

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

	Three Months Ended		Six Months Ended	
	July 31,		July 31,	
	2020	2019	2020	2019
Revenue:				
Subscription	\$ 31,066	\$ 25,888	\$ 61,837	\$ 51,194
License	3,043	3,516	4,264	7,982
Maintenance	26,486	29,586	52,894	59,485
Professional services	13,486	17,388	29,233	35,752
Total revenue	<u>74,081</u>	<u>76,378</u>	<u>148,228</u>	<u>154,413</u>
Cost of revenue:				
Subscription	10,739	9,903	21,087	19,320
License	565	554	966	1,145
Maintenance	6,413	7,459	13,157	15,062
Professional services	13,106	18,116	28,038	37,439
Total cost of revenue	<u>30,823</u>	<u>36,032</u>	<u>63,248</u>	<u>72,966</u>
Gross profit	<u>43,258</u>	<u>40,346</u>	<u>84,980</u>	<u>81,447</u>
Operating expenses:				
Sales and marketing	17,420	20,191	35,977	41,082
Research and development	13,161	13,870	27,178	27,857
General and administrative	10,299	10,392	20,316	19,810
Amortization of intangibles from acquisitions	65	66	129	133
Total operating expenses	<u>40,945</u>	<u>44,519</u>	<u>83,600</u>	<u>88,882</u>
Operating income (loss)	<u>2,313</u>	<u>(4,173)</u>	<u>1,380</u>	<u>(7,435)</u>
Other (income) expense:				
Interest income	(213)	(789)	(649)	(1,513)
Interest expense	155	148	305	301
Other (income) expense, net	1,871	(154)	639	(326)
Total other (income) expense, net	<u>1,813</u>	<u>(795)</u>	<u>295</u>	<u>(1,538)</u>
Income (loss) before income taxes	<u>500</u>	<u>(3,378)</u>	<u>1,085</u>	<u>(5,897)</u>
Income tax expense	440	9,872	1,435	10,587
Net income (loss)	<u>\$ 60</u>	<u>\$ (13,250)</u>	<u>\$ (350)</u>	<u>\$ (16,484)</u>
Net income (loss)	\$ 60	\$ (13,250)	\$ (350)	\$ (16,484)
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustments	1,607	298	(1,048)	35
Total comprehensive income (loss)	<u>\$ 1,667</u>	<u>\$ (12,952)</u>	<u>\$ (1,398)</u>	<u>\$ (16,449)</u>
Diluted income (loss) per share				
Class A	\$ 0.00	\$ (0.69)	\$ (0.02)	\$ (0.86)
Class B	\$ 0.00	\$ (0.57)	\$ (0.01)	\$ (0.71)
Diluted Weighted Shares				
Class A	17,813	16,465	17,179	16,417
Class B	3,389	3,264	3,321	3,264

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

	<b>July 31, 2020</b>	<b>January 31, 2020</b>
	<u>          </u>	<u>          </u>
<b>Assets</b>		
Current assets:		
Cash and equivalents	\$ 140,707	\$ 136,717
Accounts receivable, net	42,270	80,968
Other current assets	20,909	24,952
Total current assets	<u>203,886</u>	<u>242,637</u>
Property and equipment, net	29,085	28,687
Lease right-of-use assets, net	19,710	18,329
Capitalized software costs, net	1,974	1,922
Goodwill	12,351	12,388
Long-term deferred tax assets, net	7,095	5,834
Other assets, net	<u>11,887</u>	<u>13,007</u>
Total assets	<u><u>\$ 285,988</u></u>	<u><u>\$ 322,804</u></u>
 <b>Liabilities and stockholders' equity</b>		
Current liabilities:		
Current portion of long-term debt	\$ 516	\$ 503
Lease liabilities	4,059	4,371
Accounts payable and other current liabilities	37,772	49,740
Deferred revenue	95,049	118,413
Total current liabilities	<u>137,396</u>	<u>173,027</u>
Long-term debt	12,084	12,341
Long-term lease liabilities	16,640	14,612
Other liabilities	7,666	6,759
Stockholders' equity:		
Common stock	21	21
Additional paid-in capital	198,085	197,824
Treasury stock	(3,073)	(3,226)
Accumulated deficit	(73,438)	(70,209)
Accumulated other comprehensive loss	(9,393)	(8,345)
Total stockholders' equity	<u>112,202</u>	<u>116,065</u>
Total liabilities and stockholders' equity	<u><u>\$ 285,988</u></u>	<u><u>\$ 322,804</u></u>

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

	<b>Six Months Ended</b>	
	<b>July 31,</b>	
	<u><b>2020</b></u>	<u><b>2019</b></u>
Net cash provided by operating activities	\$ 16,024	\$ 14,330
Cash flows from investing activities:		
Purchase of property and equipment	(1,325)	(3,707)
Purchase of short-term investments	-	(1,200)
Proceeds from sale of short-term investments	-	1,200
Capitalized software costs	(626)	(534)
Net cash used in investing activities	<u>(1,951)</u>	<u>(4,241)</u>
Cash flows from financing activities:		
Repayments of debt	(306)	(253)
Tax payments related to stock awards	(5,942)	(3,496)
Cash dividends paid	(2,879)	(2,761)
Net cash used in financing activities	<u>(9,127)</u>	<u>(6,510)</u>
Effect of exchange rates on cash and equivalents	<u>(956)</u>	<u>(1,224)</u>
Net increase in cash and equivalents	3,990	2,355
Cash and equivalents at beginning of period	136,717	139,413
Cash and equivalents at end of period	<u>\$ 140,707</u>	<u>\$ 141,768</u>

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

	Three Months Ended July 31,		Six Months Ended July 31,	
	2020	2019	2020	2019
Total revenue	\$ 74,081	\$ 76,378	\$ 148,228	\$ 154,413
Net income (loss)	60	(13,250)	(350)	(16,484)
Add back:				
Net interest income	(58)	(641)	(344)	(1,212)
Depreciation	1,474	1,276	2,770	2,603
Amortization	366	300	720	574
Income tax expense	440	9,872	1,435	10,587
EBITDA	<u>\$ 2,282</u>	<u>\$ (2,443)</u>	<u>\$ 4,231</u>	<u>\$ (3,932)</u>
Add back:				
Stock-based compensation expense	3,951	3,188	6,356	5,492
Change in fair value of interest rate swap	(32)	160	219	251
Adjusted EBITDA	<u>\$ 6,201</u>	<u>\$ 905</u>	<u>\$ 10,806</u>	<u>\$ 1,811</u>
Adjusted EBITDA margin	8%	1%	7%	1%
Non-GAAP pre-tax income (loss) reconciliation				
Income (loss) before income taxes	\$ 500	\$ (3,378)	\$ 1,085	\$ (5,897)
Add back:				
Stock-based compensation expense	3,951	3,188	6,356	5,492
Amortization of purchased intangible assets	72	73	143	147
Change in fair value of interest rate swap	(32)	160	219	251
Non-GAAP income (loss) before income taxes	<u>\$ 4,491</u>	<u>\$ 43</u>	<u>\$ 7,803</u>	<u>\$ (7)</u>