

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

Three Months Ended
April 30,

2021 **2020**

	<u>2021</u>	<u>2020</u>
Net cash provided by operating activities	\$ 22,140	\$ 10,912
Cash flows from investing activities:		
Purchase of property and equipment	(191)	(1,017)
Capitalized software costs	(316)	(272)
Acquisition of businesses, net of cash acquired	(9,493)	-
Net cash used in investing activities	<u>(10,000)</u>	<u>(1,289)</u>
Cash flows from financing activities:		
Repayments of debt	(164)	(149)
Tax payments related to stock awards	(183)	(103)
Cash dividends paid	(1,454)	(1,431)
Net cash used in financing activities	<u>(1,801)</u>	<u>(1,683)</u>
Effect of exchange rates on cash and equivalents	287	(4,503)
Net increase in cash and equivalents	10,626	3,437
Cash and equivalents at beginning of period	142,501	136,717
Cash and equivalents at end of period	<u>\$ 153,127</u>	<u>\$ 140,154</u>

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

	Three Months Ended	
	April 30,	
	2021	2020
Revenue:		
Subscription	\$ 36,686	\$ 30,771
License	3,115	1,221
Maintenance	26,563	26,408
Professional services	16,607	15,747
Total revenue	<u>82,971</u>	<u>74,147</u>
Cost of revenue:		
Subscription	12,162	10,348
License	538	401
Maintenance	6,555	6,744
Professional services	14,934	14,932
Total cost of revenue	<u>34,189</u>	<u>32,425</u>
Gross profit	<u>48,782</u>	<u>41,722</u>
Operating expenses:		
Sales and marketing	19,567	18,557
Research and development	15,638	14,017
General and administrative	12,576	10,017
Amortization of intangible assets from acquisitions	240	64
Total operating expenses	<u>48,021</u>	<u>42,655</u>
Operating income (loss)	<u>761</u>	<u>(933)</u>
Other expense (income):		
Interest income	(74)	(436)
Interest expense	141	150
Other income, net	238	(1,232)
Total other expense (income), net	<u>305</u>	<u>(1,518)</u>
Income before income taxes	456	585
Income tax (benefit) expense	(1,376)	995
Net income (loss)	<u>\$ 1,832</u>	<u>\$ (410)</u>
Net income (loss)	\$ 1,832	\$ (410)
Other comprehensive loss, net of tax:		
Foreign currency translation adjustments	(161)	(2,655)
Total comprehensive income (loss)	<u>\$ 1,671</u>	<u>\$ (3,065)</u>
Diluted income (loss) per share		
Class A	\$ 0.09	\$ (0.02)
Class B	\$ 0.07	\$ (0.02)
Diluted Weighted Shares		
Class A	18,446	17,112
Class B	3,409	3,321

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

	April 30, 2021	January 31, 2021
	<u> </u>	<u> </u>
Assets		
Current assets:		
Cash and equivalents	\$ 153,127	\$ 142,501
Accounts receivable, net	44,887	82,609
Other current assets	26,688	22,923
Total current assets	<u>224,702</u>	<u>248,033</u>
Property and equipment, net	24,508	25,598
Lease right-of-use assets, net	19,997	21,016
Capitalized software costs, net	10,845	7,980
Goodwill	32,507	25,336
Long-term deferred tax assets, net	8,596	8,526
Other assets, net	<u>18,896</u>	<u>14,298</u>
Total assets	<u><u>\$ 340,051</u></u>	<u><u>\$ 350,787</u></u>
 Liabilities and stockholders' equity		
Current liabilities:		
Current portion of long-term debt	\$ 533	\$ 527
Lease liabilities	4,918	4,904
Accounts payable and other current liabilities	42,170	48,329
Deferred revenue	116,852	125,724
Total current liabilities	<u>164,473</u>	<u>179,484</u>
Long-term debt	11,691	11,825
Long-term lease liabilities	16,496	17,510
Other liabilities	14,254	12,502
Stockholders' equity:		
Common stock	21	21
Additional paid-in capital	209,084	205,630
Treasury stock	(3,073)	(3,073)
Accumulated deficit	(64,546)	(64,924)
Accumulated other comprehensive loss	(8,349)	(8,188)
Total stockholders' equity	<u>133,137</u>	<u>129,466</u>
Total liabilities and stockholders' equity	<u><u>\$ 340,051</u></u>	<u><u>\$ 350,787</u></u>

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

	Three Months Ended	
	April 30,	
	2021	2020
Total revenue	\$ 82,971	\$ 74,147
Net income (loss)	1,832	(410)
Add back:		
Net interest expense (income)	67	(286)
Depreciation	1,246	1,296
Amortization	897	354
Income tax (benefit) expense	(1,376)	995
EBITDA	<u>\$ 2,666</u>	<u>\$ 1,949</u>
Add back:		
Stock-based compensation expense	3,637	2,405
Change in fair value of interest rate swap	(64)	251
Adjusted EBITDA	<u>\$ 6,239</u>	<u>\$ 4,605</u>
Adjusted EBITDA margin	8%	6%
 Non-GAAP pre-tax income reconciliation		
Income before income taxes	\$ 456	\$ 585
Add back		
Stock-based compensation expense	3,637	2,405
Amortization of purchased intangible assets	600	71
Change in fair value of interest rate swap	(64)	251
Non-GAAP income before income taxes	<u>\$ 4,629</u>	<u>\$ 3,312</u>