

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

	Three Months Ended October 31,		Nine Months Ended October 31,	
	2018	2017	2018	2017
Revenue:				
Subscription	\$ 23,863	\$ 17,190	\$ 67,813	\$ 49,953
License	4,631	6,628	16,458	18,636
Maintenance and other	30,401	32,407	92,458	96,284
Professional services	20,682	20,700	73,581	59,392
Total revenue	<u>79,577</u>	<u>76,925</u>	<u>250,310</u>	<u>224,265</u>
Cost of revenue:				
Subscription	8,686	7,605	25,248	22,753
License	534	690	1,772	2,203
Maintenance and other	7,716	7,840	23,355	23,374
Professional services	20,425	21,911	68,489	61,276
Total cost of revenue	<u>37,361</u>	<u>38,046</u>	<u>118,864</u>	<u>109,606</u>
Gross profit	<u>42,216</u>	<u>38,879</u>	<u>131,446</u>	<u>114,659</u>
Operating expenses:				
Sales and marketing	18,447	17,697	57,895	52,981
Research and development	13,155	12,111	40,674	35,332
General and administrative	8,095	8,556	26,823	26,373
Amortization of intangibles from acquisitions	45	85	45	359
Total operating expenses	<u>39,742</u>	<u>38,449</u>	<u>125,437</u>	<u>115,045</u>
Operating income (loss)	<u>2,474</u>	<u>430</u>	<u>6,009</u>	<u>(386)</u>
Other (income) expense:				
Interest income	(646)	(440)	(1,913)	(1,101)
Interest expense	177	195	488	508
Other (income) expense, net	(636)	(413)	(1,309)	1,399
Total other (income) expense, net	<u>(1,105)</u>	<u>(658)</u>	<u>(2,734)</u>	<u>806</u>
Income (loss) before income taxes	<u>3,579</u>	<u>1,088</u>	<u>8,743</u>	<u>(1,192)</u>
Income tax expense	597	1,249	3,251	2,701
Net income (loss)	<u>\$ 2,982</u>	<u>\$ (161)</u>	<u>\$ 5,492</u>	<u>\$ (3,893)</u>
Net income (loss)	\$ 2,982	\$ (161)	\$ 5,492	\$ (3,893)
Other comprehensive income, net of tax:				
Foreign currency translation adjustments	(1,174)	(743)	(2,010)	1,029
Total comprehensive income (loss)	<u>\$ 1,808</u>	<u>\$ (904)</u>	<u>\$ 3,482</u>	<u>\$ (2,864)</u>
Diluted income (loss) per share				
Class A	\$ 0.14	\$ (0.01)	\$ 0.26	\$ (0.21)
Class B	\$ 0.12	\$ (0.01)	\$ 0.23	\$ (0.17)
Diluted Weighted Shares				
Class A	17,948	16,011	17,911	15,913
Class B	3,433	3,214	3,429	3,212

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

	<u>October 31,</u> <u>2018</u>	<u>January 31,</u> <u>2018</u>
<b>Assets</b>		
Current assets:		
Cash and equivalents	\$ 138,080	\$ 147,023
Accounts receivable, net	46,420	83,518
Other current assets	19,493	15,856
Total current assets	<u>203,993</u>	<u>246,397</u>
Property and equipment, net	29,600	30,408
Capitalized software costs, net	1,486	990
Goodwill	12,284	11,023
Long-term deferred tax assets, net	11,363	7,944
Other assets, net	<u>11,784</u>	<u>3,055</u>
Total assets	<u>\$ 270,510</u>	<u>\$ 299,817</u>
<b>Liabilities and stockholders' equity</b>		
Current liabilities:		
Current portion of long-term debt	\$ 481	\$ 466
Accounts payable and other current liabilities	45,719	58,278
Deferred revenue	80,537	116,693
Total current liabilities	<u>126,737</u>	<u>175,437</u>
Long-term debt	12,957	13,313
Other liabilities	4,773	5,439
Stockholders' equity:		
Common stock	20	20
Additional paid-in capital	194,292	200,456
Treasury stock	(7,384)	(12,461)
Accumulated deficit	(52,047)	(75,559)
Accumulated other comprehensive loss	(8,838)	(6,828)
Total stockholders' equity	<u>126,043</u>	<u>105,628</u>
Total liabilities and stockholders' equity	<u>\$ 270,510</u>	<u>\$ 299,817</u>

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

	<b>Nine Months Ended</b>	
	<b>October 31,</b>	
	<b>2018</b>	<b>2017</b>
Net cash provided by operating activities	\$ 15,117	\$ 2,844
Cash flows from investing activities:		
Purchase of property and equipment	(3,225)	(2,587)
Acquisition of businesses, net of cash acquired	(2,655)	-
Capitalized software costs	(778)	(809)
Net cash used in investing activities	<u>(6,658)</u>	<u>(3,396)</u>
Cash flows from financing activities:		
Repayments of debt	(350)	(333)
Tax payments related to stock awards	(8,705)	(3,243)
Cash dividends paid	(4,105)	(4,021)
Net cash used in financing activities	<u>(13,160)</u>	<u>(7,597)</u>
Effect of exchange rates on cash and equivalents	(4,242)	3,094
Net decrease in cash and equivalents	(8,943)	(5,055)
Cash and equivalents at beginning of period	147,023	145,082
Cash and equivalents at end of period	<u>\$ 138,080</u>	<u>\$ 140,027</u>

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

	Three Months Ended October 31,		Nine Months Ended October 31,	
	2018	2017	2018	2017
Total revenue	\$ 79,577	\$ 76,925	\$ 250,310	\$ 224,265
Net income (loss)	2,982	(161)	5,492	(3,893)
Add back:				
Net interest income	(469)	(245)	(1,425)	(593)
Depreciation	1,183	1,153	3,571	3,396
Amortization	216	274	521	997
Income tax expense	597	1,249	3,251	2,701
EBITDA	<u>\$ 4,509</u>	<u>\$ 2,270</u>	<u>\$ 11,410</u>	<u>\$ 2,608</u>
Add back:				
Stock-based compensation expense	2,148	2,311	7,618	6,671
Change in fair value of interest rate swap	(46)	(106)	(198)	(103)
Adjusted EBITDA	<u>\$ 6,611</u>	<u>\$ 4,475</u>	<u>\$ 18,830</u>	<u>\$ 9,176</u>
Adjusted EBITDA margin	8%	6%	8%	4%
 Non-GAAP pre-tax income reconciliation				
Income (loss) before income taxes	\$ 3,579	\$ 1,088	\$ 8,743	\$ (1,192)
Add back				
Stock-based compensation expense	2,148	2,311	7,618	6,671
Amortization of purchased intangible assets	52	165	52	732
Change in fair value of interest rate swap	(46)	(106)	(198)	(103)
Non-GAAP income before income taxes	<u>\$ 5,733</u>	<u>\$ 3,458</u>	<u>\$ 16,215</u>	<u>\$ 6,108</u>
Estimated income tax expense on GAAP earnings	\$ 588	\$ 1,244	\$ 3,322	\$ 2,741