

Jack Henry - Modernize the Core, Protect the Trust

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Decision scope: Outside-investor assessment of Jack Henry's modernization strategy

Case convention: This is a hypothetical analytical assignment, not a reconstruction of management's private deliberations. Company statements are attributed. No evidence after the cutoff is included.

The assignment

You are an outside strategy adviser preparing a memo for an investment committee. The committee wants to assess Jack Henry & Associates' multi-year plan to modernize core banking technology through a new public-cloud-native, API-first platform while continuing to support its existing bank and credit-union systems.

Should the committee raise, hold, or lower its confidence that this strategy will strengthen Jack Henry's position with community and regional financial institutions? Explain what evidence supports your view, what alternative explanations fit the same evidence, and what future observations would change your assessment. This is not a stock valuation or a financial forecast.

The business Jack Henry is trying to modernize

Banks and credit unions rely on core systems to maintain accounts and customer records, post deposits and withdrawals, process loans, and manage their general ledgers. The systems are mission-critical and linked to complementary functions such as payments, digital banking, risk, fraud and regulatory reporting. Replacing them requires coordination among technology, operations, vendors and regulators.

Jack Henry serves more than 7,200 financial institutions and other entities. It provides core bank systems to more than 900 banks, a core platform to more than 700 credit unions, and core-agnostic products to approximately 5,600 additional clients. Its bank systems serve de novo institutions through banks with as much as \$55 billion in assets. [S1, pp. 5-6]

The company's business combines several delivery and revenue models. Core clients can run Jack Henry systems on-premise or use its private-cloud services. Hosted core contracts typically last six years at inception and include per-account fees and minimum payments; on-premise clients commonly license software and pay for annual maintenance and support. Payments processing and complementary digital products add recurring transaction and service revenue, while implementations, hardware and software licenses contribute less predictable revenue. [S1, pp. 5, 9-10, 27-28]

The modernization proposition

Jack Henry describes its strategy as enabling banks and credit unions to compete through user experience, trust, open technology, data-driven insights and service. Its priorities include expanding core-client relationships through payments and complementary products, serving core-agnostic customers, growing digital and SMB payments, and developing public-cloud-native services. [S1, pp. 6-7]

The Jack Henry Platform is described as a single, public-cloud-native, API-first platform. The company says it is developing the platform into a modern alternative for existing core functions. Its listed services include wire transfers, a data hub, exception-item processing, a general ledger, deposit servicing and entitlements. Jack Henry also describes the platform as a connective layer across its existing cores, allowing clients to add cloud-native functions and third-party solutions without disrupting those core systems. [S1, p. 7]

The two descriptions suggest different but potentially related paths. A bank might add selected services alongside its existing core, then migrate more functionality over time. Or the platform might chiefly connect existing systems to new digital and payment offerings without replacing the main core. The company has not disclosed enough adoption detail in the sources summarized here to determine how far either path has progressed.

Exhibit 1. Three modernization routes for a financial institution

Route	What changes	Potential advantage	Main challenge
Full replacement	Move from the legacy core to a new core	A bank may redesign functions around a newer architecture	Highest conversion scope, coordination and transition risk
Component replacement	Replace core functions one at a time	Limits the scope of each conversion	Legacy systems can be hard to disentangle; components still need to work together
Wrap or augment	Add a parallel platform connected to the legacy core	Add features while retaining the existing record system	Interfaces and parallel environments may add cost and complexity

Source: Kansas City Fed, *Core Banking Systems and Options for Modernization*, pp. 3-5. Cloud hosting can accompany any of the three approaches; it is not itself a full core replacement. [S6]

What the results show-and do not show

Jack Henry reported FY2026 revenue of \$2.544 billion, up 7.1%. Management described growth of 7.3% after specified adjustments for deconversion revenue, acquisition revenue and a prior-year contract change. Its explanation included cloud processing and hosting as clients and volumes increased, digital and transaction revenue, card and faster-payments processing, and new client revenue. These disclosures cover several business lines and do not identify revenue from the public-cloud-native Jack Henry Platform. [S1, pp. 27-29]

Exhibit 2. FY2026 segment revenue

Company-reported figures; USD millions; fiscal year ended June 30, 2026.

Segment	FY2026 revenue	Reported year-over-year growth	Company-described driver / caveat
Core	\$768.5	4.8%	Adjusted growth was 7.1% after specified deconversion and prior contract-change items; company cited cloud data processing/hosting and services revenue
Payments	\$936.0	7.2%	Adjusted growth was 6.4% after deconversions and \$5.2m acquisition revenue; card, faster payments and processing grew
Complementary	\$752.2	8.3%	Adjusted growth was 7.7% after deconversions; company cited cloud hosting and digital revenue
Corporate Services	\$87.7	18.3%	Includes hardware and other products/services and technology infrastructure costs
Total	\$2,544.3	7.1%	Management's adjusted consolidated growth was 7.3% after its stated exclusions

Source: Jack Henry FY2026 Form 10-K, Item 7, printed pp. 27-32. Segments include products that may be integrated with Core and products sold independently. The company reclassified some revenue among segments in FY2026; its adjusted growth figures exclude specifically stated items and are not a full constant-scope or public-cloud adoption bridge. [S1]

The filing says Core and Complementary cloud hosting grew, and that digital revenue rose with active users and transaction volumes. It does not disclose the percentage of customers using the new Platform, the number of its functions in production, the share of revenue attributable to it, or how client outcomes changed after adoption. “Cloud growth” can include private-cloud hosting and does not, by itself, measure migration to the public-cloud-native Platform. [S1, pp. 27-32]

Jack Henry describes client retention as high but does not report a retention percentage in its FY2026 10-K. Long contracts and years of accumulated software, data and integrations may support customer continuity. The same features may also make conversion difficult. The available information does not establish which explanation accounts for client persistence. [S1, pp. 5, 9-10]

The company also identifies execution risks. Moving workloads to third-party cloud and hosting environments requires investment and can involve data loss, service disruption, security incidents, outages, capacity constraints, regulatory scrutiny, client loss and reputational damage. These are risks disclosed by management, not reported outcomes at the cutoff. [S1, Item 1A, pp. 18-22]

Competitors are modernizing too

FIS describes core-processing applications, hosted and private-cloud services, conventional license and maintenance arrangements, a component-based platform and continued core modernization. It says its digital offerings are available to institutions using both FIS and non-FIS cores. Fiserv describes core account processing within an integrated Financial Solutions business alongside digital and payment products. Both also identify large technology providers, in-house systems and specialist or emerging firms as competitors. These are company descriptions of their own offerings and competition, not proof of relative performance. [S2-S3]

The competitive question is not simply whether Jack Henry offers APIs or cloud hosting. It is whether its combination of community-bank expertise, installed relationships, service, product choice and open integration produces better client outcomes than the alternatives-and whether it can deliver that value while modernizing its own architecture.

Research on cloud and core systems

An August 2026 Bank of England working paper studies cloud-service-provider (CSP) outsourcing among UK banks. Its data contain 3,443 material outsourcing contracts for 90 banks; 457 external cloud-provider contracts active in 2024 covered £1.57 billion in annual spending across 72 banks. The authors combine contract data with bank-quarter regulatory data and use bank/time fixed-effects regressions and an instrumental-variable/generalized-method-of-moments structural model of deposit demand. [S4, pp. 1-4, 7-20]

In pooled regressions, the authors associate a 10% increase in CSP spending with about 1.2% lower non-interest expenses and 1.0% lower staff expenses; the estimated cost effects are concentrated in large banks and building societies. In their structural demand model, CSP effects are positive and statistically significant for small and medium banks and building societies, but not for large institutions. Their modeled counterfactual freezing new cloud-service adoption after 2015 reallocates inside-market share toward large institutions. The authors caution that this exercise does not allow substitution to in-house IT, fintech or other outsourcing. [S4, pp. 10-12, 19-24]

The study suggests that cloud adoption may matter through cost and customer-service channels, with different value for different institutions. It does not estimate Jack Henry's product adoption, U.S. community-bank outcomes, core conversion success or vendor returns. It is a working paper, uses UK deposit-taking institutions, and depends on data and model assumptions. Its coefficients should not be applied to Jack Henry or its customers.

The Kansas City Fed briefing describes full replacement, component replacement and wrap/augment approaches, and notes that core conversion can involve significant time, coordination, data, security and operational risks. Its examples explain the range of approaches; they are not a representative performance ranking. [S6]

The assessment

An investment committee must decide how much confidence to place in Jack Henry's modernization path. The evidence fits several accounts:

- A modular, API-based platform could allow a client to add functions over time while retaining an established core.

- Revenue growth may come from private-cloud hosting, transaction volumes, digital products, new customers and payments rather than adoption of the new Platform.
- Long relationships and high switching costs may protect recurring revenue while slowing transitions to new architecture.
- FIS, Fiserv, in-house IT and specialist vendors may offer clients other modernization paths.
- Cloud services could reduce institutions' technology burden and improve service, while increasing dependence on vendors and third-party infrastructure.

Discussion questions

1. What client problem is the Jack Henry Platform designed to solve? Which features of its existing business could help or hinder its adoption?
2. Should the committee raise, hold or lower confidence in the modernization strategy at the cutoff? What is the strongest evidence against your view?
3. How should the committee distinguish public-cloud-native platform adoption from private-cloud hosting, traditional core services, digital products and payments growth?
4. Which modernization route—full replacement, component replacement, or wrap/augment—appears most consistent with the company's disclosed approach? What trade-offs does each create for Jack Henry and its clients?
5. What measures would provide the clearest next evidence of adoption, customer benefit, reliability and economic value? What result would change your assessment?

Sources

- S1.** Jack Henry & Associates, **FY2026 Form 10-K**, year ended June 30, filed August 28, 2026; accession 0000779152-26-000067. Printed page locators are cited above.
- S2.** Fidelity National Information Services, **FY2025 Form 10-K**, year ended December 31, 2025; accession 0001136893-26-000013. Item 1 and Banking Solutions disclosures.
- S3.** Fiserv, **FY2025 Form 10-K**, year ended December 31, 2025; accession 0000798354-26-000009. Financial Solutions and competition disclosures.
- S4.** Contreras, Alvaro, Peter Eccles and Paolo Siciliani, **“Outsourcing and Competition in the Banking Sector: The Rise of Cloud Service Providers”**, Bank of England Staff Working Paper No. 1,199, August 2026. Full text and actual reading depth in the research source register.
- S5.** Jack Henry, **“Announces Next-Generation Technology Strategy”**, August 17, 2022. Company-stated roadmap, not proof of implementation.
- S6.** Alcazar, Julian, Sam Baird, Emma Cronenweth, Fumiko Hayashi and Ken Isaacson, **“Core Banking Systems and Options for Modernization”**, Federal Reserve Bank of Kansas City, February 28, 2024.