

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of report (Date of earliest event reported) **November 22, 2016**

QAD Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation)

0-22823
(Commission
File Number)

77-0105228
(IRS Employer Identification Number)

100 Innovation Place, Santa Barbara, California
(Address of principal executive offices)

93108
(Zip code)

Registrant's telephone number, including area code **(805) 566-6000**

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- ☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - ☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - ☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - ☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 2.02 Results of Operations and Financial Condition.

On November 22, 2016, QAD Inc. is issuing a press release and holding a conference call regarding its financial results for the quarter ended October 31, 2016. A copy of this press release is furnished with this Form 8-K as Exhibit 99.1 and is incorporated herein by reference.

The information in this Report, including the Exhibit 99.1, is furnished pursuant to Item 2.02 of this Form 8-K and shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934 (the “Exchange Act”) or otherwise subject to the liability of that section, nor shall it be deemed incorporated by reference in any filing under the Exchange Act or the Securities Act of 1933, unless expressly set forth by specific reference in such filing.

Item 9.01 Financial Statements and Exhibits.

d) Exhibits.

| Exhibit No. | Description |
|-------------|---|
| 99.1 | Press Release, dated as of November 22, 2016, entitled “QAD Reports Fiscal 2017 Third Quarter and Year-to-Date Financial Results” |

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

QAD Inc.

Date: November 22, 2016

By: /s/ Daniel Lender
Daniel Lender
Chief Financial Officer



FOR IMMEDIATE RELEASE

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QAD Reports Fiscal 2017 Third Quarter and Year-to-Date Financial Results

– Continued Strong Subscription Revenue Growth of 42 Percent –

SANTA BARBARA, Calif. – November 22, 2016 – QAD Inc. (NASDAQ: QADA) (NASDAQ: QADB), a leading provider of enterprise business software and services designed for global manufacturing companies, today reported financial results for the fiscal 2017 third quarter and first nine months ended October 31, 2016.

Total revenue for the fiscal 2017 third quarter grew to \$69.5 million, compared with \$68.0 million for the fiscal 2016 third quarter. Currency had a negative impact on total revenue of \$550,000. QAD's revenue mix continues to shift from license to subscription as the company's business model accelerates toward cloud-based revenue. Subscription revenue, which now comprises 20 percent of total revenue, increased 42 percent. Recurring revenue rose to 67 percent of total revenue for the fiscal 2017 third quarter, versus 62 percent for last year's third quarter.

Additional fiscal 2017 third quarter financial results, compared with the prior-year period, include:

- Subscription revenue of \$13.7 million, versus \$9.7 million. Currency had a \$118,000 negative impact.
- License revenue of \$4.3 million, compared with \$6.4 million. Currency had a \$33,000 positive impact.
- Professional services revenue of \$19.0 million, versus \$18.6 million. Currency had a \$181,000 negative impact.
- Maintenance and other revenue of \$32.6 million, compared with \$33.4 million. Currency had a \$284,000 negative impact.
- Gross profit of \$36.5 million, or 52 percent of total revenue, compared with \$37.0 million, or 54 percent of total revenue. Subscription gross margin grew to 48 percent, compared with 47 percent.
- GAAP net income of \$1.5 million, or \$0.08 per diluted Class A share and \$0.07 per diluted B share, compared with \$2.6 million, or \$0.14 per diluted Class A share and \$0.12 per diluted Class B share.
- Non-GAAP net income (defined as GAAP net income before stock-based compensation expense, amortization of purchased intangible assets, the change in fair value of an interest rate swap and certain income tax adjustments) of \$3.0 million, or \$0.15 per diluted Class A share and \$0.13 per diluted Class B share, compared with \$4.4 million, or \$0.24 per diluted Class A share and \$0.20 per diluted Class B share.

"QAD's cloud revenue grew substantially again this quarter, as we benefited from the addition of new cloud customers and growth in our existing customer base, as well as engagements that began earlier in the year," said Karl Lopker, Chief Executive Officer. "As we anticipated, the increase in cloud activity has driven higher demand for professional services, further enhancing margins and improving financial performance."

Total operating expenses were \$34.2 million, or 49 percent of total revenue, for the fiscal 2017 third quarter, compared with \$33.6 million, or 49 percent of total revenue, for the same quarter last year.

Operating income for the third quarter of fiscal 2017 was \$2.3 million, which included \$1.8 million in stock compensation expense. Operating income for the third quarter of fiscal 2016 was \$3.5 million, which included \$1.9 million in stock compensation expense.

For the first nine months of fiscal 2017, total revenue was \$204.7 million, versus \$208.6 million for the first nine months of fiscal 2016. GAAP net loss was \$291,000, or a loss of \$0.02 per Class A share and \$0.01 per Class B share, for the fiscal 2017 year-to-date period, versus GAAP net income of \$4.8 million, or \$0.25 per diluted Class A share and \$0.21 per diluted Class B share, for the similar period last year. Non-GAAP net income was \$4.6 million, or \$0.24 per diluted Class A share and \$0.22 per diluted Class B share, compared with \$9.6 million, or \$0.51 per diluted Class A share and \$0.43 per diluted Class B share, for the nine months ended October 31, 2015.

QAD's cash and equivalents balance was \$135.7 million at October 31, 2016, compared with \$137.7 million at January 31, 2016. Cash provided by operations was \$5.5 million for the first nine months of fiscal 2017, versus \$10.2 million for the first nine months of fiscal 2016, the decrease mainly a result of the company's transition to subscription revenue.

Fiscal 2017 Third Quarter Operational Highlights:

- Received orders from 19 customers representing more than \$500,000 each in combined license, subscription, maintenance and professional services billings, including 5 orders in excess of \$1.0 million;
- Received license or cloud orders from companies across QAD's six vertical markets, including: A.O. Smith Corporation, Crane Company, Endologix, Inc., Federal-Mogul Corp., Grupo Detcel, Invacare Corporation, Johnson Controls, Inc., Kamstrup A/S, KYB Corporation, Lush Manufacturing, Ltd., M.M. Ispahani Limited, Mitek Industries Inc., Nippon Seiki Co., Ltd., NN, Inc., Oxitec Ltd., Polartec, LLC, PPG Industries, Inc., Rexel Group, Tsubakimoto Chain; and TVH Group NV; and
- Announced the availability of the next phase of the company's Channel Islands initiative and key enhancements to several of its solutions to further improve the customer user experience and provide customers with real-time, actionable insights that can be used to optimize business outcomes.

Business Outlook

For fiscal 2017, QAD expects:

- Total revenue of \$277 to \$279 million, including \$51 to \$53 million of subscription revenue.
 - GAAP earnings per share of approximately \$0.04 to \$0.08 per diluted Class A share and \$0.03 to \$0.07 per diluted Class B share.
 - Non-GAAP earnings per share of approximately \$0.38 to \$0.42 per diluted Class A share and \$0.31 to \$0.35 per diluted Class B share.
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The following is a per share reconciliation of GAAP diluted earnings per share to non-GAAP diluted earnings per share guidance for fiscal 2017 (in thousands except per share data):

| | Fiscal 2017 |
|--|-------------------------|
| GAAP earnings per diluted Class A share - Range | \$ 0.04 - \$0.08 |
| Add back: | |
| Non-cash stock-based compensation | 0.38 |
| Amortization of purchased intangible assets | 0.07 |
| Change in fair value of interest rate swap | 0.00 |
| Income tax adjustments | (0.11) |
| Non-GAAP earnings per diluted Class A share - Range | <u>\$ 0.38 - \$0.42</u> |
| Shares used in computing Non-GAAP earnings per diluted Class A share | 16,492 |
| GAAP earnings per diluted Class B share - Range | \$ 0.03 - \$0.07 |
| Add back: | |
| Non-cash stock-based compensation | 0.32 |
| Amortization of purchased intangible assets | 0.06 |
| Change in fair value of interest rate swap | 0.00 |
| Income tax adjustments | (0.10) |
| Non-GAAP earnings per diluted Class B share - Range | <u>\$ 0.31 - \$0.35</u> |
| Shares used in computing Non-GAAP earnings per diluted Class B share | 3,290 |

Calculation of Earnings Per Share

EPS is reported based on the company's dual-class share structure, and includes a calculation for both Class A and Class B shares. Since Class A shares have rights to 120% of dividends paid on Class B shares, net income is apportioned so that earnings per share attributable to a Class A share are 120% of earnings per share attributable to a Class B share.

Fiscal 2017 Third Quarter Conference Call

When: Tuesday, November 22, 2016
Time: 2:00 p.m. PT (5:00 p.m. ET)
Phone: 800-230-1059 (domestic); 612-234-9960 (international)
Replay: Accessible through midnight November 30, 2016
800-475-6701 (domestic); 320-365-3844 (international); passcode 401080
Webcast: Accessible at www.qad.com; archive available for approximately one year

Note about Non-GAAP Financial Measures

QAD has disclosed non-GAAP adjusted EBITDA, non-GAAP adjusted EBITDA margins, non-GAAP net income and non-GAAP earnings per diluted share in this press release for the third quarter and first nine months of fiscal 2017. These are non-GAAP financial measures as defined by SEC Regulation G. QAD defines the non-GAAP measures as follows:

- Non-GAAP adjusted EBITDA - EBITDA is GAAP net income before net interest expense, income tax expense, depreciation and amortization. Non-GAAP adjusted EBITDA is EBITDA less stock-based compensation expense and the change in the fair value of the interest rate swap.
- Non-GAAP adjusted EBITDA margins - Calculated by dividing non-GAAP adjusted EBITDA by total revenue.
- Non-GAAP net income - GAAP net income before stock-based compensation expense, amortization of purchased intangible assets, the change in fair value of the interest rate swap and certain income tax adjustments.
- Non-GAAP earnings per diluted share - Non-GAAP net income allocated to Class A and Class B shares divided by the weighted average diluted shares outstanding of each class.

QAD's management uses non-GAAP measures internally to evaluate the business and believes that presenting non-GAAP measures provides useful information to investors regarding the company's underlying business trends and performance of the company's ongoing operations as well as useful metrics for monitoring the company's performance and evaluating it against industry peers. The non-GAAP financial measures presented should be used in addition to, and in conjunction with, results presented in accordance with GAAP, and should not be relied upon to the exclusion of GAAP financial measures. Management strongly encourages investors to review the company's consolidated financial statements in their entirety and to not rely on any single financial measure in evaluating the company. A table providing a reconciliation of the non-GAAP measures to their most comparable GAAP measures is included at the end of this press release.

QAD non-GAAP measures reflect adjustments based on the following items:

EBITDA: The company reports EBITDA as a non-GAAP metric by excluding the effect of net interest expense, income tax expense, depreciation and amortization from net income because doing so makes internal comparisons to the company's historical operating results more consistent. In addition, the company believes providing an EBITDA calculation is a more useful comparison of its operating results to the operating results of its peers.

Stock-based compensation expense: The company has excluded the effect of stock-based compensation expense from its non-GAAP adjusted EBITDA, non-GAAP net income and non-GAAP earnings per diluted share calculations. Although stock-based compensation expense is calculated in accordance with current GAAP and constitutes an ongoing and recurring expense, such expense is excluded from non-GAAP results because it is not an expense which generally requires cash settlement by QAD, and therefore is not used by the company to assess the profitability of its operations. The company also believes the exclusion of stock-based compensation expense provides a more useful comparison of its operating results to the operating results of its peers.

Amortization of purchased intangible assets: The company amortizes purchased intangible assets in connection with its acquisitions. QAD has excluded the effect of amortization of purchased intangible assets, which include purchased technology, customer relationships, trade names and other intangible assets, from its non-GAAP net income and non-GAAP earnings per diluted share calculations, because doing so makes internal comparisons to the company's historical operating results more consistent. In addition, the company believes excluding amortization of purchased intangible assets provides a more useful comparison of its operating results to the operating results of its peers.

Change in fair value of the interest rate swap: The company entered into an interest rate swap to mitigate its exposure to the variability of one-month LIBOR for its floating rate debt related to the mortgage of its headquarters. QAD has excluded the gain/loss adjustments to record the interest rate swap at fair value from its non-GAAP adjusted EBITDA, non-GAAP net income and non-GAAP earnings per diluted share calculations. The company believes that these fluctuations are not indicative of its operational costs or meaningful in evaluating comparative period results because the company currently has no intention of exiting the debt agreement early; and therefore over the life of the debt the sum of the fair value adjustments will be \$0.

Income tax adjustments: Beginning in fiscal 2016, the company began to compute and utilize a fixed long-term projected non-GAAP tax rate in order to provide better consistency across the interim reporting periods by eliminating the effects of non-recurring and period-specific items such as changes in the tax valuation allowance and tax effects of acquisition-related costs, since each of these can vary in size and frequency. When projecting the long-term rate the company evaluated four years of historical and expected results excluding the impact of the following non-cash items: stock-based compensation expense, amortization of purchased intangibles and the change in fair value of the interest rate swap. The projected rate assumes no new acquisitions and takes into account other factors including the current tax structure, existing tax positions in various jurisdictions and key legislation in major jurisdictions where the company operates. The long-term non-GAAP tax rate is 25%. The company intends to re-evaluate this long-term rate on an annual basis or if any significant events that may materially affect this long-term rate occur. This long-term rate could be subject to change for a variety of reasons, for example, significant changes in the geographic earnings mix, acquisition activity or fundamental tax law changes in major jurisdictions where the company operates.

About QAD – The Effective Enterprise

QAD Inc. (Nasdaq:QADA) (Nasdaq:QADB) is a leading provider of enterprise software and services designed for global manufacturing companies. For more than 35 years, QAD has provided global manufacturing companies with QAD Enterprise Applications, an enterprise resource planning (ERP) system that supports operational requirements, including financials, manufacturing, demand and supply chain planning, customer management, business intelligence and business process management. QAD Enterprise Applications is offered in flexible deployment models in the cloud, on-premise or in a blended environment. With QAD, customers and partners in the automotive, consumer products, food and beverage, high technology, industrial products and life sciences industries can better align daily operations with their strategic goals to meet their vision of becoming more Effective Enterprises.

For more information about QAD, call +1 805-566-6000, visit www.qad.com.

“QAD” is a registered trademark of QAD Inc. All other products or company names herein may be trademarks of their respective owners.

Note to Investors: This press release contains certain forward-looking statements made under the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995, including, but not limited to, statements regarding projections of revenue, income and loss, capital expenditures, plans and objectives of management regarding the Company's business, future economic performance or any of the assumptions underlying or relating to any of the foregoing. Forward-looking statements are based on the company's current expectations. Words such as "expects," "believes," "anticipates," "could," "will likely result," "estimates," "intends," "may," "projects," "should," "would," "might," "plan" and variations of these words and similar expressions are intended to identify these forward-looking statements. A number of risks and uncertainties could cause actual results to differ materially from those in the forward-looking statements. These risks include, but are not limited to: risks associated with our cloud service offerings, such as defects and disruptions in our services, our ability to properly manage our cloud service offerings, our reliance on third-party hosting and other service providers, and our exposure to liability and loss from security breaches; demand for the company's products, including cloud service, licenses, services and maintenance; pressure to make concessions on our pricing and changes in our pricing models; protection of our intellectual property; dependence on third-party suppliers and other third-party relationships, such as sales, services and marketing channels; changes in our revenue, earnings, operating expenses and margins; the reliability of our financial forecasts and estimates of the costs and benefits of transactions; the ability to leverage changes in technology; defects in our software products and services; third party opinions about the company; competition in our industry; the ability to recruit and retain key personnel; delays in sales; timely and effective integration of newly acquired businesses; economic conditions in our vertical markets and worldwide; exchange rate fluctuations; and the global political environment. For a more detailed description of the risk factors associated with the company and factors that may affect our forward-looking statements, please refer to the company's latest Annual Report on Form 10-K and, in particular, the section entitled "Risk Factors" therein, and in other periodic reports the company files with the Securities and Exchange Commission thereafter. Management does not undertake to update these forward-looking statements except as required by law.

-- Financial Tables Follow --

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

| | Three Months Ended | | Nine Months Ended | |
|---|---------------------------|-------------|--------------------------|-------------|
| | October 31, | | 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 | 69,534 | 68,037 | 204,709 | 208,593 |
| 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 | 33,057 | 31,005 | 97,999 | 95,731 |
| Gross profit | 36,477 | 37,032 | 106,710 | 112,862 |
| 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 | 34,218 | 33,565 | 107,482 | 106,312 |
| Operating (loss) income | 2,259 | 3,467 | (772) | 6,550 |
| 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 | (429) | 152 | 12 | (151) |
| Income (loss) before income taxes | 2,688 | 3,315 | (784) | 6,701 |
| Income tax (benefit) expense | 1,155 | 729 | (493) | 1,935 |
| Net income (loss) | \$ 1,533 | \$ 2,586 | \$ (291) | \$ 4,766 |
| 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, 2016 | January 31, 2016 |
|--|---------------------|---------------------|
| 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 | 200,603 | 227,470 |
| 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 | 2,135 | 2,679 |
| Total assets | <u>\$ 258,082</u> | <u>\$ 287,341</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 | 111,675 | 140,679 |
| 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 | 127,880 | 128,006 |
| Total liabilities and stockholders' equity | <u>\$ 258,082</u> | <u>\$ 287,341</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 |