

QAD Inc.
Condensed Consolidated Statements of Operations
(In thousands, except per share data)
(unaudited)

	Three Months Ended	
	April 30,	
	2017	2016
Revenue:		
Subscription fees	\$ 15,343	\$ 11,492
License fees	5,265	3,947
Maintenance and other	31,906	32,836
Professional services	18,868	17,122
Total revenue	71,382	65,397
Cost of revenue:		
Subscription	7,720	6,200
License	685	725
Maintenance and other	7,694	7,769
Professional services	18,767	17,444
Total cost of revenue	34,866	32,138
Gross profit	36,516	33,259
Operating expenses:		
Sales and marketing	17,587	16,938
Research and development	11,532	11,143
General and administrative	8,593	8,006
Amortization of intangibles from acquisitions	163	165
Total operating expenses	37,875	36,252
Operating loss	(1,359)	(2,993)
Other (income) expense:		
Interest income	(168)	(172)
Interest expense	156	174
Other (income) expense, net	604	870
Total other expense, net	592	872
Loss before income taxes	(1,951)	(3,865)
Income tax expense (benefit)	620	(1,073)
Net loss	\$ (2,571)	\$ (2,792)
Diluted net loss per share		
Class A	\$ (0.14)	\$ (0.15)
Class B	\$ (0.12)	\$ (0.13)
Diluted Weighted Shares		
Class A	15,809	15,594
Class B	3,210	3,204

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

	<u>April 30,</u> <u>2017</u>	<u>January 31,</u> <u>2017</u>
Assets		
Current assets:		
Cash and equivalents	\$ 153,348	\$ 145,082
Accounts receivable, net	46,381	69,441
Other current assets	15,851	15,351
Total current assets	<u>215,580</u>	<u>229,874</u>
Property and equipment, net	30,497	30,872
Capitalized software costs, net	641	732
Goodwill	10,646	10,558
Long-term deferred tax assets, net	6,455	6,166
Other assets, net	<u>1,978</u>	<u>2,688</u>
Total assets	<u><u>\$ 265,797</u></u>	<u><u>\$ 280,890</u></u>
 Liabilities and stockholders' equity		
Current liabilities:		
Current portion of long-term debt	\$ 450	\$ 446
Accounts payable and other current liabilities	38,399	44,952
Deferred revenue	97,235	104,125
Total current liabilities	<u>136,084</u>	<u>149,523</u>
Long-term debt	13,654	13,767
Other liabilities	5,037	4,914
Stockholders' equity:		
Common stock	20	20
Additional paid-in capital	199,069	197,594
Treasury stock	(15,047)	(15,170)
Accumulated deficit	(65,029)	(61,127)
Accumulated other comprehensive loss	(7,991)	(8,631)
Total stockholders' equity	<u>111,022</u>	<u>112,686</u>
Total liabilities and stockholders' equity	<u><u>\$ 265,797</u></u>	<u><u>\$ 280,890</u></u>

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

	Three Months Ended	
	April 30,	
	2017	2016
Net cash provided by operating activities	\$ 7,882	\$ 1,357
Cash flows from investing activities:		
Purchase of property and equipment	(652)	(1,074)
Capitalized software costs	(143)	(12)
Net cash used in investing activities	(795)	(1,086)
Cash flows from financing activities:		
Repayments of debt	(129)	(106)
Tax payments, net of proceeds, related to stock awards	(170)	(369)
Net cash used in financing activities	(299)	(475)
Effect of exchange rates on cash and equivalents	1,478	2,351
Net increase in cash and equivalents	8,266	2,147
Cash and equivalents at beginning of period	145,082	137,731
Cash and equivalents at end of period	\$ 153,348	\$ 139,878

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

	Three Months Ended	
	April 30,	
	2017	2016
Total revenue	\$ 71,382	\$ 65,397
Net loss	(2,571)	(2,792)
Add back:		
Net interest expense	(12)	2
Depreciation	1,104	1,044
Amortization	416	430
Income tax expense (benefit)	620	(1,073)
EBITDA	\$ (443)	\$ (2,389)
Add back:		
Stock-based compensation expense	1,768	1,608
Change in fair value of interest rate swap	(13)	31
Adjusted EBITDA	\$ 1,312	\$ (750)
Adjusted EBITDA margin	2%	-1%
Non-GAAP pre-tax income (loss) reconciliation		
Loss before income taxes	\$ (1,951)	\$ (3,865)
Add back		
Stock-based compensation expense	1,768	1,608
Amortization of purchased intangible assets	342	345
Change in fair value of interest rate swap	(13)	31
Non-GAAP income (loss) before income taxes	\$ 146	\$ (1,881)
Cash taxes	\$ 648	\$ 640