

FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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

For the quarterly period ended: February 28, 1997

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 1-11869

FACTSET RESEARCH SYSTEMS INC.
(Exact name of registrant as specified in its charter)

DELAWARE
(State or other jurisdiction of incorporation or organization)

13-3362547
(I.R.S. Employer Identification Number)

ONE GREENWICH PLAZA
GREENWICH, CT 06830
(203) 863-1500

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

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 60 days. Yes X - No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Title of each class -----	Outstanding at February 28, 1997 -----
Common Stock, par value \$.01	9,545,495

FACTSET RESEARCH SYSTEMS INC.

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ITEM 1

FactSet Research Systems Inc.
 Consolidated Statements of Financial Condition
 (in thousands)

	(Unaudited) February 28, 1997 ----	August 31, 1996 ----
ASSETS		
Cash and cash equivalents	\$ 16,953	\$ 15,700
Investments	1,262	1,338
Receivable from clients and clearing brokers	7,848	6,181
Receivable from employees	859	946
Deferred taxes	2,334	2,214
Other current assets	428	465
	-----	-----
Total current assets	29,684	26,844
Property, equipment, and leasehold improvements, net	10,647	8,149
Deferred taxes	763	624
Other assets	901	893
	-----	-----
Total assets	\$ 41,995 =====	\$ 36,510 =====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Accounts payable and accrued expenses	\$ 2,455	\$ 1,156
Accrued compensation	2,264	1,980
Deferred fees and commissions	3,571	3,798
Current taxes payable	432	793
Deferred rent	135	114
	-----	-----
Total current liabilities	8,857	7,841
Deferred taxes	150	133
Deferred rent	327	339
	-----	-----
Total liabilities	9,334	8,313
	-----	-----
Stockholders' Equity:		
Common stock	96	96
Capital in excess of par value	1,931	1,431
Retained earnings	30,712	26,658
Treasury stock	(277)	(164)
Unrealized gain on investments, net of taxes	199	176
	-----	-----
Total stockholders' equity	32,661	28,197
	-----	-----
Total liabilities and stockholders' equity	\$ 41,995 =====	\$ 36,510 =====

The accompanying notes are an integral part of these
 consolidated financial statements.

FactSet Research Systems Inc.
Consolidated Statements of Income
(in thousands, except per share data)

	Three Months Ended (Unaudited)		Six Months Ended (Unaudited)	
	February 28, 1997 ----	February 29, 1996 ----	February 28, 1997 ----	February 29, 1996 ----
Commissions	\$ 6,722	\$ 5,614	\$ 12,704	\$ 11,241
Fee Income	7,263	4,947	14,105	9,457
	-----	-----	-----	-----
Total revenues	13,985	10,561	26,809	20,698
Employee compensation costs	4,122	3,271	7,915	6,462
Clearing costs	1,120	1,069	2,188	2,112
Data costs	1,008	807	1,945	1,605
Communication costs	787	733	1,531	1,429
Computer equipment	1,215	631	2,026	1,290
Promotion	747	461	1,443	1,000
Occupancy	819	584	1,613	1,120
Other expenses	666	471	1,307	823
	-----	-----	-----	-----
Total costs and expenses	10,484	8,027	19,968	15,841
	-----	-----	-----	-----
Income from operations	3,501	2,534	6,841	4,857
Other income	206	184	323	430
	-----	-----	-----	-----
Income before provision for income taxes	3,707	2,718	7,164	5,287
Provision for income taxes	1,615	1,160	3,110	2,265
	-----	-----	-----	-----
Net income	\$ 2,092	\$ 1,558	\$ 4,054	\$ 3,022
	=====	=====	=====	=====
Net income per share	\$ 0.19	\$ 0.14	\$ 0.37	\$ 0.28
	=====	=====	=====	=====
Weighted average number of common shares outstanding	10,814	10,776	10,821	10,770
	=====	=====	=====	=====

The accompanying notes are an integral part of these
consolidated financial statements.

FactSet Research Systems Inc.
Consolidated Statements of Cash Flows
(in thousands)

	Six Months Ended	
	(Unaudited)	
	February 28, 1997	February 29, 1996
	----	----
Cash flows from operating activities:		
Net income	\$ 4,054	\$ 3,022
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	2,163	1,407
Deferred tax expense	(259)	372
(Gain) loss on disposal of equipment	0	(104)
Changes in assets and liabilities:		
Receivable from clients and clearing brokers	(1,667)	(488)
Prepaid Taxes	0	(1,288)
Accounts payable and accrued expenses	1,567	528
Accrued compensation payable	514	(475)
Deferred fees and commissions	(227)	(300)
Current taxes payable	(360)	(768)
Other, Net	242	(591)
	-----	-----
Net cash provided by operating activities	6,027	1,315
	-----	-----
Cash flows from investing activities:		
Purchases of property, equipment, and leasehold improvements	(4,661)	(2,814)
Proceeds from disposal of equipment	0	247
	-----	-----
Net cash used in investing activities	(4,661)	(2,567)
	-----	-----
Cash flows from financing activities:		
Repurchase of common stock from employees	(113)	(2)
Proceeds from exercise of stock options	0	16
	-----	-----
Net cash provided by (used in) financing activities	(113)	14
	-----	-----
Net increase (decrease) in cash and cash equivalents	1,253	(1,238)
Cash and cash equivalents, beginning of period	\$ 15,700	\$ 11,588
	-----	-----
Cash and cash equivalents, end of period	16,953	10,350
	=====	=====

The accompanying notes are an integral part of these consolidated financial statements.

FactSet Research Systems Inc.
Notes To The Consolidated Financial Statements
February 28, 1997

1. Summary of Accounting Principles

The accompanying consolidated financial statements include the accounts of FactSet Research Systems Inc. ("the Company") and its subsidiaries. All significant intercompany activity and balances have been eliminated from the consolidated financial statements.

The consolidated financial statements of the Company presented herein have been prepared pursuant to the rules of the Securities and Exchange Commission for quarterly reports on Form 10-Q and do not include all of the information and note disclosures required by generally accepted accounting principles. These financial statements should be read in conjunction with the Company's Annual Report and notes thereto for the year ended August 31, 1996. In the opinion of management, the accompanying unaudited consolidated financial statements include all adjustments, consisting of only normal recurring adjustments, necessary to present fairly the consolidated financial position, results of operations and cash flows of the Company and its subsidiaries. Quarterly operating results are not necessarily indicative of the results which would be expected for the full year.

The Company adopted SFAS No. 123 -- Accounting for Stock-Based Compensation in the first quarter of fiscal 1997. SFAS No. 123 encourages (but does not require) compensation cost to be measured based on the fair value of the stock instrument awarded. Companies are permitted, however, to continue to apply Accounting Principles Board Opinion ("APB") No. 25 -- Accounting for Stock Issued to Employees which recognizes compensation cost based on the intrinsic value of the equity instrument awarded. The company will continue accounting for stock-based compensation under APB No. 25 and will disclose the required pro forma effect on net income and earnings per share from measuring compensation cost based on the fair value of the stock instruments awarded.

2. Initial Public Offering

On June 28, 1996, the Company completed an initial public offering of 3,593,750 shares of its common stock, which included 468,750 shares granted to the underwriters upon exercise of their over-allotment option. The shares were sold by certain stockholders of the Company for gross proceeds of \$61,093,750. The Company did not receive any of the proceeds from the offering. The Company paid certain expenses of the Offering in the amount of \$299,059 which has been recorded against Stockholders' Equity.

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

Overview

FactSet Research Systems Inc. is a leading provider of online integrated database services to the financial community. The Company's software technology combines multiple large-scale databases into a single mainframe based information system accessible from clients' personal computer workstations. Simultaneous access to over 70 databases creates a comprehensive, "one stop" source for financial and economic information, news and commentary on some 25,000 companies and 70,000 securities worldwide. The Company's proprietary software tools enable clients to easily download, screen, manipulate and analyze data in a virtually infinite array of formats, including custom reports designed by or for the user. FactSet markets its services to investment managers, investment banks, and other financial services institutions throughout the world.

Business Environment

Significant ongoing investment in people and technology will continue to be critical to FactSet's future growth. To further penetrate and increase coverage of its global markets, the Company plans to expand its sales and consulting groups, as well as fund further product development. Ongoing hardware investments will also continue to be critical to FactSet's growth. As part of its strategy of ensuring "fail safe" reliability, FactSet maintains two state of the art computer centers. Each is operated as a "hot" site and each is capable of serving the entire client population. This policy essentially doubles the Company's required capital spending in mainframe and related equipment. Significant levels of capital spending are likely to be necessary to keep processing power and data storage capacity in line with FactSet's growing user base and service offerings. The Company's profitability and consequent available cash flows enable us to fully fund these expenditures from internal resources.

Results of Operations

(in thousands except per share data)	Three months ended			Six months ended (Audited)		
	February 28, 1997	February 29, 1996	Change	February 28, 1997	February 29, 1996	Change
Revenue	\$ 13,985	\$ 10,561	32.4%	\$ 26,809	\$ 20,698	29.5%
Income from operations	3,501	2,534	38.2%	6,841	4,857	40.9%
Net income	2,092	1,558	34.3%	4,054	3,022	34.1%
Earnings per share	\$ 0.19	\$ 0.14	35.7%	\$ 0.37	\$ 0.28	32.1%

Revenue for the three months ended February 28, 1997, the Company's second fiscal quarter, totaled \$14.0 million for a gain of 32.4% over the comparable period a year earlier. For the first six months, revenue came in at \$26.8 million for a gain of 29.5% over the prior year. The primary drivers generating this growth were the demands of existing clients for added passwords, for new services and access to additional databases. The workstation count, for example, rose to more than 8,000 for a near doubling in just the past twelve months. Factset continues to experience healthy additions to the client count both at home and abroad. As of February 28 1997, FactSet's client count totaled 461. The Company is benefiting from especially strong growth in our services to the investment banking community and to overseas markets. International revenues in the second quarter rose 132% to \$1.4 million and thus accounted for 10% of total revenues.

Client dollar commitments to FactSet increased to \$58.4 million at quarter end, representing a 32.5% increase in the past twelve months. "Commitments", in our use of the term, means the current forward looking billing rate. Since the Company has virtually no fixed term contracts with clients, they are free to change the mix of services from FactSet at their discretion. Thus, "commitments" have changed in every month and on only one occasion in the past half dozen years have commitments failed to rise on a consistent monthly basis.

Operating expenses for the second 1997 fiscal quarter totaled \$10.5 million, up 30.6% from the year ago quarter, and for the first six months totaled \$20.0 million, up 26.1% from the prior year. The catalysts for this expansion in our cost base are the investments in facilities and staff to support the accelerated growth in our business. Employee compensation for the quarter rose 26.1% to \$4.1 million and for the first half the increase was 22.5% to \$7.9 million from the comparable period a year earlier. Growth in employee compensation was mainly due to a 29% increase in the number of employees over the prior year. Computer expenses in the second quarter were up 92.6%, to \$1.2 million, and for the first half increased 57.0% to \$2.0 million. The bulk of these increases came from incremental depreciation from major capacity upgrades at both data centers. Significant investments included an additional Digital Alpha 8480/300 mainframe system at each of our data centers, expansion of data storage capacity and upgrading mainframe computing power by more than 40%.

Promotional expenses for the quarter were \$746,000 and for the first six months totaled \$1.4 million, increases of 62.0% and 44.2% over the respective periods a year earlier. These increases reflected much heavier travel costs associated with the initial servicing of large and geographically dispersed clients. Occupancy costs were also up sharply to \$819,000 for the quarter and \$1.6 million for the half, representing increases of 40.1% for the quarter and 44.0% for the half. These increases reflect expansions of facilities at the Greenwich headquarters and our facilities in London and San Mateo.

With revenue gains running ahead of cost increases, operating margins for both the most recent quarter and the first six months showed improvement. Operating margins in the second quarter were 25.0% versus 24.0% a year earlier. For the first six months, margins reached 25.5% compared with 23.5% a year earlier. These gains reflect economies of scale and a continuing shift in the revenue mix to cash paying clients, since cash payments do not bear the clearing expenses associated with payments received in security transaction commissions.

FactSet's net income and earnings per share in the second quarter and the first half of fiscal 1997 were the highest recorded in the Company's history. Quarterly net income advanced 34.3% to \$2.1 million from the comparable quarter a year ago. Net income for the six months ended February 28, 1997 improved 34.1% over the first half of fiscal 1996 to \$4.1 million. Earnings per share for the second quarter of fiscal 1997 rose 35.7% to \$0.19, up from \$0.14 for the comparable period a year ago. For the first six months of fiscal 1997, earnings per share rose 32.1% to \$0.37 from \$0.28.

Liquidity and Capital Resources

The Company's financial condition remains strong. At February 28, 1997, cash, cash equivalents, and investments totaled more than \$18.3 million. The Company continued to fund all of its investment needs with cash generated from operations. Cash provided from operating activities totaled \$6.0 million for the first half of fiscal 1997, versus \$1.3 million for the comparable period in fiscal 1996. Cash used for investing activities totaled \$4.7 million during this period.

The Internal Revenue Service completed its audits of the Company's tax returns for the 1993, 1994, and 1995 fiscal years. The results of such audits did not have a material impact on the Company's financial position or results of operations.

Part II - Other Information

Item 1 - Legal Proceedings: None

Item 2 - Changes in Securities: None

Item 3 - Submission of Matters to a vote of Security Holders: None

Item 4 - Other Information: None

Item 5 - Exhibits and Reports on Form 8-K: None

FACTSET RESEARCH SYSTEMS INC.

SIGNATURES

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

FactSet Research Systems Inc.
(Registrant)

Date: April 14, 1997

/s/ Ernest S. Wong

Ernest S. Wong
Senior Vice President
Chief Financial Officer

6-MOS

AUG-31-1997
SEP-01-1996
FEB-28-1997
16,953
1,262
8,707
0
0
29,684
25,717
15,070
41,995
8,857
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