

QAD Inc.
Condensed Consolidated Statements of Operations
(In thousands, except per share data)
(unaudited)

	Three Months Ended October 31,		Nine Months Ended October 31,	
	2014	2013	2014	2013
Revenue:				
License fees	\$ 8,616	\$ 6,761	\$ 24,231	\$ 21,583
Subscription fees	7,710	5,104	20,344	13,601
Maintenance and other	35,029	35,629	107,225	105,084
Professional services	22,649	18,166	63,739	52,513
Total revenue	<u>74,004</u>	<u>65,660</u>	<u>215,539</u>	<u>192,781</u>
Cost of revenue:				
License	1,217	1,158	3,270	3,171
Maintenance, subscription and other	12,055	11,399	36,476	33,508
Professional services	19,799	16,348	57,975	49,628
Total cost of revenue	<u>33,071</u>	<u>28,905</u>	<u>97,721</u>	<u>86,307</u>
Gross profit	<u>40,933</u>	<u>36,755</u>	<u>117,818</u>	<u>106,474</u>
Operating expenses:				
Sales and marketing	16,421	15,183	50,319	47,089
Research and development	10,152	9,817	32,249	31,131
General and administrative	8,295	7,776	26,464	24,153
Amortization of intangibles from acquisitions	176	178	535	531
Total operating expenses	<u>35,044</u>	<u>32,954</u>	<u>109,567</u>	<u>102,904</u>
Operating income	<u>5,889</u>	<u>3,801</u>	<u>8,251</u>	<u>3,570</u>
Other (income) expense:				
Interest income	(56)	(55)	(169)	(225)
Interest expense	185	218	598	630
Other expense (income), net	(164)	209	(56)	(873)
Total other (income) expense, net	<u>(35)</u>	<u>372</u>	<u>373</u>	<u>(468)</u>
Income before income taxes	5,924	3,429	7,878	4,038
Income tax expense	834	1,380	1,879	1,998
Net income	<u>\$ 5,090</u>	<u>\$ 2,049</u>	<u>\$ 5,999</u>	<u>\$ 2,040</u>
Diluted net income per share				
Class A	\$ 0.31	\$ 0.13	\$ 0.37	\$ 0.13
Class B	\$ 0.27	\$ 0.11	\$ 0.31	\$ 0.11
Diluted Weighted Shares				
Class A	13,487	12,990	13,474	12,930
Class B	3,265	3,235	3,270	3,234

QAD Inc.
Condensed Consolidated Balance Sheets
(In thousands)
(unaudited)

	<u>October 31,</u> <u>2014</u>	<u>January 31,</u> <u>2014</u>
Assets		
Current assets:		
Cash and equivalents	\$ 71,411	\$ 75,984
Accounts receivable, net	46,432	71,337
Deferred tax assets, net	8,033	8,133
Other current assets	15,904	14,980
Total current assets	<u>141,780</u>	<u>170,434</u>
Property and equipment, net	33,348	33,085
Capitalized software costs, net	2,571	3,315
Goodwill	11,214	11,377
Long-term deferred tax assets, net	9,884	11,788
Other assets, net	<u>3,954</u>	<u>4,814</u>
 Total assets	 <u><u>\$ 202,751</u></u>	 <u><u>\$ 234,813</u></u>
Liabilities and stockholders' equity		
Current liabilities:		
Current portion of long-term debt	\$ 401	\$ 389
Accounts payable and other current liabilities	40,697	45,241
Deferred revenue	72,703	104,160
Total current liabilities	<u>113,801</u>	<u>149,790</u>
Long-term debt	14,782	15,085
Other liabilities	5,205	5,733
Stockholders' equity:		
Common stock	18	18
Additional paid-in capital	147,804	150,837
Treasury stock	(23,273)	(28,220)
Accumulated deficit	(49,294)	(51,472)
Accumulated other comprehensive loss	(6,292)	(6,958)
Total stockholders' equity	<u>68,963</u>	<u>64,205</u>
 Total liabilities and stockholders' equity	 <u><u>\$ 202,751</u></u>	 <u><u>\$ 234,813</u></u>

QAD Inc.
Condensed Consolidated Statements of Cash Flows
(In thousands)
(unaudited)

	Nine Months Ended	
	October 31,	
	2014	2013
Net cash provided by operating activities	\$ 5,031	\$ 11,575
Cash flows from investing activities:		
Purchase of property and equipment	(3,337)	(3,966)
Capitalized software costs	(115)	(217)
Net cash used in investing activities	(3,452)	(4,183)
Cash flows from financing activities:		
Repayments of debt	(291)	(279)
Tax payments, net of proceeds, related to stock awards	(2,354)	(894)
Excess tax benefits from share-based payment arrangements	-	82
Payment of contingent liability associated with acquisitions	(471)	-
Repurchase of stock	-	(686)
Dividends paid in cash	(3,334)	(4,209)
Net cash used in financing activities	(6,450)	(5,986)
Effect of exchange rates on cash and equivalents	298	(616)
Net (decrease) increase in cash and equivalents	(4,573)	790
Cash and equivalents at beginning of period	75,984	65,009
Cash and equivalents at end of period	\$ 71,411	\$ 65,799

QAD Inc.
Reconciliation of GAAP to Non-GAAP Financial Measures
(In thousands, except per share data)
(unaudited)

	Three Months Ended October 31,		Nine Months Ended October 31,	
	2014	2013	2014	2013
Non-GAAP net income reconciliation				
GAAP net income	\$ 5,090	\$ 2,049	\$ 5,999	\$ 2,040
Add back:				
Non-cash stock-based compensation	1,209	1,220	3,794	3,714
Amortization of purchased intangible assets	374	377	1,130	1,128
Change in fair value of interest rate swap	214	159	320	(549)
Income tax adjustments	(294)	(223)	(870)	(182)
Non-GAAP net income	<u>\$ 6,593</u>	<u>\$ 3,582</u>	<u>\$ 10,373</u>	<u>\$ 6,151</u>
Non-GAAP earnings per diluted Class A share reconciliation				
GAAP earnings per diluted Class A share	\$ 0.31	\$ 0.13	\$ 0.37	\$ 0.13
Add back:				
Non-cash stock-based compensation	0.08	0.08	0.23	0.24
Amortization of purchased intangible assets	0.02	0.02	0.07	0.07
Change in fair value of interest rate swap	0.01	0.01	0.02	(0.04)
Income tax adjustments	(0.02)	(0.01)	(0.05)	(0.01)
Non-GAAP earnings per diluted Class A share	<u>\$ 0.40</u>	<u>\$ 0.23</u>	<u>\$ 0.64</u>	<u>\$ 0.39</u>
Shares used in computing earnings per diluted Class A share	13,487	12,990	13,474	12,930
Non-GAAP earnings per diluted Class B share reconciliation				
GAAP earnings per diluted Class B share	\$ 0.27	\$ 0.11	\$ 0.31	\$ 0.11
Add back:				
Non-cash stock-based compensation	0.06	0.06	0.20	0.20
Amortization of purchased intangible assets	0.02	0.02	0.06	0.06
Change in fair value of interest rate swap	0.01	0.01	0.02	(0.03)
Income tax adjustments	(0.02)	(0.01)	(0.05)	(0.01)
Non-GAAP earnings per diluted Class B share	<u>\$ 0.34</u>	<u>\$ 0.19</u>	<u>\$ 0.54</u>	<u>\$ 0.33</u>
Shares used in computing earnings per diluted Class B share	3,265	3,235	3,270	3,234