

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

	Three Months Ended July 31,		Six Months Ended July 31,	
	2019	2018	2019	2018
Revenue:				
Subscription	\$ 25,888	\$ 22,439	\$ 51,194	\$ 43,950
License	3,516	5,561	7,982	11,827
Maintenance and other	29,586	30,574	59,485	62,057
Professional services	17,388	25,969	35,752	52,899
Total revenue	<u>76,378</u>	<u>84,543</u>	<u>154,413</u>	<u>170,733</u>
Cost of revenue:				
Subscription	9,903	8,334	19,320	16,562
License	554	574	1,145	1,238
Maintenance and other	7,459	7,774	15,062	15,639
Professional services	18,116	23,754	37,439	48,064
Total cost of revenue	<u>36,032</u>	<u>40,436</u>	<u>72,966</u>	<u>81,503</u>
Gross profit	<u>40,346</u>	<u>44,107</u>	<u>81,447</u>	<u>89,230</u>
Operating expenses:				
Sales and marketing	20,191	19,502	41,082	39,448
Research and development	13,870	13,513	27,857	27,519
General and administrative	10,392	9,366	19,810	18,728
Amortization of intangibles from acquisitions	66	-	133	-
Total operating expenses	<u>44,519</u>	<u>42,381</u>	<u>88,882</u>	<u>85,695</u>
Operating (loss) income	<u>(4,173)</u>	<u>1,726</u>	<u>(7,435)</u>	<u>3,535</u>
Other (income) expense:				
Interest income	(789)	(743)	(1,513)	(1,267)
Interest expense	148	154	301	311
Other (income), net	(154)	(269)	(326)	(673)
Total other (income), net	<u>(795)</u>	<u>(858)</u>	<u>(1,538)</u>	<u>(1,629)</u>
(Loss) income before income taxes	<u>(3,378)</u>	<u>2,584</u>	<u>(5,897)</u>	<u>5,164</u>
Income tax expense	9,872	1,471	10,587	2,654
Net (loss) income	<u>\$ (13,250)</u>	<u>\$ 1,113</u>	<u>\$ (16,484)</u>	<u>\$ 2,510</u>
Net (loss) income	\$ (13,250)	\$ 1,113	\$ (16,484)	\$ 2,510
Other comprehensive income, net of tax:				
Foreign currency translation adjustments	298	(326)	35	(836)
Total comprehensive (loss) income	<u>\$ (12,952)</u>	<u>\$ 787</u>	<u>\$ (16,449)</u>	<u>\$ 1,674</u>
Diluted (loss) income per share				
Class A	\$ (0.69)	\$ 0.05	\$ (0.86)	\$ 0.12
Class B	\$ (0.57)	\$ 0.05	\$ (0.71)	\$ 0.11
Diluted Weighted Shares				
Class A	16,465	17,927	16,417	17,886
Class B	3,264	3,434	3,264	3,425

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

	<b>July 31,</b>	<b>January 31,</b>
	<b>2019</b>	<b>2019</b>
	<u>          </u>	<u>          </u>
<b>Assets</b>		
Current assets:		
Cash and equivalents	\$ 141,768	\$ 139,413
Short-term investments	1,200	1,200
Accounts receivable, net	41,495	81,577
Other current assets	23,411	22,150
Total current assets	<u>207,874</u>	<u>244,340</u>
Property and equipment, net	29,446	29,621
Lease right-of-use assets, net	18,195	-
Capitalized software costs, net	1,720	1,598
Goodwill	12,379	12,423
Long-term deferred tax assets, net	6,571	16,172
Other assets, net	12,202	13,020
	<u>          </u>	<u>          </u>
Total assets	<u>\$ 288,387</u>	<u>\$ 317,174</u>
<b>Liabilities and stockholders' equity</b>		
Current liabilities:		
Current portion of long-term debt	\$ 492	\$ 487
Lease liabilities	4,855	-
Accounts payable and other current liabilities	40,318	50,250
Deferred revenue	94,399	115,253
Total current liabilities	<u>140,064</u>	<u>165,990</u>
Long-term debt	12,589	12,836
Long-term lease liabilities	14,059	-
Other liabilities	5,815	5,101
Stockholders' equity:		
Common stock	20	20
Additional paid-in capital	196,312	196,723
Treasury stock	(4,943)	(7,350)
Accumulated deficit	(67,903)	(48,485)
Accumulated other comprehensive loss	(7,626)	(7,661)
Total stockholders' equity	<u>115,860</u>	<u>133,247</u>
	<u>          </u>	<u>          </u>
Total liabilities and stockholders' equity	<u>\$ 288,387</u>	<u>\$ 317,174</u>

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

	<b>Six Months Ended</b>	
	<b>July 31,</b>	
	<b>2019</b>	<b>2018</b>
Net cash provided by operating activities	<u>\$ 14,178</u>	<u>\$ 9,146</u>
Cash flows from investing activities:		
Purchase of property and equipment	(3,707)	(2,004)
Acquisition of businesses, net of cash acquired	-	(450)
Capitalized software costs	<u>(534)</u>	<u>(536)</u>
Net cash used in investing activities	<u>(4,241)</u>	<u>(2,990)</u>
Cash flows from financing activities:		
Repayments of debt	(253)	(234)
Tax payments related to stock awards	(3,496)	(8,576)
Cash dividends paid	<u>(2,761)</u>	<u>(2,731)</u>
Net cash used in financing activities	<u>(6,510)</u>	<u>(11,541)</u>
Effect of exchange rates on cash and equivalents	<u>(1,072)</u>	<u>(2,110)</u>
Net increase (decrease) in cash and equivalents	2,355	(7,495)
Cash and equivalents at beginning of period	139,413	147,023
Cash and equivalents at end of period	<u><u>\$ 141,768</u></u>	<u><u>\$ 139,528</u></u>

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

	Three Months Ended		Six Months Ended	
	July 31,		July 31,	
	2019	2018	2019	2018
Total revenue	\$ 76,378	\$ 84,543	\$ 154,413	\$ 170,733
Net (loss) income	(13,250)	1,113	(16,484)	2,510
Add back:				
Net interest income	(641)	(589)	(1,212)	(956)
Depreciation	1,276	1,188	2,603	2,388
Amortization	300	146	574	305
Income tax expense	9,872	1,471	10,587	2,654
EBITDA	<u>\$ (2,443)</u>	<u>\$ 3,329</u>	<u>\$ (3,932)</u>	<u>\$ 6,901</u>
Add back:				
Stock-based compensation expense	3,188	3,364	5,492	5,470
Change in fair value of interest rate swap	160	(35)	251	(152)
Adjusted EBITDA	<u>\$ 905</u>	<u>\$ 6,658</u>	<u>\$ 1,811</u>	<u>\$ 12,219</u>
Adjusted EBITDA margin	1%	8%	1%	7%
 Non-GAAP pre-tax income (loss) reconciliation				
(Loss) income before income taxes	\$ (3,378)	\$ 2,584	\$ (5,897)	\$ 5,164
Add back				
Stock-based compensation expense	3,188	3,364	5,492	5,470
Amortization of purchased intangible assets	73	-	147	-
Change in fair value of interest rate swap	160	(35)	251	(152)
Non-GAAP income (loss) before income taxes	<u>\$ 43</u>	<u>\$ 5,913</u>	<u>\$ (7)</u>	<u>\$ 10,482</u>
Non-GAAP income tax expense on non-GAAP earnings	\$ 1,074	\$ 1,622	\$ 1,657	\$ 2,734