

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

	Three Months Ended		Twelve Months Ended	
	January 31,		January 31,	
	2015	2014	2015	2014
Revenue:				
License fees	\$ 16,686	\$ 14,593	\$ 40,917	\$ 36,176
Subscription fees	7,873	5,805	28,217	19,406
Maintenance and other	34,070	34,473	141,295	139,557
Professional services	20,933	18,659	84,672	71,172
Total revenue	<u>79,562</u>	<u>73,530</u>	<u>295,101</u>	<u>266,311</u>
Cost of revenue:				
License	1,746	1,807	5,016	4,978
Subscription	5,017	3,639	17,149	12,462
Maintenance and other	8,167	7,800	32,511	32,485
Professional services	18,979	17,453	76,954	67,081
Total cost of revenue	<u>33,909</u>	<u>30,699</u>	<u>131,630</u>	<u>117,006</u>
Gross profit	<u>45,653</u>	<u>42,831</u>	<u>163,471</u>	<u>149,305</u>
Operating expenses:				
Sales and marketing	19,466	18,920	69,785	66,009
Research and development	10,066	10,106	42,315	41,237
General and administrative	8,216	7,793	34,680	31,946
Amortization of intangibles from acquisitions	171	179	706	710
Total operating expenses	<u>37,919</u>	<u>36,998</u>	<u>147,486</u>	<u>139,902</u>
Operating income	<u>7,734</u>	<u>5,833</u>	<u>15,985</u>	<u>9,403</u>
Other (income) expense:				
Interest income	(73)	(59)	(242)	(284)
Interest expense	213	199	811	829
Other (income), net	(113)	(421)	(169)	(1,294)
Total other expense (income), net	<u>27</u>	<u>(281)</u>	<u>400</u>	<u>(749)</u>
Income before income taxes	<u>7,707</u>	<u>6,114</u>	<u>15,585</u>	<u>10,152</u>
Income tax expense	760	1,768	2,639	3,766
Net income	<u>\$ 6,947</u>	<u>\$ 4,346</u>	<u>\$ 12,946</u>	<u>\$ 6,386</u>
Diluted net income per share				
Class A	\$ 0.42	\$ 0.27	\$ 0.79	\$ 0.41
Class B	\$ 0.36	\$ 0.23	\$ 0.68	\$ 0.34
Diluted Weighted Shares				
Class A	13,790	13,224	13,553	12,985
Class B	3,271	3,249	3,271	3,238

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

	January 31, 2015	January 31, 2014
	<u> </u>	<u> </u>
Assets		
Current assets:		
Cash and equivalents	\$ 120,526	\$ 75,984
Accounts receivable, net	78,887	71,337
Deferred tax assets, net	9,313	8,133
Other current assets	14,799	14,980
Total current assets	<u>223,525</u>	<u>170,434</u>
Property and equipment, net	33,154	33,085
Capitalized software costs, net	2,485	3,315
Goodwill	10,911	11,377
Long-term deferred tax assets, net	9,680	11,788
Other assets, net	<u>3,614</u>	<u>4,814</u>
Total assets	<u><u>\$ 283,369</u></u>	<u><u>\$ 234,813</u></u>
Liabilities and stockholders' equity		
Current liabilities:		
Current portion of long-term debt	\$ 406	\$ 389
Accounts payable and other current liabilities	48,637	45,241
Deferred revenue	102,721	104,160
Total current liabilities	<u>151,764</u>	<u>149,790</u>
Long-term debt	14,680	15,085
Other liabilities	5,219	5,733
Stockholders' equity:		
Common stock	20	18
Additional paid-in capital	185,546	150,837
Treasury stock	(22,977)	(28,220)
Accumulated deficit	(43,465)	(51,472)
Accumulated other comprehensive loss	(7,418)	(6,958)
Total stockholders' equity	<u>111,706</u>	<u>64,205</u>
Total liabilities and stockholders' equity	<u><u>\$ 283,369</u></u>	<u><u>\$ 234,813</u></u>

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

	Twelve Months Ended	
	January 31,	
	2015	2014
Net cash provided by operating activities	\$ 23,697	\$ 24,140
Cash flows from investing activities:		
Purchase of property and equipment	(4,568)	(4,746)
Capitalized software costs	(311)	(366)
Net cash used in investing activities	(4,879)	(5,112)
Cash flows from financing activities:		
Repayments of debt	(388)	(372)
Tax payments, net of proceeds, related to stock awards	(2,557)	(1,286)
Excess tax benefits from share-based payment arrangements	266	72
Payment of contingent liability associated with acquisitions	(471)	-
Repurchase of stock	-	(686)
Proceeds from issuance of common stock, net of issuance costs	37,046	-
Dividends paid in cash	(4,452)	(5,304)
Net cash provided by (used in) financing activities	29,444	(7,576)
Effect of exchange rates on cash and equivalents	(3,720)	(477)
Net increase in cash and equivalents	44,542	10,975
Cash and equivalents at beginning of period	75,984	65,009
Cash and equivalents at end of period	\$ 120,526	\$ 75,984

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

	Three Months Ended		Twelve Months Ended	
	January 31,		January 31,	
	2015	2014	2015	2014
Total revenue	\$ 79,562	\$ 73,530	\$ 295,101	\$ 266,311
Net Income	6,947	4,346	12,946	6,386
Add back:				
Net interest expense	140	140	569	545
Depreciation	1,007	1,119	3,816	4,080
Amortization	468	491	1,935	1,979
Income taxes	760	1,768	2,639	3,766
EBITDA	<u>\$ 9,322</u>	<u>\$ 7,864</u>	<u>\$ 21,905</u>	<u>\$ 16,756</u>
Add back:				
Non-cash stock comp expense	1,199	966	4,993	4,680
Change in fair value of interest rate swap	556	(85)	877	(634)
Adjusted EBITDA	<u>\$ 11,077</u>	<u>\$ 8,745</u>	<u>\$ 27,775</u>	<u>\$ 20,802</u>
Adjusted EBITDA margin	14%	12%	9%	8%
 Non-GAAP net income reconciliation				
Net income	\$ 6,947	\$ 4,346	\$ 12,946	\$ 6,386
Add back:				
Non-cash stock-based compensation	1,199	966	4,993	4,680
Amortization of purchased intangible assets	363	377	1,493	1,505
Change in fair value of interest rate swap	556	(85)	877	(634)
Income tax adjustments	(344)	(84)	(459)	330
Non-GAAP net income	<u>\$ 8,721</u>	<u>\$ 5,520</u>	<u>\$ 19,850</u>	<u>\$ 12,267</u>
 Non-GAAP earnings per diluted Class A share reconciliation				
Earnings per diluted Class A share	\$ 0.42	\$ 0.27	\$ 0.79	\$ 0.41
Add back:				
Non-cash stock-based compensation	0.07	0.06	0.31	0.30
Amortization of purchased intangible assets	0.02	0.02	0.09	0.09
Change in fair value of interest rate swap	0.03	(0.00)	0.05	(0.04)
Income tax adjustments	(0.02)	(0.00)	(0.03)	0.02
Non-GAAP earnings per diluted Class A share	<u>\$ 0.52</u>	<u>\$ 0.35</u>	<u>\$ 1.21</u>	<u>\$ 0.78</u>
Shares used in computing earnings per diluted Class A share	13,790	13,224	13,553	12,985
 Non-GAAP earnings per diluted Class B share reconciliation				
Earnings per diluted Class B share	\$ 0.36	\$ 0.23	\$ 0.68	\$ 0.34
Add back:				
Non-cash stock-based compensation	0.07	0.05	0.26	0.25
Amortization of purchased intangible assets	0.02	0.02	0.08	0.08
Change in fair value of interest rate swap	0.03	(0.00)	0.04	(0.03)
Income tax adjustments	(0.02)	(0.00)	(0.02)	0.02
Non-GAAP earnings per diluted Class B share	<u>\$ 0.46</u>	<u>\$ 0.30</u>	<u>\$ 1.04</u>	<u>\$ 0.66</u>
Shares used in computing earnings per diluted Class B share	3,271	3,249	3,271	3,238