
**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): May 27, 2010

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 No.)

**100 Innovation Place,
Santa Barbara, California**

(Address of principal executive offices)

93108

(Zip Code)

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

Not Applicable

(Former name or former address, if changed since last report.)

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:

- ☐ 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.

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.

On May 27, 2010, QAD Inc. issued a press release announcing fiscal 2011 first quarter financial results and guidance for its fiscal 2011 second quarter. A copy of this press release is furnished with this Form 8-K as Exhibit 99.1 and is incorporated herein by reference.

Item 9.01 Financial Statements and Exhibits.

d) Exhibits.

| <u>Exhibit No.</u> | <u>Description</u> |
|--------------------|--------------------|
|--------------------|--------------------|

| | |
|------|---|
| 99.1 | Press Release, dated as of May 27, 2010, entitled “QAD Announces Fiscal 2011 First Quarter 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.
(Registrant)

Date: May 27, 2010

By /s/ Daniel Lender
Daniel Lender
Chief Financial Officer
(on behalf of the Registrant and as Principal
Financial Officer)

FOR IMMEDIATE RELEASE

For More Information, Contact:

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QAD ANNOUNCES FISCAL 2011 FIRST QUARTER FINANCIAL RESULTS

SANTA BARBARA, Calif. — May 27, 2010 — QAD Inc. (Nasdaq: QADI), a global provider of enterprise software and services, today reported financial results for the fiscal 2011 first quarter ended April 30, 2010.

Total revenue was \$50.8 million for the first quarter of fiscal 2011, versus \$55.0 million for the first quarter of fiscal 2010. License revenue totaled \$6.4 million, compared with \$6.3 million for the fiscal 2010 first quarter. Maintenance and other revenue was \$32.1 million, versus \$32.8 million for the first quarter of fiscal 2010. Services revenue was \$12.3 million, compared with \$15.9 million for last fiscal year's first quarter.

Net loss for the fiscal 2011 first quarter was \$1.2 million, or \$0.04 per share, compared with net loss of \$2.7 million, or \$0.09 per share, for the fiscal 2010 first quarter.

“Although our first quarter revenues and earnings were below our expectations, QAD On Demand is making steady progress as customers increasingly recognize the flexibility and benefits of cloud computing by deploying our On Demand solutions,” said Karl Lopker, chief executive officer of QAD. “We also generated solid cash flow from operations and ended the first quarter with a very healthy balance sheet. Our global manufacturing customers are beginning to report increased business activity and confidence in market conditions, which we believe will position QAD well in the coming quarters.”

Gross margin for the first quarter of fiscal 2011 was 55 percent, compared with 53 percent for the first quarter of fiscal 2010, mainly reflecting changes in the company's revenue mix.

Total operating expenses were \$30.3 million, or 59 percent of total revenue, for the fiscal 2011 first quarter, versus \$31.8 million, or 57 percent of total revenue, for the first quarter of fiscal 2010.

QAD Inc.
2-2-2

Operating loss for the fiscal 2011 first quarter was \$2.1 million, including \$1.5 million in stock compensation expense. This compares with an operating loss of \$2.5 million, including \$1.2 million in stock compensation expense, for the first quarter of the prior fiscal year.

Cash flow provided by operations was \$13.2 million for the first quarter of fiscal 2011, versus \$7.3 million for the first quarter of fiscal 2010.

QAD's cash and equivalents balance at April 30, 2010 was \$56.9 million, compared with \$44.7 million at January 31, 2010.

Recent Highlights:

- Received orders from 14 customers representing more than \$500,000 each in combined license, support and services billings, including two orders in excess of \$1.0 million;
- Received license orders from companies across QAD's six vertical markets including, among others: Actavis North America, AEP Industries, Capital Safety Group, Diasorin S.p.A., Imperial Tobacco Group, Kamstrup A/S, NHK Spring (Thailand) Co., LTD., PFD Food Services Pty Ltd., and Rockwell Automation;
- Made important progress in QAD On Demand business, including the addition of several new customers; and,
- Launching QAD Enterprise Applications 2010, the latest edition of the company's core enterprise application suite, with a customer webcast on June 2 at www.qad.com/erp/webinars/.

Business Outlook

For the second quarter of fiscal 2011 ending July 31, 2010, QAD currently expects revenue of approximately \$52 million and earnings per share of approximately breakeven.

Investor Conference Call

QAD management will host an investor conference call today at 2:00 p.m. PT (5:00 p.m. ET) to review the company's financial results and operations for the fiscal 2011 first quarter. The conference call will be webcast live, and is accessible through the investor relations section of QAD's Web site at www.qad.com, where it will be available for approximately one year. Interested parties may participate in the call by dialing 800-230-1059. A replay of the call will be accessible through June 4 by dialing 800- 475-6701, access code 148739.

About QAD

QAD is a leading provider of enterprise applications for global manufacturing companies specializing in automotive, consumer products, electronics, food and beverage, industrial and life science products. QAD applications provide critical functionality for managing manufacturing resources and operations within and beyond the enterprise, enabling global manufacturers to collaborate with their customers, suppliers and partners to make and deliver the right product, at the right cost and at the right time. For more information about QAD, telephone +1 805-566-6000, or visit the QAD web site at 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. 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, evolving demand for the company’s software products and products that operate with the company’s products; the company’s ability to sustain license and service demand; the company’s ability to leverage changes in technology; the company’s ability to sustain customer renewal rates at current levels; the publication of opinions by industry and financial analysts about the company, its products and technology; the reliability of estimates of transaction and integration costs and benefits; the entry of new competitors or new offerings by existing competitors and the associated announcement of new products and technological advances by them; delays in localizing the company’s products for new or existing markets; the ability to recruit and retain key personnel; delays in sales as a result of lengthy sales cycles; changes in operating expenses, pricing, timing of new product releases, the method of product distribution or product mix; timely and effective integration of newly acquired businesses; general economic conditions; exchange rate fluctuations; and, the global political environment. In addition, revenue and earnings in the enterprise resource planning (ERP) software industry are subject to fluctuations. Software license revenue, in particular, is subject to variability with a significant proportion of revenue earned in the last month of each quarter. Given the high margins associated with license revenue, modest fluctuations can have a substantial impact on net income. Investors should not use any one quarter’s results as a benchmark for future performance. For a more detailed description of the risk factors associated with the company and the industries in which it operates, please refer to the company’s Annual Report on Form 10-K for fiscal 2010 ended January 31, 2010.

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

| | Three Months Ended | |
|--|---------------------------|-------------|
| | April 30, | |
| | 2010 | 2009 |
| Revenue: | | |
| License fees | \$ 6,446 | \$ 6,251 |
| Maintenance and other | 32,052 | 32,817 |
| Services | 12,343 | 15,930 |
| Total revenue | 50,841 | 54,998 |
| Cost of revenue: | | |
| Cost of license fees | 1,544 | 1,769 |
| Cost of maintenance, service and other revenue | 21,108 | 24,003 |
| Total cost of revenue | 22,652 | 25,772 |
| Gross profit | 28,189 | 29,226 |
| Operating expenses: | | |
| Sales and marketing | 13,506 | 13,889 |
| Research and development | 9,327 | 10,326 |
| General and administrative | 7,427 | 7,380 |
| Amortization of intangibles from acquisitions | 14 | 173 |
| Total operating expenses | 30,274 | 31,768 |
| Operating loss | (2,085) | (2,542) |
| Other (income) expense: | | |
| Interest income | (133) | (161) |
| Interest expense | 298 | 303 |
| Other (income) expense, net | (23) | 249 |
| Total other (income) expense | 142 | 391 |
| Loss before income taxes | (2,227) | (2,933) |
| Income tax benefit | (1,007) | (268) |
| Net loss | \$ (1,220) | \$ (2,665) |
| Basic net loss per share | \$ (0.04) | \$ (0.09) |
| Diluted net loss per share | \$ (0.04) | \$ (0.09) |
| Basic weighted shares | 31,362 | 30,753 |
| Diluted weighted shares | 31,362 | 30,753 |

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

| | April 30, 2010 | January 31, 2010 |
|--|-------------------|---------------------|
| Assets | | |
| Current assets: | | |
| Cash and equivalents | \$ 56,865 | \$ 44,678 |
| Accounts receivable, net | 40,017 | 61,089 |
| Deferred tax assets, net | 3,550 | 3,548 |
| Other current assets | 14,184 | 13,680 |
| Total current assets | 114,616 | 122,995 |
| Property and equipment, net | 36,122 | 37,219 |
| Capitalized software costs, net | 1,788 | 2,446 |
| Goodwill | 6,420 | 6,348 |
| Long-term deferred tax assets, net | 19,890 | 19,411 |
| Other assets, net | 2,705 | 2,755 |
| Total assets | <u>\$ 181,541</u> | <u>\$ 191,174</u> |
| Liabilities and stockholders' equity | | |
| Current liabilities: | | |
| Current portion of long-term debt | \$ 289 | \$ 285 |
| Accounts payable and other current liabilities | 27,978 | 32,787 |
| Deferred revenue | 81,276 | 85,745 |
| Total current liabilities | 109,543 | 118,817 |
| Long-term debt | 16,367 | 16,443 |
| Other liabilities | 5,655 | 6,363 |
| Stockholders' equity: | | |
| Common stock | 35 | 35 |
| Additional paid-in capital | 144,540 | 143,121 |
| Treasury stock | (31,828) | (32,275) |
| Accumulated deficit | (54,691) | (52,480) |
| Accumulated other comprehensive loss | (8,080) | (8,850) |
| Total stockholders' equity | 49,976 | 49,551 |
| Total liabilities and stockholders' equity | <u>\$ 181,541</u> | <u>\$ 191,174</u> |

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

| | Three Months Ended | |
|--|---------------------------|------------------|
| | Apr 30, | |
| | 2010 | 2009 |
| Net cash provided by operating activities | \$ 13,165 | \$ 7,332 |
| Cash flows from investing activities: | | |
| Purchase of property and equipment | (345) | (322) |
| Capitalized software costs | (58) | (111) |
| Acquisitions of businesses, net of cash acquired | — | (12) |
| Proceeds from sale of property and equipment | 2 | 20 |
| Net cash used in investing activities | (401) | (425) |
| Cash flows from financing activities: | | |
| Repayments of debt | (72) | (69) |
| Net proceeds from issuance of common stock | 14 | — |
| Changes in book overdraft | — | (1,512) |
| Dividends paid | (606) | (769) |
| Net cash used in financing activities | (664) | (2,350) |
| Effect of exchange rates on cash and equivalents | 87 | 584 |
| Net increase in cash and equivalents | 12,187 | 5,141 |
| Cash and equivalents at beginning of period | 44,678 | 31,467 |
| Cash and equivalents at end of period | <u>\$ 56,865</u> | <u>\$ 36,608</u> |