

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

	Three Months Ended		Six Months Ended	
	July 31,		July 31,	
	2017	2016	2017	2016
Revenue:				
Subscription fees	\$ 17,420	\$ 12,317	\$ 32,763	\$ 23,809
License fees	6,743	6,416	12,008	10,363
Maintenance and other	31,971	33,266	63,877	66,102
Professional services	19,824	17,779	38,692	34,901
Total revenue	<u>75,958</u>	<u>69,778</u>	<u>147,340</u>	<u>135,175</u>
Cost of revenue:				
Subscription	7,428	6,740	15,148	12,940
License	828	765	1,513	1,490
Maintenance and other	7,840	7,742	15,534	15,511
Professional services	20,598	17,557	39,365	35,001
Total cost of revenue	<u>36,694</u>	<u>32,804</u>	<u>71,560</u>	<u>64,942</u>
Gross profit	<u>39,264</u>	<u>36,974</u>	<u>75,780</u>	<u>70,233</u>
Operating expenses:				
Sales and marketing	17,697	17,294	35,284	34,232
Research and development	11,689	11,069	23,221	22,212
General and administrative	9,224	8,483	17,817	16,489
Amortization of intangibles from acquisitions	111	166	274	331
Total operating expenses	<u>38,721</u>	<u>37,012</u>	<u>76,596</u>	<u>73,264</u>
Operating income (loss)	<u>543</u>	<u>(38)</u>	<u>(816)</u>	<u>(3,031)</u>
Other (income) expense:				
Interest income	(493)	(159)	(661)	(331)
Interest expense	157	161	313	335
Other (income) expense, net	1,208	(433)	1,812	437
Total other (income) expense, net	<u>872</u>	<u>(431)</u>	<u>1,464</u>	<u>441</u>
(Loss) income before income taxes	<u>(329)</u>	<u>393</u>	<u>(2,280)</u>	<u>(3,472)</u>
Income tax expense (benefit)	<u>832</u>	<u>(575)</u>	<u>1,452</u>	<u>(1,648)</u>
Net (loss) income	<u>\$ (1,161)</u>	<u>\$ 968</u>	<u>\$ (3,732)</u>	<u>\$ (1,824)</u>
Diluted net (loss) income per share				
Class A	\$ (0.06)	\$ 0.05	\$ (0.20)	\$ (0.10)
Class B	\$ (0.05)	\$ 0.04	\$ (0.17)	\$ (0.08)
Diluted Weighted Shares				
Class A	15,914	16,280	15,863	15,644
Class B	3,212	3,275	3,211	3,205

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

	<u>July 31,</u> <u>2017</u>	<u>January 31,</u> <u>2017</u>
<b>Assets</b>		
Current assets:		
Cash and equivalents	\$ 149,202	\$ 145,082
Accounts receivable, net	42,397	69,441
Other current assets	14,500	15,351
Total current assets	<u>206,099</u>	<u>229,874</u>
Property and equipment, net	30,520	30,872
Capitalized software costs, net	800	732
Goodwill	10,872	10,558
Long-term deferred tax assets, net	7,286	6,166
Other assets, net	<u>1,961</u>	<u>2,688</u>
Total assets	<u><u>\$ 257,538</u></u>	<u><u>\$ 280,890</u></u>
 <b>Liabilities and stockholders' equity</b>		
Current liabilities:		
Current portion of long-term debt	\$ 456	\$ 446
Accounts payable and other current liabilities	39,579	44,952
Deferred revenue	89,661	104,125
Total current liabilities	<u>129,696</u>	<u>149,523</u>
Long-term debt	13,540	13,767
Other liabilities	4,672	4,914
Stockholders' equity:		
Common stock	20	20
Additional paid-in capital	196,950	197,594
Treasury stock	(12,947)	(15,170)
Accumulated deficit	(67,534)	(61,127)
Accumulated other comprehensive loss	(6,859)	(8,631)
Total stockholders' equity	<u>109,630</u>	<u>112,686</u>
Total liabilities and stockholders' equity	<u><u>\$ 257,538</u></u>	<u><u>\$ 280,890</u></u>

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

	<b>Six Months Ended</b>	
	<b>July 31,</b>	
	<b>2017</b>	<b>2016</b>
Net cash provided by operating activities	\$ 7,638	\$ 2,020
Cash flows from investing activities:		
Purchase of property and equipment	(1,571)	(1,682)
Capitalized software costs	(480)	(62)
Net cash used in investing activities	(2,051)	(1,744)
Cash flows from financing activities:		
Repayments of debt	(222)	(233)
Tax payments, net of proceeds, related to stock awards	(2,781)	(1,584)
Cash dividends paid	(2,675)	(2,642)
Net cash used in financing activities	(5,678)	(4,459)
Effect of exchange rates on cash and equivalents	4,211	1,160
Net increase (decrease) in cash and equivalents	4,120	(3,023)
Cash and equivalents at beginning of period	145,082	137,731
Cash and equivalents at end of period	\$ 149,202	\$ 134,708

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

	Three Months Ended		Six Months Ended	
	July 31,		July 31,	
	2017	2016	2017	2016
Total revenue	\$ 75,958	\$ 69,778	\$ 147,340	\$ 135,175
Net (loss) income	(1,161)	968	(3,732)	(1,824)
Add back:				
Net interest (income) expense	(336)	2	(348)	4
Depreciation	1,139	1,092	2,243	2,136
Amortization	307	432	723	862
Income tax expense (benefit)	832	(575)	1,452	(1,648)
EBITDA	<u>\$ 781</u>	<u>\$ 1,919</u>	<u>\$ 338</u>	<u>\$ (470)</u>
Add back:				
Stock-based compensation expense	2,592	2,093	4,360	3,701
Change in fair value of interest rate swap	16	181	3	212
Adjusted EBITDA	<u>\$ 3,389</u>	<u>\$ 4,193</u>	<u>\$ 4,701</u>	<u>\$ 3,443</u>
Adjusted EBITDA margin	4%	6%	3%	3%
Non-GAAP pre-tax income reconciliation				
(Loss) income before income taxes	\$ (329)	\$ 393	\$ (2,280)	\$ (3,472)
Add back				
Stock-based compensation expense	2,592	2,093	4,360	3,701
Amortization of purchased intangible assets	225	345	567	690
Change in fair value of interest rate swap	16	181	3	212
Non-GAAP income before income taxes	<u>\$ 2,504</u>	<u>\$ 3,012</u>	<u>\$ 2,650</u>	<u>\$ 1,131</u>
Cash taxes	\$ 849	\$ 525	\$ 1,497	\$ 1,165