

QAD reports revenue, earnings growth for fiscal 2003 fourth quarter

QAD Inc. (NASDAQ:QADI) today reported operating results for the fiscal 2003 fourth quarter and year ended January 31, 2003.

For the fiscal 2003 fourth quarter, revenue increased 18 percent to \$57.1 million, from \$48.5 million in the fiscal 2003 third quarter and increased 6 percent from \$53.8 million in the same period last year. The TRW ISCS acquisition completed in November 2002 accounted for \$4.2 million of this revenue. License revenue in the fiscal fourth quarter was \$18.8 million, including \$300,000 contributed by the TRW ISCS acquisition. This represents 34 percent growth when compared with \$14.0 million in the preceding fiscal third quarter and a 4 percent decline when compared with \$19.6 million in the year ago quarter.

We are steadfastly committed to providing our global manufacturing customers with enterprise applications that are focused on the unique needs of their vertical industries, said Karl Lopker, chief executive officer of QAD. The market is beginning to realize the benefits of this focus, including faster implementations, a lower total cost of ownership and a higher return on investment than many of our competitors who aim to serve many markets with one application.

Net income for the fiscal 2003 fourth quarter was \$1.7 million, or \$0.05 per diluted share, and included a net loss of \$1.0 million, or \$0.03 per diluted share, related to the acquired TRW ISCS business. Net income also included a restructuring charge of \$2.1 million, or \$0.06 loss per diluted share, comprised of costs related to personnel reductions and the adjustment of previous facility consolidation estimates. Net income for the fourth quarter of fiscal 2002 was \$993,000, or \$0.03 per diluted share.

Pro forma net income for the fiscal 2003 fourth quarter was \$4.1 million, or \$0.12 per diluted share, equal to pro forma net income of \$4.1 million, or \$0.12 per diluted share, in the same period last year. QAD reports net income and earnings per diluted share both in accordance with GAAP and on a pro forma basis. QAD uses pro forma reporting to evaluate its operating performance and believes this presentation will provide investors with additional insight into its operating results. Pro forma reporting excludes the amortization of intangibles from acquisitions, restructuring charges, goodwill impairment loss and the cumulative effect of an accounting change related to goodwill. A reconciliation of the pro forma adjustments to GAAP appears in the financial statements of this news announcement.

Gross margin for the fiscal 2003 fourth quarter remained steady at 62 percent when compared with the prior year fourth quarter. Although the increased mix of services business associated with the TRW ISCS acquisition applied downward pressure on the gross margin percentage, this impact was offset by a one-time benefit from the reduction of a prior royalty accrual. Operating expenses for the fiscal 2003 fourth quarter were up 3 percent over the fourth quarter of last year, primarily due to the TRW ISCS acquisition.

QAD's strong results this quarter underscore our ability to drive sales and control expenses in line with our plan to sustain profitability, Lopker said. Both existing and new customers worldwide rely on QAD to help solve their most pressing business issues, and many are extending their QAD implementations to more sites around the world.

For the full fiscal year ended January 31, 2003, revenue was \$195.2 million, compared with \$205.8 million in fiscal 2002. License revenue was \$56.0 million for the 2003 fiscal year, compared with \$62.8 million last year. Excluding the impact of the TRW ISCS acquisition, full year fiscal 2003 total revenue was \$191.0 million and license revenue was \$55.7 million.

The company reported a net loss of \$7.6 million for the 2003 fiscal year, equal to \$0.22 per diluted share, compared with a net loss of \$5.3 million, or \$0.16 per diluted share, in fiscal 2002. As noted above, the fiscal 2003 results include a net loss of \$1.0 million, or \$0.03 per diluted share, related to the TRW ISCS acquisition. On a pro forma basis, the company broke even at the net income line for fiscal 2003, compared with pro forma net income of \$384,000, or \$0.01 per diluted share, for the 2002 fiscal year.

QAD's balance sheet at January 31, 2003 remained strong, with \$51.2 million in cash and equivalents. For the fiscal 2003 fourth quarter, cash flow provided by operations was approximately \$9 million.

Recent Highlights

During the fourth quarter, QAD received orders from 21 customers representing more than \$500,000 each in combined license, support and services billings, with 5 of these sales orders exceeding \$1 million.

Customer license transactions during the quarter included sales to Akzo Nobel, ArvinMeritor, Delphi, Dura Automotive Systems, Eaton, Enodis, Faurecia, Flexsys, Freudenberg & Co., GlaxoSmithKline, Metso, R. Twining & Co., Rockwell, Smiths Group PLC, TRW, Tsubaki Nakashima Co., and Tyco.

During the fourth quarter QAD expanded its strategic alliance with IBM to standardize the QAD eQ suite of intelligent order management applications on IBMs middleware platforms.

In fiscal 2003, QAD introduced the next-generation version of its flagship enterprise application suite, MFG/PRO eB2. Launched in September, the suite has been the companys most successful release to date, with nearly 200 shipments to customer sites as of the end of the fiscal year.

Business Outlook

For the fiscal 2004 first quarter, the company expects revenues to range between \$50 million and \$53 million. Gross margin should range from 58 percent to 60 percent, and operating expenses should be slightly below the fourth quarter of fiscal 2003. Depending on the level and mix of revenue, these factors should generate a small loss to a small profit compared with a \$4.6 million loss, or \$0.14 per diluted share, before cumulative effect of accounting change related to goodwill as reported in the first fiscal quarter of 2003.

For the 2004 fiscal year, QAD expects to post revenues in the range of \$210 million to \$220 million, translating to earnings of between \$0.10 to \$0.30 per diluted share.

About QAD

QAD delivers value through collaborative commerce for manufacturers, empowering enterprises to integrate diverse business processes and increase profitability. By enabling global manufacturers to efficiently manage resources within and beyond the enterprise, QAD solutions can improve customer delivery performance and reduce inventory costs. Manufacturers of automotive, consumer products, electronics, food and beverage, industrial and medical products use QAD applications at approximately 5,200 licensed sites in more than 80 countries and in as many as 26 languages. For more information about QAD, telephone +1 805 684 6614, or visit the QAD Web site at: www.qad.com. To receive any of QAD's press releases via facsimile, contact +1 800 356 0747, or outside the U.S. contact +1 213 253 5647.

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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 companys products; the publication of opinions by industry analysts about the company, its products and technology; the reliability of estimates of transaction and integration costs and benefits; difficulties relating to integration of a new business; the entry of new competitors and their technological advances, delays in localizing the company's products for new markets; 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; and general economic factors. In addition, revenue and earnings in the enterprise resource planning (ERP), e-business and collaborative commerce software industries are subject to fluctuations. Investors should not use any one quarters results as a benchmark for future growth. 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 the fiscal year ended January 31, 2002.