ACXIOM CORP
Form 10-Q
February 04, 2011

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

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

For the quarterly period ended December 31, 2010

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 8180, 601 E. Third Street, Little Rock, Arkansas (Address of Principal Executive Offices)	72201 (Zip Code)

(501) 342-1000
(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 [ ]

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such filings).
Yes [X] No [ ]

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Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definition of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer [X]	Accelerated filer [ ]
Non-accelerated filer [ ]	Smaller reporting company [ ]

Indicate by check mark whether the registrant is a shell company (as defined by Rule 12b-2 of the Exchange Act.)

Yes [ ] No [X]

The number of shares of Common Stock, $ 0.10 par value per share outstanding as of February 1, 2011 was 80,346,320.

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REPORT ON FORM 10-Q
December 31, 2010

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

ACXIOM CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Unaudited)
(Dollars in thousands)

	December 31, 2010	March 31, 2010
ASSETS		
Current assets:		
Cash and cash equivalents	$203,936	$224,104
Trade accounts receivable, net	171,695	168,522
Deferred income taxes	11,863	11,874
Refundable income taxes	2,071	-
Other current assets	55,468	54,205
Total current assets	445,033	458,705
Property and equipment, net of accumulated depreciation and amortization	258,702	236,839
Software, net of accumulated amortization	31,018	38,845
Goodwill	488,381	470,261
Purchased software licenses, net of accumulated amortization	43,077	51,356
Deferred costs, net	85,792	68,914
Data acquisition costs, net	19,820	21,931
Other assets, net	14,429	16,569
	$1,386,252	$1,363,420
LIABILITIES AND EQUITY		
Current liabilities:		
Current installments of long-term debt	$30,764	$42,106
Trade accounts payable	43,757	42,774
Accrued expenses		
Payroll	32,485	36,517
Other	69,786	75,632
Deferred revenue	66,441	55,567
Income taxes	-	2,460
Total current liabilities	243,233	255,056
Long-term debt	414,307	458,629
Deferred income taxes	69,174	61,284
Other liabilities	8,834	9,954
Commitments and contingencies		
Equity:		
Common stock	11,746	11,662
Additional paid-in capital	832,065	814,929
Retained earnings	526,152	482,243
Accumulated other comprehensive income	9,554	4,167
Treasury stock, at cost	(738,601)	(738,601)
Total Acxiom stockholders' equity	640,916	574,400
Noncontrolling interest	9,788	4,097
Total equity	650,704	578,497
	$1,386,252	$1,363,420

See accompanying notes to 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 December 31	
	2010	2009
Revenue:		
Services	$232,798	$218,340
Products	66,312	65,467
Total revenue	299,110	283,807
Operating costs and expenses:		
Cost of revenue		
Services	178,586	163,206
Products	48,258	46,727
Total cost of revenue	226,844	209,933
Selling, general and administrative	41,331	43,477
Gains, losses and other items, net	(3,640)	538
Total operating costs and expenses	264,535	253,948
Income from operations	34,575	29,859
Other income (expense):		
Interest expense	(6,006)	(5,687)
Other, net	(299)	198
Total other expense	(6,305)	(5,489)
Earnings before income taxes	28,270	24,370
Income taxes	7,856	10,212
Net earnings	$20,414	$14,158
Less: Net loss attributable to noncontrolling interest	(409)	(104)
Net earnings attributable to Acxiom	$20,823	$14,262
Earnings per share:		
Basic	$0.25	$0.18
Diluted	$0.25	$0.18
Earnings per share attributable to Acxiom stockholders:		
Basic	$0.26	$0.18
Diluted	$0.25	$0.18

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 Nine Months ended December 31	
	2010	2009
Revenue:		
Services	$669,038	$627,879
Products	192,136	183,014
Total revenue	861,174	810,893
Operating costs and expenses:		
Cost of revenue		
Services	518,923	488,574
Products	142,349	138,775
Total cost of revenue	661,272	627,349
Selling, general and administrative	119,560	119,084
Gains, losses and other items, net	(3,619)	858
Total operating costs and expenses	777,213	747,291
Income from operations	83,961	63,602
Other income (expense):		
Interest expense	(18,164)	(16,615)
Other, net	(639)	303
Total other expense	(18,803)	(16,312)
Earnings before income taxes	65,158	47,290
Income taxes	22,611	19,493
Net earnings	$42,547	$27,797
Less: Net loss attributable to noncontrolling interest	(1,362)	(104)
Net earnings attributable to Acxiom	$43,909	$27,901
Earnings per share:		
Basic	$0.53	$0.35
Diluted	$0.52	$0.35
Earnings per share attributable to Acxiom stockholders:		
Basic	$0.55	$0.35
Diluted	$0.54	$0.35

See accompanying notes to condensed consolidated financial statements.

ACXIOM CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF EQUITY AND COMPREHENSIVE INCOME
NINE MONTHS ENDED DECEMBER 31, 2010
(Unaudited)
(Dollars in thousands)

	Common Stock		Additional			Accumulated other	Treasury Stock			
	Number of shares	Amount	paid-in Capital	Comprehensive Income	Retained earnings	comprehensive income	Number of shares	Amount	Noncontrolling interest	To eq
Balances at March 31, 2010	116,619,682	$11,662	$814,929		$482,243	$4,167	(37,154,236)	$(738,601)	$4,097	$57
Employee stock awards, benefit plans and other issuances	501,147	50	7,273	$-	-	-	-	-	-	7,3
Restricted stock units vested	335,665	34	(34)	-	-	-	-	-	-	-
Non-cash share-based compensation	-	-	9,897	-	-	-	-	-	-	9,8
Purchase of GoDigital	-	-	-	-	-	-	-	-	6,573	6,5
Noncontrolling interest equity contribution	-	-	-	-	-	-	-	-	480	48
Comprehensive income:										
Foreign currency translation	-	-	-	3,741	-	3,741	-	-	-	3,7
Unrealized gain on interest rate swap	-	-	-	1,646	-	1,646	-	-	-	1,6
Net earnings (loss)	-	-	-	43,909	43,909	-	-	-	(1,362)	42,
Total comprehensive income				$49,296						
Balances at December 31, 2010	117,456,494	$11,746	$832,065		$526,152	$9,554	(37,154,236)	$(738,601)	$9,788	$65

See accompanying notes to condensed consolidated financial statements

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

	For the Nine Months ended December 31	
	2010	2009
Cash flows from operating activities:		
Net earnings	$ 42,547	$ 27,797
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	108,586	124,912
Loss (gain) on disposal or impairment of assets, net	(272)	410
Deferred income taxes	4,245	23,100
Non-cash share-based compensation expense	9,897	8,288
Changes in operating assets and liabilities:		
Accounts receivable, net	(7,913)	5
Other assets	(4,590)	11,913
Deferred costs	(28,407)	(15,381)
Accounts payable and other liabilities	(11,653)	(31,214)
Deferred revenue	11,744	1,548
Net cash provided by operating activities	124,184	151,378
Cash flows from investing activities:		
Capitalized software development costs	(3,592)	(6,661)
Capital expenditures	(46,808)	(31,372)
Payments received (paid) for investments	175	(1,000)
Sale of assets	-	1,058
Data acquisition costs	(10,716)	(14,231)
Net cash paid in acquisitions	(12,927)	(3,428)
Net cash used in investing activities	(73,868)	(55,634)
Cash flows from financing activities:		
Payments of debt	(78,089)	(72,442)
Fees for debt refinancing	-	(4,563)
Sale of common stock	7,323	3,014
Acquisition of treasury stock	-	(307)
Noncontrolling interests equity contributions	480	457
Net cash used in financing activities	(70,286)	(73,841)
Effect of exchange rate changes on cash	(198)	1,513
Net change in cash and cash equivalents	(20,168)	23,416
Cash and cash equivalents at beginning of period	224,104	177,166
Cash and cash equivalents at end of period	$ 203,936	$ 200,582

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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)
(Unaudited)
(Dollars in thousands)

	For the Nine Months ended December 31	
	2010	2009
Supplemental cash flow information:		
Cash paid (received) during the period for:		
Interest	$17,728	$16,807
Income taxes	22,995	(8,450)
Payments on capital leases and installment payment arrangements	17,105	22,607
Payments on software and data license liabilities	1,177	6,134
Prepayments of debt	53,533	37,500
Other debt payments, excluding line of credit	6,274	6,201
Non-cash investing and financing activities:		
Acquisition of property and equipment under capital leases and installment payment arrangements	22,429	18,247
Enterprise software licenses acquired under software obligations	-	611

See accompanying notes to condensed consolidated financial statements.

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

1. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

These condensed consolidated financial statements have been prepared by Acxiom Corporation ("Registrant," "Acxiom" or "the Company"), without audit, pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC" or "the Commission"). In the opinion of the Registrant's management all adjustments necessary for a fair presentation of the results for the periods included have been made and the disclosures are adequate to make the information presented not misleading. All such adjustments are of a normal recurring nature. Certain note information has been omitted because it has not changed significantly from that reflected in notes 1 through 19 of the Notes to Consolidated Financial Statements filed as part of Item 8 of the Registrant's annual report on Form 10-K for the fiscal year ended March 31, 2010 ("2010 Annual Report"), as filed with the Commission on May 26, 2010. This report and the accompanying condensed consolidated financial statements should be read in connection with the 2010 Annual Report. The financial information contained in this report is not necessarily indicative of the results to be expected for any other period or for the full fiscal year ending March 31, 2011.

Management of the Company has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these condensed consolidated financial statements in conformity with accounting principles generally accepted in the United States. Actual results could differ from those estimates. Certain of the accounting policies used in the preparation of these condensed consolidated financial statements are complex and require management to make judgments and/or significant estimates regarding amounts reported or disclosed in these financial statements. Additionally, the application of certain of these accounting policies is governed by complex accounting principles and their interpretation. A discussion of the Company's significant accounting principles and their application is included in note 1 and in Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, to the Company's 2010 Annual Report.

Accounting Changes

The FASB's Emerging Issues Task Force has issued new accounting guidance for revenue arrangements with multiple deliverables. Under previous accounting guidance, one of the requirements for recognition of revenue for a delivered item under a multiple element arrangement was that there must be objective and verifiable evidence of the standalone selling price of the undelivered item. The new guidance eliminates that requirement and requires an entity to estimate the selling price of each element in the arrangement. In addition, absent specific software revenue guidance, the residual method of allocating arrangement consideration is no longer permitted. Under the new guidance, a multiple-deliverable arrangement is separated into more than one unit of accounting if the delivered items have value to the client on a stand-alone basis and, if the arrangement includes a general right of return related to the delivered item(s), delivery or performance of the undelivered item(s) is considered probable and substantially in the control of the Company. If these criteria are not met, the arrangement is accounted for as one unit of accounting, which would result in revenue being recognized ratably over the contract term or being deferred until the earlier of when those criteria are met or when the last undelivered item is delivered. If the arrangement is separated into multiple units of accounting, the arrangement consideration is allocated to the separate units of accounting based on each unit's relative selling price.

The relative selling price for each unit of accounting in a multiple-element arrangement is established using vendor-specific objective evidence (VSOE), if available, third-party evidence (TPE), if available, or management's best estimate of stand-alone selling price (BESP). In most cases, the Company has neither VSOE nor TPE and therefore uses BESP. The objective of BESP is to determine the price at which the company would transact a sale if the product or service were sold on a stand-alone basis. Management's BESP is determined by considering multiple factors, primarily including actual contractual selling prices when the item is sold on a stand-alone basis, as well as market conditions, competition, internal costs, profit objectives and pricing practices. The amount of revenue recognized for a delivered element is limited to an amount that is not contingent upon future delivery of additional products or services. As pricing and marketing strategies evolve, we may modify our pricing practices in the future, which could result in changes to BESP, or to the development of VSOE or TPE for individual products or services. As a result, future revenue recognition for multiple-element arrangements could differ from recognition in the current period. Our relative selling prices are analyzed on an annual basis, or more frequently if we experience significant changes in selling prices.

As allowed, the Company has elected to early-adopt the provisions of the guidance as of April 1, 2010 on a prospective basis for new arrangements entered into or materially modified on or after that date. The impact of the new accounting standard is not expected to be material going forward, nor would it have had a material impact if it had been applied to the previous fiscal year. There was also no material impact from implementation of the guidance in the quarter or the nine months ended December 31, 2010.

The FASB has also issued guidance which amended the scope of existing software revenue recognition guidance. Tangible products containing software components and non-software components that function together to deliver the tangible product's essential functionality are no longer within the scope of software revenue guidance and are accounted for based on other applicable revenue recognition guidance. In addition, the amendments require that hardware components of a tangible product containing software components are always excluded from the software revenue guidance. This guidance must be adopted in the same period that the Company adopts the amended guidance for arrangements with multiple deliverables. Therefore, the Company elected to early-adopt this guidance as of April 1, 2010 on a prospective basis for all new or materially modified arrangements entered into on or after that date. The adoption of this guidance did not have a material impact on the consolidated financial statements.

The following paragraphs restate the Company's revenue recognition accounting policy after implementation of the accounting change.

Revenue Recognition

The Company provides database management and IT management services under long-term arrangements. These arrangements may require the Company to perform setup activities such as the design and build of a database for the customer under the database management contracts and migration of the customer's IT environment under IT management contracts. In the case of database management contracts, the customer does not acquire any ownership rights to the Company's intellectual property used in the database and the database itself provides no benefit to the customer outside of the utilization of the system during the term of the database management arrangement. In some cases, the arrangements also contain provisions requiring customer acceptance of the setup activities prior to commencement of the ongoing services arrangement. Up-front fees billed during the setup phase for these arrangements are deferred and setup costs that are direct and incremental to the contract are capitalized and amortized on a straight-line basis over the service term of the contract. Revenue recognition does not begin until after customer acceptance in cases where contracts contain acceptance provisions. Once the setup phase is complete and customer acceptance occurs, the Company recognizes revenue over the remaining service term of the contract. In situations where the arrangement does not require customer acceptance before the Company begins providing services, revenue is recognized over the contract period and no costs are deferred. The Company accounts for all elements under its database management and IT management arrangements as a single unit, since the initial setup activities performed under the arrangements do not have stand-alone value to the client.

Sales of third-party software, hardware and certain other equipment are recognized when delivered. If such sales are part of a multiple-element arrangement, they are recognized as a separate element unless collection of the sales price is dependent upon delivery of other products or services. Additionally, the Company evaluates revenue from the sale of data, software, hardware and equipment in accordance with accounting standards to determine whether such revenue should be recognized on a gross or a net basis. All of the factors in the accounting standards are considered with the primary factor being whether the Company is the primary obligor in the arrangement. "Out-of-pocket" expenses incurred by, and reimbursed to, the Company in connection with customer contracts are recorded as gross revenue.

The Company evaluates its database management and IT management arrangements to determine whether the arrangement contains a lease. If the arrangement is determined to contain a lease, applicable accounting standards require the Company to account for the lease component separately from the remaining components of the arrangement. In cases where database management or IT management arrangements are determined to include a lease, the lease is evaluated to determine whether it is a capital lease or operating lease and accounted for accordingly. These lease revenues are not significant to the Company's consolidated financial statements.

Revenues from the licensing of data are recognized upon delivery of the data to the customer in circumstances where no update or other obligations exist. Revenue from the licensing of data in which the Company is obligated to provide future updates on a monthly, quarterly or annual basis is recognized on a straight-line basis over the license term. Revenue from the licensing of data to the customer in circumstances where the license agreement contains a volume cap is recognized in proportion to the total records to be delivered under the arrangement. Revenue from the sale of data on a per-record basis is recognized as the records are delivered.

All taxes assessed on revenue-producing transactions described above are presented on a net basis, or excluded from revenues.

The Company also performs services on a project basis outside of, or in addition to, the scope of long-term arrangements. The Company recognizes revenue from these services as the services are performed.

The Company does not provide end-users with price-protection or rights of return. The Company's contracts provide a warranty that the services or products will meet the agreed-upon criteria or any necessary modifications will be made. The Company ensures that services or products delivered meet the agreed-upon criteria prior to recognition of revenue.

2. EARNINGS PER SHARE AND STOCKHOLDERS' EQUITY:

Earnings Per Share

A reconciliation of the numerator and denominator of basic and diluted earnings per share is shown below (in thousands, except per share amounts):

	For the quarter ended December 31		For the nine months ended December 31	
	2010	2009	2010	2009
Basic earnings per share:				
Numerator – net earnings	$20,414	$14,158	$42,547	$27,797
Denominator – weighted-average shares outstanding	80,233	79,068	80,007	78,883
Basic earnings per share	$0.25	$0.18	$0.53	$0.35
Diluted earnings per share:				
Numerator – net earnings	$20,414	$14,158	$42,547	$27,797
Denominator:				
Weighted-average shares outstanding	80,233	79,068	80,007	78,883
Dilutive effect of common stock options, warrants, and restricted stock as computed under the treasury stock method	1,865	802	1,606	537
	82,098	79,870	81,613	79,420
Diluted earnings per share	$0.25	$0.18	$0.52	$0.35
Basic earnings per share attributable to Acxiom stockholders:				
Numerator – net earnings	$20,823	$14,262	$43,909	$27,901
Denominator – weighted-average shares outstanding	80,233	79,068	80,007	78,883
Basic earnings per share attributable to Acxiom stockholders	$0.26	$0.18	$0.55	$0.35
Diluted earnings per share attributable to Acxiom stockholders:				
Numerator – net earnings	$20,823	$14,262	$43,909	$27,901
Denominator:				
Weighted-average shares outstanding	80,233	79,068	80,007	78,883
Dilutive effect of common stock options, warrants, and restricted stock as computed under the treasury stock method	1,865	802	1,606	537
	82,098	79,870	81,613	79,420
	$0.25	$0.18	$0.54	$0.35

Diluted earnings per share attributable to Acxiom stockholders

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As of December 31, 2010, the Company had options and warrants outstanding providing for the purchase of approximately 11.3 million shares of common stock together with restricted stock units relating to 2.2 million shares of stock. Options, warrants and restricted stock units that were outstanding during the periods presented, but were not included in the computation of diluted earnings per share because the effect was antidilutive are shown below (in thousands, except per share amounts):

	For the quarter ended December 31		For the nine months ended December 31	
	2010	2009	2010	2009
Number of shares outstanding under options, warrants and restricted stock units	5,647	10,336	5,969	11,247
Range of exercise prices for options and warrants	$17.76-$62.06	$11.87-$268.55	$16.71-$75.55	$11.50-$268.55

3. SHARE-BASED COMPENSATION:

Share-based Compensation Plans

Stock Option Activity

The Company has stock option and equity compensation plans for which a total of 37.7 million shares of the Company’s common stock have been reserved for issuance since inception of the plans. These plans provide that the exercise prices of qualified options will be at or above the fair market value of the common stock at the time of the grant. Board policy has required that nonqualified options be priced at or above the fair market value of the common stock at the time of grant. At December 31, 2010, there were a total of 4.9 million shares available for future grants under the plans.

The Company granted 254,133 stock options in the nine months ended December 31, 2010. The per-share weighted-average fair value of the stock options granted during the nine months ended December 31, 2010 was $7.54. This valuation was determined using a customized binomial lattice approach with the following weighted-average assumptions: dividend yield of 0.0%; risk-free interest rate of 3.4%; expected option life of 5.6 years; expected volatility of 52% and a suboptimal exercise multiple of 1.9.

Option activity for the nine months ended December 31, 2010 was as follows:

	Number of shares	Weighted-average exercise price per share	Weighted-average remaining contractual term (in years)	Aggregate intrinsic value (in thousands)
Outstanding at March 31, 2010	10,368,532	$ 20.33		
Granted	254,133	$ 17.79		
Exercised	(315,785)	$ 13.63		$1,130
Forfeited or cancelled	(347,390)	$ 23.40		
Outstanding at December 31, 2010	9,959,490	$ 20.37	5.22	$17,000
Exercisable at December 31, 2010	8,624,408	$ 21.43	4.81	$11,239

The aggregate intrinsic value in the table above represents the total pre-tax intrinsic value (the difference between Acxiom's closing stock price on the last trading day of its third quarter of fiscal 2011 and the exercise price for each in-the-money option) that would have been received by the option holders had vested option holders exercised their options on December 31, 2010. This amount changes based upon changes in the fair market value of Acxiom's stock.

Following is a summary of stock options outstanding and exercisable as of December 31, 2010:

	Options outstanding			Options exercisable	
Range of exercise price per share	Options outstanding	Weighted- average remaining contractual life	Weighted-average exercise price per share	Options exercisable	Weighted-average exercise price per share
3.69 - $$ 9.62	570,495	8.02 years	$ 8.76	179,245	$ 8.43
10.22 - $$ 15.00	2,134,461	6.25 years	$ 12.38	1,610,055	$ 12.32
15.10 - $$ 19.82	2,500,275	5.36 years	$ 16.65	2,168,349	$ 16.57
20.12 - $$ 25.00	2,343,651	5.15 years	$ 22.95	2,293,651	$ 22.90
25.98 - $$ 29.30	1,370,845	3.78 years	$ 26.80	1,333,345	$ 26.78
30.93 - $$ 39.12	780,889	3.14 years	$ 35.70	780,889	$ 35.70
40.50 - $$ 62.06	258,874	3.64 years	$ 44.15	258,874	$ 44.15
	9,959,490	5.22 years	$ 20.37	8,624,408	$ 21.43

Total expense related to stock options for the nine months ended December 31, 2010 and 2009 was approximately $2.1 million and $1.8 million respectively. Future expense for these options is expected to be approximately $4.5 million over the next four years.

Restricted Stock Unit Activity

Non-vested restricted stock unit activity for the period ending December 31, 2010 was as follows:

	Number of shares	Weighted average fair value per share at grant date (in thousands)	Weighted-average remaining contractual term (in years)
Outstanding at March 31, 2010	2,495,641	$11.15	2.24
Granted	731,519	$19.32	
Vested	(335,665)	$9.45	
Forfeited or cancelled	(703,460)	$9.75	
Outstanding at December 31, 2010	2,188,035	$14.04	1.86

During the nine months ended December 31, 2010, the Company granted restricted stock units covering 731,519 shares of common stock with a value at the date of grant of $14.1 million. Of the restricted stock units granted in the current period, 467,641 vest in equal annual increments over four years and 72,088 vest in one year. The remaining 191,790 vest subject to attainment of performance criteria established by the compensation committee of the board of directors. Each recipient of the performance units may vest in a number of shares from zero to 200% of their award, based on the total shareholder return of Acxiom stock compared to total shareholder return of a group of peer companies established by the committee for the period from April 1, 2010 to March 29, 2013. The value of the performance units is determined using a Monte Carlo simulation model. Valuation of all other restricted stock units is equal to the quoted market price for the shares on the date of grant. The expense related to restricted stock in the nine months ended December 31, 2010 was $7.8 million. The expense related to restricted stock in the nine months ended December 31, 2009 was $5.8 million. Future expense for restricted stock units is expected to be approximately $21.3 million over the next four years.

4. ACQUISITIONS:

On July 1, 2010, the Company completed the acquisition of a 70% interest in GoDigital Tecnologia E Participacoes, Ltda. ("GoDigital"), a Brazilian marketing services business. The Company paid $10.9 million, net of cash acquired, and not including amounts, if any, to be paid under an earnout agreement in which the Company may pay up to an additional $9.3 million based on the results of the acquired business over approximately the next two years. The acquired business has annual revenue of approximately $8 million. The Company has omitted pro forma disclosures related to this acquisition as the pro forma effect of the acquisition is not material. The results of operations for GoDigital are included in the Company's consolidated results beginning July 1, 2010.

The value of the earnout was originally estimated at $3.6 million. During the current fiscal period, the Company has estimated the value of the earnout to have decreased by $0.4 million and has recorded the adjustment in gains, losses and other items, net on the consolidated statement of operations. The value of the earnout liability will continue to be adjusted to its estimated value until the completion of the earnout period.

On April 1, 2010, the Company acquired 100% of the outstanding shares of a digital marketing business (“XYZ”) operating in Australia and New Zealand. The acquisition gives the Company additional market opportunities in this region. The Company paid $1.8 million in cash, net of cash acquired, and not including amounts, if any, to be paid under an earnout agreement in which the Company may pay up to an additional $0.6 million if the acquired business achieves a revenue target over the next two years. The value of the earnout is estimated at $0.5 million. The acquired business has annual revenue of less than $2 million. The Company has omitted pro forma disclosures related to this acquisition as the pro forma effect of this acquisition is not material. The results of operation for the acquisition are included in the Company’s consolidated results beginning April 1, 2010.

The following table shows the allocation of the purchase price for the above acquisitions to assets acquired and liabilities assumed (dollars in thousands):

	GoDigital	XYZ
Assets acquired:		
Cash	$776	$547
Goodwill	13,687	1,446
Other intangible assets	6,500	779
Other current and noncurrent assets	1,178	184
	22,141	2,956
Accounts payable, accrued expenses and capital leases assumed	(232)	(120)
Net assets acquired	21,909	2,836
Less:		
Cash acquired	(776)	(547)
Earnout liability	(3,611)	(532)
Non-controlling interest	(6,573)	-
Net cash paid	$10,949	$1,757

The purchase price allocation for GoDigital is provisional, pending completion of an analysis to determine the tax basis of certain assets and liabilities. The Company expects to complete the analysis during the current fiscal year. Any adjustments required to establish deferred tax assets or liabilities will result in adjustment to goodwill.

5. OTHER CURRENT AND NONCURRENT ASSETS:

Other current assets consist of the following (dollars in thousands):

	December 31, 2010	March 31, 2010
Current portion of unbilled and notes receivable	$738	$907
Prepaid expenses	40,448	40,420
Non-trade receivables	1,691	1,188
Assets of non-qualified retirement plan	12,474	11,564
Other miscellaneous assets	117	126
Other current assets	$55,468	$54,205

Other noncurrent assets consist of the following (dollars in thousands):

	December 31, 2010	March 31, 2010
Acquired intangible assets, net	$9,427	$9,721

Noncurrent portion of unbilled and notes receivable	259	1,873
Other miscellaneous noncurrent assets	4,743	4,975
Other assets	$14,429	$16,569

The acquired intangible assets noted above represent customer relationship intangibles acquired through purchase acquisitions, net of accumulated amortization.

6. GOODWILL:

Goodwill represents the excess of acquisition costs over the fair values of net assets acquired in business combinations. Goodwill is reviewed at least annually for impairment under a two-part test. Impairment exists to the extent that the reporting unit's recorded goodwill exceeds the residual fair value assigned to goodwill. Any impairment that results from the completion of the two-part test is recorded as a charge to operations during the period in which the impairment test is completed. Completion of the Company's most recent annual impairment test during the quarter ended June 30, 2010 indicated that no impairment of its goodwill balances existed as of April 1, 2010.

The carrying amount of goodwill, by business segment, for the nine months ended December 31, 2010 is presented in the following table.

(dollars in thousands)	Information Services	Information Products	Total
Balance at March 31, 2010	$348,084	$122,177	$470,261
Acquisitions	15,133	-	15,133
Purchase adjustments	(10)	-	(10)
Change in foreign currency translation adjustment	899	2,098	2,997
Balance at December 31, 2010	$364,106	$124,275	$488,381

Goodwill is tested for impairment at the reporting unit level, which is defined as either an operating segment or one step below operating segment, known as a component. Acxiom's two segments as presented above are the Information Services segment and the Information Products segment. Because each of these segments contains both a US component and an International component, and there are some differences in economic characteristics between the US and International components, management has tested a total of four components. The goodwill amounts as of April 1, 2010 included in each component tested were US Information Services, $306.1 million; US Information Products, $51.2 million; International Information Services, $42.0 million; and International Information Products $71.0 million.

In order to estimate a valuation for each of the four components tested, management used an income approach based on a discounted cash flow model. Additionally, the analysis was enhanced to include a public company market multiple and a similar transactions comparison.

The income approach involves projecting cash flows for each component into the future and discounting these cash flows at an appropriate discount rate. Management used budget figures for the first year of the projection model, and then projected those figures out into the future years using management's best estimates of future revenue growth, operating margins, and other cash flow assumptions. The discount rates used for each component in order to arrive at an estimated fair value were estimated as a weighted-average cost of capital which a marketplace participant would use to value each unit. These weighted-average costs of capital rates include a market risk, added to a risk-free rate of return, and a size premium that is specific to the components being tested. The resulting cost of equity is then weighted-averaged with the after-tax cost of debt.

The public company market multiple method was used to estimate values for each of the components by looking at market value multiples to revenue and EBITDA for selected public companies that are believed to be representative of companies that marketplace participants would use to arrive at comparable multiples for the individual component being tested. These multiples are then used to develop a market value for that component.

The similar transactions method compared multiples based on acquisition prices of other companies believed to be those that marketplace participants would use to compare to the individual components being tested. Those multiples are then used to develop a market value for that component.

In order to arrive at an estimated value for each component, management used a weighted-average approach to combine the results of each analysis. Management believes that using multiple valuation approaches and then weighting them appropriately is a technique that a marketplace participant would use.

As a final test of the valuation results, the total of the values of the components was reconciled to the actual market value of Acxiom Corporation stock as of the April 1, 2010 valuation date. This reconciliation indicated an implied control premium. Management believes this control premium is reasonable compared to historical control premiums observed in actual transactions.

Each of the components tested had fair values in excess of the carrying value of the unit, indicating no impairment. All of the components had a significant excess fair value, except for the International Products component, for which the excess fair value was 12%. Management believes that the valuations arrived at are reasonable and consistent with what other marketplace participants would use in valuing the Company's components. However, management cannot give any assurance that market values will not change in the future. For example, an increase in discount rates demanded by the market could lead to a valuation reduction under the income approach. If the Company's projections are not achieved in the future, this could lead management to reassess their assumptions and lead to a reduction under the income approach. If the market price of the Company's stock decreases, this could cause the Company to reassess the reasonableness of the control premium, which might cause management to assume a higher discount rate under the income approach. If future similar transactions exhibit lower multiples than those observed in the past, this could lead to a reduction under the similar transactions approach. And finally, if there is a general decline in the stock market, and particularly in those companies selected as comparable to the Company's components, this could lead to a reduction under the public company market multiple approach. The Company's annual impairment test is performed during the first quarter of each fiscal year, however if there are further triggering events, the Company may be required to perform additional testing at other dates.

7. LONG-TERM DEBT:

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

	December 31, 2010	March 31, 2010
Term loan credit agreement	$368,967	$427,000
Capital leases and installment payment obligations on land, buildings and equipment payable in monthly payments of principal plus interest at rates ranging from approximately 3% to 8%; remaining terms up to twelve years	47,115	41,788
Software license liabilities payable over terms up to three years; effective interest rates ranging from approximately 4% to 7%	8,824	10,001
Other debt and long-term liabilities	20,165	21,946
Total long-term debt and capital leases	445,071	500,735
Less current installments	30,764	42,106
Long-term debt, excluding current installments	$414,307	$458,629

The Company's amended and restated credit agreement provides for (1) term loans up to an aggregate principal amount of $600 million and (2) revolving credit facility borrowings consisting of revolving loans, letter of credit participations and swing-line loans up to an aggregate amount of $200 million.

In November 2009, the Company entered into an amendment to its term loan credit facility (the "Amendment"). Under the terms of the Amendment, certain of the lenders agreed to extend the maturity date of the existing term loan, becoming Tranche 2 Term Lenders. Lenders who did not agree to extend the maturity date became Tranche 1 Term Lenders. Certain lenders also agreed to extend the maturity date of the existing revolving loan commitment, becoming Tranche 2 Revolving Lenders. Lenders who did not agree to extend the maturity date of the revolving loan commitment became Tranche 1 Revolving Lenders. Of the $369 million balance of the term loan as of December 31, 2010, all of the balance is held by Tranche 2 Term Lenders. The remaining Tranche 1 term loan balance was prepaid in full during the current quarter. Of the $200 million revolving loan commitment, $80 million is held by Tranche 1 Revolving Lenders and $120 million is held by Tranche 2 Revolving Lenders.

Tranche 2 of the term loan is payable in quarterly installments of approximately $1.5 million each, through December 31, 2014, with a final payment of approximately $345.0 million due March 15, 2015. The Tranche 1 revolving loan commitment expires September 15, 2011 and the Tranche 2 revolving loan commitment expires March 15, 2014.

Revolving credit facility borrowings bear interest at LIBOR plus a credit spread, or at an alternative base rate or at the Federal Funds rate plus a credit spread, depending on the type of borrowing. The LIBOR credit spread is 1.5% for Tranche 1 and 2.75% for Tranche 2. There were no revolving credit borrowings outstanding at December 31, 2010 or March 31, 2010. In addition, there have been no revolving credit borrowings during any of the periods being reported. Term loan borrowings bear interest at LIBOR plus a credit spread which is 1.75% for Tranche 1, and 3.00% for Tranche 2. The weighted-average interest rate on term loan borrowings at December 31, 2010 was 4.1%. Outstanding letters of credit at December 31, 2010 were $0.5 million.

The term loan allows prepayments before maturity. The credit agreement is secured by the accounts receivable of Acxiom and its domestic subsidiaries, as well as by the outstanding stock of certain Acxiom subsidiaries.

Under the terms of certain of the above borrowings, the Company is required to maintain certain debt-to-cash flow and debt service coverage ratios, among other restrictions. At December 31, 2010, the Company was in compliance with these covenants and restrictions. In addition, if certain financial ratios and other conditions are not satisfied, the revolving credit facility limits the Company's ability to pay dividends in excess of $30 million in any fiscal year (plus additional amounts in certain circumstances).

In fiscal 2009, the Company entered into an interest rate swap agreement. The agreement provides for the Company to pay interest through July 25, 2011 at a fixed rate of 3.25% plus the applicable credit spread on $95.0 million notional amount while receiving interest for the same period at the LIBOR rate on the same notional amount. The LIBOR rate as of December 31, 2010 was 0.3%. The swap was entered into as a cash flow hedge against LIBOR interest rate movements on the term loan. The Company assesses the effectiveness of the hedge based on the hypothetical derivative method. There was no ineffectiveness for the period ended December 31, 2010. Under the hypothetical derivative method, the cumulative change in fair value of the actual swap is compared to the cumulative change in fair value of the hypothetical swap, which has terms that identically match the critical terms of the hedged transaction. Thus, the hypothetical swap is presumed to perfectly offset the hedged cash flows. The change in the fair value of the hypothetical swap will then be regarded as a proxy for the present value of the cumulative change in the expected future cash flows from the hedged transactions. All of the fair values are derived from an interest-rate futures model. As of December 31, 2010, the hedge relationship qualified as an effective hedge under applicable accounting standards. Consequently, all changes in fair value of the derivative are deferred and recorded in other comprehensive income (loss) until the related forecasted transaction is recognized in the consolidated statement of operations. The fair market value of the derivative was zero at inception and an unrealized loss of $1.6 million since inception is recorded in other comprehensive income (loss) with the offset recorded to other noncurrent liabilities. The fair value of the interest rate swap agreement recorded in accumulated other comprehensive income (loss) may be recognized in the statement of operations if certain terms of the floating-rate debt change, if the floating-rate debt is extinguished or if the interest rate swap agreement is terminated prior to maturity. The Company has assessed the creditworthiness of the counterparty of the swap and concludes that no substantial risk of default exists as of December 31, 2010.

8. ALLOWANCE FOR DOUBTFUL ACCOUNTS:

Trade accounts receivable are presented net of allowances for doubtful accounts, returns and credits of $6.1 million at December 31, 2010 and $6.3 million at March 31, 2010.

9. SEGMENT INFORMATION:

The Company reports segment information consistent with the way management internally disaggregates its operations to assess performance and to allocate resources. The Information Services segment includes the Company's global lines of business for Customer Data Integration (CDI), Multichannel Marketing Services, Infrastructure Management Services and Consulting Services. The Information Products segment is comprised of the Company's global Consumer Insights and Risk Mitigation Products lines of business and the U.S. Background Screening Products line of business. The Company's calculation of segment operating income allocates all corporate expenses, excluding those reported as gains, losses and other items, to the segments.

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

	For the quarter ended December 31		For the nine months ended December 31	
	2010	2009	2010	2009
Revenue:				
Information services	$232,798	$218,340	$669,038	$627,879
Information products	66,312	65,467	192,136	183,014
Total revenue	$299,110	$283,807	$861,174	$810,893
Income (loss) from operations:				
Information services	$26,390	$27,565	$70,221	$63,374
Information products	4,545	2,832	10,121	1,086
Other	3,640	(538)	3,619	(858)
Income from operations	$34,575	$29,859	$83,961	$63,602

10. RESTRUCTURING, IMPAIRMENT AND OTHER CHARGES:

The Company records costs associated with employee terminations and other exit activity in accordance with applicable accounting standards when those costs become probable and are reasonably estimable. The following table summarizes the restructuring activity for the nine months ended December 31, 2010 (dollars in thousands):

	Associate-related reserves	Ongoing contract costs	Total
Balance at March 31, 2010	$ 2,870	$12,904	$15,774
Payments	(2,194)	(1,754)	(3,948)
Charges and adjustments	165	(1,402)	(1,237)
Balance at December 31, 2010	$ 841	$9,748	$10,589

The above balances are included in accrued expense on the consolidated balance sheet.

Restructuring Plans

In fiscal 2009, the Company recorded a total of $42.3 million in restructuring charges and adjustments included in gains, losses and other items in the consolidated statement of operations. The expense includes severance and other associate-related payments of $12.4 million, lease accruals of $3.2 million, asset disposal and write-offs of $26.5 million and adjustments to the fiscal 2008 restructuring plan of $0.2 million. Included in the asset disposal was a $24.6 million loss incurred as a result of the Company terminating a software contract.

The associate-related payments of $12.4 million relate to the termination of associates in the United States and Europe. Of the amount accrued, $0.1 million remained accrued as of December 31, 2010. These costs are expected to be paid out in fiscal 2011.

The lease accruals of $3.2 million were evaluated under the accounting standards which govern exit costs. These accounting standards require the Company to make an accrual for the liability for lease costs that will continue to be incurred without economic benefit to the Company upon the date that the Company ceases using the leased property. On or before March 31, 2009, the Company ceased using certain leased office facilities. The Company attempts to sublease those facilities to the extent possible. The Company established a liability for the fair value of the remaining lease payments, partially offset by the estimated sublease payments to be received over the course of those leases. The fair value of these liabilities is based on a net present value model using a credit-adjusted risk-free rate. These liabilities will be paid out over the remainder of the leased properties' terms, of which the longest continues through November 2012. Actual sublease terms may differ from the estimates originally made by the Company. Any future changes in the estimates or in the actual sublease income could require future adjustments to the liability for these leases, which would impact net income in the period the adjustment is recorded. The remaining amount accrued at December 31, 2010 is $1.3 million.

In fiscal 2008, the Company recorded a total of $75.1 million in restructuring charges and adjustments included in gains, losses and other items in the consolidated statement of operations. The expense includes severance and other associate-related payments of $19.3 million, lease accruals of $19.0 million, contract accruals of $6.7 million, asset disposal and write-offs of $29.6 million, and other related costs of $0.5 million.

The associate-related payments of $19.3 million relate to associates in the United States and Europe who either have been terminated or are to be terminated. Of the $19.3 million accrued, $0.2 million remained accrued as of December 31, 2010. These costs are expected to be paid out in fiscal 2011.

The lease accruals of $19.0 million were evaluated under the accounting standard which governs exit costs. The remaining amount accrued at December 31, 2010 is $8.4 million. These liabilities will be paid out over the remainder of the leased properties' terms, of which the longest continues through November 2021. Due to a recently entered sublease, the lease accrual was reduced $1.3 million in the current fiscal year.

The contract accruals of $6.7 million were evaluated under accounting standards which govern exit costs, which require that a liability to terminate a contract before the end of its term be recognized when the contract is terminated in accordance with its terms. Prior to March 31, 2008, the Company gave notice under certain service contracts to the other parties which caused the Company to incur termination payments under those contracts. All of these amounts have been paid.

Gains, Losses and Other Items

Gains, losses and other items for each of the periods presented are as follows (dollars in thousands):

	For the quarter ended December 31		For the nine months ended December 31	
	2010	2009	2010	2009
Gain on disposition of operations in France	-	(442)	-	(442)
Legal contingency	(2,125)	-	(2,125)	-
Restructuring plan charges and adjustments	(1,081)	(5)	(1,069)	230
Earnout liability adjustment	(434)	-	(434)	-
Other	-	985	9	1,070
	$(3,640)	$538	$(3,619)	$858

11. COMMITMENTS AND CONTINGENCIES:

Legal Matters

Richard Fresco, et al. v. R.L. Polk and Company and Acxiom Corporation, (U.S. Dist. Court, S.D. Florida, 07-60695) formerly, Linda Brooks and Richard Fresco v. Auto Data Direct, Inc., et al., (U.S. Dist. Court, S.D. Florida, 03-61063) is a putative class action lawsuit, removed to federal court in May 2003, filed against Acxiom and several other information providers. The plaintiffs allege that the defendants obtained and used drivers' license data in violation of the federal Drivers Privacy Protection Act. Among other things, the plaintiffs sought injunctive relief, statutory damages, and attorneys' fees. Acxiom has agreed to settle the case and the court approved the settlement on July 27, 2010. The settlement became effective January 18, 2011. Acxiom accrued $5.0 million for the settlement and ancillary costs to obtain final approval and previously paid $2.5 million of this amount into an escrow fund established for the settlement, and paid approximately $0.4 million in ancillary costs. The remaining accrual of $2.1 million was reversed in the quarter ended December 31, 2010, in gains, losses and other items, net. Two companion cases, Sharon Taylor, et al., v. Acxiom, et al., (U.S. District Court, E.D. Texas, 207CV001) and Sharon Taylor, et al. v. Biometric Access Company, et al., (U.S. District Court, E.D. Texas, 2:07-CV-00018), were filed in January 2007. Both Taylor cases were dismissed by the District Court and the dismissal was upheld on appeal on July 14, 2010. The Plaintiffs sought review by the U.S. Supreme Court, which declined to consider the matter on January 10, 2011, bringing both to final resolution.

The Company is involved in a number of actions with the Data Protection Authority of Spain, involving alleged improper usage of individuals' data. The Company maintains that the Company's usage of data has been in compliance with the applicable law. However, upon advice of counsel and after review of the pending claims, the Company accrued \$3.9 million as part of the cost of closure of the Spain office. During the year ended March 31, 2008, the Company reversed \$2.4 million of the accrual as some of the claims had been settled for less than the Company originally accrued. As of December 31, 2010 the Company has a remaining accrual for this matter of \$0.5 million.

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 all of these matters will not have a material adverse effect on the Company's consolidated financial position, results of operations or cash flows.

Commitments

The Company leases or licenses data processing equipment, software, office furniture and equipment, land and office space under noncancellable operating leases or licenses. The Company has a future commitment for lease or license payments over the next 30 years of $145.4 million.

In connection with a certain building, the Company has entered into a 50/50 joint venture with a local real estate developer. The Company is guaranteeing a portion of the loan for the building. In addition, in connection with the disposal of certain assets, the Company has guaranteed loans for the buyers of the assets. These guarantees were made by the Company primarily to facilitate favorable financing terms for those third parties. Should the third parties default on this indebtedness, the Company would be required to perform under these guarantees. Substantially all of the third-party indebtedness is collateralized by various pieces of real property. At December 31, 2010 the Company's maximum potential future payments under these guarantees of third-party indebtedness were $1.4 million.

12. INCOME TAX

In determining the quarterly provision for income taxes, the Company makes its best estimate of the effective tax rate expected to be applicable for the full fiscal year. The anticipated effective tax rate for fiscal 2011 is approximately 40% to 41%, before consideration of the adjustment noted below.

At December 31, 2010, the Company had $2.9 million in gross unrecognized tax benefits, which is included in other liabilities on the balance sheet. This entire amount, if recognized, would impact the effective tax rate. The total amount of accrued interest and penalties for such unrecognized tax benefits, and included in the amount above, is $0.4 million. During the quarter ended December 31, 2010, the Company recognized approximately $3.5 million of previously unrecognized tax benefits related to certain tax credits due to the expiration of the related statute of limitations. The effect was to reduce tax expense for both the quarter and nine months ended December 31, 2010.

13. FINANCIAL INSTRUMENTS:

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value.

Cash and cash equivalents, trade receivables, unbilled and notes receivable, short-term borrowings and trade payables - The carrying amount approximates fair value because of the short maturity of these instruments.

Long-term debt - The interest rate on the term loan and revolving credit agreement is adjusted for changes in market rates and therefore the carrying value of these loans approximates fair value. The estimated fair value of other long-term debt was determined based upon the present value of the expected cash flows considering expected maturities and using interest rates currently available to the Company for long-term borrowings with similar terms. At December 31, 2010, the estimated fair value of long-term debt approximates its carrying value.

Derivative instruments included in other liabilities - The carrying value is adjusted to fair value through other comprehensive income (loss) at each balance sheet date. The fair value is determined from an interest-rate futures model.

Under applicable accounting standards financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurements. The Company assigned assets and liabilities to the hierarchy in the accounting standards, which is Level 1 - quoted prices in active markets for identical assets or liabilities, Level 2 - significant other observable inputs and Level 3 - significant unobservable inputs.

The following table presents the balances of assets and liabilities measured at fair value as of December 31, 2010 (dollars in thousands):

	Level 1	Level 2	Level 3	Total
Assets:				
Other current assets	$12,474	$-	$-	$12,474
Total assets	$12,474	$-	$-	$12,474
Liabilities:				
Other current liabilities	$12,474	$-	$-	$12,474
Other liabilities	-	1,552	-	1,552
Total liabilities	$12,474	$1,552	$-	$14,026

PART I. FINANCIAL INFORMATION
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Introduction and Overview

Acxiom is a recognized leader in marketing services and technology that enable marketers to successfully manage audiences, personalize consumer experiences and create profitable customer relationships. Our superior industry-focused, consultative approach combines consumer data and analytics, databases, data integration and consulting solutions for personalized, multichannel marketing strategies. Acxiom leverages over 40 years of experience of data management to deliver high-performance, highly secure, reliable information management services. Founded in 1969, Acxiom is headquartered in Little Rock, Arkansas, USA and serves clients around the world from locations in the United States, Europe, South America, Asia-Pacific and the Middle East.

As the Company completes the third quarter of fiscal 2011 the macro economic situation continues to be a challenge for management although there are signs of improvement. The Company has experienced revenue growth since the low point in the first quarter of fiscal 2010 and expects continued revenue recovery in the near term. During fiscal 2010, the Company focused on several initiatives to drive operating efficiency in information technology and client delivery functions. Management expects these efficiencies to continue to provide opportunity for margin expansion as revenue recovers.

Highlights of the quarter ended December 31, 2010 are identified below.

- Revenue increased by 5.4% to $299.1 million compared to $283.8 million for the quarter ended December 31, 2009.

- Income from operations of $34.6 million compared to $29.9 million in the third quarter of the prior year. The quarter included $3.6 million of unusual gain items, described below.

  - Pre-tax earnings were $28.3 million, compared to $24.4 million in the same quarter of fiscal 2010.

- Earnings per diluted share attributable to Acxiom stockholders of $0.25 compared to $0.18 in the third quarter of fiscal 2010.

- The Company recorded adjustments primarily to restructuring and legal accruals totaling $3.6 million recorded in gains, losses and other items, net. In addition, the Company reduced a reserve for unrecognized tax benefits by approximately $3.5 million due to the expiration of the related statute of limitations. These two items combined increased earnings per share attributable to Acxiom shareholders by 6 cents.

  - Operating cash flow of $64.2 million, compared to $74.5 million in the third quarter a year ago.

    - The Company made term loan prepayments of $33.5 million.

The highlights above are intended to identify to the reader some of the more significant events and transactions of the Company during the quarter ended December 31, 2010. However, these highlights are not intended to be a full discussion of the Company's results for the quarter or for the nine-month period. These highlights should be read in conjunction with the following discussion of Results of Operations and Capital Resources and Liquidity and with the

Company's consolidated financial statements and footnotes accompanying this report.

Results of Operations

A summary of selected financial information for each of the periods reported is presented below (dollars in millions, except per share amounts):

	For the quarter ended December 31			For the nine months ended December 31		
	2010	2009	% Change	2010	2009	% Change
Revenue						
Services	$232.8	$218.3	7 %	$669.0	$627.9	7 %
Products	66.3	65.5	1 %	192.2	183.0	5 %
	$299.1	$283.8	5 %	$861.2	$810.9	6 %
Total operating costs and expenses	264.5	253.9	(4)%	777.2	747.3	(4)%
Income from operations	$34.6	$29.9	16 %	$84.0	$63.6	32 %
Diluted earnings per share attributable to Acxiom stockholders	$0.25	$0.18	39 %	$0.54	$0.35	54 %

Revenue

Total revenue increased $15.3 million, or 5.4% to $299.1 million for the three months ended December 31, 2010 from $283.8 million for the comparable period in fiscal year 2010. For the nine months ended December 31, 2010, total revenue was $861.2 million which was a $50.3 million, or 6.2% increase from the same period last year.

Services

Services revenue for the quarter ended December 31, 2010 was $232.8 million, representing a $14.5 million increase or 6.6% increase from the same quarter a year ago. Excluding unfavorable exchange rate movements and acquisition-related revenue, Services revenue increased 4.6%. On a geographic basis, International services increased $6.5 million, or 30.0%, while US services increased $8.0 million, or 4.1%. International services included $4.0 million of incremental revenue related to the MENA and Acxiom Brazil acquisitions. Excluding unfavorable exchange rate movements and acquisition-related revenue, International services increased approximately $2.8 million in the quarter which represents greater than 10% growth. Australia and China services volume growth accounted for most of this growth. Europe services were negatively impacted by the loss of a couple of large services contracts in Europe during the last fiscal year, however growth from the UK 2Touch operation mitigated these reductions. US growth reflects new IT Services contracts signed over the last year. By line of business, growth was most notable in Consulting of $1.6 million or 16.9%, Multi-channel Marketing Services of $7.2 million or 8.3%, and Infrastructure Management of $4.7 million or 6.2%. CDI Services were negatively impacted by contract losses in Europe and the US, and declined $5.4 million or 13.9%.

Services revenue for the nine months ended December 31, 2010 was $669.0 million. This represents a $41.2 million increase, or 6.6% over the prior year same period. On a geographic basis, International services increased $5.6 million, or 8.7%, while US services increased $35.6 million, or 6.3%. International services growth included $8.1 million of incremental revenue related to the MENA and Acxiom Brazil acquisitions. Excluding unfavorable exchange rate movements and acquisition-related revenue, International services decreased approximately $1.0 million. International services were negatively impacted by the loss of a couple of large services contracts in Europe during the last fiscal year. Strong results in Australia and China mitigated the declines in Europe. New IT Services contracts signed over the last year contributed to the US growth. Of the $33.1 million of organic Services growth, $25.3 million was related to Infrastructure Management. By line of business, revenue increases in Multi-channel

Marketing Services of $7.0 million or 2.7%, Consulting of $5.6 million or 21.7%, and Infrastructure Management of $25.3 million or 12.4% were offset by a decrease in CDI Services of $7.8 million or 6.7%. CDI Services were negatively impacted by the contract losses in Europe and the US.

Products

Products revenue for the quarter ended December 31, 2010 was $66.3 million, representing a $0.8 million or 1.3% increase from the same quarter a year ago. International products revenue decreased $1.5 million or 7.4% during the quarter. Excluding unfavorable exchange rate movements, International products revenue declined slightly. In the US, product revenue increased $2.3 million, or 5.0%. Due to increasing hiring trends, Background screening revenue increased 35% in the quarter. Other US product revenue was down slightly. Consumer Insight revenue was impacted by a lost contract and a decline in project revenue from a few large customers.

Products revenue for the nine months ended December 31, 2010 was $192.2 million, which represents a $9.1 million increase, or 5.0%, compared to the same period last year. International products revenue decreased $4.0 million or 8.0% during the period. Unfavorable exchange rate movements accounted for $2.7 million of the decrease. In the US, product revenue increased $13.1 million, or 9.9%. Background screening revenue was up 29% for the period. Consumer Insights revenue grew approximately 6% in the period due to higher project activity in the Insurance and Manufacturing and Distribution US markets.

Operating Costs and Expenses

The following table presents the Company's operating costs and expenses for each of the periods presented (dollars in millions):

	For the quarter ended December 31			For the nine months ended December 31		
	2010	2009	% Change	2010	2009	% Change
Cost of revenue						
Services	$178.6	$163.2	(9)%	$518.9	$488.5	(6)%
Products	48.2	46.7	(3)%	142.4	138.8	(3)%
Total cost of revenue	$226.8	$209.9	(8)%	$661.3	$627.3	(5)%
Selling, general and Administrative	41.3	43.5	5 %	119.5	119.1	-
Gains, losses and other items, net	(3.6)	0.5	-	(3.6)	0.9	-
Total operating costs and expenses	$264.5	$253.9	(4)%	$777.2	$747.3	(4)%

	For the quarter ended December 31		For the nine months ended December 31	
	2010	2009	2010	2009
Gross profit margin				
Services	23.3 %	25.3 %	22.4 %	22.2 %
Products	27.2	28.6	25.9	24.2
Total gross profit margin	24.2 %	26.0 %	23.2 %	22.6 %
Operating profit margin	11.6 %	10.5 %	9.7 %	7.8 %

Cost of services revenue during the current quarter of $178.6 million represents an increase of $15.4 million, or 9.4%, compared to the same quarter a year ago. Gross margin for services revenue decreased from 25.3% to 23.3% for the quarter. Margin was impacted by higher migration costs on a large Infrastructure Management contract. Cost of services revenue for the nine months ended December 31, 2010 of $518.9 million represents an increase of $30.3 million, or 6.2% compared to the same period a year ago. Gross margin for services revenue increased from 22.2% to 22.4% for the period. Margins for services are increasing as revenue has stabilized and IT and Delivery function efficiencies are realized. Margin improvement for these periods, however, has been impacted by higher-than-expected costs during the migration phase of a large Infrastructure Management contract. The year-to-date impact was approximately $10.0 million. This contract migration is now completed. Margins for services for these periods were also negatively impacted by the lost contracts in Europe and low gross margins on recently acquired operations.

Cost of products revenue during the current quarter of $48.2 million represents an increase of $1.5 million, or 3.3%, compared to the same quarter a year ago. Products revenue gross margins decreased to 27.2% from 28.6% a year ago due to declining margins on Consumer Insight Products. Cost of products revenue for the nine months ended December 31, 2010 of $142.4 million represents an increase of $3.6 million, or 2.6% compared to the same period a year ago. Products revenue gross margins increased for the nine-month period to 25.9% from 24.2% a year ago.   As with margins for services revenues, margins for products revenues are increasing as revenue has stabilized and IT and delivery function efficiencies are realized. Additionally, margins have improved due to the fixed-cost nature of certain product costs of revenue.

Selling, general, and administrative expenses were $41.3 million for the quarter ended December 31, 2010. This represents a 4.9% decrease compared to $43.5 million reported in the prior year same quarter. As a percent of total revenue, these expenses were 13.8% compared to 15.3% a year ago. The prior year quarter was negatively impacted by health insurance expense which was $2.9 million higher than the current year. Europe costs are approximately $1.0 million lower than prior year due to cost reductions on lower revenues. Some components of selling, general and administration expense, such as sales commissions, are more variable than others and fluctuate as revenue and sales activity moves. US commissions were lower than prior year due to the timing of sales transactions. Selling, general, and administrative expenses were $119.5 million for the nine months ended December 31, 2010 which is flat when compared to the prior-year period. As a percent of total revenue, selling, general, and administrative expenses were 13.9% this year compared to 14.7% last year. Europe costs are approximately $1.7 million lower than prior year due to cost reductions on lower revenues.

Gains, losses and other items was a $3.6 million benefit during both the current quarter and the nine-month period ended December 31, 2010. These non-recurring gains include adjustments to previously recorded lease reserves of $1.4 million and litigation reserves of $2.1 million and adjustment to an earnout accrual of $0.4 million offset by other restructuring accruals of $0.3 million. The prior-year balance, on a quarter and year-to-date basis, of gains, losses and other items represents the adjustment of restructuring accruals established in prior periods.

Other Income (Expense)

Interest expense for the quarter ended December 31, 2010 was $6.0 million compared to $5.7 million a year ago. During the quarter ended December 31, 2009 the Company amended its credit agreement to extend the maturity date on $375 million of the term loan by an additional 2.5 years, and to extend $120 million of the revolving credit agreement for an additional 2.5 years. The $75 million of the original term loan and the $80 million of the revolving credit agreement that were not extended remained on their original maturity schedules. The LIBOR credit spread for the interest rate charged on the extended portion of the agreements increased 1.25%. Although the average balance of the term loan declined approximately $40 million, the average rate increased 70 basis points for the quarter, resulting in higher interest expense. Interest expense for the nine months ended December 31, 2010 was $18.2 million compared to $16.6 million a year ago. Although the average term loan balance declined approximately $60 million, the average rate increased 85 basis points for the period, resulting in higher interest expense. Interest expense on other debt has also increased due to increased lease financing of capital expenditures.

Other income (expense) was $(0.3) million and $0.2 million in the current and prior-year quarters, respectively. Other income (expense) was ($0.6) million and $0.3 million in the current and prior-year nine-month periods, respectively. Both in the current and prior-year quarter and nine-month periods, other income was comprised primarily of interest income on notes receivable and investment income. The current year periods were negatively impacted by foreign currency translation losses on certain foreign cash accounts.

Income taxes

The effective tax rate for the quarter ended December 31, 2010 was 28%. The prior-year rate for the comparable period was 42%. The effective tax rate for the nine months ended December 31, 2010 was 35%. The prior-year rate was 41%. During the current quarter, the Company reduced a reserve for unrecognized tax benefits of approximately $3.5 million due to expiration of the related statute of limitations, resulting in the reduction of the current-year and current-quarter rates. Excluding this item, the effective tax rate was 40%. Depending on the level of foreign losses, the full year rate is expected to be in the range of 40% to 41%, before consideration of the reserve adjustment recorded in the current quarter.

Capital Resources and Liquidity

Working Capital and Cash Flow

Working capital at December 31, 2010 totaled $201.8 million compared to $203.6 million at March 31, 2010. Total current assets decreased $13.7 million due to decreases in cash and cash equivalents of $20.2 million, offset by increases in trade accounts receivable of $3.2 million, other current assets of $1.3 million, and refundable income taxes of $2.1 million. Current liabilities decreased $11.8 million due to decreases in current installments of long-term debt of $11.3 million, payroll accruals of $4.0 million, other accrued expenses of $5.8 million, and income taxes of $2.5 million, offset by increases in trade accounts payable of $1.0 million and deferred revenue of $10.9 million. The Company made pre-payments on its term loan of $53.5 million and refinanced a construction loan resulting in a decrease to the current portion of long-term debt for the nine months ended December 31, 2010.

Accounts receivable days sales outstanding was 53 days at December 31, 2010 and March 31, 2010, and is calculated as follows (dollars in thousands):

	December 31, 2010	March 31, 2010
Numerator – trade accounts receivable, net	$171,695	$168,522
Denominator:		
Quarter revenue	299,110	288,342
Number of days in quarter	92	90
Average daily revenue	$3,251	$3,204
Days sales outstanding	53	53

Net cash provided by operating activities for the nine months ended December 31, 2010 was $124.2 million, down 18.0% from $151.4 million in the same period a year ago. Increases in net earnings were offset by decreases in depreciation and amortization, deferred taxes, and other operating items. Deferred costs increased by $13.0 million due to increased Infrastructure Management contract migration activity. Deferred income taxes decreased by $18.9 million.

Investing activities used $73.9 million in cash in the current year. This resulted from capitalization of data acquisition costs of $10.7 million and capitalization of software development costs of $3.6 million. Capital expenditures were $46.8 million compared to $31.4 million in the same period last year. The Company paid $12.9 million for the purchase of Acxiom Brazil and a small acquisition in Australia.

Financing activities used $70.3 million in cash in the current year. This included payments of debt of $78.1 million that was comprised of capital lease payments of $17.1 million, software license payments of $1.2 million, other debt payments of $6.3 million, and term loan prepayments of $53.5 million. The term loan prepayments of $53.5 million represented a $16.0 million increase from $37.5 million paid in the prior year. Financing activities also include $7.3 million in proceeds from the sale of common stock.

Non-cash investing and financing activities included acquisition of property and equipment under capital leases and installment payment arrangements of $22.4 million in the nine months ended December 31, 2010, compared to $18.3 million in the prior year. Future payments under these arrangements will be reflected as debt payments.

Credit and Debt Facilities

The Company's amended and restated credit agreement provides for (1) term loans up to an aggregate principal amount of $600 million and (2) revolving credit facility borrowings consisting of revolving loans, letter of credit participations and swing-line loans up to an aggregate amount of $200 million.

In November 2009, the Company entered into an amendment to its term loan credit facility (the "Amendment"). Under the terms of the Amendment, certain of the lenders agreed to extend the maturity date of the existing term loan, becoming Tranche 2 Term Lenders. Lenders who did not agree to extend the maturity date became Tranche 1 Term Lenders. Certain lenders also agreed to extend the maturity date of the existing revolving loan commitment, becoming Tranche 2 Revolving Lenders. Lenders who did not agree to extend the maturity date of the revolving loan commitment became Tranche 1 Revolving Lenders. Of the $369 million balance of the term loan as of December 31, 2010, all of the balance is held by Tranche 2 Term Lenders. The remaining Tranche 1 term loan balance was prepaid in full during the current quarter. Of the $200 million revolving loan commitment, $80 million is held by Tranche 1 Revolving Lenders and $120 million is held by Tranche 2 Revolving Lenders.

Tranche 2 of the term loan is payable in quarterly installments of approximately $1.5 million each, through December 31, 2014, with a final payment of approximately $345.0 million due March 15, 2015. The Tranche 1 revolving loan commitment expires September 15, 2011 and the Tranche 2 revolving loan commitment expires March 15, 2014.

Revolving credit facility borrowings bear interest at LIBOR plus a credit spread, or at an alternative base rate or at the Federal Funds rate plus a credit spread, depending on the type of borrowing. The LIBOR credit spread is 1.5% for Tranche 1 and 2.75% for Tranche 2. There were no revolving credit borrowings outstanding at December 31, 2010 or March 31, 2010. In addition, there have been no revolving credit borrowings during any of the periods being reported. Term loan borrowings bear interest at LIBOR plus a credit spread which is 1.75% for Tranche 1, and 3.00% for Tranche 2. The weighted-average interest rate on term loan borrowings at December 31, 2010 was 4.1%.

The term loan allows prepayments before maturity. The credit agreement is secured by the accounts receivable of Acxiom and its domestic subsidiaries, as well as by the outstanding stock of certain Acxiom subsidiaries.

Under the terms of certain of the above borrowings, the Company is required to maintain certain debt-to-cash flow and debt service coverage ratios, among other restrictions. At December 31, 2010, the Company was in compliance with these covenants and restrictions. In addition, if certain financial ratios and other conditions are not satisfied, the revolving credit facility limits the Company's ability to pay dividends in excess of $30 million in any fiscal year (plus additional amounts in certain circumstances).

Off-Balance Sheet Items and Commitments

In connection with a certain building, the Company has entered into a 50/50 joint venture with a local real estate developer. The Company is guaranteeing a portion of the loan for the building. In addition, in connection with the disposal of certain assets, the Company has guaranteed loans for the buyers of the assets. These guarantees were made by the Company primarily to facilitate favorable financing terms for those third parties. Should the third parties default on this indebtedness, the Company would be required to perform under these guarantees. Substantially all of the third-party indebtedness is collateralized by various pieces of real property. At December 31, 2010 the Company's aggregate maximum potential future payments under these guarantees of third-party indebtedness were $1.4 million.

Outstanding letters of credit which reduce the borrowing capacity under the Company's revolving credit were $0.5 million at December 31, 2010.

Contractual Commitments

The following table presents Acxiom's contractual cash obligations, exclusive of interest, and purchase commitments at December 31, 2010 (dollars in thousands). The table does not include the future payment of gross unrealized tax benefit liabilities of $2.9 million or the future payment, if any, against the Company's non-current interest rate swap liability of $1.6 million as the Company is not able to predict the periods in which these payments will be made. The column for 2011 represents the three months ending March 31, 2011. All other columns represent fiscal years ending March 31.

	For the years ending March 31						
	2011	2012	2013	2014	2015	Thereafter	Total
Term loan	$1,500	$6,000	$6,000	$6,000	$349,467	$-	$368,967
Capital lease and installment payment obligations	5,002	16,528	12,293	3,587	749	8,956	47,115
Software license liabilities	4,383	2,673	1,768	-	-	-	8,824
Other long-term debt	805	2,637	2,689	1,608	5,680	6,746	20,165
Total long-term obligations	11,690	27,838	22,750	11,195	355,896	15,702	445,071
Operating lease payments	6,958	22,576	19,116	16,851	13,543	66,373	145,417
Total contractual cash obligations	$18,648	$50,414	$41,866	$28,046	$369,439	$82,075	$590,488

For the years ending March 31						
2011	2012	2013	2014	2015	Thereafter	Total
$36,294	$40,926	$22,265	$11,152	$11,152	$9,634	$131,423

Total purchase
commitments

Purchase commitments include contractual commitments for the purchase of data and open purchase orders for equipment, paper, office supplies, construction and other items. Purchase commitments in some cases will be satisfied by entering into future operating leases, capital leases, or other financing arrangements, rather than payment of cash. The above commitments relating to long-term obligations do not include future payments of interest. The Company estimates future interest payments on debt and capital leases for the remainder of fiscal 2011 of $5.6 million.

The following table shows contingencies or guarantees under which the Company could be required, in certain circumstances, to make cash payments as of December 31, 2010 (dollars in thousands):

Guarantee on certain partnership and other loans	1,381
Outstanding letters of credit	506

The total amount of partnership and other loans of which the Company guarantees the portion noted in the above table is $5.4 million as of December 31, 2010.

While the Company does not have any other material contractual commitments for capital expenditures, certain levels of investments in facilities and computer equipment continue to be necessary to support the growth of the business. In some cases, the Company also sells software and hardware to clients. In addition, new outsourcing or facilities management contracts frequently require substantial up-front capital expenditures to acquire or replace existing assets. Management believes that the Company's existing available debt and cash flow from operations will be sufficient to meet the Company's working capital and capital expenditure requirements for the foreseeable future. The Company also evaluates acquisitions from time to time, which may require up-front payments of cash. Depending on the size of the acquisition it may be necessary to raise additional capital. If additional capital becomes necessary as a result of any material variance of operating results from projections or from potential future acquisitions, the Company may access available borrowing capacity under its revolving credit agreement, issue debt, equity or hybrid securities, or take a combination of these actions or other actions. However, no assurance can be given that the Company would be able to obtain funding through the issuance of debt, equity or hybrid securities at terms favorable to the Company, or that the desired funding would be available.

For a description of certain risks that could have an impact on results of operations or financial condition, including liquidity and capital resources, see "Risk Factors" contained in Part I, Item 1A, of the Company's 2010 Annual Report.

Non-U.S. Operations

The Company has a presence in the United Kingdom, France, the Netherlands, Germany, Portugal, Poland, the Middle East, Australia, China and Brazil. Most of the Company's exposure to exchange rate fluctuation is due to translation gains and losses as there are no material transactions that cause exchange rate impact. In general, each of the foreign locations is expected to fund its own operations and cash flows, although funds may be loaned or invested from the U.S. to the foreign subsidiaries subject to limitations in the Company's revolving credit facility. These advances are considered to be long-term investments, and any gain or loss resulting from changes in exchange rates as well as gains or losses resulting from translating the foreign financial statements into U.S. dollars are included in accumulated other comprehensive income (loss). Exchange rate movements of foreign currencies may have an impact on the Company's future costs or on future cash flows from foreign investments. The Company has not entered into any foreign currency forward exchange contracts or other derivative instruments to hedge the effects of adverse fluctuations in foreign currency exchange rates.

Critical Accounting Policies

We prepare our consolidated financial statements in conformity with accounting principles generally accepted in the United States of America. These accounting principles require management to make certain judgments and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. The consolidated financial statements in the Company's 2010 Annual Report include a summary of significant accounting policies used in the preparation of Acxiom's consolidated financial statements. In addition, the

Management's Discussion and Analysis filed as part of the 2010 Annual Report contains a discussion of the policies which management has identified as the most critical because they require management's use of complex and/or significant judgments. None of the Company's critical accounting policies have materially changed since the date of the last annual report except as disclosed below.

Accounting Changes

The FASB's Emerging Issues Task Force has issued new accounting guidance for revenue arrangements with multiple deliverables. Under previous accounting guidance, one of the requirements for recognition of revenue for a delivered item under a multiple element arrangement was that there must be objective and verifiable evidence of the standalone selling price of the undelivered item. The new guidance eliminates that requirement and requires an entity to estimate the selling price of each element in the arrangement. In addition, absent specific software revenue guidance, the residual method of allocating arrangement consideration is no longer permitted. Under the new guidance, a multiple-deliverable arrangement is separated into more than one unit of accounting if the delivered items have value to the client on a stand-alone basis and, if the arrangement includes a general right of return related to the delivered item(s), delivery or performance of the undelivered item(s) is considered probable and substantially in the control of the Company. If these criteria are not met, the arrangement is accounted for as one unit of accounting, which would result in revenue being recognized ratably over the contract term or being deferred until the earlier of when those criteria are met or when the last undelivered item is delivered. If the arrangement is separated into multiple units of accounting, the arrangement consideration is allocated to the separate units of accounting based on each unit's relative selling price.

The relative selling price for each unit of accounting in a multiple-element arrangement is established using vendor-specific objective evidence (VSOE), if available, third-party evidence (TPE), if available, or management's best estimate of stand-alone selling price (BESP). In most cases, the Company has neither VSOE nor TPE and therefore uses BESP. The objective of BESP is to determine the price at which the company would transact a sale if the product or service were sold on a stand-alone basis. Management's BESP is determined by considering multiple factors, primarily including actual contractual selling prices when the item is sold on a stand-alone basis, as well as market conditions, competition, internal costs, profit objectives and pricing practices. The amount of revenue recognized for a delivered element is limited to an amount that is not contingent upon future delivery of additional products or services. As pricing and marketing strategies evolve, we may modify our pricing practices in the future, which could result in changes to BESP, or to the development of VSOE or TPE for individual products or services. As a result, future revenue recognition for multiple-element arrangements could differ from recognition in the current period. Our relative selling prices are analyzed on an annual basis, or more frequently if we experience significant changes in selling prices.

As allowed, the Company has elected to early-adopt the provisions of the guidance as of April 1, 2010 on a prospective basis for new arrangements entered into or materially modified on or after that date. The impact of the new accounting standard is not expected to be material going forward, nor would it have had a material impact if it had been applied to the previous fiscal year. There was also no material impact from implementation of the guidance in the quarter or the nine months ended December 31, 2010.

The FASB has also issued guidance which amended the scope of existing software revenue recognition guidance. Tangible products containing software components and non-software components that function together to deliver the tangible product's essential functionality are no longer within the scope of software revenue guidance and are accounted for based on other applicable revenue recognition guidance. In addition, the amendments require that hardware components of a tangible product containing software components are always excluded from the software revenue guidance. This guidance must be adopted in the same period that the Company adopts the amended guidance for arrangements with multiple deliverables. Therefore, the Company elected to early-adopt this guidance as of April 1, 2010 on a prospective basis for all new or materially modified arrangements entered into on or after that date. The adoption of this guidance did not have a material impact on the consolidated financial statements.

The following paragraphs restate the Company's revenue recognition accounting policy after implementation of the accounting change.

Revenue Recognition

The Company provides database management and IT management services under long-term arrangements. These arrangements may require the Company to perform setup activities such as the design and build of a database for the customer under the database management contracts and migration of the customer's IT environment under IT management contracts. In the case of database management contracts, the customer does not acquire any ownership rights to the Company's intellectual property used in the database and the database itself provides no benefit to the customer outside of the utilization of the system during the term of the database management arrangement. In some cases, the arrangements also contain provisions requiring customer acceptance of the setup activities prior to commencement of the ongoing services arrangement. Up-front fees billed during the setup phase for these arrangements are deferred and setup costs that are direct and incremental to the contract are capitalized and amortized on a straight-line basis over the service term of the contract. Revenue recognition does not begin until after customer acceptance in cases where contracts contain acceptance provisions. Once the setup phase is complete and customer acceptance occurs, the Company recognizes revenue over the remaining service term of the contract. In situations where the arrangement does not require customer acceptance before the Company begins providing services, revenue is recognized over the contract period and no costs are deferred. The Company accounts for all elements under its database management and IT management arrangements as a single unit, since the initial setup activities performed under the arrangements do not have stand-alone value to the client.

Sales of third-party software, hardware and certain other equipment are recognized when delivered. If such sales are part of a multiple-element arrangement, they are recognized as a separate element unless collection of the sales price is dependent upon delivery of other products or services. Additionally, the Company evaluates revenue from the sale of data, software, hardware and equipment in accordance with accounting standards to determine whether such revenue should be recognized on a gross or a net basis. All of the factors in the accounting standards are considered with the primary factor being whether the Company is the primary obligor in the arrangement. “Out-of-pocket” expenses incurred by, and reimbursed to, the Company in connection with customer contracts are recorded as gross revenue.

The Company evaluates its database management and IT management arrangements to determine whether the arrangement contains a lease. If the arrangement is determined to contain a lease, applicable accounting standards require the Company to account for the lease component separately from the remaining components of the arrangement. In cases where database management or IT management arrangements are determined to include a lease, the lease is evaluated to determine whether it is a capital lease or operating lease and accounted for accordingly. These lease revenues are not significant to the Company's consolidated financial statements.

Revenues from the licensing of data are recognized upon delivery of the data to the customer in circumstances where no update or other obligations exist. Revenue from the licensing of data in which the Company is obligated to provide future updates on a monthly, quarterly or annual basis is recognized on a straight-line basis over the license term. Revenue from the licensing of data to the customer in circumstances where the license agreement contains a volume cap is recognized in proportion to the total records to be delivered under the arrangement. Revenue from the sale of data on a per-record basis is recognized as the records are delivered.

All taxes assessed on revenue-producing transactions described above are presented on a net basis, or excluded from revenues.

The Company also performs services on a project basis outside of, or in addition to, the scope of long-term arrangements. The Company recognizes revenue from these services as the services are performed.

The Company does not provide end-users with price-protection or rights of return. The Company's contracts provide a warranty that the services or products will meet the agreed-upon criteria or any necessary modifications will be made. The Company ensures that services or products delivered meet the agreed-upon criteria prior to recognition of revenue.

Valuation of Goodwill
Goodwill is tested for impairment at the reporting unit level, which is defined as either an operating segment or one step below operating segment, known as a component. Acxiom's two segments are the Information Services segment and the Information Products segment. Because each of these segments contains both a US component and an International component, and there are some differences in economic characteristics between the US and International components, management has tested a total of four components. The goodwill amounts as of April 1, 2010 included in each component tested were US Information Services, $306.1 million; US Information Products, $51.2 million; International Information Services, $42.0 million; and International Information Products $71.0 million.

In order to estimate a valuation for each of the four components tested, management used an income approach based on a discounted cash flow model. Additionally, the analysis was enhanced to include a public company market multiple and a similar transactions comparison.

The income approach involves projecting cash flows for each component into the future and discounting these cash flows at an appropriate discount rate. Management used preliminary budget figures for the first year of the projection model, and then projected those figures out into the future years using management's best estimates of future revenue growth, operating margins, and other cash flow assumptions. The discount rates used for each component in order to arrive at an estimated fair value were estimated as a weighted-average cost of capital which a marketplace participant would use to value each unit. These weighted-average costs of capital rates include a market risk, added to a risk-free rate of return, and a size premium that is specific to the components being tested. The resulting cost of equity is then weighted-averaged with the after-tax cost of debt.

The public company market multiple method was used to estimate values for each of the components by looking at market value multiples to revenue and EBITDA for selected public companies that are believed to be representative of companies that marketplace participants would use to arrive at comparable multiples for the individual component being tested. These multiples are then used to develop a market value for that component.

The similar transactions method compared multiples based on acquisition prices of other companies believed to be those that marketplace participants would use to compare to the individual components being tested. Those multiples are then used to develop a market value for that component.

In order to arrive at an estimated value for each component, management used a weighted-average approach to combine the results of each analysis. Management believes that using multiple valuation approaches and then weighting them appropriately is a technique that a marketplace participant would use.

As a final test of the valuation results, the total of the values of the components was reconciled to the actual market value of Acxiom Corporation stock as of the April 1, 2010 valuation date. This reconciliation indicated an implied control premium. Management believes this control premium is reasonable compared to historical control premiums observed in actual transactions.

Each of the components tested had fair values in excess of the carrying value of the unit, indicating no impairment. All of the components had a significant excess fair value, except for the International Products component, for which the excess fair value was 12%. Management believes that the valuations arrived at are reasonable and consistent with what other marketplace participants would use in valuing the Company's components. However, management cannot give any assurance that market values will not change in the future. For example, an increase in discount rates demanded by the market could lead to a reduction under the income approach. If the Company's projections are not achieved in the future, this could lead management to reassess their assumptions and lead to a reduction under the income approach. If the market price of the Company's stock decreases, this could cause the Company to reassess the reasonableness of the control premium, which might cause management to assume a higher discount rate under the income approach. If future similar transactions exhibit lower multiples than those observed in the past, this could lead to a reduction under the similar transactions approach. And finally, if there is a general decline in the stock market, and particularly in those companies selected as comparable to the Company's components, this could lead to a reduction under the public company market multiple approach. The Company's annual impairment test is performed during the first quarter of each fiscal year, however if there are further triggering events, the Company may be required to perform additional testing at other dates.

Forward-looking Statements

This document contains forward-looking statements. 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, growth opportunities, economic conditions, and other similar forecasts and statements of expectation. Forward-looking statements are often identified by words or phrases such as "anticipate," "estimate," "plan," "expect," "believe," "intend," "foresee," and similar words or phrases. These forward-looking statements are not guarantees of future performance and are subject to a number of factors and uncertainties that could cause the Company's actual results and experiences to differ materially from the anticipated results and expectations expressed in the forward-looking statements.

Forward-looking statements may include but are not limited to the following:

- management's expectations about the macro economy;
- management's current views and estimates regarding the Company's financial performance and results, including our continued revenue recovery and margin expansion;
- that the amounts for restructuring and impairment charges and accruals for litigation will be within estimated ranges;
- that the cash flows used in estimating the recoverability of assets will be within the estimated ranges; and

- that items which management currently believes are not material will continue to not be material in the future.

Among the factors that may cause actual results and expectations to differ from anticipated results and expectations expressed in such forward-looking statements are the following:

- the risk factors described in Part I, “Item 1A. Risk Factors” included in the Company’s 2010 Annual Report and elsewhere in this report and those described from time to time in our future reports filed with the Securities and Exchange Commission;

- the possibility that in the event a change of control of the Company is sought that certain clients may attempt to invoke provisions in their contracts resulting in a decline in revenue and profit;

- the possibility that the integration of acquired businesses may not be as successful as planned;

- the possibility that the fair value of certain of our assets may not be equal to the carrying value of those assets now or in future time periods;

- the possibility that sales cycles may lengthen;

- the possibility that we will not be able to properly motivate our sales force or other associates;
- the possibility that we may not be able to attract and retain qualified technical and leadership associates, or that we may lose key associates to other organizations;
- the possibility that we will not be able to continue to receive credit upon satisfactory terms and conditions;
- the possibility that competent, competitive products, technologies or services will be introduced into the marketplace by other companies;
- the possibility that there will be changes in consumer or business information industries and markets that negatively impact the Company;
- the possibility that we will not be able to protect proprietary information and technology or to obtain necessary licenses on commercially reasonable terms;
- the possibility that there will be changes in the legislative, accounting, regulatory and consumer environments affecting our business, including but not limited to litigation, legislation, regulations and customs relating to our ability to collect, manage, aggregate and use data;
- the possibility that data suppliers might withdraw data from us, leading to our inability to provide certain products and services;
- the possibility that we may enter into short-term contracts which would affect the predictability of our revenues;
- the possibility that the amount of ad hoc, volume-based and project work will not be as expected;
- the possibility that we may experience a loss of data center capacity or interruption of telecommunication links or power sources;
- the possibility that we may experience failures or breaches of our network and data security systems, leading to potential adverse publicity, negative customer reaction, or liability to third parties;
- the possibility that our clients may cancel or modify their agreements with us;
- the possibility that we will not successfully complete customer contract requirements on time or meet the service levels specified in the contracts, which may result in contract penalties or lost revenue;
- the possibility that we experience processing errors which result in credits to customers, re-performance of services or payment of damages to customers; and
- general and global negative economic conditions.

With respect to the provision of products or services outside our primary base of operations in the United States, all of the above factors apply, along with the difficulty of doing business in numerous sovereign jurisdictions due to differences in scale, competition, culture, laws and regulations.

Other factors are detailed from time to time in periodic reports and registration statements filed with the United States Securities and Exchange Commission. The Company believes that we have the product and technology offerings, facilities, associates and competitive and financial resources for continued business success, but future revenues, costs, margins and profits are all influenced by a number of factors, including those discussed above, all of which are inherently difficult to forecast.

In light of these risks, uncertainties and assumptions, the Company cautions readers not to place undue reliance on any forward-looking statements. The Company undertakes no obligation to publicly update or revise any forward-looking statements based on the occurrence of future events, the receipt of new information or otherwise.

Item 3. Quantitative and Qualitative Disclosure about Market Risk

Acxiom's earnings are affected by changes in short-term interest rates primarily as a result of its term loan and revolving credit agreement, which bears interest at a floating rate. Acxiom currently uses an interest-rate swap agreement to mitigate the changes in interest rate risk on $95 million of its variable interest debt. Risk can be estimated by measuring the impact of a near-term adverse movement of one percentage point in short-term market interest rates. If short-term market interest rates increase one percentage point during the next four quarters compared to the previous four quarters, there would be no material adverse impact on Acxiom's results of operations. Acxiom has no material future earnings or cash flow expenses from changes in interest rates related to its other long-term debt obligations as substantially all of Acxiom's remaining long-term debt instruments have fixed rates. At both December 31, 2010 and March 31, 2010, the fair value of Acxiom's fixed rate long-term debt approximated carrying value.

The Company has a presence in the United Kingdom, France, The Netherlands, Germany, Portugal, Poland, the Middle East, Australia, China and Brazil. In general, each of the foreign locations is expected to fund its own operations and cash flows, although funds may be loaned or invested from the U.S. to the foreign subsidiaries. Therefore, exchange rate movements of foreign currencies may have an impact on Acxiom's future costs or on future cash flows from foreign investments. Acxiom, at this time, has not entered into any foreign currency forward exchange contracts or other derivative instruments to hedge the effects of adverse fluctuations in foreign currency exchange rates.

Item 4. Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures.

As of December 31, 2010 under the supervision and with the participation of our management, including our Chief Executive Officer (our principal executive officer) and our Chief Financial Officer (our principal financial officer), we evaluated the effectiveness of our disclosure controls and procedures (as defined under Rule 13a-15(e) of the Securities Exchange Act of 1934, as amended). Based on this evaluation, our Chief Executive Officer and our Chief Financial Officer concluded that, as of December 31, 2010, our disclosure controls and procedures were effective.

(b) Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting that occurred during the fiscal quarter ended December 31, 2010 that have materially affected, or are reasonably likely to materially affect, such internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

The Company is involved in various claims and litigation matters that arise in the ordinary course of the business. None of these, however, are believed to be material in their nature or scope, except those incorporated by reference under this Part II, Item 1.

Refer to the discussion of certain legal proceedings pending against the Company under Part I, Item 1, Notes to Condensed Consolidated Financial Statements, Note 11 Commitments and Contingencies, which discussion is incorporated herein by reference.

Item 6. Exhibits

(a) The following exhibits are filed with this Report:

10.1 Employment Agreement between Acxiom Corporation and John Meyer dated November 15, 2010 (previously filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed November 16, 2010 and incorporated herein by reference)

10.2 Employment Agreement between Acxiom Corporation and John A. Adams dated November 15, 2010 (previously filed as Exhibit 10.2 to the Company's Current Report on Form 8-K filed November 16, 2010 and incorporated herein by reference)

10.3 Acxiom Corporation 2010 Executive Officer Severance Policy (previously filed as Exhibit 10.3 to the Company's Current Report on Form 8-K filed November 16, 2010 and incorporated herein by reference)

31(a) Certification of Chief Executive Officer (principal executive officer) pursuant to SEC Rule 13a-14(a)/15d-14(a), as adopted pursuant to Sections 302 and 404 of the Sarbanes-Oxley Act of 2002

31(b) Certification of Chief Financial Officer (principal financial and accounting officer) pursuant to SEC Rule 13a-14(a)/15d-14(a), as adopted pursuant to Sections 302 and 404 of the Sarbanes-Oxley Act of 2002

32(a) Certification of Chief Executive Officer (principal executive officer) pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

32(b) Certification of Chief Financial Officer (principal financial and accounting officer) pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

101 The following financial information from our Quarterly Report on Form 10-Q for the quarter ended December 31, 2010, formatted in XBRL: (i) Condensed Consolidated Statements of Income for the three months ended December 31, 2010, and December 31, 2009, (ii) Condensed Consolidated Statements of Income for the nine months ended December 31, 2010, and December 31, 2009 (iii) Condensed Consolidated Balance Sheets at December 31, 2010, and March 31, 2010, (iv) Condensed Consolidated Statements of Cash Flows for the nine months ended December 31, 2010, and December 31, 2009, and (v) the Notes to Condensed Consolidated Financial Statements, tagged as blocks of text.

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ACXIOM CORPORATION AND SUBSIDIARIES

SIGNATURE

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

Acxiom Corporation

Dated: February 4, 2011

By: /s/ Christopher W. Wolf
(Signature)
Christopher W. Wolf
Chief Financial Officer
(principal financial and accounting officer)