

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

	Three Months Ended October 31,		Nine Months Ended October 31,	
	2016	2015	2016	2015
Revenue:				
License fees	\$ 4,323	\$ 6,350	\$ 14,686	\$ 21,761
Subscription fees	13,678	9,659	37,487	28,223
Maintenance and other	32,552	33,395	98,654	100,611
Professional services	18,981	18,633	53,882	57,998
Total revenue	<u>69,534</u>	<u>68,037</u>	<u>204,709</u>	<u>208,593</u>
Cost of revenue:				
License	582	827	2,072	2,728
Subscription	7,145	5,134	20,085	15,360
Maintenance and other	7,480	7,924	22,991	23,608
Professional services	17,850	17,120	52,851	54,035
Total cost of revenue	<u>33,057</u>	<u>31,005</u>	<u>97,999</u>	<u>95,731</u>
Gross profit	<u>36,477</u>	<u>37,032</u>	<u>106,710</u>	<u>112,862</u>
Operating expenses:				
Sales and marketing	15,312	15,531	49,544	49,658
Research and development	10,807	10,193	33,019	31,440
General and administrative	7,934	7,676	24,423	24,719
Amortization of intangibles from acquisitions	165	165	496	495
Total operating expenses	<u>34,218</u>	<u>33,565</u>	<u>107,482</u>	<u>106,312</u>
Operating (loss) income	<u>2,259</u>	<u>3,467</u>	<u>(772)</u>	<u>6,550</u>
Other (income) expense:				
Interest income	(184)	(80)	(515)	(224)
Interest expense	168	171	503	544
Other (income) expense, net	(413)	61	24	(471)
Total other expense, net	<u>(429)</u>	<u>152</u>	<u>12</u>	<u>(151)</u>
Income (loss) before income taxes	<u>2,688</u>	<u>3,315</u>	<u>(784)</u>	<u>6,701</u>
Income tax (benefit) expense	<u>1,155</u>	<u>729</u>	<u>(493)</u>	<u>1,935</u>
Net income (loss)	<u>\$ 1,533</u>	<u>\$ 2,586</u>	<u>\$ (291)</u>	<u>\$ 4,766</u>
Diluted net income (loss) per share				
Class A	\$ 0.08	\$ 0.14	\$ (0.02)	\$ 0.25
Class B	\$ 0.07	\$ 0.12	\$ (0.01)	\$ 0.21
Diluted Weighted Shares				
Class A	16,602	16,308	15,687	16,208
Class B	3,301	3,286	3,205	3,283

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

	October 31,	January 31,
	2016	2016
	<u> </u>	<u> </u>
Assets		
Current assets:		
Cash and equivalents	\$ 135,689	\$ 137,731
Accounts receivable, net	39,100	65,512
Deferred tax assets, net	8,543	8,203
Other current assets	17,271	16,024
Total current assets	<u>200,603</u>	<u>227,470</u>
Property and equipment, net	30,995	32,080
Capitalized software costs, net	934	1,553
Goodwill	10,657	10,645
Long-term deferred tax assets, net	12,758	12,914
Other assets, net	<u>2,135</u>	<u>2,679</u>
Total assets	<u><u>\$ 258,082</u></u>	<u><u>\$ 287,341</u></u>
 Liabilities and stockholders' equity		
Current liabilities:		
Current portion of long-term debt	\$ 441	\$ 422
Accounts payable and other current liabilities	37,252	42,346
Deferred revenue	73,982	97,911
Total current liabilities	<u>111,675</u>	<u>140,679</u>
Long-term debt	13,877	14,191
Other liabilities	4,650	4,465
Stockholders' equity:		
Common stock	20	20
Additional paid-in capital	196,382	195,808
Treasury stock	(15,497)	(18,717)
Accumulated deficit	(44,637)	(40,376)
Accumulated other comprehensive loss	(8,388)	(8,729)
Total stockholders' equity	<u>127,880</u>	<u>128,006</u>
Total liabilities and stockholders' equity	<u><u>\$ 258,082</u></u>	<u><u>\$ 287,341</u></u>

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

	Nine Months Ended	
	October 31,	
	2016	2015
Net cash provided by operating activities	\$ 5,471	\$ 10,165
Cash flows from investing activities:		
Purchase of property and equipment	(2,166)	(2,641)
Capitalized software costs	(109)	(70)
Net cash used in investing activities	(2,275)	(2,711)
Cash flows from financing activities:		
Repayments of debt	(326)	(305)
Tax payments, net of proceeds, related to stock awards	(1,726)	(2,419)
Payment of contingent liability associated with acquisitions	-	(750)
Cash dividends paid	(3,970)	(3,922)
Proceeds from issuance of common stock, net of issuance costs	-	8,365
Net cash (used in) provided by financing activities	(6,022)	969
Effect of exchange rates on cash and equivalents	784	(2,328)
Net (decrease) increase in cash and equivalents	(2,042)	6,095
Cash and equivalents at beginning of period	137,731	120,526
Cash and equivalents at end of period	\$ 135,689	\$ 126,621

QAD Inc.
Reconciliation of GAAP to Non-GAAP Financial Measures
(In thousands, except per share data)
(unaudited)

	Three Months Ended October 31,		Nine Months Ended October 31,	
	2016	2015	2016	2015
Total revenue	\$ 69,534	\$ 68,037	\$ 204,709	\$ 208,593
Net income (loss)	1,533	2,586	(291)	4,766
Add back:				
Net interest expense	(16)	91	(12)	320
Depreciation	1,100	980	3,236	2,953
Amortization	425	455	1,287	1,363
Income taxes	1,155	729	(493)	1,935
EBITDA	<u>\$ 4,197</u>	<u>\$ 4,841</u>	<u>\$ 3,727</u>	<u>\$ 11,337</u>
Add back:				
Non-cash stock-based compensation	1,820	1,881	5,521	5,618
Change in fair value of interest rate swap	(243)	187	(31)	(164)
Adjusted EBITDA	<u>\$ 5,774</u>	<u>\$ 6,909</u>	<u>\$ 9,217</u>	<u>\$ 16,791</u>
Adjusted EBITDA margin	8%	10%	5%	8%
 Non-GAAP net income reconciliation				
Net income (loss)	\$ 1,533	\$ 2,586	\$ (291)	\$ 4,766
Add back:				
Non-cash stock-based compensation	1,820	1,881	5,521	5,618
Amortization of purchased intangible assets	345	345	1,035	1,034
Change in fair value of interest rate swap	(243)	187	(31)	(164)
Income tax adjustments	(480)	(603)	(1,631)	(1,622)
Non-GAAP net income	<u>\$ 2,975</u>	<u>\$ 4,396</u>	<u>\$ 4,603</u>	<u>\$ 9,632</u>
 Non-GAAP earnings per diluted Class A share reconciliation				
Earnings (loss) per diluted Class A share	\$ 0.08	\$ 0.14	\$ (0.02)	\$ 0.25
Add back:				
Non-cash stock-based compensation	0.09	0.10	0.29	0.30
Amortization of purchased intangible assets	0.02	0.02	0.05	0.05
Change in fair value of interest rate swap	(0.01)	0.01	(0.00)	(0.01)
Income tax adjustments	(0.03)	(0.03)	(0.08)	(0.08)
Non-GAAP earnings per diluted Class A share	<u>\$ 0.15</u>	<u>\$ 0.24</u>	<u>\$ 0.24</u>	<u>\$ 0.51</u>
Shares used in computing non-GAAP earnings per diluted Class A share	16,602	16,308	16,463	16,208
 Non-GAAP earnings per diluted Class B share reconciliation				
Earnings (loss) per diluted Class B share	\$ 0.07	\$ 0.12	\$ (0.01)	\$ 0.21
Add back:				
Non-cash stock-based compensation	0.08	0.08	0.26	0.25
Amortization of purchased intangible assets	0.01	0.02	0.05	0.05
Change in fair value of interest rate swap	(0.01)	0.01	(0.00)	(0.01)
Income tax adjustments	(0.02)	(0.03)	(0.08)	(0.07)
Non-GAAP earnings per diluted Class B share	<u>\$ 0.13</u>	<u>\$ 0.20</u>	<u>\$ 0.22</u>	<u>\$ 0.43</u>
Shares used in computing non-GAAP earnings per diluted Class B share	3,301	3,286	3,289	3,283