

**QAD Inc.**  
**Condensed Consolidated Statements of Operations and Comprehensive Income (Loss)**  
(in thousands, except per share data)  
(unaudited)

	Three Months Ended		Six Months Ended	
	July 31,		July 31,	
	2018	2017	2018	2017
Revenue:				
Subscription	22,4 \$ 39	17, \$ 420	\$ 43,950	\$ 32,763
License	5,56 1	6,7 43	11,827	12,008
Maintenance and other	30,5 74	31, 971	62,057	63,877
Professional services	25,9 69	19, 824	52,899	38,692
Total revenue	<u>84,5</u> 43	<u>75,</u> 958	<u>170,733</u>	<u>147,340</u>
Cost of revenue:				
Subscription	8,33 4	7,4 28	16,562	15,148
License	574 7,77	828 7,8	1,238	1,513
Maintenance and other	4 23,7	40 20,	15,639	15,534
Professional services	54	598	48,064	39,365
Total cost of revenue	<u>40,4</u> 36	<u>36,</u> 694	<u>81,503</u>	<u>71,560</u>
Gross profit	<u>44,1</u> 07	<u>39,</u> 264	<u>89,230</u>	<u>75,780</u>
Operating expenses:				
Sales and marketing	19,5 02	17, 697	39,448	35,284
Research and development	13,5 13	11, 689	27,519	23,221
General and administrative	9,36 6	9,2 24	18,728	17,817
Amortization of intangibles from acquisitions	-	111	-	274
Total operating expenses	<u>42,3</u> 81	<u>38,</u> 721	<u>85,695</u>	<u>76,596</u>
Operating income (loss)	<u>1,72</u> 6	<u>264</u> 543	<u>89,230</u> 3,535	<u>75,780</u> (816)
Other (income) expense:				
Interest income	(743)	(493)	(1,267)	(661)
Interest expense	154	157	311	313
Other (income) expense, net	(269)	08	(673)	1,812
Total other (income) expense, net	<u>(858)</u>	<u>872</u>	<u>(1,629)</u>	<u>1,464</u>
Income (loss) before income taxes	<u>2,58</u> 4	<u>(329)</u> )	<u>5,164</u>	<u>(2,280)</u>
Income tax expense	1,47 1	832	2,654	1,452
Net income (loss)	<u>1,11</u> \$ 3	<u>(1,1</u> \$ 61)	<u>\$ 2,510</u>	<u>\$ (3,732)</u>
Net income (loss)	\$ 1,11 3	\$ (1,1 61)	\$ 2,510	\$ (3,732)
Other comprehensive income, net of tax:				
Foreign currency translation adjustments	(326)	1,1 32	(836)	1,772
Total comprehensive income (loss)	<u>\$ 787</u>	<u>\$ (29)</u>	<u>1,674</u>	<u>(1,960)</u>
Diluted income (loss) per share				

Class A	\$ 0.05	(0.06)	\$ 0.12	\$ (0.20)
Class B	\$ 0.05	(0.05)	\$ 0.11	\$ (0.17)
Diluted Weighted Shares	17,9	15,		
Class A	27	914	17,886	15,863
Class B	3,43	3,2		
	4	12	3,425	3,211

**QAD Inc.**  
**Condensed Consolidated Balance Sheets**  
(in thousands)  
(unaudited)

	<u>July 31, 2018</u>	<u>January 31, 2018</u>
<b>Assets</b>		
Current assets:		
Cash and equivalents	\$ 139,528	\$ 147,023
Accounts receivable, net	54,258	83,518
Other current assets	21,116	15,856
Total current assets	214,902	246,397
Property and equipment, net	29,741	30,408
Capitalized software costs, net	1,405	990
Goodwill	11,095	11,023
Long-term deferred tax assets, net	11,869	7,944
Other assets, net	10,931	3,055
Total assets	<u>\$ 279,943</u>	<u>\$ 299,817</u>
<b>Liabilities and stockholders' equity</b>		
Current liabilities:		
Current portion of long-term debt	\$ 476	\$ 466
Accounts payable and other current liabilities	46,664	58,278
Deferred revenue	91,195	116,693
Total current liabilities	138,335	175,437
Long-term debt	13,075	13,313
Other liabilities	4,943	5,439
Stockholders' equity:		
Common stock	20	20
Additional paid-in capital	192,421	200,456
Treasury stock	(7,532)	(12,461)
Accumulated deficit	(53,655)	(75,559)
Accumulated other comprehensive loss	(7,664)	(6,828)
Total stockholders' equity	123,590	105,628
Total liabilities and stockholders' equity	<u>\$ 279,943</u>	<u>\$ 299,817</u>

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

	<b>Six Months Ended July 31,</b>	
	<u>2018</u>	<u>2017</u>
Net cash provided by operating activities	\$ 9,146	\$ 7,638
Cash flows from investing activities:		
Purchase of property and equipment	(2,004)	(1,571)
Acquisition of businesses, net of cash acquired	(450)	-
Capitalized software costs	(536)	(480)
Net cash used in investing activities	<u>(2,990)</u>	<u>(2,051)</u>
Cash flows from financing activities:		
Repayments of debt	(234)	(222)
Tax payments related to stock awards	(8,576)	(2,781)

Cash dividends paid	(2,731)	(2,675)
Net cash used in financing activities	(11,541)	(5,678)
Effect of exchange rates on cash and equivalents	(2,110)	4,211
Net (decrease) increase in cash and equivalents	(7,495)	4,120
Cash and equivalents at beginning of period	147,023	145,082
Cash and equivalents at end of period	\$ 139,528	\$ 149,202

**QAD Inc.**  
**Reconciliation of GAAP to Non-GAAP Financial Measures**  
(in thousands)  
(unaudited)  
**Three Months Ended**

	<b>July 31,</b>		<b>July 31,</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
Total revenue	\$ 84,543	\$ 75,958	\$ 170,733	\$ 147,340
Net income (loss)	1,113	(1,161)	2,510	(3,732)
Add back:				
Net interest income	(589)	(336)	(956)	(348)
Depreciation	1,188	1,139	2,388	2,243
Amortization	146	307	305	723
Income tax expense	1,471	832	2,654	1,452
EBITDA	\$ 3,329	\$ 781	\$ 6,901	\$ 338
Add back:				
Stock-based compensation expense	3,364	2,592	5,470	4,360
Change in fair value of interest rate swap	(35)	16	(152)	3
Adjusted EBITDA	\$ 6,658	\$ 3,389	\$ 12,219	\$ 4,701
Adjusted EBITDA margin	8%	4%	7%	3%
Non-GAAP pre-tax income reconciliation				
Income (loss) before income taxes	\$ 2,584	\$ (329)	\$ 5,164	\$ (2,280)
Add back:				
Stock-based compensation expense	3,364	2,592	5,470	4,360
Amortization of purchased intangible assets	-	225	-	567
Change in fair value of interest rate swap	(35)	16	(152)	3
Non-GAAP income before income taxes	\$ 5,913	\$ 2,504	\$ 10,482	\$ 2,650
Estimated income tax expense on GAAP earnings	\$ 1,622	\$ 849	\$ 2,734	\$ 1,497