

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, 1999 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
(Address of Principal Executive Offices)

72033-2000
(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 X No

The number of shares of Common Stock, \$ 0.10 par value per share, outstanding as of August 9, 1999 was 84,812,412.

Form 10-Q

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

Company for which report is filed:

ACXIOM CORPORATION

The condensed 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
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)
(Dollars in thousands)

	June 30, 1999 -----	March 31, 1999 -----
Assets		
Current assets:		
Cash and cash equivalents	\$ 393	12,604
Trade accounts receivable, net	215,944	184,799
Refundable income taxes	4,578	12,651
Deferred income taxes	30,643	30,643
Other current assets	79,980	61,302
	-----	-----
Total current assets	331,538	301,999
	-----	-----
Property and equipment	374,380	341,841
Less - Accumulated depreciation and amortization	127,063	115,460
	-----	-----
Property and equipment, net	247,317	226,381
	-----	-----
Software, net of accumulated amortization	48,859	37,400
Excess of cost over fair value of net assets acquired	134,666	122,483
Other assets	193,078	201,537
	-----	-----
	\$ 955,458	889,800
	=====	=====
Liabilities and Stockholders' Equity		
Current liabilities:		
Current installments of long-term debt	21,325	23,355
Trade accounts payable	44,804	60,216
Accrued merger and integration costs	32,598	33,181
Accrued payroll and related expenses	9,591	18,224
Other accrued expenses	9,424	25,744
Deferred revenue	6,216	7,195
	-----	-----
Total current liabilities	123,958	167,915
	-----	-----
Long-term debt, excluding current installments	377,900	325,223
Deferred income taxes	38,889	38,889
Stockholders' equity:		
Common stock	8,390	8,106
Additional paid-in capital	227,206	186,011
Retained earnings	182,762	167,013
Accumulated other comprehensive income (loss)	(459)	(324)
Treasury stock, at cost	(3,188)	(3,033)
	-----	-----
Total stockholders' equity	414,711	357,773
	-----	-----
Commitments and contingencies	\$ 955,458	889,800
	=====	=====

See accompanying notes to condensed consolidated financial statements.

ACXIOM CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)
(Dollars in thousands, except per share amounts)

For the Three Months Ended

June 30

	1999 -----	1998 -----
Revenue	\$ 211,506	164,512
Operating costs and expenses:		
Salaries and benefits	83,709	63,717
Computer, communications and other equipment	34,174	24,956
Data costs	25,116	26,407
Other operating costs and expenses	38,261	29,111
	-----	-----
Total operating costs and expenses	181,260	144,191
	-----	-----
Income from operations	30,246	20,321
	-----	-----
Other income (expense):		
Interest expense	(5,819)	(4,076)
Other, net	769	2,514
	-----	-----
	(5,050)	(1,562)
	-----	-----
Earnings before income taxes	25,196	18,759
Income taxes	9,447	7,022
	-----	-----
Net earnings	\$ 15,749	11,737
	=====	=====
Earnings per share:		
Basic	\$.19	\$.16
	=====	=====
Diluted	\$.18	\$.14
	=====	=====

See accompanying notes to condensed consolidated financial statements.

ACXIOM CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(Dollars in thousands)

	For the Three Months Ended	
	June 30	
	1999	1998
	-----	-----
Cash flows from operating activities:		
Net earnings	\$ 15,749	11,737
Non-cash operating activities:		
Depreciation and amortization	18,266	14,954
Loss (gain) on disposal of assets	34	(21)
Provision for returns and doubtful accounts	288	1,462
ESOP compensation	-	794
Changes in operating assets and liabilities:		
Accounts receivable	(29,822)	(12,828)
Other assets	9,669	(14,690)
Accounts payable and other liabilities	(38,713)	(2,725)
Merger and integration costs	(583)	-
	-----	-----
Net cash used by operating activities	(25,112)	(1,317)
	-----	-----
Cash flows from investing activities:		
Disposition of assets	783	35
Development of software	(12,777)	(11,728)
Capital expenditures	(35,645)	(17,441)
Sales of marketable securities	-	2,757
Investments in joint ventures	(1,130)	(8,034)
Net cash paid in acquisitions	(15,330)	(20,513)
	-----	-----
Net cash used by investing activities	(64,099)	(54,924)
	-----	-----
Cash flows from financing activities:		
Proceeds from debt	75,149	39,372
Payments of debt	(7,234)	(4,387)
Sale of common stock	9,143	1,947
	-----	-----
Net cash provided by financing activities	77,058	36,932
	-----	-----
Effect of exchange rate changes on cash	(58)	(6)
	-----	-----
Net decrease in cash and cash equivalents	(12,211)	19,315
Cash and cash equivalents at beginning of period	12,604	117,652
	-----	-----
Cash and cash equivalents at end of period	\$ 393	98,337
	=====	=====
Supplemental cash flow information:		
Cash paid during the period for:		
Interest	\$ 12,405	3,527
Income taxes	1,382	2,812
	=====	=====

See accompanying notes to condensed consolidated financial statements.

ACXIOM CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Certain note information has been omitted because it has not changed significantly from that reflected in Notes 1 through 18 of the Notes to Supplemental Consolidated Financial Statements filed as a part of the Registrant's restated consolidated financial statements as a result of the Registrant's merger with Computer Graphics of Arizona, Inc. and all of its affiliated companies, as filed with the Securities and Exchange Commission on a Form 8-K dated June 21, 1999.

ACXIOM CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. During the year ended March 31, 1999, the Company recorded special charges totaling \$118.7 million related to merger and integration charges associated with the May & Speh merger and the write down of other impaired assets.

The following table shows the balances which were accrued as of March 31, 1999 and the changes in those balances during the quarter ended June 30, 1999 (dollars in thousands):

	March 31, 1999 ----	Payments -----	June 30, 1999 ----
Associate-related reserves	\$ 4,354	455	3,899
Contract termination costs	27,000	-	27,000
Other accruals	1,827	128	1,699
	-----	---	-----
	\$ 33,181	583	32,598
	=====	===	=====

The associate-related reserves and contract termination costs will be paid during the current fiscal year. The other accruals will be paid out over periods ranging up to five years.

On May 28, 1999, the Company completed the acquisition of Computer Graphics of Arizona, Inc. ("Computer Graphics") and all of its affiliated companies in a stock-for-stock merger. The Company issued 1,871,343 shares of its common stock in exchange for all the outstanding common stock of Computer Graphics. Computer Graphics, a privately held enterprise headquartered in Phoenix, Arizona, is a computer service bureau principally serving financial services direct marketers. This acquisition was accounted for as a pooling-of-interests and, accordingly, the consolidated financial statements for periods prior to the combination have been restated to include the accounts and results of operations of Computer Graphics.

Effective April 1, 1999, the Company acquired the assets of Horizon Systems, Inc. ("Horizon") for \$16.5 million in cash and common stock and the assumption of certain liabilities of Horizon, and other cash and stock consideration based on the future performance of Horizon. The acquisition has been accounted for as a purchase and, accordingly, the results of operations of Horizon are included in the consolidated results of operations from the date of the acquisition. The excess of the purchase price over the net assets acquired of \$14.1 million is being amortized over 20 years.

2. Included in other assets are unamortized outsourcing capital expenditure costs in the amount of \$30.1 million and \$28.4 million at June 30, 1999 and March 31, 1999, respectively. These costs are amortized over the life of the outsourcing contract. Noncurrent receivables from software license, data, and equipment sales are also included in other assets in the amount of \$17.4 million and \$24.9 million at June 30, 1999 and March 31, 1999, respectively. The current portion of such receivables is included in other current assets in the amount of \$24.7 million and \$24.6 million as of June

30, 1999 and March 31, 1999, respectively. Other assets also included \$105.3 million and \$103.5 million in capitalized software license agreements at June 30, 1999 and March 31, 1999, respectively. These licenses are enterprise-wide agreements for systems software from several vendors with terms of from five to seven years. The agreements provide for substantial Company growth which reflects considerable discounts from standard list prices. The offsetting liabilities for the present value of the future payments are included in long-term debt. Also included in other assets are investments in joint ventures in the amount of \$20.8 million and \$16.9 million at June 30, 1999 and March 31, 1999 respectively.

3. Long-term debt consists of the following (dollars in thousands):

	June 30, 1999	March 31, 1999
5.25% Convertible subordinated notes due 2003; convertible at the option of the holder into shares of common stock at a conversion price of \$19.89 per share; redeemable at the option of the Company at any time after April 3, 2001	\$ 115,000	115,000
Unsecured revolving credit agreement	130,532	55,384
6.92% Senior notes due March 30, 2007, payable in annual installments of \$4,286 commencing March 30, 2001; interest is payable semi-annually	30,000	30,000
3.12% Convertible note, interest and principal due April 30, 1999; convertible at maturity into two million shares of common stock	-	25,000
Capital leases on land, buildings and equipment payable in monthly payments of \$357 of principal and interest; remaining terms of from five to twenty years; interest rates at approximately 8%	20,381	20,587
Software license liabilities payable over terms of from five to seven years; effective interest rates at approximately 6%	82,380	76,748
8.5% Unsecured term loan; quarterly principal payments of \$200 plus interest with the balance due in 2003	8,800	9,000

9.75% Senior notes, due May 1, 2000, payable in annual installments of \$2,143 each May 1; interest is payable semi-annually	2,143	4,286
Other capital leases, debt and long-term liabilities	9,989	12,573
	-----	-----
Total long-term debt	399,225	348,578
Less current installments	21,325	23,355
	-----	-----
Long-term debt, excluding current installments	\$ 377,900	325,223
	=====	=====

In April 1999, the holder of the 3.12% convertible note elected to receive the two million shares of the Company's common stock. Accordingly, the balance of the debt and related accrued interest of \$2.1 million has been reclassified into equity.

At June 30, 1999, due to the merger with May & Speh and the special charges booked during the previous year, the Company was in violation of certain restrictive covenants under the unsecured revolving credit agreement and the 9.75% senior notes. The violations of each of these agreements has been waived by the respective lenders. The violations occurred as a result of the net loss reported by the Company for the quarter ended September 30, 1998. Since these calculations are performed using the latest four quarters' statements of operations and cash flows, the violation was waived through the June 30, 1999 quarter. After this date, the violations are not expected to recur since the bulk of the special charges will no longer be included in the twelve month period of the applicable calculations.

In connection with the construction of the Company's new headquarters building and a new customer service facility in Little Rock, Arkansas, the Company has entered into 50/50 joint ventures with local real estate developers. In each case, the Company is guaranteeing portions of the construction loans for the buildings. The aggregate amount of the guarantees at June 30, 1999 was approximately \$10 million. The total cost of the two building projects is expected to be approximately \$19.5 million.

In May of 1999, the Company arranged a \$25 million temporary increase in the revolving credit facility, which increased the total available facility to \$150 million. This temporary increase expired July 31, 1999, but has been extended until October 15, 1999.

4. Below is a calculation and reconciliation of the numerator and denominator of basic and diluted earnings per share (dollars in thousands, except per share amounts):

	For the Quarter Ended	
	June 30, 1999	June 30, 1998
Basic earnings per share:		
Numerator - net earnings	\$15,749 =====	11,737 =====
Denominator		
Weighted average shares outstanding	82,787 =====	75,155 =====
Earnings per share	\$.19 =====	.16 =====
Diluted earnings per share:		
Numerator:		
Net earnings	\$15,749	11,737
Interest expense on convertible debt (net of tax effect)	943 ---	1,057 -----
	\$16,692 =====	12,794 =====
Denominator		
Weighted average shares outstanding	82,787	75,155
Effect of common stock options and warrants	4,129	7,135
Convertible debt	5,783 -----	7,782 -----
	92,699 =====	90,072 =====
Earnings per share	\$.18 =====	.14 =====

Options to purchase shares of common stock that were outstanding during the periods reported, but were not included in the computation of diluted earnings per share because the option exercise price was greater than the average market price of the common shares, are shown below:

	For the Quarter Ended	
	June 30, 1999	June 30, 1998
Number of shares under option (in thousands)	1,366	1,278
Range of exercise prices	\$26.08 - 52.05 =====	\$23.55 - 48.48 =====

5. Trade accounts receivable are presented net of allowances for doubtful accounts, returns, and credits of \$5.2 million and \$5.6 million at June 30, 1999 and March 31, 1999, respectively.

6. The following tables present information by business segment (dollars in thousands):

	For the Quarter Ended	
	June 30, 1999	June 30, 1998
Services	\$130,092	97,165
Data Products	47,945	43,788
Information Technology (I. T.) Management	45,338	31,471
Intercompany eliminations	(11,869)	(7,912)
	-----	-----
Total revenue	\$211,506	164,512
	=====	=====
Services	26,101	17,738
Data Products	1,386	4,692
Information Technology (I. T.) Management	11,297	5,566
Intercompany eliminations	(5,936)	(3,981)
Corporate and other	(2,602)	(3,694)
	-----	-----
Income from operations	\$ 30,246	20,321
	=====	=====

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

On May 28, 1999, the Company completed the acquisition of Computer Graphics of Arizona, Inc. ("Computer Graphics") and all of its affiliated companies in a stock-for-stock merger. The acquisition was accounted for as a pooling-of-interests, and accordingly, the consolidated financial statements for periods prior to the combination have been restated to include the accounts and results of operations of Computer Graphics.

Results of Operations

For the quarter ended June 30, 1999, consolidated revenue was a record \$211.5 million, up 29% from the same quarter a year ago.

The following table shows the Company's revenue by business segment for the quarters ended June 30, 1999 and 1998 (dollars in millions):

	June 30, 1999	June 30, 1998	% Change
Services	\$130.1	\$ 97.1	+34%
Data Products	48.0	43.8	+ 9
I. T. Management	45.3	31.5	+44
Intercompany eliminations	(11.9)	(7.9)	+50
	-----	-----	---
	\$211.5	\$164.5	+29%
	=====	=====	===

Services segment revenues grew 34% when compared to the first quarter in the prior year. Allstate, the Company's largest customer generated revenues of \$19.7 million, a 5% decrease from the prior year, principally due to the revised pricing under the recently signed five-year contract under which pricing has been "unbundled" which resulted in lower pricing for the traditional services performed by the Company in support of the underwriting area. The Company has been designated the preferred data provider under the new contract and expects that additional revenue from Allstate will ramp up over the next few quarters. The Financial Services division reported strong results with revenues of \$65.7 million increasing 58% over the prior year principally due to continued success in implementing large scale data warehouse solutions for credit card marketers. Other business units with strong year-over-year revenue increases included Retail, Technology, Pharmaceutical, Media, and Sigma Marketing.

Revenues for the Data Products segment of \$48.0 million grew 9% over the previous year. Strong year-over-year growth of the InfoBase products of 25%, with particular strength from enhancement and telephone products was mitigated by flat revenue from the Direct Media and DataQuick groups. The Direct Media results reflect some of the distractions in the quarter from the Company's announcement of a possible combination with American List Counsel together with flat revenues from the SmartBase operation following the Abacus alliance announcement. Traditional DataQuick product lines are suffering from cannibalization from Internet products and the late release of Property Pro CD. Also, prior year file license revenues were higher than the current quarter.

Revenues from I. T. Management grew a strong 44% over the same period a year ago. Revenue increases included revenues from the recently migrated Montgomery Wards data center, revenue from Waste Management which did not begin until August 1998 and a 21% increase in revenues from the Trans Union data center relating to an upgrade of processors.

Salaries and benefits grew 31% for the quarter. The increase was partially offset by accrual adjustments related to changes in certain employee benefit plans. Excluding the effect of these adjustments, the increase in salaries and benefits would have been 35%, which generally reflects headcount and merit increases to support the revenue increase. The headcount increases were partially driven by acquisitions and new outsourcing contracts signed since the comparable period in the prior year. Computer, communications and other equipment costs increased 37%, reflecting costs associated with the increased revenue volume, especially the strong growth in the I. T. Management segment. The acquisitions noted above also contributed to the increase. Data costs decreased 5% due primarily to the lower volume of Allstate revenue referred to above. Other operating costs and expenses increased 31%, primarily as a result of higher volume-related expenses including costs related to advertising, travel, and supplies, along with higher costs of client/server platforms sold in connection with data warehouse implementations. Acquisitions also impacted this category, including incremental amortization of goodwill.

Income from operations was \$30.2 million, an increase of 49% over the prior year, with operating margins improving from 12.4% to 14.3%.

Interest expense increased by \$1.7 million in the current quarter compared to the same quarter a year ago, as a result of higher debt levels. Other income decreased \$1.7 million from the previous year due to lower interest income from invested cash related to the \$115 million May & Speh convertible debt offering which was completed in March of 1998. The Company's effective tax rate for the quarter was 37.5% compared to 37.4% in the previous year. Net income and diluted earnings per share increased 34% and 29%, respectively.

Capital Resources and Liquidity

Working capital at June 30, 1999 totaled \$207.6 million compared to \$134.1 million at March 31, 1999. At June 30, 1999, the Company had available credit lines of \$151.5 million of which \$132.0 million was outstanding. The available credit lines included a temporary increase in the Company's \$125.0 million revolving credit facility to \$150.0 million until July 31, 1999. The temporary increase in the line was repaid with proceeds from an offering of 1.5 million shares of the Company's stock which was completed July 28, 1999. The temporary increase in the revolving credit facility was subsequently renewed, and now expires October 15, 1999. The Company's debt-to-capital ratio (capital defined as long-term debt plus stockholders' equity) was 48% at both June 30, 1999 and March 31, 1999. Included in long-term debt at March 31, 1999 were two convertible debt facilities totaling \$140 million, of which \$25 million was converted to equity in April, 1999. Since the market price of the Company's common stock is in excess of the conversion price under the remaining convertible debt, management expects this debt to be converted as well. Assuming that the remaining \$115 million does convert to equity, the Company's debt-to-capital ratio would be reduced to 33%. From March 31, 1999 to June 30, 1999, total stockholders equity increased 16% to \$414.7 million.

Cash used by operating activities was \$25.1 million for the quarter ended June 30, 1999 compared with \$1.3 million used by operating activities for the same period in the prior year. Over the past three fiscal first quarters the Company has reported a negative cash flow from operations as the first quarter of the fiscal year seasonally generates lower income and consequently less cash flow. Earnings before interest, taxes, depreciation, and amortization ("EBITDA"), increased by 30% compared to a year ago. EBITDA is not intended to represent cash flows for the period, is not presented as an alternative to operating income as an indicator of operating performance, may not be comparable to other similarly titled measures of other companies, and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with generally accepted accounting principles. However, EBITDA is a relevant measure of the Company's operations and cash flows and is used internally as a surrogate measure of cash provided by operating activities. The resulting operating cash flow was reduced, however, by the change in operating assets and liabilities, particularly accounts receivable and accounts payable and other liabilities. The increase in accounts receivable is due to an increase in the days sales outstanding from 80 days at March 31, 1999 to 89 days at June 30, 1999. The days sales outstanding calculation reflects the impact of adjusting revenue and receivables for long-term receivables included in other assets and pass-through amounts receivable associated with the outsourcing contracts and VAT taxes in the United Kingdom. These adjustments are made to properly reflect receivables and revenues on a comparable basis. The Company has set a target of 60 to 65 days sales outstanding and expects to make significant progress towards that goal this fiscal year. The Company has designated 10% of its leadership bonus plans toward making an improvement in days sales outstanding this fiscal year. It is also important to note that there has been no substantial deterioration in the aging since March 31, 1999, with 18% of trade receivables over 60 days at June 30, 1999, compared with 16% at March 31, 1999. Management does not believe the increase in the days sales outstanding represents a collectibility problem, but rather is due to the shift in the Company's business toward longer-term contracts and projects, with the result that a larger amount of the Company's accounts receivable are unbilled at any point in time. The decrease in accounts payable and other liabilities relates primarily to the timing of payments at March 31, 1999 and June 30, 1999.

Investing activities used \$64.1 million in the first quarter of 1999, compared to \$54.9 million in the prior year. Investing activities included \$35.6 million in capital expenditures, compared to \$17.4 million in the prior year. Capital expenditures are principally due to purchases of data center equipment to support the Company's outsourcing agreements, as well as the purchase of additional data center equipment in the Company's core data centers. Investing activities also include cash paid for acquisitions, including the purchase of Horizon Systems, Inc. in April 1999.

Financing activities provided \$77.1 million for the quarter ended June 30, 1999, compared to \$36.9 million a year previously. Most of the amount provided through financing activities represents borrowing under the revolving credit agreement. Financing activities also include sales of common stock under existing option and warrant agreements and payments on debt.

During fiscal 1999, construction was substantially completed on the Company's new headquarters building and a new customer service facility in Little Rock, Arkansas. These two buildings were built pursuant to 50/50 joint ventures between the Company and local real estate investors. The Company has now occupied both of these two buildings. During the current fiscal year, the

Company has begun construction on a new customer service facility in Conway, Arkansas and expects to begin construction on another customer service facility in Little Rock. The Conway project is expected to be completed in the spring of 2000 and to cost approximately \$12.0 million. The Little Rock building is expected to cost approximately \$28.0 million and construction is expected to last from January 2000 to September 2001. Financing plans for these two buildings are not yet complete, although the City of Little Rock has committed to issue revenue bonds for the Little Rock project.

While the Company does not have any other material contractual commitments for capital expenditures, additional investments in facilities and computer equipment continue to be necessary to support the growth of the business. In addition, new outsourcing or facilities management contracts frequently require substantial up-front capital expenditures in order to acquire or replace existing assets. In some cases, the Company also sells software, hardware, and data to customers under extended payment terms or notes receivable collectible over one to eight years. These arrangements also require up-front expenditures of cash, which are repaid over the life of the agreement. The Company has also been, and will likely continue to be, actively pursuing acquisitions. As a result, management expects that it will be necessary to raise additional capital during the next fiscal year. Management believes that capital could be raised by negotiating an increase in the current revolving credit agreement, by incurring other debt on either a secured or unsecured basis, or by the issuance of additional equity securities in either public or private offerings. Management also believes that the Company has significant unused capacity to raise capital which could be used to support future growth. In May of 1999, the Company arranged a \$25 million increase in the current revolving credit facility. This temporary increase expired July 31, 1999, but has subsequently been extended through October 15, 1999. The Company also completed a secondary offering of common stock July 28, 1999 under which 1.5 million shares of stock were sold, generating \$38.8 million. The Company has granted an option to the underwriters under which they may purchase an additional 800,000 shares at a price of \$25.85 per share. The Company is also actively pursuing additional capital sources, including financing arrangements for the new buildings noted above, equipment leasing, and a possible temporary or permanent increase in the revolving credit line.

Year 2000

Many computer systems ("IT Systems") and equipment and instruments with embedded microprocessors ("non-IT systems") were designed to only recognize the last two digits of a calendar year. With the arrival of the Year 2000, these systems and microprocessors may encounter operating problems due to their inability to distinguish years after 1999 from years preceding 1999. This could manifest in a system failure or miscalculations causing disruption of operations, including, among other things, a temporary inability to process or transmit data, or engage in normal business activities. As a result, the Company is engaged in an extensive project to remediate or replace its date-sensitive IT systems and non-IT systems.

The following discussion of the implications of the Year 2000 issue for the Company contains numerous forward-looking statements based on inherently uncertain information. The information presented is based on the Company's best estimates, which were derived utilizing a number of assumptions of future events, including the continued availability of internal and external resources, third party modifications, and other factors. However, there can be no guarantee that these estimates will be achieved and actual results could differ. Although the Company believes it will be able to make the necessary modifications in advance, there can be no guarantee that failure to correctly modify the systems would not have a material adverse effect on the Company.

Since 1996 the Company has been engaged in an enterprise-wide effort ("the Project") to address the risks associated with the Year 2000 problem, both internal and external. Under the Project, the Company has established a project office comprised of representatives from each of the operating divisions of the Company. A Company readiness champion and project leader are responsible for the readiness process, which includes deliverables such as plans, reviews, and appropriate sign-offs by the appropriate business unit leaders and the Company's Year 2000 leadership. The Project also includes the dissemination of internal communications and status reports on a regular basis to senior leadership.

The Company believes that it has identified and evaluated its internal Year 2000 issues and that sufficient resources have been devoted to renovating IT and non-IT systems that were not already "Year 2000 ready." The Company set an internal deadline of December 31, 1998 to achieve Year 2000 readiness status, with any residual activity to conclude before March 31, 1999. Overall, this objective was achieved as outlined in the Project and any exceptions are being managed. The original timeline was developed to allow the Company to focus on recent mergers and acquisitions as well as customer-driven dependencies. While the core Project substantially ended on March 31, 1999, a transition strategy was implemented moving the Company from a project mode to a standards-based maintenance mode. On going activities based on the transition strategy include reviewing or enhancing contingency plans, continuing vendor product analysis and evaluation, establishing the Year 2000 readiness of acquisitions, and maintaining the readiness standing of existing operations through purchasing and quality processes.

The Project involved four phases: (1) planning; (2) remediation; (3) testing; and (4) certification. The planning phase involved developing a detailed inventory of applications and systems, identifying the scope of necessary remediation to each application or system, and establishing a conversion schedule. During the remediation phase, source codes were actually converted, date fields were expanded or windowed, and the remediated system was tested to ensure it is functionally the same as the existing production version. In the testing phase, test data was prepared and the application was tested using a variety of Year 2000 scenarios. The certification phase validated that a system could run successfully in a Year 2000 environment and appropriate internal sign-offs were obtained.

The following chart indicates the estimated state of completion from each phase of the Project. It is important to note that each phase of the Project was required to be completed before moving to the next phase.

	Current August 1999 ----	Planned December 1998 ----	Planned December 1999 ----
Planning	100%	100%	100%
Remediation	99%	90%	100%
Testing	96%	80%	100%
Certification	95%	75%	100%

As previously indicated, any exceptions from the Project have been clearly identified and are being managed. The source of the Company's remaining exceptions is due primarily to customer driven dependencies and recent acquisitions. The majority of these exceptions are targeted for conclusion on or before September 30, 1999.

The financial impact of the Project to the Company has not been, and is not expected to be, material to its financial position or results of operations in any given fiscal year. The costs to date associated with the Year 2000 effort primarily represent a reallocation of existing Company resources. Because of the range of possible issues and the large number of variables involved (including the Year 2000 readiness of any entities acquired by the Company), it is impossible to accurately quantify the potential cost of problems if the Company's remediation efforts or the efforts of those with whom it does business are not successful. Such costs and any failure of such remediation efforts could result in a loss of business, damage to the Company's reputation, and legal liability.

The Company currently believes that with modifications to existing software and conversions to new software, the Year 2000 issues can be mitigated. But the systems of vendors on which the Company's systems rely may not be converted in a timely fashion, or a vendor or customer may fail to convert its software or may implement a conversion that is incompatible with the Company's systems, which could have a material adverse impact on the Company.

In order to assess the readiness status of the Company's vendors, the Company contacted each vendor, via written and/or telephone inquiries, regarding its Year 2000 status and set up an internal database of this information. The Company obtained, when possible, written commitments from each vendor that the products supplied to the Company are or will be (by a date certain) Year 2000 ready. As of June 30, 1999, the Company had received responses to 89% of its inquiries. The Company is also relying on representations made or contained in its vendors' web sites. The responses received were analyzed and where necessary, testing was undertaken. Year 2000 ready versions of vendor products were obtained, as available, and moved onto production platforms. The Company has also identified and is communicating with customers to determine if customers have an effective plan in place to address their Year 2000 issues, and to determine the extent of the Company's vulnerability to the failure of customers to remediate their own Year 2000 issues.

The Company believes that the most likely risks of serious Year 2000 business disruptions are external in nature, such as disruptions in telecommunications, electric, or transportation services. In addition, the Company places a high degree of reliance on computer systems of third parties, such as customers and computer hardware and software suppliers. Although the Company is assessing the readiness of these third parties and preparing contingency plans, there can be no guarantee that the failure of these third parties to modify their systems in advance of December 31, 1999 would not have a material adverse effect on the Company. Of all the external risks, the Company believes the most reasonably likely worst case scenario would be a business disruption resulting from an extended and/or extensive communications failure.

In an effort to reduce the risks associated with the Year 2000 problem, the Company has established and is currently continuing to develop Year 2000 contingency plans that build upon existing disaster recovery and contingency plans. Examples of the Company's existing contingency plans include alternative power supplies and communication lines. Contingency planning for possible Year 2000 disruptions will continue to be defined, improved and implemented throughout 1999. To supplement existing disaster recovery and contingency planning efforts, the Company has developed a Year 2000 response strategy to specifically address the Year 2000 rollover event. Components of this strategy

include establishing sound, on-site back-up and recovery approaches, establishing triage procedures and response teams, establishing expedited communications with key vendors, maintaining the processing capabilities for mission critical systems, implementing a freeze or controlled reduction in production system changes from December 1, 1999 to January 31, 2000, and exercising production systems on January 1, 2000 to promote production systems availability and usability.

Despite the best efforts of the Company, the failure to correct a material Year 2000 problem could result in an interruption in, or a failure of, certain normal business activities or operations. Any failures could materially and adversely affect the Company's results of operations, liquidity and financial condition. Due to the general uncertainty inherent in the Year 2000 problem, resulting in part from the uncertainty of the Year 2000 readiness of third party vendors and customers, the Company is unable to determine at this time whether the consequences of Year 2000 failures will have a material impact on the Company's results of operations, liquidity or financial condition. The Project is expected to significantly reduce the Company's level of uncertainty about the Year 2000 problem and, in particular, about the Year 2000 compliance and readiness of its material third party vendors and customers. The Company believes that the continued implementation of the Project will reduce the possibility of significant interruptions to the Company's normal business operations.

Outlook

Certain statements in this quarterly report may constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. These statements, which are not statements of historical fact, may contain estimates, assumptions, projections and/or expectations regarding the Company's financial position, results of operations, market position, product development, regulatory matters, growth opportunities and growth rates, acquisition and divestiture opportunities, and other similar forecasts and statements of expectation. Words such as "expects," "anticipates," "intends," "plans," "believes," "seeks," "estimates," and "should," and variations of these words and similar expressions, are intended to identify these forward-looking statements. Such forward-looking statements are not guarantees of future performance. They involve known and unknown risks, uncertainties, and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Representative examples of such factors are discussed in more detail in the Company's Annual Report on Form 10K and include, among other things, the possible adoption of legislation or industry regulation concerning certain aspects of the Company's business; the removal of data sources and/or marketing lists from the Company; the ability of the Company to retain customers who are not under long-term contracts with the Company; technology challenges; year 2000 issues; the risk of damage to the Company's data centers or interruptions in the Company's telecommunications links; acquisition integration; the effects of postal rate increases; and other market factors. See "Additional Information Regarding Forward-looking Statements" in the Company's Annual Report on Form 10-K.

ACXIOM CORPORATION
PART II - OTHER INFORMATION

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

(a) Exhibits:

27 Financial Data Schedule

(b) Reports on Forms 8-K.

A report was filed on June 21, 1999, as amended by a Form 8-KA filed on June 25, 1999, which reported the Registrant's restated consolidated financial statements as a result of the Registrant's merger with Computer Graphics of Arizona, Inc. and all of its affiliated companies.

A report was filed on July 23, 1999, which reported the Registrant's first quarter's financial results.

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 13, 1999

By: /s/ Robert S. Bloom

(Signature)

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

EXHIBIT INDEX

Exhibits to Form 10-Q

Exhibit Number
27

Exhibit
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-31-2000		
JUN-30-1999		393
	0	
	215,944	
	5,200	
	0	
	331,538	
		374,380
	127,063	
	955,458	
123,958		
		377,900
0		
		0
		8,390
		406,321
955,458		
		0
	211,506	
		0
	181,260	
	(769)	
	0	
	5,819	
	25,196	
	9,447	
15,749		
	0	
	0	
		0
	15,749	
	.19	
	.18	

THE FOLLOWING IS A RESTATED FINANCIAL DATA SCHEDULE AS A RESULT OF THE POOLING OF INTERESTS WITH COMPUTER GRAPHICS.

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-31-1999		
	JUN-30-1998	
		98,337
		0
	136,446	0
		0
	291,339	318,765
	123,234	
	725,387	
85,626		281,465
	0	0
		7,601
		316,641
725,387		0
	164,512	0
	144,191	
	(2,514)	
	0	
	4,076	
	18,759	
	7,022	
11,737		0
	0	0
		0
	11,737	
	.16	
	.14	