

EPICOR SOFTWARE CORP
Form 424B5
May 03, 2007
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Filed Pursuant to Rule 424(b)(5)

Registration No. 333-142523

PROSPECTUS SUPPLEMENT
(To Prospectus dated May 1, 2007)

\$200,000,000

2.375% Convertible Senior Notes due 2027

We are offering \$200,000,000 aggregate principal amount of our 2.375% convertible senior notes due 2027. The notes will mature on May 15, 2027.

We will pay 2.375% interest per annum on the principal amount of the notes until May 15, 2027. Interest will be payable semi-annually in arrears on May 15 and November 15 of each year, beginning on November 15, 2007. Interest will accrue on the notes from and including May 8, 2007 or from and including the last date in respect of which interest has been paid or provided for, as the case may be, to, but excluding, the next interest payment date or maturity date, as the case may be.

The notes will be convertible into cash or, at our option, cash and shares of our common stock based on an initial conversion rate, subject to adjustment in certain circumstances, of 55.2608 shares per \$1,000 principal amount of notes (which represents an initial conversion price of approximately \$18.10 per share). In addition, subject to our right to elect to change the conversion rate and conversion obligation in connection with a public acquirer fundamental change, following a make-whole fundamental change that occurs prior to May 15, 2014, the conversion rate for a holder who elects to convert its notes in connection with such make-whole fundamental change will increase in certain circumstances.

Holders may convert their notes prior to stated maturity only under the following circumstances: (1) during any fiscal quarter after the fiscal quarter ending June 30, 2007 (and only during such fiscal quarter), if the closing sale price of our common stock for each of 20 or more trading days in a period of 30 consecutive trading days ending on the last trading day of the immediately preceding fiscal quarter exceeds 130% of the conversion price in effect on the last trading day of the immediately preceding fiscal quarter; (2) during the five consecutive business days immediately after any five consecutive trading day period (we refer to this five consecutive trading day period as the note measurement period) in which the trading price per \$1,000 principal amount of notes for each such trading day was equal to or less than 98% of the conversion value of the notes for such trading day during the note measurement period; (3) upon our calling such notes for redemption; (4) upon the occurrence of specified corporate transactions; and (5) during the 30 days prior to, but excluding, any scheduled purchase date and at any time on or after May 15, 2026 and before the close of business on the business day immediately preceding the maturity date. Upon conversion, we will deliver cash equal to the lesser of the aggregate principal amount of the notes to be converted and the total conversion obligation. We will deliver cash up to the principal amount, and at our option, shares of our common stock or a combination of cash and shares of our common stock for the remainder, if any, of the conversion obligation. The conversion obligation is based on the sum of the daily settlement amounts described in this prospectus supplement for the 20 consecutive trading days during the applicable cash settlement period.

On or after May 15, 2014, we may from time to time at our option redeem the notes, in whole or in part, for cash, at a redemption price equal to 100% of the principal amount of the notes we redeem, plus any accrued and unpaid interest to, but excluding, the redemption date.

On each of May 15, 2014, May 15, 2017 and May 15, 2022, holders may require us to purchase all or a portion of their notes at a purchase price in cash equal to 100% of the principal amount of the notes to be purchased, plus any accrued and unpaid interest to, but excluding, the purchase date.

Holders may require us to repurchase all or a portion of their notes upon a fundamental change, as described in this prospectus supplement, at a repurchase price in cash equal to 100% of the principal amount of the notes to be repurchased, plus any accrued and unpaid interest to, but excluding, the fundamental change repurchase date.

The notes will be our senior unsecured obligations and will rank equally in right of payment with all of our existing and future unsubordinated unsecured indebtedness, and effectively subordinate to any of our existing and future secured indebtedness to the extent of the value of the collateral securing such indebtedness. The notes will not be guaranteed by our subsidiaries or joint ventures, and accordingly will be effectively subordinated to the indebtedness and other liabilities of our subsidiaries and joint ventures (including trade payables).

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We intend to use a portion of the net proceeds from the offering to repay our outstanding term loan under our credit facility, which was \$99.3 million as of December 31, 2006. The balance of net proceeds will be used for working capital, capital expenditures and other general corporate purposes, which includes the funding of acquisitions of businesses, technologies or product lines, although we currently have no commitments or agreements for any specific acquisitions. We may also use a portion of the remaining net proceeds to repurchase shares of our outstanding common stock following the completion of the offering.

The notes will not be listed on any securities exchange or quoted on any automated quotation system.

Our common stock is listed on The Nasdaq Global Select Market under the symbol EPIC. On May 2, 2007, the last reported sale price of our common stock on The Nasdaq Global Select Market was \$13.92 per share.

See **Risk Factors** beginning on page S-19 of this prospectus supplement to read about important factors you should consider before buying the notes.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus supplement or the accompanying prospectus. Any representation to the contrary is a criminal offense.

	Per Note	Total
Public offering price	\$ 1,000	\$ 200,000,000
Underwriting discounts and commissions	\$ 30	\$ 6,000,000
Proceeds, before expenses, to us	\$ 970	\$ 194,000,000

We have granted to the underwriters the option, exercisable on or before the 30th day after the date of this prospectus supplement, to purchase up to an additional \$30,000,000 aggregate principal amount of the notes solely to cover over-allotments, if any.

We expect that the notes will be ready for delivery in book-entry-form only through The Depository Trust Company on or about May 8, 2007.

UBS Investment Bank

Lehman Brothers

Cowen and Company

Needham & Company, LLC

Piper Jaffray

The date of this prospectus supplement is May 2, 2007

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You should rely only on the information contained in or incorporated by reference in this prospectus supplement, the accompanying prospectus and any free writing prospectus we authorize to be delivered to you. We have not, and the underwriters have not, authorized anyone to provide you with additional information or information different from that contained in or incorporated by reference in this prospectus supplement, the accompanying prospectus and any such free writing prospectus. We are offering to sell, and seeking offers to buy, our 2.375% convertible senior notes due 2027 only in jurisdictions where those offers and sales are permitted. The information contained in or incorporated by reference in this prospectus supplement, the accompanying prospectus and any such free writing prospectus is accurate only as of their respective dates. Our business, financial condition, results of operations and prospects may have changed since those dates.

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Summary

This summary is not complete and does not contain all of the information that you should consider before deciding whether to invest in the notes. You should read carefully the entire prospectus supplement and the accompanying prospectus, including the more detailed information and financial statements and related notes thereto appearing elsewhere or incorporated by reference therein, before making an investment decision. Except as otherwise indicated or required by context, references in this prospectus supplement to we, us, our, or Epicor refer to the combined business of Epicor Software Corporation and its subsidiaries.

DESCRIPTION OF EPICOR

We are a global software company that designs, develops, markets and supports enterprise application software solutions primarily targeting middle-market companies and business units within large corporations worldwide. We have industry-specific software solutions and significant expertise in several key vertical markets including manufacturing, distribution, hospitality and retail, and financial and professional services. Our solutions help our clients improve operational efficiency and increase operational performance by automating and integrating critical information and business processes across their entire value chain. We serve over 20,000 customers in over 144 countries and 34 languages. For the year ending December 31, 2006, our revenues were \$384 million, representing an increase of 32.7% over the year ended December 31, 2005.

Market Opportunity

In the past, middle-market companies were underserved by traditional financial and enterprise resource planning systems, which were generally designed for larger corporations. Though highly functional, these systems were also extremely complex and expensive to purchase, install and maintain, frequently requiring significant dedicated information technology resources. Moreover, legacy systems provided little flexibility or adaptability to the constantly evolving requirements of middle-market companies or to specific vertical markets.

The dramatic decrease in information technology costs over the past decade, coupled with a simultaneous increase in computing power, has made key new technologies accessible to this cost-conscious market. Microsoft Corporation developed the Microsoft Windows Server family, a robust network operating system and scaleable relational database that provides smaller businesses with a sophisticated technology infrastructure previously accessible only to much larger corporations. Microsoft has quickly become the fastest growing technology platform for middle-market companies, attracting them with features, familiarity and ease-of-use. In addition, Microsoft technology increasingly has been accepted by larger enterprises, based on improved structured query language (SQL) capabilities, scalability and security.

This proliferation of cost-effective information technology has increased middle-market companies' investment in enterprise applications. A 2007 IDC report estimates that small and midsize business spending on information technology was approximately \$404 billion for 2006, and AMR Research estimates that enterprise resource planning ranks as the most significant spending priority in the applications market for enterprises in terms of importance and dollar amount. According to IDC, enterprise resource planning spending by medium-sized businesses, with 500 to 4,999 employees, is expected to grow at a compound annual growth rate of 13.2% during the period from 2006 to 2010.

As the demand for enterprise applications by middle-market companies has significantly increased in recent years, the number of dedicated providers of these solutions has continued to decrease as a result of

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industry consolidation. Furthermore, large providers, such as Oracle and SAP, utilize resellers to sell their products and services, which we believe often results in lower customer satisfaction, driven by frequent installation and integration issues and higher total cost of ownership. We believe that our direct go-to-market model and vertical focus, along with the ongoing industry consolidation trend, has created a significant opportunity for us to provide middle-market customers with comprehensive and cost-effective enterprise software solutions for specific vertical markets.

Our Products and Solutions

Our products include back-office applications for manufacturing, supply chain, distribution and financial accounting, as well as front-office customer relationship management applications for sales, marketing and customer service and support. Our solutions are primarily targeted at the following vertical markets:

- *Manufacturing.* Our solutions meet the challenges of today's manufacturing environment typified by short product lifecycles, continual process improvements, mass customization and lean manufacturing initiatives. We believe that manufacturing is the single largest commercial market for enterprise software applications.
- *Distribution.* Our solutions provide wholesale distributors and third-party logistics providers with tailored, end-to-end solutions comprised of warehouse and inventory management, financials, customer relationship management, and business intelligence solutions. Specific solutions for this vertical market include automation of customer acquisition, order management, warehouse fulfillment, accounting and customer service.
- *Hospitality & Retail.* Our solutions provide specialty and general merchandise retailers, food service, hotel, sports and recreation, and other entertainment companies with comprehensive solutions to manage and streamline virtually every aspect of their organizations from complete point-of-sale environments and property management system integration, to cash and sales management, food costing, financials and business intelligence. Specific solutions for this vertical market include customer relationship management, supply chain management, merchandising and loyalty management for both large, tier one retailers, as well as smaller retail outlets.
- *Services.* Our solutions provide financial and professional services firms with comprehensive solutions for resource management, engagement management, bid management, customer relationship management, project accounting, portfolio and performance management, and collaborative commerce applications. Specific solutions for this vertical market include staff utilization, billing and revenue recognition, resource optimization and cash flow maximization for mid-sized to larger service organizations in markets such as audit and accountancy, architectural, engineering and construction, commercial research, not-for-profit organizations, software and computer services and management consulting.

In addition to the targeted enterprise-wide solutions mentioned above, we also offer supply chain management, supplier relationship management, customer relationship management and accounting and finance solutions to a variety of verticals and markets.

To facilitate implementation, integration and configuration tailored to our clients' unique business requirements, we offer consulting, training and support services to supplement the use of our software products. Our professional services organization provides consulting services to customers in the implementation and integration of our software products, as well as education, training and other consulting and programming services. We provide timely, high-quality technical support, which we believe is critical to maintaining customer satisfaction, by offering telephone support, e-mail support, facsimile support and communications through our Web site. Telephone support is available five days a week during normal business hours on a nearly worldwide basis, with extended hours and emergency support additionally available.

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We sell, market and distribute our products and services worldwide, primarily through a direct sales force as well as through an indirect channel including a network of value-added resellers, distributors and authorized consultants who market our products on a non-exclusive basis. The ability of our value-added resellers, distributors and authorized consultants to provide highly effective front-line technical support and assistance to end users has been an important factor in supporting our high customer satisfaction levels. Our network of value-added resellers and authorized consultants are required to undergo training and certification procedures provided by us on the use, installation and implementation of our products as a condition of being authorized to sell our products. Our value-added resellers include consulting groups and resellers, the majority of which provide software and hardware installation, systems integration and consulting services to organizations.

Our Competitive Strengths

- *Strong Focus on the Middle-Market.* We provide solutions primarily to middle-market companies or business units within large corporations worldwide, with annual revenues generally between \$10 million and \$1 billion. The market for worldwide enterprise resource planning applications license, maintenance and subscription revenue for medium-sized businesses with 500 – 4,999 employees is estimated to be \$9.7 billion for 2007 according to IDC. Through organic growth and acquisitions, we have achieved year-over-year revenue growth of 28.7% and 32.7% in 2005 and 2006 respectively, compared to estimated worldwide enterprise resource planning market growth of 6.5% and 8.7% respectively for the same periods, which supports our belief that we are gaining market share from our competitors. System providers have experienced significant consolidation over the past two years, leaving many middle-market companies displaced and frustrated with the offerings of large enterprise resource planning vendors. We believe our verticalized offerings are attractive to middle-market companies and provide us with a competitive advantage against many of the larger enterprise resource planning vendors.
- *Vertical Market Focus.* Our software solutions are designed to meet the unique needs of our customers' markets, specifically those in manufacturing, distribution, hospitality and retail, and financial and professional services. We believe our focus on specific vertical markets provides our customers with a more functional and affordable solution with better customer service, making us a compelling alternative to the complex and expensive offerings of large enterprise resource planning vendors.
- *Diversified Client Base with Strong Recurring Revenues.* We have a large, stable and highly satisfied customer base of over 20,000 companies. Over half of our revenues are typically generated from contracted maintenance revenues and our backlog of consulting services, and over 80% of our total revenue comes from existing customers, which provides us with significant revenue visibility. In addition, our customer maintenance renewal rates averaged approximately 95% over the last 9 quarters reflecting a high level of customer satisfaction. To maintain this level of satisfaction, we monitor our customers' satisfaction and try to identify areas for improvement through annual customer surveys.
- *Significant Investment in Advanced, Standards-based Technology.* Our products are based on the Microsoft Windows Server family, the fastest-growing technology platform for middle-market companies today. Our platform incorporates advanced .NET and XML standards for data exchange and increases flexibility by integrating with other enterprise business applications. Our products can utilize the Microsoft SQL Server relational database management system (RDBMS), Progress Software Corporation's Progress RDBMS or open database technology from IBM Corporation. In addition, utilization of a Service-Oriented Architecture (SOA) enables us to integrate different systems and modules while maximizing data accessibility for our customers. These capabilities have become

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increasingly important in new customer acquisition and played a key role in our new customer success in 2006.

- *Proven Acquisition Record and Integration Capabilities.* In 2004 and 2005, we augmented our organic revenue growth with two strategically selected acquisitions that extend our vertical market capabilities and provide us with new geographies and a broad base of clients in the middle-market. The most recent acquisitions were CRS Retail Systems in 2005, which delivered more than 40% year-over-year growth in the first two quarters following the acquisition, and Scala Business Solutions N.V. (Scala) in 2004, which provided a customer base in over 140 countries and synergistic product offerings.
- *Low Total Cost of Ownership and Sole Provider Position.* We believe our verticalized approach, and flexible, integrated applications provide lower total costs of ownership for our customers compared to larger ERP companies through short implementation timeframes and solutions that provide a rapid return on investment. In addition, we sell our products and services primarily through a direct salesforce, which provides us the ability to maintain greater control over quality in installation and integration. Customers often recognize cost savings from improved installation and integration, as well as the ability to direct questions to us as the sole provider of their systems.

Our Growth Strategy

- *Continue our Technology Emphasis.* All of our product lines are built on Microsoft's .NET platform, incorporate the popular Microsoft Windows graphical user interface and are fully aligned to leverage the release of Windows Vista. Our use of SOA enables us to provide highly verticalized solutions while maximizing data accessibility for our customers. As middle-market companies increasingly transition from server-based to web-based enterprise solutions, we believe that we are well-positioned to increase our market share. We intend to continue to invest in technology around the Microsoft platform to support and extend our strong market position among middle-market customers.
- *Provide Integrated Solutions.* We are developing next-generation software based on a best-of-breed approach to consolidate the most desirable aspects of each of our many corporate solutions, including those of our most recent acquisitions, into an improved integrated solution for our customers. Our next-generation, web-based solution is designed to provide a highly functional, technically advanced business solution that maintains the highly industry-specific features that our customers require.
- *Target Larger Middle-Market Enterprises.* The breadth of our offerings, coupled with increased capabilities and functionality provided by our transition to the .NET architecture and recent acquisitions, have increased our penetration of larger enterprises within the middle-market category to which we traditionally sell. As a result, the average license revenue of our largest ten transactions has nearly doubled from 2002 to 2006, with each of the top ten software license transactions exceeding \$300,000 in the fourth quarter of 2006. Additionally, our clients generally require committed services related to implementing our software. As software license revenues have increased, we have experienced a corresponding increase in professional services revenues, as we deliver on the committed services generally associated with each software license sale. The average value of committed services for the top ten software license transactions in the fourth quarter of 2006 exceeded \$480,000, with committed services for each of our top ten software license transactions exceeding \$200,000. We believe that continuing our focus on larger middle-market companies in each of our vertical markets represents a multi-billion dollar market opportunity.

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- *Further Expand our Foreign Product Sales.* Through our existing channels and the extensive international channels inherited from our acquisition of Scala, we are increasing our presence in foreign markets. The realignment of our salesforce utilizing the extensive international sales and distribution network of Scala gives us the opportunity to reach a significant and underserved market of buyers in Europe and elsewhere. Our software products now incorporate a significant number of localized features to address international market opportunities, including support for multiple languages, and multiple currencies and accounting for a wide variety of taxation methods.
- *Continue to Make Strategic Acquisitions.* As part of our business strategy, we have completed, and will continue to pursue, selected strategic acquisitions to expand our customer base, product offerings and geographic footprint. We have strict acquisition criteria which we apply to each potential transaction and believe there will continue to be attractive acquisition opportunities in the future.

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Our first quarter of fiscal year 2007 ended on March 31, 2007, and we announced preliminary financial results for the quarter on April 25, 2007. The information below summarizes certain of our preliminary unaudited financial results for the first quarter ended March 31, 2007.

PRELIMINARY CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended March 31,	
	2007	2006
	(in thousands, except per share amounts)	
	(Unaudited)	
Revenues:		
License fees	\$ 22,032	\$ 19,312
Consulting	32,723	24,958
Maintenance	39,053	36,170
Hardware and other	7,521	4,039
Total revenues	101,329	84,479
Cost of revenues		
Amortization of intangible assets	47,179	35,761
	4,181	4,246
Total cost of revenues	51,360	40,007
Gross profit	49,969	44,472
Operating expenses:		
Sales and marketing	18,629	15,001
Software development	8,680	8,332
General and administrative	15,408	12,241
Restructuring charges	221	
Total operating expenses	42,938	35,574
Income from operations	7,031	8,898
Gain on sale of a non-strategic asset	1,579	
Interest expense	(2,127)	(1,884)
Other income, net	570	284
Income before income taxes	7,053	7,298
Provision for income taxes	2,620	2,737
Net income	\$ 4,433	\$ 4,561
Net income per share:		
Basic	\$ 0.08	\$ 0.08
Diluted	\$ 0.08	\$ 0.08
Weighted average common shares outstanding:		
Basic	56,642	55,601
Diluted	57,703	56,639

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	March 31, 2007(1) (unaudited)	December 31, 2006 (audited)
	(in thousands)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 75,502	\$ 70,178
Accounts receivable, net	77,085	83,965
Deferred income taxes	17,929	17,909
Inventory, net	7,336	4,885
Prepaid expenses and other current assets	8,175	7,587
Total current assets	186,027	184,524
Property and equipment, net	12,043	12,251
Deferred income taxes	21,067	19,836
Intangible assets, net	51,869	56,209
Goodwill	162,778	163,360
Other assets	6,279	5,710
Total assets	\$ 440,063	\$ 441,890
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 17,067	\$ 14,298
Accrued expenses	36,768	50,919
Current portion of accrued restructuring costs	919	795
Current portion of long-term debt	1,098	1,102
Current portion of deferred revenue	62,616	63,726
Total current liabilities	118,468	130,840
Long-term debt, less current portion	98,153	98,273
Long-term portion of accrued restructuring costs	702	876
Long-term portion of deferred revenue	1,080	1,271
Long-term deferred income and other taxes	6,334	2,010
Total long-term liabilities	106,269	102,430
Stockholders' equity:		
Common stock	59	59
Additional paid-in capital	355,350	350,605
Less: treasury stock at cost	(13,357)	(10,895)
Accumulated other comprehensive loss	(921)	(954)
Accumulated deficit	(125,805)	(130,195)
Total stockholders' equity	215,326	208,620
Total liabilities and stockholders' equity	\$ 440,063	\$ 441,890

(1) The 2007 entries for the following line items reflect a preliminary analysis of the impact of Financial Standards Account Board Interpretation No. 48, Accounting for Uncertainty in Income Taxes (FIN 48), which is subject to change: deferred income taxes, goodwill,

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accrued expenses, long term deferred income and other taxes, and accumulated deficit. Please see The impact of adopting FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes on our financial statements is uncertain in the section titled Risks Related to Our Business included elsewhere in this prospectus supplement.

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Total revenues for the first quarter of fiscal year 2007 increased 20% to \$101.3 million, compared to \$84.5 million in the first quarter of fiscal year 2006. Net license revenue increased by 14.1% to \$22.0 million in the first quarter of fiscal year 2007, compared to \$19.3 million in the first quarter of fiscal year 2006. Consulting revenue increased to \$32.7 million in the first quarter of fiscal year 2007, an increase of 31.1% when compared to consulting revenues of \$25.0 million in the first quarter of fiscal year 2006. Maintenance revenue during the first quarter of fiscal year 2007 was \$39.1 million, an 8% increase compared to maintenance revenues of \$36.2 million in the first quarter of fiscal year 2006 partly driven by a 94% customer retention rate. Hardware and other revenue for the first quarter of fiscal year 2007 was \$7.5 million, up from \$4.0 million in the prior year's first quarter. First quarter net income for fiscal year 2007 was \$4.4 million, or \$0.08 per diluted share, compared to \$4.6 million, or \$0.08 per diluted share in the first quarter of fiscal year 2006.

As mentioned above, license fee revenues increased in absolute dollars for the three months ended March 31, 2007, as compared to the same period in 2006. As part of our announced market and product strategy, we have been successful in targeting larger enterprises and closing larger software transactions. License fee revenues for the first quarter of 2007 included three deals greater than \$500,000, of which one was greater than \$1 million. This compares to one deal greater than \$500,000 during same period in 2006, of which none were greater than \$1 million.

First quarter GAAP net income was \$4.4 million, or \$0.08 per diluted share, compared to \$4.6 million, or \$0.08 per diluted share in the first quarter of fiscal year 2006. 2007 first quarter GAAP earnings included on a pre-tax basis a gain on the sale of a non-strategic asset of \$1.6 million from the sale of our Russian-based payroll bureau, \$4.2 million in amortization of intangible assets, \$3.4 million in stock based compensation expense, \$2.6 million of income taxes, \$1.6 million of interest expense (net of interest income), \$1.5 million of depreciation, \$1,000 of other gains and losses and \$221,000 in restructuring expenses. Operating expenses during the first quarter of fiscal year 2007 increased in absolute dollars to \$42.9 million from \$35.6 million in same period in the prior year primarily due to increases in headcount for sales and professional services in the first quarter of fiscal year 2007. We now employ over 2,350 individuals on a full-time, temporary and contract basis.

Overall gross margins for the first quarter of fiscal year 2007 were 49.3%, lower than the same period in the prior year primarily due to \$4 million in additional hardware sales and increased consulting revenues in the first quarter of 2007, each of which have lower gross margins than software and maintenance revenues.

Our balance sheet at March 31, 2007 included cash and cash equivalents of \$75.5 million, which benefited from approximately \$5.3 million in cash flow from operations during the first quarter of fiscal 2007. Our total debt balance as of March 31, 2007, was \$99.3 million. However, subsequent to March 31, 2007, we made a \$5 million principal payment on our outstanding term loan, reducing the term loan balance to approximately \$94 million as of April 25, 2007.

The financial results for the first quarter of fiscal year 2007 contained in this prospectus supplement are preliminary. Final results for the quarter may be materially different from those described above when we complete and file our quarterly report on Form 10-Q for the quarter ended March 31, 2007. This information should be read in conjunction with our consolidated financial statements and the related notes and Management's Discussion and Analysis of Financial Condition and Results of Operations and the Risks Related to our Business contained elsewhere in this prospectus supplement.

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CORPORATE INFORMATION

Our corporate headquarters are located at 18200 Von Karman Ave, Suite 1000, Irvine, California 92612, and our telephone number is (949) 585-4000. We can be reached at our Web site at www.epicor.com; however, the information in, or that can be accessed through, our Web site is not part of this prospectus supplement or the accompanying prospectus.

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The offering

Issuer	Epicor Software Corporation
Notes	\$200,000,000 aggregate principal amount of 2.375% convertible senior notes due May 15, 2027. We have granted to the underwriters an option to purchase up to \$30,000,000 aggregate principal amount of additional notes solely to cover over-allotments, if any.
Maturity	The notes will mature on May 15, 2027, unless earlier redeemed, repurchased or converted.
Interest Payment Dates	We will pay 2.375% interest per annum on the principal amount of the notes until May 15, 2027. Interest will be payable semiannually in arrears on May 15 and November 15 of each year, starting on November 15, 2007, to holders of record at the close of business on the preceding May 1 and November 1, respectively. Interest will accrue on the notes, from and including May 8, 2007, or from and including the last date in respect of which interest has been paid or provided for, as the case may be, to, but excluding, the next interest payment date or maturity date, as the case may be.
Ranking	The notes will be our senior unsecured obligations and will rank equally in right of payment to all of our existing and future unsubordinated unsecured indebtedness, senior in right of payment to any indebtedness that is contractually subordinated to the notes and effectively subordinated to any of our existing and future secured indebtedness to the extent of the value of the collateral security such indebtedness. The notes will not be guaranteed by our subsidiaries or joint ventures and, accordingly, will be effectively subordinated to any future indebtedness (including under our credit agreement) and other liabilities of our subsidiaries and joint ventures (including trade payables). As of December 31, 2006, our subsidiaries had approximately \$69.7 million in total liabilities (excluding intercompany indebtedness) to which the notes would be effectively subordinated.
Conversion Rights	The notes will be convertible into cash or, at our option, cash and shares of our common stock, par value \$0.001 per share, based on an initial conversion rate, subject to adjustment, of 55.2608

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shares of our common stock per \$1,000 principal amount of notes (which represents an initial conversion price of approximately \$18.10 per share), only in the following circumstances and to the following extent:

- during any fiscal quarter (after the fiscal quarter ending June 30, 2007) and only during such fiscal quarter, if the closing sale price of our common stock for each of 20 or more trading days in a period of 30 consecutive trading days ending on the last trading day of the immediately preceding fiscal quarter exceeds 130% of the conversion price in effect on the last trading day of the immediately preceding fiscal quarter;
- during the five consecutive business days immediately after any five consecutive trading day period (we refer to this five consecutive trading day per