGS

for Q4FY11 and Q4FY10, respectively

March 31

Three Months Ended

2

5

Q4 review: Hospitality ( HSG )

Revenue increased 16.5% largely due to growth in UK and cruise industry

Gross margin increased due to higher services and hardware margins

SG&A, excluding depr. & amort., increased by \$2.3M

Adjusted EBITDA, excluding asset impairment charges, increased \$0.4M primarily due to higher revenue and gross margin expansion

HSG Segment Profit (\$Mil.)

Q4 Year-over-Year Commentary

2011

2010

%

Net sales

\$24.8

\$21.3

16.5%

Cost of goods sold

\$9.0

\$7.9

13.4%

Gross profit

\$15.8

\$13.4

18.3%

63.8%

62.8%

SG&A (excl. depr. & amort.)

\$12.7

\$10.4

21.7%

Depreciation & amortization

\$0.6

\$0.7

(15.1%)

Asset impairment charges

\$0.9

\$0.0

nm

Operating income

\$1.6

\$2.2

Depreciation & amortization

\$1.1

\$1.0

Adjusted EBITDA

\$2.7

\$3.2

Adjusted EBITDA excl. charges

\$3.6

\$3.2

14.6%

15.3%

(1) Excludes Asset impairment charge

(2) \$0.5M and \$0.3M of developed technology amortization included in COGS for Q4FY11 and Q4FY10, respectively

Three Months Ended

March 31

2

1



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Q4 review: Retail ( RSG )

Revenue decreased 13.6% primarily due to lower hardware sales

Gross margin contracted as a result of lower services margins

SG&A, excl. depr. & amort., decreased \$0.8M

Adjusted EBITDA decreased \$1.1M primarily due to lower revenues and gross margins

RSG Segment Profit (\$Mil.)

Q4 Year-over-Year Commentary

2011

2010

%

Net sales

\$21.8

\$25.3

(13.6%)

Cost of goods sold

\$17.9

\$19.4

(8.0%)

Gross profit

\$4.0

\$5.8

(32.2%)

18.1%

23.1%

SG&A (excl. depr. & amort.)

\$4.3  
\$5.1  
(15.2%)  
Depreciation & amortization  
\$0.2  
\$0.1  
nm  
Operating (loss)/income  
(\$0.5)  
\$0.7  
Depreciation & amortization  
\$0.2  
\$0.1  
Adjusted EBITDA  
(\$0.3)  
\$0.8  
(1.5%)  
3.1%  
Three Months Ended  
March 31

7

Q4 review: Technology ( TSG )

Revenue increased 8.8% primarily due to higher hardware and software sales

Gross margin contracted in quarter primarily due to lower rebate margins

SG&A, excl. depr. & amort., increased \$2.7M

Adjusted EBITDA, excluding charges, was a loss of \$3.4M compared to a loss of \$0.6M in prior year

Asset impairment charges relate to write-down of acquisition related goodwill and intangible assets

Restructuring charges incurred due to cost saving initiatives

TSG Segment Profit (\$Mil.)

Q4 Year-over-Year Commentary

2011

2010

%

Net sales

\$97.1  
 \$89.3  
 8.8%  
 Cost of goods sold  
 \$80.6  
 \$72.7  
 10.9%  
 Gross profit  
 \$16.6  
 \$16.6  
 (0.4%)  
 17.0%  
 18.6%  
 SG&A (excl. depr. & amort.)  
 \$20.0  
 \$17.3  
 15.7%  
 Depreciation & amortization  
 \$0.3  
 \$0.8  
 (60.6%)  
 Asset impairment charges  
 \$36.8  
 \$0.1  
 nm  
 Restructuring charges  
 \$0.8  
 \$0.0  
 nm  
 Operating loss  
 (\$41.3)  
 (\$1.5)  
 Depreciation & amortization  
 \$0.3  
 \$0.8  
 Adjusted EBITDA  
 (\$41.0)  
 (\$0.7)  
 Adjusted EBITDA excl. charges<sup>1</sup>  
 (\$3.4)  
 (\$0.6)  
 (3.5%)  
 (0.7%)  
 (1) Excludes Asset impairment and Restructuring charges  
 Three Months Ended  
 March 31

8

Q4 review: Corporate

SG&A, excl. depr. & amort., decreased \$1.3M

due primarily to lower professional fees and  
capitalized leases that were treated as  
operating leases in FY10

Depreciation expense increased due to higher  
capitalized leases and amortization of  
capitalized Oracle ERP system

Adjusted EBITDA, excluding charges, improved  
by \$1.3M

Corporate Segment (\$Mil.)

Q4 Year-over-Year Commentary

2011

2010

\$

SG&A (excl. depr. & amort.)

\$5.0

\$6.3

(\$1.3)

Depreciation & amortization

\$1.8

\$1.3

\$0.5

Restructuring charge

\$0.0

\$0.1

(\$0.1)

Operating loss

(\$6.8)

(\$7.6)

\$0.9

Depreciation & amortization

\$1.8

\$1.3

\$0.5

Adjusted EBITDA

(\$5.0)

(\$6.4)

\$1.4

Adjusted EBITDA excl. charges

1

(\$5.0)

(\$6.3)

\$1.3

(1) Excludes Asset impairment and Restructuring charges

Three Months Ended

March 31

9

FY11 review: consolidated results

Revenue increased 7%

HSG increased 12%

RSG decreased 2%

TSG increased 8%

Gross profit decreased \$3.8M due to lower vendor rebates

SG&A, excl. depr. & amort., increased \$8.6M

Other expense/(income) in FY10 included:

Gain from Reserve Fund distribution of \$2.5M

Income from CTS litigation of \$2.3M

Adjusted EBITDA, excluding charges, declined \$12.0M

FY11 Year-over-Year Commentary

Statement of Operations (\$Mil., except per share)

2011

2010

%

Net sales  
 \$675.5  
 \$634.3  
 6.5%  
 Cost of goods sold  
 \$517.8  
 \$472.8  
 9.5%  
 Gross profit  
 \$157.7  
 \$161.5  
 (2.4%)  
 23.3%  
 25.5%  
 SG&A (excl. depr. & amort.)  
 \$161.3  
 \$152.7  
 5.6%  
 Depreciation  
 &  
 amortization<sup>2</sup>  
 \$11.9  
 \$14.6  
 (18.3%)  
 Asset impairment charges  
 \$37.7  
 \$0.3  
 nm  
 Restructuring charges  
 \$1.2  
 \$0.8  
 46.3%  
 Operating loss  
 (\$54.4)  
 (\$6.8)  
 Other (income)/expense, net  
 (\$2.3)  
 (\$6.2)  
 (62.4%)  
 Interest expense, net  
 \$1.2  
 \$0.9  
 24.5%  
 Loss before income taxes  
 (\$53.3)  
 (\$1.6)  
 Income tax benefit  
 \$2.2  
 (\$5.2)  
 (Loss)/income from cont. ops.



(\$55.5)

\$3.6

Loss from disc. ops., net of taxes

\$0.0

(\$0.0)

Net (loss)/income

(\$55.5)

\$3.5

Diluted earnings per share:

Continuing operations

(\$2.44)

\$0.15

Discontinued operations

\$0.00

\$0.00

Net income/(loss)

(\$2.44)

\$0.15

Adjusted

EBITDA

excl.

charges

1

(\$1.9)

\$10.1

(0.3%)

1.6%

(1) Excludes Asset impairment and Restructuring charges (credits)

(2) \$1.7M and \$1.3M of developed technology amortization included in COGS for FY11 and FY10, respectively

Fiscal Year

March 31

10  
FY11 review: summary balance sheet performance  
Cash  
at  
year-end  
was  
\$74.4M

an  
increase  
of  
\$8.8 million from 3/31/10  
Days sales outstanding increased from 69 days  
at 3/31/10 to 77 days at 3/31/11  
Working capital as a percent of revenue  
declined to 2.7%  
Capital expenditures were \$7.0M in FY11  
compared

to  
\$13.3M  
in  
FY10

decreased  
due  
to lower capitalized Guest360 development  
costs and absence of Oracle enterprise  
software implementation costs  
Commentary  
Working Capital (\$Mil.)

Working capital is (A/R + Inventory) less (A/P + Deferred Revenue)

Quarterly revenue annualized at historical quarterly skew

\$104.8

\$121.9

\$157.6

\$210.3

\$123.7

\$14.4

\$25.9

\$22.6

\$22.5

\$20.6

4.0%

6.2%

6.5%

2.7%

9.0%

\$0

\$45

\$90

\$135

\$180

\$225

Q4FY10

Q1FY11

Q2FY11

Q3FY11

Q4FY11

0%

3%

6%

9%

12%

15%

Receivables

Inventory

Working capital as % of sales

Agilysys, Inc. (Nasdaq: AGYS)  
Fiscal 2011 Unaudited Fourth Quarter & Full-Year Results  
June 14, 2011

12

Reconciliation of (loss)/net income to adjusted EBITDA

2011

2010

2011

2010

(Unaudited)

(Unaudited)

(Unaudited)

Net (loss) income

(45,007)

\$

(500)

\$

(55,475)

\$

3,547

\$

Plus:

Interest expense, net

352

278

1,171

939

Income tax (benefit) expense  
(2,251)

(5,769)

2,188

(5,176)

Depreciation and amortization expense (a)  
3,394

3,189

13,614

15,829

Other income, net  
(43)

(213)

(2,320)

(6,176)

(Income) loss from discontinued operations, net of tax

-

(9)

-

29

Adjusted EBITDA from continuing operations  
(43,555)

\$

(3,024)

\$

(40,822)

\$

8,992

\$

Asset impairment charges

37,662

55

37,721

293

Restructuring charges

789

78

1,195

823

Adjusted EBITDA from continuing operations excluding asset  
impairment and restructuring charges

(5,104)

\$

(2,891)

\$

(1,906)

\$

10,108

\$

(a) Depreciation and amortization expense excludes amortization of deferred financing fees totaling \$131 and \$139 for the three months ended March 31, 2011 and 2010, respectively, and \$524 and \$485 for the year ended March 31, 2011 and 2010, respectively, as such costs are already included in interest expense, net.

Year Ended

March 31,

(In thousands)

Three Months Ended

March 31,