

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

|   | Three Months Ended<br>April 30, |           |
|---|---------------------------------|-----------|
|   | 2019                            | 2018      |
| Revenue:                                      |                                 |           |
| Subscription                                  | \$ 25,306                       | \$ 21,511 |
| License                                       | 4,466                           | 6,266     |
| Maintenance and other                         | 29,899                          | 31,483    |
| Professional services                         | 18,364                          | 26,930    |
| Total revenue                                 | 78,035                          | 86,190    |
| Cost of revenue:                              |                                 |           |
| Subscription                                  | 9,417                           | 8,228     |
| License                                       | 591                             | 664       |
| Maintenance and other                         | 7,603                           | 7,865     |
| Professional services                         | 19,323                          | 24,310    |
| Total cost of revenue                         | 36,934                          | 41,067    |
| Gross profit                                  | 41,101                          | 45,123    |
| Operating expenses:                           |                                 |           |
| Sales and marketing                           | 20,891                          | 19,946    |
| Research and development                      | 13,987                          | 14,006    |
| General and administrative                    | 9,418                           | 9,362     |
| Amortization of intangibles from acquisitions | 67                              | -         |
| Total operating expenses                      | 44,363                          | 43,314    |
| Operating (loss) income                       | (3,262)                         | 1,809     |
| Other (income) expense:                       |                                 |           |
| Interest income                               | (724)                           | (524)     |
| Interest expense                              | 153                             | 157       |
| Other (income), net                           | (172)                           | (404)     |
| Total other (income), net                     | (743)                           | (771)     |
| Income (loss) before income taxes             | (2,519)                         | 2,580     |
| Income tax expense                            | 715                             | 1,183     |
| Net (loss) income                             | \$ (3,234)                      | \$ 1,397  |
| Net (loss) income                             | \$ (3,234)                      | \$ 1,397  |
| Other comprehensive income, net of tax:       |                                 |           |
| Foreign currency translation adjustments      | (263)                           | (510)     |
| Total comprehensive (loss) income             | \$ (3,497)                      | \$ 887    |
| Diluted (loss) income per share               |                                 |           |
| Class A                                       | \$ (0.17)                       | \$ 0.07   |
| Class B                                       | \$ (0.14)                       | \$ 0.06   |
| Diluted Weighted Shares                       |                                 |           |

|         |        |        |
|---------|--------|--------|
| Class A | 16,367 | 17,826 |
| Class B | 3,264  | 3,414  |

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

|  | <u>April 30,<br/>2019</u> | <u>January 31,<br/>2019</u> |
|--|---------------------------|-----------------------------|
| <b>Assets</b>                                  |                           |                             |
| Current assets:                                |                           |                             |
| Cash and equivalents                           | \$ 150,990                | \$ 139,413                  |
| Short-term investments                         | 1,200                     | 1,200                       |
| Accounts receivable, net                       | 49,019                    | 81,577                      |
| Other current assets                           | 22,469                    | 22,157                      |
| Total current assets                           | <u>223,678</u>            | <u>244,300</u>              |
| Property and equipment, net                    | 29,716                    | 29,621                      |
| Lease right-of-use assets, net                 | 15,149                    | -                           |
| Capitalized software costs, net                | 1,664                     | 1,598                       |
| Goodwill                                       | 12,333                    | 12,423                      |
| Long-term deferred tax assets, net             | 16,059                    | 16,173                      |
| Other assets, net                              | 12,824                    | 13,022                      |
| Total assets                                   | <u>\$ 311,423</u>         | <u>\$ 317,174</u>           |
| <b>Liabilities and stockholders' equity</b>    |                           |                             |
| Current liabilities:                           |                           |                             |
| Current portion of long-term debt              | \$ 487                    | \$ 487                      |
| Lease liabilities                              | 4,633                     | -                           |
| Accounts payable and other current liabilities | 42,634                    | 50,250                      |
| Deferred revenue                               | 104,471                   | 115,200                     |
| Total current liabilities                      | <u>152,225</u>            | <u>165,937</u>              |
| Long-term debt                                 | 12,712                    | 12,836                      |
| Long-term lease liabilities                    | 11,210                    | -                           |
| Other liabilities                              | 5,004                     | 5,101                       |
| Stockholders' equity:                          |                           |                             |
| Common stock                                   | 20                        | 20                          |
| Additional paid-in capital                     | 198,664                   | 196,723                     |
| Treasury stock                                 | (7,222)                   | (7,350)                     |
| Accumulated deficit                            | (53,266)                  | (48,485)                    |
| Accumulated other comprehensive loss           | (7,924)                   | (7,661)                     |
| Total stockholders' equity                     | <u>130,272</u>            | <u>133,247</u>              |
| Total liabilities and stockholders' equity     | <u>\$ 311,423</u>         | <u>\$ 317,174</u>           |

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

|  | Three Months Ended<br>April 30, |         |
|--|---------------------------------|---------|
|  | 2019                            | 2018    |
| Net cash provided by operating activities        | 14,19<br>\$ 5                   | 3,785   |
| Cash flows from investing activities:            |                                 |         |
| Purchase of property and equipment               | (1,03<br>6)                     | (1,093) |
| Capitalized software costs                       | (264)                           | (179)   |
|  | (1,30<br>0)                     |         |
| Net cash used in investing activities            | 0                               | (1,272) |
| Cash flows from financing activities:            |                                 |         |
| Repayments of debt                               | (122)                           | (117)   |
| Tax payments related to stock awards             | (235)                           | (4,078) |
| Net cash used in financing activities            | (357)                           | (4,195) |
| Effect of exchange rates on cash and equivalents | (961)                           | (952)   |
| Net increase (decrease) in cash and equivalents  | 11,57<br>7                      | (2,634) |
| Cash and equivalents at beginning of period      | 139,4<br>13                     | 147,023 |
| Cash and equivalents at end of period            | 150,9<br>\$ 90                  | 144,389 |

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

|   | Three Months Ended<br>April 30, |           |
|---|---------------------------------|-----------|
|   | 2019                            | 2018      |
| Total revenue                                 | \$ 78,035                       | \$ 86,190 |
| Net (loss) income                             | (3,234)                         | 1,397     |
| Add back:                                     |                                 | (367)     |
| Net interest income                           | (571)                           | 1,200     |
| Depreciation                                  | 1,327                           | 159       |
| Amortization                                  | 274                             | 1,183     |
| Income tax expense                            | 715                             | 83        |
| EBITDA  | \$ (1,489)                      | \$ 3,572  |
| Add back:                                     |                                 | 2,106     |
| Stock-based compensation expense              | 2,304                           | (117)     |
| Change in fair value of interest rate swap    | 91                              | 5,561     |
| Adjusted EBITDA                               | \$ 906                          | \$ 61     |
| Adjusted EBITDA margin                        | 1%                              | 6%        |
| Non-GAAP pre-tax (loss) income reconciliation |                                 | 2,580     |
| (Loss) income before income taxes             | \$ (2,519)                      | \$ 80     |
| Add back                                      |                                 |           |

|  |  |       |              |
|--|--|-------|--------------|
|  | Stock-based<br>compensation expense            | 2,304 | 2,1<br>06    |
|  | Amortization of purchased<br>intangible assets | 74    | -            |
|  | Change in fair value of<br>interest rate swap  | 91    | (117<br>)    |
|  |  | <hr/> | <hr/>        |
| Non-GAAP (loss) income before income taxes       | \$   | (50)  | \$ 4,5<br>69 |
| Non-GAAP income tax expense on non-GAAP earnings | \$   | 583   | \$ 1,1<br>12 |