

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

| | Three Months Ended | | Nine Months Ended | |
|---|---------------------------|-----------------|--------------------------|-----------------|
| | October 31, | | October 31, | |
| | 2017 | 2016 | 2017 | 2016 |
| Revenue: | | | | |
| Subscription | \$ 17,190 | \$ 13,678 | \$ 49,953 | \$ 37,487 |
| License | 6,628 | 4,323 | 18,636 | 14,686 |
| Maintenance and other | 32,407 | 32,552 | 96,284 | 98,654 |
| Professional services | 20,700 | 18,981 | 59,392 | 53,882 |
| Total revenue | <u>76,925</u> | <u>69,534</u> | <u>224,265</u> | <u>204,709</u> |
| Cost of revenue: | | | | |
| Subscription | 7,605 | 7,145 | 22,753 | 20,085 |
| License | 690 | 582 | 2,203 | 2,072 |
| Maintenance and other | 7,840 | 7,480 | 23,374 | 22,991 |
| Professional services | 21,911 | 17,850 | 61,276 | 52,851 |
| Total cost of revenue | <u>38,046</u> | <u>33,057</u> | <u>109,606</u> | <u>97,999</u> |
| Gross profit | <u>38,879</u> | <u>36,477</u> | <u>114,659</u> | <u>106,710</u> |
| Operating expenses: | | | | |
| Sales and marketing | 17,697 | 15,312 | 52,981 | 49,544 |
| Research and development | 12,111 | 10,807 | 35,332 | 33,019 |
| General and administrative | 8,556 | 7,934 | 26,373 | 24,423 |
| Amortization of intangibles from acquisitions | 85 | 165 | 359 | 496 |
| Total operating expenses | <u>38,449</u> | <u>34,218</u> | <u>115,045</u> | <u>107,482</u> |
| Operating income (loss) | <u>430</u> | <u>2,259</u> | <u>(386)</u> | <u>(772)</u> |
| Other (income) expense: | | | | |
| Interest income | (440) | (184) | (1,101) | (515) |
| Interest expense | 195 | 168 | 508 | 503 |
| Other (income) expense, net | (413) | (413) | 1,399 | 24 |
| Total other (income) expense, net | <u>(658)</u> | <u>(429)</u> | <u>806</u> | <u>12</u> |
| Income (loss) before income taxes | 1,088 | 2,688 | (1,192) | (784) |
| Income tax expense (benefit) | 1,249 | 1,155 | 2,701 | (493) |
| Net (loss) income | <u>\$ (161)</u> | <u>\$ 1,533</u> | <u>\$ (3,893)</u> | <u>\$ (291)</u> |
| Diluted net (loss) income per share | | | | |
| Class A | \$ (0.01) | \$ 0.08 | \$ (0.21) | \$ (0.02) |
| Class B | \$ (0.01) | \$ 0.07 | \$ (0.17) | \$ (0.01) |
| Diluted Weighted Shares | | | | |
| Class A | 16,011 | 16,602 | 15,913 | 15,687 |
| Class B | 3,214 | 3,301 | 3,212 | 3,205 |

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

| | October 31, 2017 | January 31, 2017 |
|---|------------------------------|------------------------------|
| | <u> </u> | <u> </u> |
| Assets | | |
| Current assets: | | |
| Cash and equivalents | \$ 140,027 | \$ 145,082 |
| Accounts receivable, net | 50,753 | 69,441 |
| Other current assets | 13,641 | 15,351 |
| Total current assets | <u>204,421</u> | <u>229,874</u> |
| Property and equipment, net | 30,293 | 30,872 |
| Capitalized software costs, net | 956 | 732 |
| Goodwill | 10,820 | 10,558 |
| Long-term deferred tax assets, net | 7,159 | 6,166 |
| Other assets, net | <u>1,938</u> | <u>2,688</u> |
| Total assets | <u><u>\$ 255,587</u></u> | <u><u>\$ 280,890</u></u> |
| Liabilities and stockholders' equity | | |
| Current liabilities: | | |
| Current portion of long-term debt | \$ 461 | \$ 446 |
| Accounts payable and other current liabilities | 44,536 | 44,952 |
| Deferred revenue | 83,117 | 104,125 |
| Total current liabilities | <u>128,114</u> | <u>149,523</u> |
| Long-term debt | 13,427 | 13,767 |
| Other liabilities | 4,817 | 4,914 |
| Stockholders' equity: | | |
| Common stock | 20 | 20 |
| Additional paid-in capital | 198,391 | 197,594 |
| Treasury stock | (12,539) | (15,170) |
| Accumulated deficit | (69,041) | (61,127) |
| Accumulated other comprehensive loss | (7,602) | (8,631) |
| Total stockholders' equity | <u>109,229</u> | <u>112,686</u> |
| Total liabilities and stockholders' equity | <u><u>\$ 255,587</u></u> | <u><u>\$ 280,890</u></u> |

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

| | Nine Months Ended | |
|--|--------------------------|--------------------------|
| | October 31, | |
| | 2017 | 2016 |
| Net cash provided by operating activities | <u>\$ 2,844</u> | <u>\$ 5,471</u> |
| Cash flows from investing activities: | | |
| Purchase of property and equipment | (2,587) | (2,166) |
| Capitalized software costs | <u>(809)</u> | <u>(109)</u> |
| Net cash used in investing activities | <u>(3,396)</u> | <u>(2,275)</u> |
| Cash flows from financing activities: | | |
| Repayments of debt | (333) | (326) |
| Tax payments related to stock awards | (3,243) | (1,726) |
| Cash dividends paid | <u>(4,021)</u> | <u>(3,970)</u> |
| Net cash used in financing activities | <u>(7,597)</u> | <u>(6,022)</u> |
| Effect of exchange rates on cash and equivalents | <u>3,094</u> | <u>784</u> |
| Net decrease in cash and equivalents | (5,055) | (2,042) |
| Cash and equivalents at beginning of period | <u>145,082</u> | <u>137,731</u> |
| Cash and equivalents at end of period | <u><u>\$ 140,027</u></u> | <u><u>\$ 135,689</u></u> |

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

| | Three Months Ended | | Nine Months Ended | |
|---|---------------------------|-----------------|--------------------------|-----------------|
| | October 31, | | October 31, | |
| | 2017 | 2016 | 2017 | 2016 |
| Total revenue | \$ 76,925 | \$ 69,534 | \$ 224,265 | \$ 204,709 |
| Net (loss) income | (161) | 1,533 | (3,893) | (291) |
| Add back: | | | | |
| Net interest income | (245) | (16) | (593) | (12) |
| Depreciation | 1,153 | 1,100 | 3,396 | 3,236 |
| Amortization | 274 | 425 | 997 | 1,287 |
| Income tax expense (benefit) | 1,249 | 1,155 | 2,701 | (493) |
| EBITDA | <u>\$ 2,270</u> | <u>\$ 4,197</u> | <u>\$ 2,608</u> | <u>\$ 3,727</u> |
| Add back: | | | | |
| Stock-based compensation expense | 2,311 | 1,820 | 6,671 | 5,521 |
| Change in fair value of interest rate swap | (106) | (243) | (103) | (31) |
| Adjusted EBITDA | <u>\$ 4,475</u> | <u>\$ 5,774</u> | <u>\$ 9,176</u> | <u>\$ 9,217</u> |
| Adjusted EBITDA margin | 6% | 8% | 4% | 5% |
| Non-GAAP pre-tax income reconciliation | | | | |
| Income (loss) before income taxes | \$ 1,088 | \$ 2,688 | \$ (1,192) | \$ (784) |
| Add back | | | | |
| Stock-based compensation expense | 2,311 | 1,820 | 6,671 | 5,521 |
| Amortization of purchased intangible assets | 165 | 345 | 732 | 1,035 |
| Change in fair value of interest rate swap | (106) | (243) | (103) | (31) |
| Non-GAAP income before income taxes | <u>\$ 3,458</u> | <u>\$ 4,610</u> | <u>\$ 6,108</u> | <u>\$ 5,741</u> |
| Cash taxes | \$ 1,244 | \$ 352 | \$ 2,741 | \$ 1,517 |