

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

	Three Months Ended October 31,		Nine Months Ended October 31,	
	2019	2018	2019	2018
Revenue:				
Subscription	\$ 27,328	\$ 23,863	\$ 78,522	\$ 67,813
License	3,295	4,631	11,277	16,458
Maintenance and other	29,699	30,401	89,184	92,458
Professional services	17,485	20,682	53,237	73,581
Total revenue	<u>77,807</u>	<u>79,577</u>	<u>232,220</u>	<u>250,310</u>
Cost of revenue:				
Subscription	9,540	8,686	28,860	25,248
License	510	534	1,655	1,772
Maintenance and other	7,291	7,716	22,353	23,355
Professional services	16,376	20,425	53,815	68,489
Total cost of revenue	<u>33,717</u>	<u>37,361</u>	<u>106,683</u>	<u>118,864</u>
Gross profit	<u>44,090</u>	<u>42,216</u>	<u>125,537</u>	<u>131,446</u>
Operating expenses:				
Sales and marketing	19,771	18,447	60,853	57,895
Research and development	13,622	13,155	41,479	40,674
General and administrative	9,234	8,095	29,044	26,823
Amortization of intangibles from acquisitions	67	45	200	45
Total operating expenses	<u>42,694</u>	<u>39,742</u>	<u>131,576</u>	<u>125,437</u>
Operating income (loss)	<u>1,396</u>	<u>2,474</u>	<u>(6,039)</u>	<u>6,009</u>
Other (income) expense:				
Interest income	(695)	(646)	(2,208)	(1,913)
Interest expense	176	177	477	488
Other (income), net	386	(636)	60	(1,309)
Total other (income), net	<u>(133)</u>	<u>(1,105)</u>	<u>(1,671)</u>	<u>(2,734)</u>
Income (loss) before income taxes	<u>1,529</u>	<u>3,579</u>	<u>(4,368)</u>	<u>8,743</u>
Income tax expense	1,404	597	11,991	3,251
Net income (loss)	<u>\$ 125</u>	<u>\$ 2,982</u>	<u>\$ (16,359)</u>	<u>\$ 5,492</u>
Net income (loss)	\$ 125	\$ 2,982	\$ (16,359)	\$ 5,492
Other comprehensive income, net of tax:				
Foreign currency translation adjustments	(313)	(1,174)	(278)	(2,010)
Total comprehensive (loss) income	<u>\$ (188)</u>	<u>\$ 1,808</u>	<u>\$ (16,637)</u>	<u>\$ 3,482</u>
Diluted income (loss) per share				
Class A	\$ 0.01	\$ 0.14	\$ (0.85)	\$ 0.26
Class B	\$ 0.01	\$ 0.12	\$ (0.71)	\$ 0.23
Diluted Weighted Shares				
Class A	17,795	17,948	16,586	17,911
Class B	3,398	3,433	3,279	3,429

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

	<u>October 31,</u> <u>2019</u>	<u>January 31,</u> <u>2019</u>
Assets		
Current assets:		
Cash and equivalents	\$ 133,815	\$ 139,413
Short-term investments	-	1,200
Accounts receivable, net	39,748	81,577
Other current assets	22,999	22,150
Total current assets	<u>196,562</u>	<u>244,340</u>
Property and equipment, net	28,628	29,621
Lease right-of-use assets, net	17,067	-
Capitalized software costs, net	1,909	1,598
Goodwill	12,391	12,423
Long-term deferred tax assets, net	5,864	16,172
Other assets, net	12,646	13,020
Total assets	<u><u>\$ 275,067</u></u>	<u><u>\$ 317,174</u></u>
 Liabilities and stockholders' equity		
Current liabilities:		
Current portion of long-term debt	\$ 498	\$ 487
Lease liabilities	4,668	-
Accounts payable and other current liabilities	39,481	50,250
Deferred revenue	81,893	115,253
Total current liabilities	<u>126,540</u>	<u>165,990</u>
Long-term debt	12,466	12,836
Long-term lease liabilities	13,128	-
Other liabilities	5,859	5,101
Stockholders' equity:		
Common stock	21	20
Additional paid-in capital	197,421	196,723
Treasury stock	(3,225)	(7,350)
Accumulated deficit	(69,204)	(48,485)
Accumulated other comprehensive loss	(7,939)	(7,661)
Total stockholders' equity	<u>117,074</u>	<u>133,247</u>
Total liabilities and stockholders' equity	<u><u>\$ 275,067</u></u>	<u><u>\$ 317,174</u></u>

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

	Nine Months Ended	
	October 31,	
	2019	2018
Net cash provided by operating activities	\$ 7,701	\$ 15,117
Cash flows from investing activities:		
Purchase of property and equipment	(4,251)	(3,225)
Acquisition of businesses, net of cash acquired	-	(2,655)
Purchase of short-term investments	(1,200)	-
Proceeds from sale of short-term investments	2,400	-
Capitalized software costs	(963)	(778)
Net cash used in investing activities	<u>(4,014)</u>	<u>(6,658)</u>
Cash flows from financing activities:		
Repayments of debt	(389)	(350)
Tax payments related to stock awards	(3,572)	(8,705)
Cash dividends paid	(4,187)	(4,105)
Net cash used in financing activities	<u>(8,148)</u>	<u>(13,160)</u>
Effect of exchange rates on cash and equivalents	<u>(1,137)</u>	<u>(4,242)</u>
Net decrease in cash and equivalents	(5,598)	(8,943)
Cash and equivalents at beginning of period	139,413	147,023
Cash and equivalents at end of period	<u>\$ 133,815</u>	<u>\$ 138,080</u>

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

	Three Months Ended		Nine Months Ended	
	October 31,		October 31,	
	2019	2018	2019	2018
Total revenue	\$ 77,807	\$ 79,577	\$ 232,220	\$ 250,310
Net income (loss)	125	2,982	(16,359)	5,492
Add back:				
Net interest income	(519)	(469)	(1,731)	(1,425)
Depreciation	1,314	1,183	3,917	3,571
Amortization	360	216	934	521
Income tax expense	1,404	597	11,991	3,251
EBITDA	<u>\$ 2,684</u>	<u>\$ 4,509</u>	<u>\$ (1,248)</u>	<u>\$ 11,410</u>
Add back:				
Stock-based compensation expense	2,904	2,148	8,396	7,618
Change in fair value of interest rate swap	101	(46)	352	(198)
Adjusted EBITDA	<u>\$ 5,689</u>	<u>\$ 6,611</u>	<u>\$ 7,500</u>	<u>\$ 18,830</u>
Adjusted EBITDA margin	7%	8%	3%	8%
 Non-GAAP pre-tax income reconciliation				
Income (loss) before income taxes	\$ 1,529	\$ 3,579	\$ (4,368)	\$ 8,743
Add back				
Stock-based compensation expense	2,904	2,148	8,396	7,618
Amortization of purchased intangible assets	74	52	221	52
Change in fair value of interest rate swap	101	(46)	352	(198)
Non-GAAP income before income taxes	<u>\$ 4,608</u>	<u>\$ 5,733</u>	<u>\$ 4,601</u>	<u>\$ 16,215</u>