ACXIOM CORP
Form 10-Q/A
September 13, 2001

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q/A

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2001 OR

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

For the transition period from ----- to -----

Commission file number 0-13163

Acxiom Corporation
(Exact Name of Registrant as Specified in Its Charter)

DELAWARE (State or Other Jurisdiction of Incorporation or Organization)	71-0581 (I.R.S. Em Identificat
P.O. Box 8180, 1 Information Way, Little Rock, Arkansas (Address of Principal Executive Offices)	7220 (Zip Co

(501) 342-1000
(Registrant's Telephone Number, Including Area Code)

Indicate by check mark whether the registrant: (1) has filed all reports required to b
13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for suc
that the registrant was required to file such reports), and (2) has been subject to such filing
the past 90 days.

Yes X No

The number of shares of Common Stock, $ 0.10 par value per share, outstanding as of Augu
90,235,816.

Form 10-Q/A

This Amendment No. 1 on Form 10-Q/A to the Registrant's Quarterly Report on Form 10-Q for the qua
is being filed to correct an error in Item 2 of Part 1 "Management's Discussion and Analysis of F
and Results of Operations." Due to a calculation error, the Company reported that earnings before
depreciation, and amortization (EBITDA), excluding the impact of gains, losses and nonrecurring i
other noncash write-offs was $20.1 million for the quarter ended June 30, 2001. The corrected amo
million. This change had no impact on any amounts or disclosures in the Registrant's Condensed Co
Statements or the notes thereto contained in Item 1 of Part 1 of the Form 10-Q or any other amoun
in the remainder of Management's Discussion and Analysis of Financial Condition and Results of Op
this revision does not impact the Company's previous guidance for operating cash flow and free ca
year ended March 31, 2002 nor does the Company expect that this revision will impact its ability
financial covenants included in the Company's credit agreements.

Item 2 of Part 1 to the Registrant's Quarterly Report on Form 10-Q is hereby amended and restated

as follows:

Form 10-Q/A

Management's Discussion and Analysis of
Financial Condition and Results of Operations

Effective January 1, 2001, the Company changed its method of accounting for revenue recogniti
April 1, 2000, in accordance with Staff Accounting Bulletin 101 ("SAB 101"), "Revenue Recogn
Statements." The cumulative effect of the change resulted in a charge to earnings of $37.5
income tax benefit of $21.5 million. The effect of the change on the quarter ended June 30, 20
earnings before the cumulative effect of the change in accounting principle by $1.7 million
share). Also, effective April 1, 2001, the Company made certain modifications to its standard
sales agreements such that vendor-specific objective evidence is not attainable on many of
transactions entered into subsequent to that date. Accordingly, the Company now recognizes
sales of AbiliTec software on a straight-line basis over the term of the agreement.

Results of Operations

For the quarter ended June 30, 2001, consolidated revenue was $205.0 million, down 14% from
year ago. Adjusting the prior year for the pro forma effects of straight-line revenue recogn
contract sales results in a decrease in revenue of 13% for the current quarter of fiscal 2002
quarter ended June 30, 2000. This decline in revenue is due primarily to the overall decline
that we are seeing customers postpone or otherwise delay project work.

The following table shows the Company's revenue by business segment for the quarters ended June
(dollars in millions):

	June 30, 2001	June 30, 2000	% Change
Services			
Data and Software Products	$149.4	$171.1	-13%
IT Management	32.8	30.4	+8
Intercompany eliminations	53.0	55.8	-5
	(30.2)	(17.7)	+71
	$205.0	$239.6	-14%

Services segment revenue of $149.4 million declined 13% over the prior year. Adjusting the pri
for the pro forma effect of straight-line revenue recognition, the Services segment would have
the first quarter in the prior year. As noted above, this decline is primarily attributable
project work.

Data and Software Products segment revenue of $32.8 million increased 8% from the prior year.
pro forma effect of straight-line revenue recognition on software contract sales, the segment
grown 18% as compared to the same quarter last year. The major factor contributing to
Software Products was an increase in InfoBase revenues as compared to the same quarter last year.

Information Technology ("IT") Management segment revenue of $53.0 million reflects a 5% decre
year. The decrease in the IT Management segment revenue is due to the loss of Montgomery Wa
filed for bankruptcy during December 2000. Excluding the impact of Wards, segment revenue
slightly.

Certain revenues, including certain data and software products revenue, are reported both
segment which owns the customer relationship (generally the Services segment) as well as the
Products segment which owns the product development, maintenance, sales support, etc. These d
are eliminated in consolidation. The intercompany elimination increased 71% for the quarter du
increase in the percentage of data and software products revenues generated from the other segmen

The following table presents operating expenses for the quarters ended June 30, 2001 and
millions):

	June 30, 2001	2000	% Change
Salaries and benefits	$93.6	$87.4	+ 7%
Computer, communications and other equipment	81.7	41.7	+96
Data costs	30.8	26.1	+18
Other operating costs and expenses	46.4	53.3	-13
Gains, losses and nonrecurring items, net	45.3	(3.1)	-
	$297.8	$205.4	+45%

Salaries and benefits for the quarter increased 7% from the prior year's first quarter. Excl made during the quarter for certain benefits, salaries and benefits growth was flat. During June 30, 2001, the Company required most associates to take a 5% pay cut in exchange fo Additionally, a significant number of associates volunteered for an additional pay cut in excha stock options. Projected salaries and benefit costs for the balance of fiscal 2002 will substan a result of the restructured operations and the work force reductions discussed below.

Computer, communications and other equipment costs increased 96% over the prior year. additional depreciation and amortization associated with certain impaired assets, computer, c other equipment costs increased 15%.

Data costs grew 18% over the prior year. Increases in data costs are principally the result of on Allstate revenues quarter over quarter and, to a lesser extent, new data sources and higher InfoBase data sales.

Other operating costs and expenses decreased by 13% compared to a year ago, primarily as hardware sales than the year earlier period.

During the quarter ended June 30, 2001, the Company restructured its operations in reaction economic slowdown and the related revenue impact. As a result, the Company recorded special ch gains, losses and nonrecurring items, net) of $45.3 million. These charges consist of a los associated with the sale and leaseback of certain equipment (see notes 1 and 3 to the conde financial statements); $8.3 million in associate-related reserves, principally employment con and severance costs; $3.6 million for lease and contract termination costs and $2.2 million otherwise impaired assets and transaction costs to be paid to accountants and attorneys. special charges recorded as gains, losses and nonrecurring items, net, the Company rec depreciation and amortization and other charges of approximately $25.8 million on certain oth no longer in service or have otherwise been deemed impaired under the appropriate accou primarily Statement of Financial Accounting Standards ("SFAS") No. 86, "Accounting for the Software to Be Sold, Leased, or Otherwise Marketed," or SFAS No. 121, "Accounting for t Long-Lived Assets and for Long-Lived Assets to Be Disposed Of."

Included in gains, losses and nonrecurring items, net for the quarter ended June 30, 2000 is a on the sale of the DataQuick operation that occurred in April 2000; a $3.2 million loss on th business unit; a $20.0 million write-down of the then remaining 49% interest in the DMI operatio write-down of certain campaign management software and a $6.3 million accrual established to fun incentives.

Income (loss) from operations for the quarter declined to a loss of $92.8 million as compa operations of $34.2 million during the same quarter last year. Excluding the gains, losses items, net and the accelerated depreciation and amortization discussed above and adjusting the to include the pro forma effect of straight-line revenue recognition from software contracts, (loss) decreased $50.2 million, primarily due to the reasons discussed above.

Interest expense for the quarter of $6.7 million increased from $5.5 million last year reflecti debt levels. Other, net decreased from $8.2 million in last year's first quarter to a loss of

year. This decline is largely due to a $6.2 million gain on the sale of the Company's investme
the quarter ended June 30, 2000, and the accrual of $0.8 million during the current year
associated with paying off an unsecured term loan (see Capital Resources and Liquidity below).

The loss before income taxes and the cumulative effect of the change in accounting principle
for the quarter decreased $137.3 million from the same quarter a year ago. Adjusting the prio
forma effects of the straight-line revenue recognition and gains, losses and nonrecurring items
special charges and other accelerated depreciation and amortization from the current quarter,
the prior year would have been approximately $36 million.

The Company's effective tax rate was 36.6% in the current quarter compared to 38.5% in the
Company currently expects its effective tax rate to remain at approximately 37% for fiscal 20
is based on current tax law and current estimates of earnings, and is subject to change.

Diluted loss per share was $0.71 compared to $0.14 a year ago. Excluding the special charges
losses and nonrecurring items, net during both periods; the accelerated depreciation and amor
during the current quarter and approximately $18 million in operating expenses incurred
quarter that are not expected to continue in future quarters as a result of the Company's res
operations, and adjusting the prior year for the pro forma effect of straight-line revenue rec
earnings (loss) per share would have been $(0.07) compared to $0.17 for the same quarter last yea

Capital Resources and Liquidity

Working capital at June 30, 2001 totaled $150.7 million compared to $138.1 million at March
30, 2001, the Company had $215.4 million outstanding on its available lines of credit (see
regarding subsequent amendments to the Company's revolving credit facility and certain other d
The Company's debt-to-capital ratio (capital defined as long-term debt plus stockholders' equit
30, 2001 compared to 37% at March 31, 2001. Included in long-term debt at both June 30, 2001
is a convertible note in the amount of $115.0 million. The conversion price for the convertib
per share. If the price of the Company's common stock moves above the conversion price prior
the convertible note, management expects this debt to be converted to equity. Assuming the co
converted to equity, the Company's debt-to-capital ratio would have been reduced to 34% at Jun
stockholders' equity decreased 14% to $533.0 million at June 30, 2001 primarily due to the
during the current quarter and the payment made on the equity forward agreements (see note 6
consolidated financial statements).

Cash used by operating activities was $39.3 million for the quarter ended June 30, 2001 compare
for the same quarter in the prior year. Earnings before interest expense, taxes, depreciation,
("EBITDA") was $12.1 million, excluding the impact of gains, losses and nonrecurring items,
other noncash write-offs that are reported elsewhere in the financial statements. EBITDA on a
last year was $67.9 million, excluding the SAB 101 cumulative adjustment. The decrease in
current quarter as compared to the same quarter last year is primarily due to the declin
previously discussed. EBITDA is not intended to represent cash flows for the period, is not
alternative to operating income as an indicator of operating performance, may not be co
similarly titled measures of other companies, and should not be considered in isolation or as
measures of performance prepared in accordance with generally accepted accounting principles. H
a relevant measure of the Company's operations and cash flows and is used internally as a sur
cash provided by operating activities. Operating cash flow was reduced by $28.7 million in th
and $74.3 million in the prior year due to the net change in operating assets and liabilities.
current quarter primarily reflects payments made on accounts payable related to equipment acqu
was deferred until fiscal 2002, partially offset by a decrease in accounts receivable. Days
("DSO") was 75 days at June 30, 2001 and was 70 days at March 31, 2001.

Investing activities used $27.0 million for the quarter ended June 30, 2001, compared to $10
previously. Investing activities in the current year include capitalized software developm
million and capital expenditures of $8.9 million, compared to $10.2 million and $10.6 milli
during the same quarter last year. Capitalized software development costs have decreased
quarter as a result of decreased spending on certain of the Company's proprietary software
expenditures have decreased due to the economic slowdown. Proceeds from the disposition o
million during the current quarter as compared to $34.1 million (primarily the sale of the Da
and the disposal of the Ceres investment) during the same quarter last year. Costs deferred
contracts were $8.6 million during the current quarter and $5.3 million during the same peri

Investments in joint ventures were $3.7 million and $4.3 million during the quarters ended
2000, respectively, and are comprised primarily of advances made to fund certain investments
operations. No cash was paid for acquisitions during the current quarter as compared to $1
during the same quarter last year for the acquisition of MCRB, Inc. and earn-out payme
acquisitions. The Company leases certain assets under synthetic leasing arrangements rather tha
assets. During the quarter ended June 30, 2001, the Company funded $5.0 million in equipment u
lease facility, and has $89.5 million remaining under the total commitment of $240.0 million.

Financing activities in the current year provided $61.9 million, of which $86.4 million relate
from the Company's revolving credit arrangement, as compared to $31.5 million of cash prov
activities in the prior year. The Company also paid down $22.5 million on the equity forward
the current quarter as discussed in note 6 to the condensed consolidated financial statement
$1.4 million during the same quarter last year. Proceeds from the sale of common stock wer
$4.3 million, respectively, during the quarters ended June 30, 2001 and 2000. The Company als
million of common stock in the open market during the quarter ended June 30, 2000.

During fiscal 2001, the Company began construction on a customer service facility in Lit
planning the construction of another customer service facility in Phoenix. The Little Rock fa
to cost approximately $30 to $35 million, including interest during the construction period and
completed in October 2002. The City of Little Rock has issued revenue bonds for the Little Rock
Company is financing the Little Rock project using off-balance sheet synthetic lease a
completion of the Little Rock facility, the impact of the leasing arrangement is expected to
cash flow by approximately $3 million per year over the term of the lease. The Phoenix projec
cost approximately $25 million, including land and interest costs. However, due to the
uncertainty, the construction of this facility has been postponed.

While the Company does not have any other material contractual commitments for capital expe
levels of investment in facilities and computer equipment continue to be necessary to support
business. In addition, new outsourcing or facilities management contracts frequently re
up-front capital expenditures in order to acquire or replace existing assets. In some cases,
sells software and hardware to customers under extended payment terms or notes receivable coll
over three years. These arrangements also require up-front expenditures of cash, which are re
of the agreement. The Company also evaluates acquisitions from time to time, which may require
of cash. Depending on the size of the acquisition it may be necessary to raise additi
additional capital becomes necessary, the Company would first use available borrowing c
revolving credit agreement, followed by the issuance of other debt or equity securities.

Primarily as a result of the nonrecurring charges discussed in note 1 to the condensed conso
statements, as well as the Company's change to subscription revenue recognition for software
was in violation of certain of its financial loan covenants at June 30, 2001. Prior to
financial statements as of June 30, 2001, the Company obtained a waiver of those violations
2001, and began negotiating an amendment to its revolving credit facility and certain other of
obligations. On August 14, 2001, the Company obtained an amendment of its revolving credit
affected debt obligations, which reduced the committed amount available under the revolve
changed certain financial covenants and provided that the outstanding balance of the revolver
substantially all of the Company's unencumbered real estate and personal property assets.
amendment requires the Company to satisfy certain covenants by September 14, 2001, primaril
execution of certain collateral agreements for the benefit of the creditors, as well as the c
term loan to fund the settlement of the equity forward agreements discussed below. Until s
satisfied, the Company's borrowings under the arrangement are limited to $245 million. As a re
and amendment, the Company is in compliance with all of its applicable financial loan covenants
and the Company expects to be in compliance with the revised loan covenants throughout
agreements, as amended.

Subsequent to June 30, 2001, the Company paid off the $7.4 million unsecured term loan, plus
with proceeds from its revolving credit facility.

At June 30, 2001, the Company had entered into three equity forward purchase agreements with a
purchase 3.7 million shares of its common stock. As discussed in note 6 to the condensed conso
statements, during the current quarter, the Company reduced the notional amount under the a
million. The contracts are required to be settled on December 15, 2001. If the market
exceeds the price under the equity forward agreements, the Company has the option of settling

receiving cash or stock in an amount equal to the excess of the market value over the price
forward. If the market value of the stock is less than the price under the equity forward
Company has the option of settling the contracts by paying cash or delivering shares in the am
of the contract amount over the fair market value of the stock. The Company can also settle
paying the full notional amount and taking delivery of the stock. The shares remain issued and
the equity forward purchase contracts are settled. The fair value of the equity forward cont
June 30, 2001 was a liability of approximately $16.1 million based on a stock price of $13
increase or decrease in the stock price of $1.00 per share increases or decreases the fair value
$3.7 million.

On August 14, 2001, in conjunction with the amendment to the Company's revolving credit faci
obtained a memorandum of understanding relating to the settlement of the equity forward
borrowings of approximately $64.2 million from a bank under a term loan arrangement. The f
loan will be used to pay the notional amount under the equity forward contracts and the
delivery of the shares of common stock subject to the contracts. The term loan, which is exp
on or before September 14, 2001, will be due in 2005.

New Accounting Pronouncements

During June 2001, the Financial Accounting Standards Board issued SFAS No. 141, "Business Com
replaces Accounting Principles Board ("APB") Opinion No. 16, and issued SFAS No. 142, "G
Intangible Assets," which replaces APB Opinion No. 17 and amends SFAS No. 121. Under the prov
141, all business combinations initiated after June 30, 2001 must be accounting for by the p
accounting. The use of the pooling-of-interest method of accounting for business combinations is

Under the provisions of SFAS No. 142, amortization of goodwill and other intangible as
indeterminate life is to be discontinued. However, an impairment analysis must be performed fo
assets, at least annually, with any impairment recorded as a charge to earnings during the cu
Company has elected to early adopt the provisions of SFAS No. 142 and has discontinued the am
goodwill balances effective April 1, 2001, which resulted in a decrease of the net loss record
quarter of approximately $2 million ($0.02 per diluted share) and is expected to result in
income (loss) of $7 million ($0.08 per diluted share) during the year ended March 31, 2002.
provisions of SFAS No. 142, the Company must complete part one of a two-part impairment analys
by September 30, 2001. At that time, the Company will be able to determine whether any pot
exists, although the amount of the impairment charge cannot be determined until part
completed, which must be completed by the end of fiscal 2002. Any impairment charge calculated
of part two of the impairment test will be recorded as a cumulative effect of a change in acc
retroactive to the beginning of the fiscal year.

Outlook

The opportunities for AbiliTec software continue to grow as companies implement their cust
management ("CRM") strategies. These CRM efforts are putting focus on the need to aggregate cus
across an enterprise, with the ability to do so in real time. Acxiom's AbiliTec software pro
Data Integration ("CDI") that can accurately and quickly aggregate all records about an individ
CDI is the foundational data management process for every use of CRM.

The financial projections stated today are based on current expectations. Our current assu
general economic activity is that we do not expect substantial improvement during this fi
guidance is structured accordingly. These projections are forward-looking and actual re
materially. These projections do not include the potential impact of any mergers, acquisitions
other business combinations that may be completed in the future.

The Company expects that revenue for the second quarter of fiscal 2002 will range from $21
million and earnings per share will be from $0.07 to $0.10. For the fiscal year ending Mar
Company expects revenue of $880 million to $900 million. The Company expects that fiscal 2002
will be between $0.28 and $0.33 after adjusting for the nonrecurring items during the current qua

For the fiscal year ending March 31, 2002, the Company expects operating cash flow of $90 milli
as well as positive free cash flow (free cash flow is defined as operating cash flow less inves
Depreciation and amortization for the fiscal year is expected to be $110 million to $115 millio
of deferred expenses and software development costs is expected to be $60 million to $70

expenditures are expected to be $40 million to $50 million.

For fiscal 2003, the Company expects that revenue will grow approximately 20% and earnings per
$0.65 to $0.75.

This filing contains forward-looking statements that are subject to certain risks and uncerta
cause actual results to differ materially; such statements include but are not necessari
following: 1) that sales of AbiliTec will continue to be strong; 2) that there will cont
customer demand for AbiliTec; 3) that AbiliTec will continue to drive the long-term success o
that the Company is quickly accomplishing its goal of AbiliTec becoming the de facto standard
Integration; 5) that AbiliTec can provide tremendous value to companies that seek to grow
customers and control costs; 6) that the adoption of subscription revenue recognition for Abil
the right choice for the Company and that such adoption will have the expected impact and
Company, including, but not limited to, many long-term benefits, a better matching of cash flow
that it will allow the business of Acxiom to be more predictable and transparent; 7) that th
charges are appropriate; 8) that the revenue and earnings projections will be within the indi
that the adoption of SAB 101 and SFAS No. 142 will have the anticipated impacts; 10) that the
able to effectively implement and continue its expense reduction efforts, within the indicated
the Company's cash flow will be within the indicated range; 12) that the indicated revenue, e
cash flow, tax rate, depreciation, amortization, capital expenditures, software development
growth rates for future periods will be within the indicated amounts and ranges; 13) th
confident of its ability to meet the forecasted Q2 and FY 2002 expectations; 14) that the Compa
amend its credit arrangements satisfactorily; 15) that the economic environment and business
remain difficult to predict and that general economic activity could continue to decline; and 1
of the Company for significant long term success when the economy recovers. The following are i
among others, that could cause actual results to differ materially from these forward-looking
regard to all statements regarding AbiliTec: the complexity and uncertainty regarding the
software and high technologies; the difficulties associated with developing new AbiliTec pro
Enabled Services; the loss of market share through competition or the acceptance of these
offerings on a less rapid basis than expected; changes in the length of sales cycles; the
competent, competitive products or technologies by other companies; changes in the consumer
information industries and markets; the Company's ability to protect proprietary information an
obtain necessary licenses on commercially reasonable terms; the impact of changing legisla
regulatory and consumer environments in the geographies in which AbiliTec will be deployed.
statements that generally relate to the business of the Company, all of the above factors: the
certain contracts may not be closed or closed within the anticipated time frames; the possibil
or other conditions might lead to a reduction in demand for the Company's products and services
that the current economic slowdown may worsen and/or persist for an unpredictable period of tim
that significant customers may experience extreme, severe economic difficulty; the continued
and retain qualified technical and leadership associates and the possible loss of ass
organizations; the ability to properly motivate the sales force and other associates of the Com
to achieve cost reductions and avoid unanticipated costs; the possibility that the Company w
amend its credit arrangements within the indicated time frame; the continued availabilit
satisfactory terms and conditions; changes in the legislative, accounting, regulatory and cons
affecting the Company's business including but not limited to litigation, legislation, regula
relating to the Company's ability to collect, manage, aggregate and use data; data suppliers m
from the Company, leading to the Company's inability to provide certain products and ser
contracts affect the predictability of the Company's revenues; the possibility that the amount
work will not be as expected; the potential loss of data center capacity or interruption of
links; postal rate increases that could lead to reduced volumes of business; customers that ma
their agreements with the Company; the successful integration of any acquired businesses; and
factors. With respect to the providing of products or services outside the Company's primary
in the U.S.: all of the above factors and the difficulty of doing business in numerous sovere
due to differences in culture, laws and regulations. Other factors are detailed from t
Company's periodic reports and registration statements filed with the United States Securi
Commission. Acxiom believes that it has the product and technology offerings, facilities
competitive and financial resources for continued business success, but future revenues, c
profits are all influenced by a number of factors, including those discussed above, all of wh
difficult to forecast. Acxiom undertakes no obligation to update the information contained in
or any other forward-looking statement.

Form 10-Q/A

ACXIOM CORPORATION AND SUBSIDIARIES

SIGNATURE

Pursuant to the requirements of the Securities and Exchange Act of 1934, the Registrant ha
report to be signed on its behalf by the undersigned thereunto duly authorized.

Acxiom Corporation

Dated: September 13, 2001

By: /s/ Caroline Rook

(Signature)
Caroline Rook
Chief Financial Operations Off
(Principal Accounting Officer)