

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

	Three Months Ended October 31,		Nine Months Ended October 31,	
	2020	2019	2020	2019
Revenue:				
Subscription	\$ 33,761	\$ 27,328	\$ 95,598	\$ 78,522
License	1,682	3,295	5,946	11,277
Maintenance	27,028	29,699	79,922	89,184
Professional services	14,189	17,485	43,422	53,237
Total revenue	<u>76,660</u>	<u>77,807</u>	<u>224,888</u>	<u>232,220</u>
Cost of revenue:				
Subscription	10,716	9,540	31,803	28,860
License	441	510	1,407	1,655
Maintenance	6,267	7,291	19,424	22,353
Professional services	13,231	16,376	41,269	53,815
Total cost of revenue	<u>30,655</u>	<u>33,717</u>	<u>93,903</u>	<u>106,683</u>
Gross profit	<u>46,005</u>	<u>44,090</u>	<u>130,985</u>	<u>125,537</u>
Operating expenses:				
Sales and marketing	17,415	19,771	53,392	60,853
Research and development	14,177	13,622	41,355	41,479
General and administrative	10,281	9,234	30,597	29,044
Amortization of intangibles from acquisitions	65	67	194	200
Total operating expenses	<u>41,938</u>	<u>42,694</u>	<u>125,538</u>	<u>131,576</u>
Operating income (loss)	<u>4,067</u>	<u>1,396</u>	<u>5,447</u>	<u>(6,039)</u>
Other (income) expense:				
Interest income	(108)	(695)	(757)	(2,208)
Interest expense	142	176	447	477
Other expense, net	194	386	833	60
Total other (income) expense, net	<u>228</u>	<u>(133)</u>	<u>523</u>	<u>(1,671)</u>
Income (loss) before income taxes	3,839	1,529	4,924	(4,368)
Income tax expense	626	1,404	2,061	11,991
Net income (loss)	<u>\$ 3,213</u>	<u>\$ 125</u>	<u>\$ 2,863</u>	<u>\$ (16,359)</u>
Net income (loss)	\$ 3,213	\$ 125	\$ 2,863	\$ (16,359)
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustments	405	(313)	(643)	(278)
Total comprehensive income (loss)	<u>\$ 3,618</u>	<u>\$ (188)</u>	<u>\$ 2,220</u>	<u>\$ (16,637)</u>
Diluted income (loss) per share				
Class A	\$ 0.16	\$ 0.01	\$ 0.14	\$ (0.85)
Class B	\$ 0.13	\$ 0.01	\$ 0.12	\$ (0.71)
Diluted Weighted Shares				
Class A	17,864	17,795	17,837	16,586
Class B	3,387	3,398	3,389	3,279

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

	<u>October 31,</u> <u>2020</u>	<u>January 31,</u> <u>2020</u>
Assets		
Current assets:		
Cash and equivalents	\$ 143,392	\$ 136,717
Accounts receivable, net	39,187	80,968
Other current assets	23,261	24,952
Total current assets	<u>205,840</u>	<u>242,637</u>
Property and equipment, net	26,692	28,687
Lease right-of-use assets, net	18,764	18,329
Capitalized software costs, net	2,129	1,922
Goodwill	12,348	12,388
Long-term deferred tax assets, net	7,354	5,834
Other assets, net	<u>11,799</u>	<u>13,007</u>
Total assets	<u>\$ 284,926</u>	<u>\$ 322,804</u>
Liabilities and stockholders' equity		
Current liabilities:		
Current portion of long-term debt	\$ 521	\$ 503
Lease liabilities	3,893	4,371
Accounts payable and other current liabilities	40,991	49,740
Deferred revenue	85,842	118,413
Total current liabilities	<u>131,247</u>	<u>173,027</u>
Long-term debt	11,955	12,341
Long-term lease liabilities	16,026	14,612
Other liabilities	7,582	6,759
Stockholders' equity:		
Common stock	21	21
Additional paid-in capital	201,832	197,824
Treasury stock	(3,073)	(3,226)
Accumulated deficit	(71,676)	(70,209)
Accumulated other comprehensive loss	(8,988)	(8,345)
Total stockholders' equity	<u>118,116</u>	<u>116,065</u>
Total liabilities and stockholders' equity	<u>\$ 284,926</u>	<u>\$ 322,804</u>

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

	Nine Months Ended	
	October 31,	
	<u>2020</u>	<u>2019</u>
Net cash provided by operating activities	\$ 19,226	\$ 7,853
Cash flows from investing activities:		
Purchase of property and equipment	(1,733)	(4,251)
Purchase of short-term investments	-	(1,200)
Proceeds from sale of short-term investments	-	2,400
Proceeds from sale of building	1,496	-
Capitalized software costs	<u>(1,071)</u>	<u>(963)</u>
Net cash used in investing activities	<u>(1,308)</u>	<u>(4,014)</u>
Cash flows from financing activities:		
Repayments of debt	(462)	(389)
Tax payments related to stock awards	(5,965)	(3,572)
Cash dividends paid	<u>(4,330)</u>	<u>(4,187)</u>
Net cash used in financing activities	<u>(10,757)</u>	<u>(8,148)</u>
Effect of exchange rates on cash and equivalents	<u>(486)</u>	<u>(1,289)</u>
Net increase (decrease) in cash and equivalents	6,675	(5,598)
Cash and equivalents at beginning of period	136,717	139,413
Cash and equivalents at end of period	<u>\$ 143,392</u>	<u>\$ 133,815</u>

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

	Three Months Ended		Nine Months Ended	
	October 31,		October 31,	
	2020	2019	2020	2019
Total revenue	\$ 76,660	\$ 77,807	\$ 224,888	\$ 232,220
Net income (loss)	3,213	125	2,863	(16,359)
Add back:				
Net interest income	34	(519)	(310)	(1,731)
Depreciation	1,280	1,314	4,050	3,917
Amortization	361	360	1,081	934
Income tax expense	626	1,404	2,061	11,991
EBITDA	<u>\$ 5,514</u>	<u>\$ 2,684</u>	<u>\$ 9,745</u>	<u>\$ (1,248)</u>
Add back:				
Stock-based compensation expense	3,770	2,904	10,126	8,396
Change in fair value of interest rate swap	(70)	101	149	352
Adjusted EBITDA	<u>\$ 9,214</u>	<u>\$ 5,689</u>	<u>\$ 20,020</u>	<u>\$ 7,500</u>
Adjusted EBITDA margin	12%	7%	9%	3%
 Non-GAAP pre-tax income reconciliation				
Income (loss) before income taxes	\$ 3,839	\$ 1,529	\$ 4,924	\$ (4,368)
Add back				
Stock-based compensation expense	3,770	2,904	10,126	8,396
Amortization of purchased intangible assets	71	74	214	221
Change in fair value of interest rate swap	(70)	101	149	352
Non-GAAP income before income taxes	<u>\$ 7,610</u>	<u>\$ 4,608</u>	<u>\$ 15,413</u>	<u>\$ 4,601</u>