

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 June 30, 1995

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) 71-0581897
(I.R.S. Employer
Identification No.)

P.O. Box 2000, 301 Industrial Boulevard,
Conway, Arkansas 72033-2000
(Address of Principal Executive Offices) (Zip Code)

(501) 336-1000
(Registrant's Telephone Number, Including Area Code)

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

The number of shares of Common Stock, \$0.10 par value per share, outstanding as of July 28, 1995, was 22,480,297.

Form 10-Q

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

Company for which report is filed:

ACXIOM CORPORATION

The consolidated financial statements included herein have been prepared by Registrant, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. In the opinion of the Registrant's management, however, all adjustments necessary for a fair statement of the results for the periods included herein have been made and the disclosures contained herein are adequate to make the information presented not

misleading. All such adjustments are of a normal recurring nature.

ACXIOM CORPORATION AND SUBSIDIARIES
 CONSOLIDATED BALANCE SHEETS
 (Unaudited)

	June 30, 1995 -----	March 31, 1995 -----
Assets -----		
Current assets:		
Cash and short-term cash investments	\$ 1,323,000	3,149,000
Trade accounts receivable, net	38,186,000	37,764,000
Other current assets	2,626,000	2,604,000
	-----	-----
Total current assets	42,135,000	43,517,000
	-----	-----
Property and equipment	131,019,000	123,321,000
Less - Accumulated depreciation and amortization	59,056,000	55,902,000
	-----	-----
Property and equipment, net	71,963,000	67,419,000
	-----	-----
Software, net of accumulated amortization	9,179,000	9,693,000
Excess of cost over fair value of net assets acquired	9,410,000	9,638,000
Other assets	20,609,000	17,903,000
	-----	-----
	\$153,296,000	148,170,000
	=====	=====
Liabilities and Stockholders' Equity -----		
Current liabilities:		
Current installments of long-term debt	3,288,000	3,564,000
Trade accounts payable	7,739,000	8,342,000
Accrued interest	174,000	522,000
Accrued payroll and related expenses	4,061,000	5,280,000
Other accrued expenses	6,568,000	7,055,000
Advances from customers	185,000	162,000
Income taxes	1,645,000	39,000
	-----	-----
Total current liabilities	23,660,000	24,964,000
	-----	-----
Long-term debt, excluding current installments	20,391,000	18,219,000
Deferred income taxes	7,138,000	7,138,000
Deferred revenue	1,468,000	672,000

Stockholders' equity:		
Preferred stock	---	---
Common stock	2,312,000	2,308,000
Additional paid-in capital	47,125,000	46,493,000
Retained earnings	53,780,000	50,776,000
Foreign currency translation adjustment	171,000)	7,000
Treasury stock, at cost	(2,407,000)	(2,407,000)
	-----	-----
Total stockholders' equity	100,639,000	97,177,000
Commitments and contingencies	-----	-----
	\$153,296,000	148,170,000
	=====	=====

See accompanying condensed notes to consolidated financial statements.

ACXIOM CORPORATION AND SUBSIDIARIES
 CONSOLIDATED STATEMENTS OF EARNINGS
 (Unaudited)

	For the Three Months Ended	
	June 30,	
	1995	1994
Revenue	\$ 54,390,000	46,881,000
Operating costs and expenses:		
Salaries and benefits	20,106,000	14,821,000
Computer, communications and other equipment	7,493,000	6,916,000
Data costs	15,107,000	16,505,000
Other operating costs and expenses	6,322,000	4,927,000
Total operating costs and expenses	49,028,000	43,169,000
Income from operations	5,362,000	3,712,000
Other income (expense):		
Interest expense	(370,000)	(672,000)
Other, net	(67,000)	(556,000)
	(437,000)	(1,228,000)
Earnings before income taxes	4,925,000	2,484,000
Income taxes	1,921,000	968,000
Net earnings	\$ 3,004,000	1,516,000
Earnings per share	\$.12	.07
Weighted average shares outstanding	24,270,000	21,950,000

See accompanying condensed notes to consolidated financial statements.

ACXIOM CORPORATION AND SUBSIDIARIES
 CONSOLIDATED STATEMENTS OF CASH FLOWS
 (Unaudited)

	For the Three Months Ended	
	----- June 30, -----	
	1995	1994
	-----	-----
Cash flows from operating activities:		
Net earnings	\$ 3,004,000	1,516,000
Non-cash operating activities:		
Depreciation and amortization	4,731,000	4,940,000
Loss on disposal of assets	---	509,000
Equity in operations of joint venture	---	43,000
Other, net	152,000	187,000
Changes in assets and liabilities:		
Accounts receivable	(604,000)	(4,963,000)
Other assets	(1,112,000)	1,107,000
Accounts payable and other liabilities	(193,000)	3,663,000
Net cash provided by operating activities	5,978,000	7,002,000
	-----	-----
Cash flows from investing activities:		
Sale of assets	131,000	4,547,000
Development of software	(250,000)	(335,000)
Capital expenditures	(10,156,000)	(4,168,000)
Net cash used by investing activities	(10,275,000)	44,000
	-----	-----
Cash flows from financing activities:		
Proceeds from debt	4,099,000	---
Payments of debt	(2,240,000)	(7,049,000)
Sale of common stock	636,000	357,000
Net cash provided (used) by financing activities	2,495,000	(6,692,000)
	-----	-----
Effect of exchange rate changes on cash	(24,000)	---
	-----	-----
Net increase in cash and short-term cash investments	(1,826,000)	354,000

Cash and short-term cash investments at beginning of period	3,149,000	475,000
	-----	-----
Cash and short-term cash investments at end of period	\$ 1,323,000	829,000
	=====	=====
Supplemental cash flow information:		
Cash paid during the period for:		
Interest	\$ 718,000	1,072,000
Income taxes	315,000	155,000
	=====	=====

See accompanying condensed notes to consolidated financial statements.

ACXIOM CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Certain note information has been omitted because it has not changed significantly from that reflected in Notes 1 through 15 of the Notes to Consolidated Financial Statements filed as a part of Item 14 of Registrant's 1995 Annual report on Form 10-K as filed with the Securities and Exchange Commission on June 28, 1995.

Notes to Consolidated Financial Statements:

On July 14, 1995, the Company purchased the outstanding stock

1. of Generator Datamarketing Limited ("Generator"). Generator is located in Hertfordshire, near London, and provides data and database marketing software and processing services to its customers. The purchase price was 4,000,000 pounds sterling (approximately \$6,460,000). The acquisition will be accounted for as a purchase and, accordingly, Generator's results of operations will be included in the consolidated statements of earnings from July 1, 1995. Generator had revenue from operations of \$3,122,000 and earnings before income taxes of \$215,000 for the year ended December 31, 1994.

2. On July 25, 1995, a customer of the Company, Highlights for Children, Inc. ("Highlights"), filed a demand for arbitration with the American Arbitration Association. The demand alleges, among other things, breaches of express warranties in connection with a software license agreement for the Company's GS/2000 software product. The demand seeks compensatory damages of approximately \$22,000,000 and punitive damages of \$44,000,000, plus attorneys' fees and costs.

The Company believes that the action is without merit and unwarranted. Highlights is and has been using the GS/2000 software in the daily operation of its business for over two years. Highlights accepted the software as operational in February of 1994 and paid the final license fee payment. Acxiom's software license fee and related fees invoiced to Highlights for the GS/2000 software totaled approximately \$2,000,000. The Company intends to vigorously defend the arbitration claim. Management believes that the ultimate outcome of the arbitration case will result in a final settlement, if any, in an amount which would not be material to the financial statements and would be substantially lower than the amount noted above.

The Company is involved in various other claims and legal actions 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 Company's consolidated financial position or its expected future consolidated results of operations.

Results of Operations

Consolidated revenue was a record \$54,390,000 for the quarter ended June 30, 1995, a 16% increase over revenue of \$46,881,000 for the same quarter a year ago. Revenues for the quarter increased 26% after considering the effects of a one-time adjustment related to the Allstate Insurance Company contract recorded in the last year's first quarter. Previously, the revenue related to this contract had been recorded on a month lag basis. The financial services segment grew 47% reflecting the continued strong activity in credit card marketing. The direct marketing, information and communications, and media segments grew 28%, 15% and 17%, respectively. The insurance segment was flat to the prior year including the effects of the adjustment noted above.

Operating costs and expenses increased 14% when compared to the comparable period a year ago. Salaries and benefits increased 36% reflecting the 27% increase in headcount over the prior year combined with larger incentive compensation accrued in the current year's quarter. Computer, communications and other equipment costs increased 8% primarily due to increased depreciation on computers for the core operations. Data costs decreased 8% as a result of the one-time adjustment on the Allstate contract noted above. Other operating costs and expenses increased 28% reflecting higher advertising expenditures and facilities costs combined with the impact of increased operating activities on the higher volume. Operating costs decreased as a percentage of revenue and as a result, income from operations was 10% compared to 8% in the first quarter of the prior year.

Interest expense decreased due primarily to decreased levels of debt during the quarter when compared to the year earlier period. Other expense in the first quarter of the prior year included \$500,000 for the estimated disposal cost of certain BSA assets in the United States.

The Company's effective tax rate was 39% for both the current quarter and the year earlier quarter. The effective tax rate for the year ended March 31, 1995 was 38%. The Company expects the effective rate for fiscal year 1996 to be in the 37-39% range.

Capital Resources and Liquidity

Working capital at June 30, 1995, was \$18,475,000 compared to \$18,553,000 at March 31, 1995. At June 30, 1995 the Company had available credit lines of \$31,000,000 of which \$4,099,000 was outstanding. The Company's debt-to-capital ratio (capital defined as long-term debt plus stockholders' equity) was 17% at June 30, 1995 compared to 16% at March 31, 1995.

Cash provided by operating activities was \$5,978,000 for the three months ended June 30, 1995 compared to \$7,002,000 for the same period a year earlier. In the current quarter, \$10,275,000 was used by investing activities and \$2,495,000 was provided by financing activities. Investing activities included \$10,156,000 in capital expenditures compared to \$4,168,000 in the prior year's quarter. Investing activities in the prior year's quarter included \$4,547,000 collected from the sale of assets, primarily from the sale of substantially all of the assets of Acxiom Mailing Services.

The Company has substantially completed and is now occupying an expansion of its Conway, Arkansas data center to accommodate increasing data processing requirements. The cost of the expansion totaled approximately \$4,000,000. The Company is also building a new 100,000 square-foot customer service building on its main campus in Conway. The new customer service facility is expected to cost \$8,000,000 and will be ready for occupancy in the third quarter of fiscal 1996. Both projects are being funded through current operations and existing credit lines.

As mentioned in footnote 1 to the consolidated financial statements, the Company has purchased the outstanding stock of Generator Datamarketing Limited ("Generator"), a United Kingdom company that provides data and database marketing software and processing services. The purchase price was 4,000,000 pounds sterling (approximately \$6,460,000). The transaction was completed July 14, 1995 and will be accounted for as a purchase. Accordingly, Generator's results of operations will be included in the Company's consolidated results beginning in the second quarter of the fiscal year.

As discussed in footnote 2 to the consolidated financial statements, the Company is involved in an arbitration claim, which if resolved against the Company, could result in payment of an amount which could be material to the financial statements. However, management believes the ultimate outcome of this case will result in a settlement, if any, which will not be material to the financial statements.

While the Company does not have any other material contractual commitments for capital expenditures, additional investments in facilities and computer equipment will continue to be necessary to support the anticipated growth of the business. In addition, new outsourcing or facilities management contracts frequently require substantial up-front capital expenditures in order to acquire existing assets. Management believes that the

combination of existing working capital, anticipated funds to be generated from future operations and the Company's available credit lines is sufficient to meet the Company's current operating needs as well as to fund the anticipated levels of capital expenditures. If additional funds are required, the Company would use existing credit lines to generate cash, followed by either additional borrowings to be secured by the Company's assets or the issuance of additional equity securities in either public or private offerings. Management believes that the Company has significant capacity to raise capital which could be used to support future growth.

ACXIOM CORPORATION

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

Highlights for Children, Inc. has filed a demand for arbitration against the Company. A detailed discussion of the dispute appears in Note 2 of the Notes to Consolidated Financial Statements, and such discussion is incorporated herein by reference.

Item 6. Exhibits and Reports on Form 8-K.

(a) Exhibits:

27 Financial Data Schedule

(b) Reports on Form 8-K filed during the first quarter:

None

ACXIOM CORPORATION AND SUBSIDIARIES

SIGNATURE

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

Acxiom Corporation

Dated August 1, 1995

/s/ Robert S. Bloom

(Signature)
Robert S. Bloom
Chief Financial Officer
(Chief Accounting Officer)

EXHIBIT INDEX

Exhibits to Form 10-Q

Exhibit Number	Exhibit
27	Financial Data Schedule

THE SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONSOLIDATED BALANCE SHEETS AND CONSOLIDATED STATEMENTS OF EARNINGS AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

1,000

3-MOS

	MAR-31-1996	JUN-30-1995
		1,323
		0
	8,186	0
		0
	42,135	131,019
	59,056	
	153,296	
	23,660	23,391
	0	0
		2,312
		98,327
153,296		0
	54,390	0
	49,028	
	67	
	0	
	370	
	4,925	
	1,921	
3,004		
	0	
	0	
		0
	3,004	
	.12	
	.12	