

CVENT INC
Form 10-Q
November 02, 2016
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2016

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number: 001-36043

Cvent, Inc.
(Exact name of registrant as specified in its charter)

Delaware 54-1954458
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification Number)
1765 Greensboro Station Place, 7th Floor 22102
Tysons Corner, VA
(Address of principal executive offices) (Zip Code)
(703) 226-3500
(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

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Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: As of October 31, 2016, there were 42,518,471 shares of the registrant's common stock outstanding.

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CVENT, INC.

QUARTERLY REPORT ON FORM 10-Q

FOR THE QUARTER ENDED SEPTEMBER 30, 2016

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CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS

This Quarterly Report on Form 10-Q, including the sections entitled “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Quantitative and Qualitative Disclosure About Market Risk” under Items 2 and 3, respectively, of Part I of this report, and the sections entitled “Legal Proceedings,” “Risk Factors,” and “Unregistered Sales of Equity Securities and Use of Proceeds” under Items 1, 1A and 2, respectively, of Part II of this report, contains forward-looking statements. These statements may relate to, but are not limited to, expectations of future operating results or financial performance, macroeconomic trends that we expect may influence our business, plans for capital expenditures, expectations regarding the adoption of our cloud-based solutions and introduction of new products, regulatory compliance and changes in the regulatory landscape affecting our business, impact of litigation, plans for growth and future operations, effects of acquisitions, expectations and uncertainties regarding the pending acquisition of Cvent by Vista Equity Partners, effects of material weaknesses in the design and operating effectiveness of our internal control over financial reporting and ineffective disclosure controls and procedures, as well as assumptions relating to the foregoing. Forward-looking statements are inherently subject to risks and uncertainties, some of which cannot be predicted or quantified. These risks and uncertainties include, but are not limited to, those listed or incorporated by reference under the section entitled “Risk Factors” in Item 1A of Part II of this Quarterly Report on Form 10-Q. In some cases, you can identify forward-looking statements by terminology such as “may,” “will,” “should,” “could,” “expect,” “plan,” “anticipate,” “believe,” “estimate,” “predict,” “intend,” “potential,” “contingent,” or “could be” and other similar terms, or the negative of these terms or other comparable terminology. These statements are only predictions. Actual events and/or results may differ materially.

We believe that it is important to communicate our future expectations. However, there may be events in the future that we are not able to accurately predict or control and that may cause our actual results to differ materially from the expectations we describe in our forward-looking statements. Except as required by applicable law, including the securities laws of the United States and the rules and regulations of the Securities and Exchange Commission, we do not plan to publicly update or revise any forward-looking statements, whether as a result of any new information, future events or otherwise. You should not place undue reliance on our forward-looking statements. You should be aware that the occurrence of any of the events described in the “Risk Factors” section and elsewhere in this Quarterly Report on Form 10-Q, in the Annual Report on Form 10-K, filed on March 1, 2016 and amended April 29, 2016, or in our Quarterly Report on Form 10-Q filed on May 5, 2016, could harm our business, prospects, operating results and financial condition. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

Cvent, Inc.

Consolidated Balance Sheets

(in thousands, except share and per share data)

	September 30, 2016 (Unaudited)	December 31, 2015
Assets		
Current assets:		
Cash and cash equivalents	\$ 169,065	\$ 118,662
Restricted cash	—	378
Short-term investments	9,975	26,799
Accounts receivable, net of reserve of \$363 and \$248, respectively	29,090	30,483
Prepaid expense and other current assets	12,395	17,175
Total current assets	220,525	193,497
Property and equipment, net	21,388	24,416
Capitalized software development costs, net	29,974	24,039
Intangible assets, net	13,886	17,055
Goodwill	38,900	38,940
Other assets, non-current, net	4,987	3,653
Total assets	\$ 329,660	\$ 301,600
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 2,878	\$ 1,692
Accrued expenses and other current liabilities	37,529	29,241
Deferred revenue	88,625	77,524
Total current liabilities	129,032	108,457
Deferred tax liabilities, non-current	2,483	2,347
Deferred rent, non-current	11,666	11,527
Other liabilities, non-current	7,906	4,988
Total liabilities	151,087	127,319
Commitments and contingencies (note 8)		
Stockholders' equity		
Preferred stock, \$0.001 par value, 100,000,000 shares authorized at September 30, 2016 and December 31, 2015; zero issued and outstanding at September 30, 2016 and December 31, 2015	—	—
Common stock, \$0.001 par value; 1,000,000,000 shares authorized at September 30, 2016 and December 31, 2015; 43,034,955 and 42,523,229 shares issued and 42,514,741 and 42,003,015 43 outstanding at September 30, 2016 and December 31, 2015, respectively		43
Treasury stock	(3,966)	(3,966)
Additional paid-in capital, as adjusted (2015) (note 7)	237,288	219,914
Accumulated other comprehensive loss	(913)	(274)
Accumulated deficit, as adjusted (2015) (note 7)	(53,879)	(41,436)
Total stockholders' equity	178,573	174,281
Total liabilities and stockholders' equity	\$ 329,660	\$ 301,600
See accompanying notes to the consolidated financial statements		

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Cvent, Inc.

Consolidated Statements of Operations and Comprehensive (Loss) Income

(in thousands, except share and per share data)

(Unaudited)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2016	2015	2016	2015
Revenue	\$56,668	\$ 48,379	\$ 168,605	\$ 136,808
Cost of revenue ¹	16,615	14,725	47,911	43,659
Gross profit	40,053	33,654	120,694	93,149
Operating expenses:				
Sales and marketing ¹	19,554	17,841	64,120	58,644
Research and development ¹	12,196	5,424	34,314	15,338
General and administrative ¹	12,727	8,181	31,430	24,698
Intangible asset amortization, excluding cost of revenue	737	680	2,210	1,492
(Gains) losses from foreign currency transactions	(253)	1,467	(344)	2,300
Total operating expenses	44,961	33,593	131,730	102,472
(Loss) income from operations	(4,908)	61	(11,036)	(9,323)
Interest income	209	679	1,167	1,800
Other expense	—	—	—	(426)
(Loss) income before income taxes	(4,699)	740	(9,869)	(7,949)
Provision for (benefit from) income taxes	879	(41)	2,574	(703)
Net (loss) income	\$(5,578)	\$ 781	\$(12,443)	\$(7,246)
Net (loss) income per common share:				
Basic	\$(0.13)	\$ 0.02	\$(0.29)	\$(0.17)
Diluted	\$(0.13)	\$ 0.02	\$(0.29)	\$(0.17)
Weighted average common shares outstanding—basic	42,411,874	41,723,667	42,239,081	41,512,189
Weighted average common shares outstanding—diluted	42,411,874	43,481,392	42,239,081	41,512,189
Other comprehensive (loss) income:				
Foreign currency translation loss	(173)	(87)	(639)	(36)
Comprehensive (loss) income	\$(5,751)	\$ 694	\$(13,082)	\$(7,282)
¹ Stock-based compensation expense included in the above:				
Cost of revenue	\$ 514	\$ 533	\$ 1,487	\$ 1,506
Sales and marketing	1,546	950	4,493	3,085
Research and development	1,559	835	4,246	2,309
General and administrative	1,073	533	3,009	1,506
Total	\$ 4,692	\$ 2,851	\$ 13,235	\$ 8,406

See accompanying notes to the consolidated financial statements

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Cvent, Inc.

Consolidated Statements of Cash Flows

(in thousands)

(Unaudited)

	Nine Months Ended September 30,	
	2016	2015
Operating activities:		
Net loss	\$(12,443)	\$(7,246)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	19,149	14,229
Loss on asset disposal	—	436
Foreign currency transaction gain	17	27
Stock-based compensation expense	13,235	8,406
Deferred taxes	56	(2,851)
Change in operating assets and liabilities:		
Accounts receivable, net	1,086	22,599
Prepaid expenses and other assets	3,810	(4,331)
Accounts payable, accrued expenses and other liabilities	13,427	3,755
Deferred revenue	12,466	(9,585)
Net cash provided by operating activities	50,803	25,439
Investing activities:		
Purchase of property and equipment	(3,220)	(3,973)
Capitalized software development costs	(16,239)	(15,278)
Net maturities (purchases) of short-term investments	16,824	(8,367)
Acquisition and acquisition-related consideration payments	(1,063)	(19,259)
Restricted cash	378	15
Net cash used in investing activities	(3,320)	(46,862)
Financing activities:		
Proceeds from exercise of stock options	4,139	1,663
Excess tax benefits from stock-based compensation	—	2,514
Net cash provided by financing activities	4,139	4,177
Effect of exchange rate changes on cash and cash equivalents	(1,219)	(124)
Change in cash and cash equivalents	50,403	(17,370)
Cash and cash equivalents, beginning of period	118,662	144,544
Cash and cash equivalents, end of period	\$169,065	\$127,174
Supplemental cash flow information:		
Income tax (refund received) paid	\$(3,883)	\$568
Supplemental disclosure of noncash investing activities:		
Outstanding payments for purchase of property and equipment in accounts payable at period end	\$350	\$322
See accompanying notes to the consolidated financial statements		

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CVENT, INC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(in thousands, except share and per share data)

(Unaudited)

1. Description of Business

Cvent, Inc. (the “Company”) provides a cloud-based enterprise event management platform with solutions for both sides of the events and meetings value ecosystem: (i) event and meeting planners, through its Event Cloud and (ii) hoteliers and venues, through its Hospitality Cloud. The Company’s integrated Event Cloud solution addresses the entire event lifecycle by allowing event and meeting planners to automate and streamline the process. The Company’s Hospitality Cloud provides hotels and venues with a full solution suite to create, manage and measure demand for their group meetings. The combination of these cloud-based solutions creates an integrated platform that allows the Company to generate revenue from both sides of the events and meetings ecosystem.

2. Summary of Significant Accounting Policies

(a) Basis of Presentation

The financial information presented in the accompanying unaudited consolidated financial statements as of September 30, 2016, and for the three and nine months ended September 30, 2016 and 2015 has been prepared in accordance with U.S. generally accepted accounting principles (“U.S. GAAP”) and in accordance with the rules and regulations of the U.S. Securities and Exchange Commission (the “SEC”) regarding interim financial reporting. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. In the opinion of management, the accompanying unaudited consolidated financial statements reflect all adjustments, consisting primarily of normal recurring accruals, necessary for a fair presentation of the financial position as of September 30, 2016, the results of operations for the three and nine months ended September 30, 2016 and 2015, and cash flows for the nine months ended September 30, 2016 and 2015. These unaudited consolidated financial statements should be read in conjunction with the annual audited consolidated financial statements and notes thereto.

(b) Reclassification

Certain items in the prior period financial statements have been reclassified for comparative purposes to conform to the current period presentation.

(c) Use of Estimates

The preparation of the consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Significant estimates and assumptions made by management include estimated useful lives of property and equipment and capitalized software development costs, the fair value of goodwill and intangibles, determination of estimated selling prices, allowances for doubtful accounts, valuation of deferred tax assets, valuation assumptions in purchase accounting, certain assumptions related to stock-based compensation, income taxes and legal and other contingencies. Actual results could differ from those estimates and assumptions.

(d) Cash and Cash Equivalents

Highly liquid financial instruments purchased with original maturities of 90 days or less at the date of purchase are reported as cash equivalents. Cash equivalents are recorded at cost, which approximates fair value.

Included in cash and cash equivalents are funds representing amounts reserved for registrations sold on behalf of customers. While these funds are not restricted as to their use, a liability for amounts due to customers under these arrangements has been recorded in accrued expenses and other current liabilities in the accompanying consolidated balance sheets. The Company had amounts due to customers of \$4.3 million and \$1.8 million included within cash and cash equivalents as of September 30, 2016 and December 31, 2015, respectively.

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(e) Short-term Investments

The Company's short-term investments consist of highly liquid financial instruments with original maturities greater than 90 days but less than one year. These short-term investments are comprised of certificates-of-deposit.

(f) Revenue Recognition

The Company derives revenue from two primary sources: Event Cloud subscription-based solutions and Hospitality Cloud marketing solutions. These services are generally provided under annual and multi-year contracts that are generally only cancellable for cause. Revenue is generally recognized on a straight-line basis over the term of the contract. The Company recognizes revenue when all of the following conditions are met:

- (i) persuasive evidence exists of an arrangement with the customer reflecting the terms and conditions under which the solutions or services will be provided;
- (ii) delivery to customers has occurred or services are rendered;
- (iii) the fee is fixed or determinable; and
- (iv) collection of the fees is reasonably assured.

The Company considers a signed agreement or other similar documentation to be persuasive evidence of an arrangement. Collectability is assessed based on a number of factors, including transaction history and the creditworthiness of a customer. If it is determined that collection is not reasonably assured, revenue is not recognized until collection becomes reasonably assured, which is generally upon receipt of cash.

The Company applies the provisions of Financial Accounting Standards Board ("FASB") ASU 2009-13, Revenue Recognition (Topic 605): Multiple-Deliverable Revenue Arrangements (formerly EITF Issue No. 08-01, Revenue Arrangements with Multiple Deliverables) with respect to its multiple-element arrangements entered into or significantly modified on or after January 1, 2011.

Event Cloud Revenue

Event Management

The Company generates the majority of its revenue through Software-as-a-Service ("SaaS") subscriptions to the event and conference management platform, pricing for which is subject to the features and functionality selected by the customer. No features or functionality within the subscription-based services have stand-alone value apart from one another and, therefore, the entire subscription fee is recognized on a straight-line basis over the term of the subscription arrangement.

SaaS subscriptions may include functionality that enables customers to manage the registration of participants attending the customer's event or events. In some cases, the negotiated fee for the subscription is based on a maximum number of event registrations permitted over the subscription term. At any time during the subscription term, customers may elect to purchase blocks of additional registrations, which are referred to as subscription up-sells. The fees associated with the up-sells are added to the original subscription fee, and the revenue is recognized over the remaining subscription period. No portion of the subscription fee is refundable regardless of the actual number of registrations that occur, or the extent to which other features and functionality are used.

Mobile Apps

Subscription-based solutions also include the sale of mobile event apps. The revenue for mobile event apps solutions is generally recognized on a straight-line basis over the life of the contract. A customer may use a singular mobile event app for any number of events. At any time during the subscription term, customers may elect to purchase additional mobile event apps, which are referred to as mobile up-sells. The fees associated with the up-sells are added to the original subscription fee, and the revenue is recognized over the remaining subscription period. No portion of the subscription fee is refundable.

Onsite Event Solutions

Event specific onsite solutions include the rental of equipment and consultants needed to successfully manage and execute a complex event. When these services are sold on a stand-alone basis revenue is recognized based on the contractual stated value after the delivery of the services has been fully completed. When these services are bundled with other subscription-based services, revenue is recognized ratably over the contract term.

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Hospitality Cloud Revenue

Marketing Solutions Revenue

The Hospitality Cloud is branded to provide a full spectrum of cloud-based solutions across the hotel group sales lifecycle. Prior to this, the Company primarily concentrated on servicing the hospitality sector with marketing solutions through the Cvent Supplier Network (“CSN”), which provided substantially all of the revenue for this product line in 2015 and before. Marketing solutions revenue is generated through the delivery of various forms of advertising sold through annual or multi-year contracts to marketers, principally hotels and venues. Such solutions include prominent display of a customer’s venue within the Cvent Supplier Network, the Cvent Destination Guide, the Elite Meetings magazine or in various electronic newsletters. Pricing for the advertisements is based on the term of the advertisement, targeted geography, number of advertisements and prominence of the ad placement.

The Company enters into arrangements with multiple deliverables that generally include various marketing solutions that may be sold individually or bundled together and delivered over various periods of time. In such situations, the Company applies the provisions of FASB, Accounting Standards Codification (“ASC”), No. 605-25, Revenue Recognition – Multiple Element Arrangements to account for the various elements within the marketing solution agreements delivered over the platform. Under such guidance, in order to treat deliverables in a multiple-deliverable arrangement as separate units of accounting, the deliverables must have standalone value upon delivery. If the deliverables have standalone value upon delivery, the Company accounts for each deliverable separately and revenue is recognized ratably over the contractual period that the related advertising deliverable is provided. Annual marketing solutions on the Cvent Supplier Network are often sold separately, and, as such, all have standalone value.

Certain one-time marketing solutions, which can run for a month, several months, or a year, are primarily sold in a package. In determining whether the marketing solutions sold in packages have standalone value, the Company considers the availability of the services from other vendors, the nature of the solutions, and the contractual dependence of the solutions to the rest of the package.

Revenue arrangements with multiple deliverables are divided into separate units of accounting and the arrangement consideration is allocated to all deliverables based on the relative selling price method. In such circumstances, the Company uses the selling price hierarchy of: (i) vendor-specific objective evidence, or VSOE, if available, (ii) third-party evidence of selling price, or TPE, and (iii) best estimate of selling price. VSOE is limited to the price charged when the same element is sold separately by the Company. Due to the unique nature of some multiple deliverable revenue arrangements, the Company may not be able to establish selling prices based on historical stand-alone sales using VSOE or TPE; therefore the Company may use its best estimate to establish selling prices for these arrangements. The Company establishes the best estimates within a range of selling prices considering multiple factors including, but not limited to, factors such as size of transaction, customer demand and price lists.

(g) Deferred Revenue

Deferred revenue consists of contractual billings or payments received in advance of revenue recognition and for which the underlying contract term has commenced from Event Cloud services or Hospitality Cloud solutions that are subsequently recognized when the revenue recognition criteria are met.

(h) Business Combinations

The Company is required to allocate the purchase price of acquired companies to the identifiable tangible and intangible assets acquired and liabilities assumed at the acquisition date based upon their estimated fair values. Goodwill as of the acquisition date represents the excess of the purchase consideration of an acquired business over the fair value of the underlying net tangible and intangible assets acquired and liabilities assumed. This allocation and valuation require management to make significant estimates and assumptions, specifically with respect to the value of long-lived and intangible assets.

Critical estimates in valuing intangible assets include but are not limited to estimates about: future expected cash flows from customer contracts, customer lists, distribution agreements, proprietary technology and non-competition agreements; the acquired company’s brand awareness and market position, assumptions about the period of time the brand will continue to be used in the Company’s product portfolio; as well as expected costs to develop the in-process research and development into commercially viable products and estimated cash flows from the projects when

completed, and discount rates. The Company's

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estimates of fair value are based upon assumptions the Company believes to be reasonable, but which are inherently uncertain and unpredictable. Assumptions may be incomplete or inaccurate, and unanticipated events and circumstances may occur.

In addition, uncertain tax positions and tax-related valuation allowances assumed in connection with a business combination are initially estimated as of the acquisition date. The Company continues to evaluate these items quarterly and record any adjustments to the preliminary estimates to goodwill provided that the Company is within the measurement period. Subsequent to the measurement period, changes to these uncertain tax positions and tax related valuation allowances will affect the Company's provision for income taxes in the consolidated statement of operations in the current period.

Other estimates associated with the accounting for these acquisitions may change as additional information becomes available regarding the assets acquired and liabilities assumed. Costs incurred related to acquisitions are expensed as incurred.

(i) Goodwill

Goodwill represents the excess of: (i) the aggregate of the fair value of consideration transferred in a business combination, over (ii) the fair value of assets acquired, net of liabilities assumed. Goodwill is not amortized, but is subject to annual impairment tests. The goodwill impairment test is a two-step test. Under the first step, the fair value of the reporting unit is compared with its carrying value, including goodwill. If the fair value of the reporting unit is less than its carrying value, an indication of goodwill impairment exists for the reporting unit and the entity must perform step two of the impairment test (measurement). Under step two, an impairment loss is recognized for any excess of the carrying amount of the reporting unit's goodwill over the implied fair value of that goodwill. The implied fair value of goodwill is determined by allocating the fair value of the reporting unit in a manner similar to a purchase price allocation and the residual fair value after this allocation is the implied fair value of the reporting unit goodwill. Fair value of the reporting unit is estimated using a discounted cash flow analysis. If the fair value of the reporting unit exceeds its carrying value, step two is not performed.

In September 2011, the FASB issued ASU 2011-8, Intangibles—Goodwill and Other (Topic 350): Testing Goodwill for Impairment. This ASU permits an entity to make a qualitative assessment of whether it is more likely than not that a reporting unit's fair value is less than its carrying amount before applying the two-step goodwill impairment test. If an entity concludes it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, it need not perform the two-step impairment test.

The Company performs its annual impairment review of goodwill on November 30 and when a triggering event occurs between annual impairment tests. There was a subsequent triggering event that occurred on April 17, 2016 when the Company entered into a merger agreement with Vista Funds (see note 9). This triggering event confirmed that the Company's goodwill balance was not impaired.

(j) Capitalized Software Development Costs

Costs to develop software directly used in the delivery of revenue generating activities are capitalized and recorded as capitalized software in accordance with the provisions of FASB ASC Subtopic 350-40, Intangibles-Goodwill and Other Subtopic 40 Internal-Use Software on the balance sheet. These costs are amortized on a project-by-project basis using the straight-line method over the estimated economic life of the application, which is generally three years, beginning when the asset is substantially ready for use. Costs incurred during the preliminary development stage, as well as maintenance, minor enhancements and training costs are expensed as incurred.

(k) Deferred Tax Assets and Liabilities

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. To the extent that it is not considered to be more likely than not that a deferred tax asset will be realized, a valuation allowance is

established. The Company applies the provisions of ASC Subtopic 740-10, Income Taxes—Overall, which provides guidance related to the accounting for uncertain tax positions. In accordance with ASC 740, the Company only recognizes the tax benefit from an uncertain tax position if it is more likely than not that the tax position will be sustained upon examination. The years ended December 31, 2013 through December 31, 2015 are open tax years for IRS examination. The year ended December 31, 2012 was reopened for examination by virtue of filing a carryback claim during the year ended December 31, 2015.

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(l) Stock-Based Compensation

The Company accounts for its employee stock-based compensation awards in accordance with FASB ASC Topic 718, Compensation—Stock Compensation. ASC Topic 718 requires that all employee stock-based compensation is recognized as a cost in the financial statements and that for equity-classified awards, such cost is measured at the grant date fair value of the award. The Company estimates grant date fair value for stock options using the Black-Scholes option-pricing model. The Company estimates grant date fair value for restricted stock units based on the closing price of the underlying shares on grant date.

Determining the fair value of stock options under the Black-Scholes model requires judgment, including estimated volatility, risk free rate, expected term and estimated dividend yield. The assumptions used in calculating the fair value of stock-based compensation awards represent the Company's best estimates, based on management judgment. The estimated dividend yield is zero since the Company has not issued dividends to date and does not anticipate issuing dividends. The risk-free interest rate is based on the implied yield currently available on U.S. Treasury zero coupon issues with an equivalent remaining term. Due to its limited trading history, the Company estimates volatility for option grants by evaluating the average historical volatility of a peer group of similar public companies. The expected term of the Company's stock options represent the period that its stock-based awards are expected to be outstanding. For purposes of determining the expected term, the Company applies the simplified approach, in which the expected term of an award is presumed to be the mid-point between the vesting date and the expiration date of the award. Awards generally vest over a service period of four years, with a maximum contractual term of ten years. Pursuant to FASB ASC Subtopic 718-10-35, Stock Compensation, the initial determination of compensation cost is based on the fair value of the number of stock options granted, amortized over the vesting period. With the adoption of ASU 2016-09 (see Note 3), the Company no longer estimates its forfeiture rate in order to record stock compensation expense. Under ASU 2016-09 the Company now records the impact of forfeitures on stock compensation expense in the period the forfeitures occur. Compensation expense related to stock options is recognized using the straight-line attribution method. Compensation cost for restricted stock units is measured at the fair value of the underlying shares on grant date and recognized on a straight-line basis over the vesting period.

(m) Foreign Currency

The Company's foreign subsidiary in India designates the U.S. dollar as the functional currency. For the subsidiary, assets and liabilities denominated in foreign currency are remeasured into U.S. dollars at current exchange rates for monetary assets and liabilities and historical exchange rates for nonmonetary assets and liabilities. Foreign currency gains and losses associated with remeasurement are included in (gains) losses from foreign currency transactions in the consolidated statements of operations.

Foreign currency (gains) losses associated with transactions and remeasurement were \$(0.3) million and \$(0.3) million for the three and nine months ended September 30, 2016, respectively, and \$1.5 million and \$2.3 million for the three and nine months ended September 30, 2015, respectively.

(n) Non-Monetary Transactions

The Company occasionally participates in non-monetary transactions with its customers in exchange for marketing and other services. In accordance with FASB ASC Topic 845 – Nonmonetary transactions, non-monetary transactions with commercial substance are recorded at the estimated fair value of the services received from or provided to the counterparty, whichever is more clearly evident. In certain periods there are timing differences between the revenue and the related expense, due to the timing of delivery and receipt of services. Non-monetary transaction revenue totaled \$0.7 million and \$3.0 million for the three and nine months ended September 30, 2016, respectively, and \$1.1 million and \$4.4 million for the three and nine months ended September 30, 2015, respectively. Non-monetary transaction expense totaled \$0.5 million and \$2.9 million for the three and nine months ended September 30, 2016, respectively, and \$0.7 million and \$4.6 million for the three and nine months ended September 30, 2015, respectively.

3. New Accounting Pronouncements

Adopted

In March 2016, the FASB issued an amendment to ASC Topic 718, Compensation-Stock Compensation. ASU 2016-09, Compensation-Stock Compensation (Topic 718), simplifies several aspects of the accounting for stock-based compensation, including accounting for income taxes, forfeitures, statutory tax withholding requirements and

classification in the statement of

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cash flows. Primarily, this ASU eliminates the Additional Paid-In Capital pool ("APIC pool") concept and reduces the complexity in accounting for excess tax benefits and tax deficiencies. Under the new guidance, a company recognizes all excess tax benefits and tax deficiencies as income tax expense or benefit in the income statement. In addition, under the new guidance, a company may make a policy election to either estimate the number of stock awards that are expected to vest or account for forfeitures as they occur. This amendment would have become effective for the Company in the first quarter of 2017. However, the Company early adopted this standard on a prospective basis in the first quarter of 2016 and elected to account for forfeitures as they occur. The adoption of this standard required the Company to record a cumulative-effect adjustment to address historical forfeiture rate estimates for stock-based awards that were unvested as of December 31, 2015. The cumulative-effect adjustment was recorded in the first quarter and resulted in an offsetting entry to Additional Paid-in Capital and Retained Earnings of \$1.4 million, resulting in no net impact on Total Stockholders' Equity.

In November 2015, the FASB issued an amendment to ASC Topic 740: Income Taxes. ASU No. 2015-17, Balance Sheet Classification of Deferred Taxes ("ASU 2015-17"), which requires deferred tax liabilities and assets to be classified as noncurrent in a classified statement of financial position. The guidance is effective for financial statements issued for annual periods beginning after December 15, 2017, and interim periods within annual periods beginning after December 15, 2018. Earlier application is permitted for all entities as of the beginning of an interim or annual reporting period. This amendment may be applied either prospectively, or retrospectively to all periods presented. The Company adopted the provisions of ASU 2015-17 prospectively in the fourth quarter of 2015, and did not retrospectively adjust the prior periods. The adoption of this ASU simplifies the presentation of deferred income taxes and reduces complexity without decreasing the usefulness of information provided to users of financial statements. The adoption of ASU 2015-17 did not have a significant impact on our financial position, results of operations, and cash flows.

In September 2015, the FASB issued an amendment to ASC Topic 805: Business Combinations. ASU 2015-16, Business Combinations: Simplifying the Accounting for Measurement-Period Adjustments, simplifies the accounting for measurement period adjustments by requiring companies to recognize adjustments identified during the measurement period in the reporting period in which the adjustment amounts are determined. Prior to adoption, these measurement period adjustments were required to be recorded as retrospective adjustments to the provisional amounts recognized at the acquisition date with a corresponding adjustment to Goodwill. This amendment became effective for the Company in the first quarter of 2016. The adoption of ASU 2015-16 did not have a significant impact on our financial position, results of operations, and cash flows.

Pending/ Under Review

In August 2016, the FASB issued an amendment to ASC Topic 230: Statement of Cash Flows. ASU 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments, which provides specific guidance for the classification of certain cash receipts and cash payments in the statement of cash flows. Specifically, this guidance addresses the classification of contingent consideration payments made after a business combination, debt prepayment or debt extinguishment costs and distributions received from equity method investees, as well as other specific cash receipts and cash payments. Under current U.S. GAAP, there is no clarity regarding how these cash receipts and cash payments should be classified in the statement of cash flows, which led to diversity in practice. This amendment will become effective for the Company in the first quarter of 2018, although earlier adoption is permitted for financial statements have not been issued. Management is currently assessing the effect the adoption of this standard will have on the Company's consolidated financial statements.

In February 2016, the FASB issued an amendment to ASC Topic 840: Leases. ASU 2016-02, Leases (Topic 842), which conforms the treatment for all leases by requiring the lessees to recognize the lease assets and lease liabilities that arise from substantially all leases in the statement of financial position and to disclose qualitative and quantitative information about leases. Under current U.S. GAAP, leases designated as operating leases rather than capital leases are not reflected on the balance sheet. This amendment will become effective for the Company in the first quarter of 2019, although earlier adoption is permitted for financial statements that have not been issued. Management is currently assessing the effect the adoption of this standard will have on the Company's consolidated financial

statements.

In May 2014, the FASB and the International Accounting Standards Board issued joint guidance to improve and converge the financial reporting requirements for revenue from contracts with customers. ASU 2014-09, Revenue from Contracts with Customers, prescribes a five-step model for revenue recognition that will replace most existing revenue recognition guidance under U.S. GAAP. The new standard supersedes nearly all existing revenue recognition guidance under U.S. GAAP, and requires companies to recognize revenue when it transfers goods or services to a customer in an amount that reflects the consideration to which a company expects to be entitled for those goods or services. This update also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments, and assets recognized from costs incurred to obtain or fulfill a contract. ASU 2014-09 allows for either full retrospective or modified retrospective adoption. In August 2015, the FASB issued

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ASU 2015-14, Revenue from Contracts with Customers: Deferral of the Effective Date, which defers the effective date of ASU 2014-09 for the Company to be the first quarter of 2018. Early adoption is permitted for the Company, but only as of the first quarter of 2017. Management is still evaluating which adoption method it will use, the timing of its adoption and assessing the effect the adoption of this standard will have on the Company's consolidated financial statements.

4. Net (Loss) Income Per Share

The Company calculates basic net (loss) income per share of common stock by dividing net (loss) income for the period by the weighted-average number of shares of common stock outstanding during the period. The Company calculates diluted net (loss) income per share by dividing net (loss) income attributable to the Company for the period by the weighted-average number of shares of common stock outstanding during the period, plus any dilutive effect of share-based equity awards during the period, using the treasury stock method.

The computation of basic and diluted net (loss) income per share is as follows (in thousands, except share and per share amounts):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Net (loss) income	\$(5,578)	\$ 781	\$(12,443)	\$(7,246)
Weighted average number of shares outstanding:				
Weighted average common shares outstanding for basic earnings per share	42,411,874	41,723,667	42,239,081	41,512,189
Weighted average common shares outstanding for diluted earnings per share	42,411,874	43,481,392	42,239,081	41,512,189
Net (loss) income per share:				
Basic	\$(0.13)	\$ 0.02	\$(0.29)	\$(0.17)
Diluted	\$(0.13)	\$ 0.02	\$(0.29)	\$(0.17)

The weighted average number of shares outstanding used in the computation of diluted loss per share does not include the effect of the following stock options and restricted stock units because their effect would have been anti-dilutive:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Anti-dilutive: stock options and restricted stock units	1,827,709	—	1,686,172	1,845,929

5. Income Taxes

The Company generally estimates its annual effective tax rate for the full fiscal year and applies that rate to its income from continuing operations before income taxes in determining its provision for income taxes for the respective periods. The Company generally records discrete items in each respective period as appropriate. However, if a company is unable to reliably estimate its annual effective tax rate, then the actual effective tax rate for the year-to-date period may be the best estimate for the annual effective tax rate. For the three and nine months ended September 30, 2016 and the comparable periods in 2015, the Company determined that the annual rate method would not provide for a reliable estimate due to volatility in the forecasting process. As a result, the effective tax rate for the three and nine month periods ended September 30, 2016 and 2015 was calculated based on an actual effective tax rate, (the "cut-off" method), plus discrete items.

The Company's consolidated effective tax rate for the three and nine months ended September 30, 2016 was a provision of 18.7% and 26.1%, respectively. The Company's consolidated effective tax rate for the three and nine months ended September 30, 2015 was a benefit of 5.5% and 8.8%, respectively.

The Company's estimated effective tax rate is subject to fluctuation based upon the level and mix of earnings and losses by tax jurisdiction, and the relative impact of permanent book to tax differences (e.g., non-deductible expenses). As a result of these factors, and due to potential changes in the Company's period to period results, fluctuations in the Company's effective tax rate and respective tax provisions or benefits may occur. The Company is subject to U.S.

federal income tax, various state income taxes and various foreign income taxes.

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In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies in this assessment. Management believes the Company will achieve profitable operations in future years that will enable the Company to recover the benefit of its U.S. net deferred tax assets. However, the Company does not have sufficient objective evidence to support the future use of U.S. deferred tax assets and certain deferred tax assets related to foreign tax credits, and accordingly, established a valuation allowance against these deferred tax assets as required by generally accepted accounting principles. Recording this valuation allowance does not impact the Company's ability to realize the benefit of this asset.

The Company permanently reinvests cumulative undistributed earnings of its non-U.S. subsidiaries in non-U.S. operations. U.S. federal income taxes have not been provided for in relation to undistributed earnings to the extent that they are permanently reinvested in the Company's non-U.S. operations. As of September 30, 2016, the undistributed earnings of the Company's foreign affiliates was \$19.2 million.

The Company recognizes interest and penalties related to uncertain tax positions in income tax expense when assessed.

6. Stock-Based Compensation

Stock Options

Stock options are granted with an exercise price equal to the stock's fair value at the date of grant. The awards vest at various times from the date of grant, with most options vesting in tranches generally over four years. All options expire ten years after the date of grant. At September 30, 2016, there were 7,047,504 shares available for the Company to grant under the 2013 Equity Incentive Plan.

The grant-date fair value of each option award is estimated on the date of grant using the Black-Scholes option-pricing model. The weighted average assumptions for 2016 grants are provided in the table below. Because the Company's shares were not publicly traded prior to August 9, 2013 and its shares were rarely traded privately, and due to the limited trading history since August 9, 2013, expected volatility is estimated based on the average historical volatility of similar entities with publicly traded shares. Similarly, due to the Company's limited trading history, the expected term is calculated using the simplified method, which is an average of the respective options' remaining contractual term and their expected vesting dates. The risk-free rate for the expected term of the option is based on the U.S. Treasury yield curve at the date of grant. Expense is recognized using the straight-line attribution method.

The Company granted no stock-based awards during the three months ended September 30, 2016. The following is a summary of the weighted average assumptions used in the valuation of stock-based awards under the Black-Scholes model:

	Nine	
	Months	
	Ended	
	September	
	30, 2016	
Dividend yield	0.00	%
Volatility	41.81	%
Expected term (years)	6.28	
Risk-free interest rate	1.52	%

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Stock option activity during the periods indicated is as follows:

	Number of shares subject to options	Weighted average exercise price per share	Weighted average remaining contractual term (years)	Aggregate intrinsic value
Balance at December 31, 2015	4,127,395	\$ 18.60	7.57	\$ 67,323
Granted	1,081,815	21.75		
Exercised	(332,814)	12.46		
Forfeited	(196,139)	25.35		
Expired	(3,067)	23.59		
Balance at September 30, 2016	4,677,190	\$ 19.48	7.57	\$ 57,216
Exercisable at September 30, 2016	1,643,467	\$ 9.76	5.68	\$ 36,081

The weighted average grant date fair value of options granted during the nine months ended September 30, 2016 was \$9.31. The total intrinsic value of options exercised during the nine months ended September 30, 2016 was \$6.7 million.

The Company recorded stock-based compensation expense related to options of \$2.6 million and \$1.7 million during the three months ended September 30, 2016 and 2015, respectively, and \$7.2 million and \$5.1 million during the nine months ended September 30, 2016 and 2015, respectively. At September 30, 2016, there was \$25.2 million of total unrecognized compensation cost related to unvested stock options granted under the Plan, which is expected to be recognized over a weighted average period of 2.60 years.

Restricted Stock Units

During the nine months ended September 30, 2016, the Company issued restricted stock units (RSUs) to employees. RSU activity during the periods indicated is as follows:

	Number of shares subject to restriction	Weighted average share value	Weighted average remaining contractual term (years)	Aggregate intrinsic value
Balance at December 31, 2015	902,876	\$ 28.49	1.77	\$ 31,519
Granted	463,613	21.75		
Vested	(178,912)	29.47		
Forfeited	(57,355)	26.57		
Balance at September 30, 2016	1,130,222	\$ 25.67	1.63	\$ 35,840

The related compensation expense for restricted stock units recognized during the three months ended September 30, 2016 and 2015 was \$2.1 million and \$1.2 million, respectively, and \$6.0 million and \$3.3 million for the nine months ended September 30, 2016 and 2015, respectively. At September 30, 2016, there was \$22.7 million of total unrecognized compensation cost related to unvested RSUs granted under the Plan. That cost is expected to be recognized over a weighted average period of 2.79 years.

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7. Stockholders' Equity

Changes in Stockholders' Equity

Changes in stockholders' equity for the nine months ended September 30, 2016 were as follows (in thousands, except share amounts):

	Common Stock Shares	Common Stock Amount	Treasury Stock	Additional Paid-In Capital	Accumulated other comprehensive loss	Accumulated Deficit	Total Stockholders' Equity
Balance as of December 31, 2015	42,523,229	\$ 43	\$(3,966)	\$ 218,493	\$ (274)	\$(40,015)	\$ 174,281
Cumulative-effect adjustment	—	—	—	1,421	—	(1,421)	—
Balance as of December 31, 2015, as adjusted	42,523,229	43	(3,966)	219,914	(274)	(41,436)	174,281
Net loss	—	—	—	—	—	(12,443)	(12,443)
Stock-based compensation expense	—	—	—	13,235	—	—	13,235
Exercise of stock options	332,814	—	—	4,139	—	—	4,139
Vesting of restricted stock awards	178,912	—	—	—	—	—	—
Foreign currency translation loss	—	—	—	—	(639)	—	(639)
Balance as of September 30, 2016	43,034,955	\$ 43	\$(3,966)	\$ 237,288	\$ (913)	\$(53,879)	\$ 178,573

The cumulative effect adjustment is related to our adoption of ASU 2016-09, Compensation-Stock Compensation (Topic 718), in the first quarter of 2016.

8. Commitments and Contingencies

a) Legal Proceedings, Regulatory Matters and Other Contingencies

From time to time, the Company may become involved in legal proceedings, regulatory matters or other contingencies in the ordinary course of its business. The Company is not presently involved in any legal proceeding, regulatory matter or other contingency that, if determined adversely to it, would individually or in the aggregate have a material adverse effect on its business, operating results, financial condition or cash flows.

b) Acquisition Payouts

A summary of the changes in the recorded amount of accrued compensation and deferred consideration from acquisitions from December 31, 2015 to September 30, 2016 is as follows (dollars in thousands):

	Compensation	Deferred Consideration	Total
Liability as of December 31, 2015	\$ 375	\$ 2,490	\$2,865
Payments	—	—	—
Additional accruals	1,431	—	1,431
Liability as of September 30, 2016	\$ 1,806	\$ 2,490	\$4,296

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The accrued compensation and consideration related to acquisition payouts is recorded within accrued and other current liabilities on the accompanying consolidated balance sheets.

9. Pending Merger with Vista Funds

Submission of Matters to a Vote of Securities Holders

On July 12, 2016, the Company held a special meeting of stockholders (the “Special Meeting”) at Cvent’s principal executive offices in Tysons Corner, Virginia to vote on the proposals described in the Company’s definitive proxy statement filed with the Securities and Exchange Commission on June 9, 2016 and first mailed to Cvent’s stockholders on June 10, 2016. At the Special Meeting, stockholders approved the proposal to adopt the Agreement and Plan of Merger, dated as of April 17, 2016 (the “Merger Agreement”) by and among Cvent, Papay Holdco, LLC (“Parent”), and Papay Merger Sub, Inc. (“Merger Sub”), pursuant to which Merger Sub will merge with and into Cvent (the “Merger”), and Cvent will become a wholly owned subsidiary of Parent.

As previously disclosed in the Form 10-Q filed on August 5, 2016, on June 30, 2016, each of Cvent and the Vista Funds (the “parties”) received a request for additional information and documentary material, commonly referred to as a “Second Request,” from the U.S. Department of Justice (the “DOJ”) in connection with the Merger, which extends the waiting period applicable to the consummation of the Merger until the 30th day after substantial compliance by Cvent and the Vista Funds with the “Second Request,” unless the waiting period is extended voluntarily by the parties or terminated sooner by the DOJ.

On September 12, 2016, the parties entered into a timing agreement with the DOJ under which the parties agreed (i) to substantially comply with the Second Request on a planned schedule and (ii) not to consummate the Merger until 60 days after the parties substantially comply with the Second Request. The parties substantially complied with the Second Request on September 23, 2016 and therefore cannot consummate the Merger before November 22, 2016. The parties expect the Merger to be completed in the fourth quarter of this year.

On October 17, 2016, the parties mutually agreed to extend the termination date specified in the Merger Agreement until April 17, 2017. No other provisions of the Merger Agreement were otherwise amended or waived, and the Merger Agreement remains in full force and effect. As disclosed at that time, the Merger is subject to certain conditions, including, without limitation, the expiration or termination of any waiting periods applicable to the consummation of the Merger under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 and approval under the antitrust and competition laws of Austria. The Merger has been cleared by competition authorities in Austria. At the effective time of the Merger, each share of common stock, par value \$0.001 per share, of the Company issued an outstanding as of immediately prior to the effective time will be canceled and extinguished and automatically converted into the right to receive cash in an amount equal to \$36.00 per share, without interest thereon.

The Company has recorded \$4.7 million and \$6.0 million in transaction costs in general & administrative expenses related to this transaction during the three and nine months ended September 30, 2016.

10. Subsequent Events

The Company has evaluated subsequent events through November 2, 2016, the date the financial statements were available to be issued.

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ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and the related notes to those statements included elsewhere in this Quarterly Report on Form 10-Q and our Annual Report on Form 10-K for the year ended December 31, 2015, as amended. In addition to historical financial information, the following discussion and analysis contains forward-looking statements that involve risks, uncertainties and assumptions. Our actual results and timing of selected events may differ materially from those anticipated in these forward-looking statements as a result of many factors, including those discussed under "Risk Factors" in Part I, Item 1A of our Annual Report on Form 10-K (as updated in our Quarterly Report on Form 10-Q filed on May 5, 2016). The words "may," "believe," "could," "anticipate," "would," "might," "plan," "expect," "will," "intend," "potential," "objective," "strategy," "goal," "should," "vision," "designed," and similar expressions used in this section are intended to identify forward-looking statements. Consolidated financial data referenced in this section as of and for the three and nine months ended September 30, 2016 and 2015 are derived from our unaudited consolidated financial statements. The unaudited consolidated financial data as of and for the three and nine months ended September 30, 2016 and 2015 includes all adjustments, consisting of normal recurring accruals, that are necessary in the opinion of our management for a fair presentation of our financial position and results of operations for these periods.

Overview

We are a leading cloud-based enterprise event management company, with approximately 16,000 customers worldwide. We provide solutions for both sides of the corporate events and meetings ecosystem: (i) event and meeting planners, through our Event Cloud, and (ii) hoteliers and venues, through our Hospitality Cloud. Our integrated, cloud-based solution addresses the entire event lifecycle by allowing event and meeting planners to automate and streamline the process of planning, organizing and executing successful events for organizations of all sizes and industries. Our online marketplace connects event planners and venues through our vertical search engine that accesses our proprietary database of detailed venue information. The combination of these cloud-based solutions creates an integrated platform that allows us to generate revenue from both sides of the meetings and events ecosystem.

Our meeting and event planner customers include enterprises such as corporations, associations, not-for-profits, government agencies and universities. These customers enter into annual and multi-year subscription contracts to utilize part or all of our cloud-based software solutions to plan, manage and execute enterprise events and meetings including external events, such as conferences, tradeshows, and customer events, as well as internal events, such as sales meetings, training seminars and team-building events. Revenue from our Event Cloud was \$39.6 million and \$117.1 million for the three and nine months ended September 30, 2016, or 70% and 69% of our total revenue during the respective period, and \$33.7 million and \$94.7 million for the three and nine months ended September 30, 2015, or 70% and 69% of our total revenue during the respective period. We generally recognize revenue from these contracts ratably over the term of the contract.

On the other side of the event ecosystem, hoteliers and venues primarily utilize our Hospitality Cloud solutions to generate more visibility with ready-to-transact event and meeting planners. Our largest online marketplace, the Cvent Supplier Network, or CSN, connects tens of thousands of event and meeting planners seeking the best venue for their event with approximately 240,000 venues in our proprietary database. We believe that CSN contains the world's largest and most accurate searchable database of detailed meeting venue information with listings of hotels, conference centers, convention centers, resorts, restaurants, museums, country clubs, wineries, castles and other special event venues in more than 175 countries. Hotels and venues enter into annual and multi-year advertising contracts with us for marketing solutions that increase the prominence of their properties in CSN; we recognize the revenue from these marketing solutions over the term of the agreement based on the estimated selling prices of each solution. The CSN is available with the same functionality to users of our paid subscription event and meeting platform solutions as well as to event and meeting planners that simply visit the CSN site and establish a free user account. All of these users have the ability to submit RFPs to hotels and venues free of charge using the CSN. Revenue from our Hospitality Cloud was \$17.1 million and \$51.5 million for the three and nine months ended September 30, 2016, or 30% and 31% of our total revenue during the respective period, and \$14.6 million and \$42.1

million for the three and nine months ended September 30, 2015, or 30% and 31% of our total revenue during the respective period. We generally recognize revenue from these contracts ratably over the term of the contract.

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Pending Merger with Vista Funds

Submission of Matters to a Vote of Securities Holders

On July 12, 2016, the Company held a special meeting of stockholders (the “Special Meeting”) at Cvent’s principal executive offices in Tysons Corner, Virginia to vote on the proposals described in the Company’s definitive proxy statement filed with the Securities and Exchange Commission on June 9, 2016 and first mailed to Cvent’s stockholders on June 10, 2016. At the Special Meeting, stockholders approved the proposal to adopt the Agreement and Plan of Merger, dated as of April 17, 2016 (the “Merger Agreement”) by and among Cvent, Papay Holdco, LLC (“Parent”), and Papay Merger Sub, Inc. (“Merger Sub”), pursuant to which Merger Sub will merge with and into Cvent (the “Merger”), and Cvent will become a wholly owned subsidiary of Parent. Parent and Merger Sub (the "Vista Funds") are affiliates of Vista Equity Partners. A total of 33,188,807 shares (78.51% of the 42,274,822 shares outstanding and entitled to vote as of June 8, 2016, the record date for the Special Meeting), present in person or by proxy, constituted a quorum for the transaction of business and were voted at the Special Meeting. Since there were sufficient votes cast at the Special Meeting to adopt the Merger Agreement, a second proposal to adjourn the Special Meeting, if needed or appropriate, to solicit additional proxies was rendered moot.

The table below shows the final voting results from the Special Meeting.

	For	Against	Abstain
Proposal 1	33,171,932	15,967	908
The Merger Proposal			

The proposal to approve the Merger received the affirmative vote of approximately 78.47% of the shares of Cvent common stock outstanding and entitled to vote thereon. We also noted that 99.9% of the Cvent stockholders that voted approved the proposal to adopt the agreement and plan of merger with affiliates of Vista Equity Partners. As previously disclosed in the Form 10-Q filed on August 5, 2016, on June 30, 2016, each of Cvent and the Vista Funds (the “parties”) received a request for additional information and documentary material, commonly referred to as a “Second Request,” from the U.S. Department of Justice (the “DOJ”) in connection with the Merger, which extends the waiting period applicable to the consummation of the Merger until the 30th day after substantial compliance by Cvent and the Vista Funds with the “Second Request,” unless the waiting period is extended voluntarily by the parties or terminated sooner by the DOJ.

On September 12, 2016, the parties entered into a timing agreement with the DOJ under which the parties agreed (i) to substantially comply with the Second Request on a planned schedule and (ii) not to consummate the Merger until 60 days after the parties substantially comply with the Second Request. The parties substantially complied with the Second Request on September 23, 2016 and therefore cannot consummate the Merger before November 22, 2016. The parties expect the Merger to be completed in the fourth quarter of this year.

On October 17, 2016, the parties mutually agreed to extend the termination date specified in the Merger Agreement until April 17, 2017. No other provisions of the Merger Agreement were amended or waived, and the Merger Agreement remains in full force and effect. As disclosed at that time, the Merger is subject to certain conditions, including, without limitation, the expiration or termination of any waiting periods applicable to the consummation of the Merger under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 and approval under the antitrust and competition laws of Austria. The Merger has been cleared by competition authorities in Austria.

At the effective time of the Merger, each share of common stock, par value \$0.001 per share, of the Company, issued and outstanding as of immediately prior to the effective time will be canceled and extinguished and automatically

converted into the right to receive cash in an amount equal to \$36.00 per share, without interest thereon.

The Company has recorded \$4.7 million and \$6.0 million in transaction costs related to this transaction during the three and nine months ended September 30, 2016, respectively.

Financial Operations Overview

Revenue

Event Cloud. We generate the majority of our revenue through subscriptions for our event and conference management solutions platform, pricing for which is based on the features and functionality selected. Our Enterprise solution is targeted towards the large enterprise market, and includes the full functionality of our platform. Our Event & Conference Management solution, which is targeted towards mid-market and smaller enterprises, has many of the same features as our Enterprise solution but does not include some of the advanced features and functionality required by larger organizations. The number of

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attendee registrations available to customers subscribing to the registration functionality is contractually fixed, and registrations above the contracted amount result in additional fees paid by the customer.

Our customer contracts are typically not cancellable without cause and typically range in length from one to four years. We generally recognize revenue from Event Cloud subscriptions ratably over the term of the agreement. Customers are typically invoiced in advance on an annual or quarterly basis. Amounts that have been contractually invoiced are initially recorded as deferred revenue and are recognized as revenue ratably over the subscription period. We refer to contractual amounts that have not been invoiced (or for which the underlying contract term has not commenced) as unbilled contract value. Unbilled contract value is not reflected in our consolidated financial statements.

Event Cloud subscription revenue also includes revenue from our onsite event solutions, mobile event apps and web survey products. Our Enterprise solutions and our mobile event apps are the fastest growing products within our business.

Hospitality Cloud. We branded the Hospitality Cloud to provide a full spectrum of cloud-based solutions across the hotel group sales lifecycle. However, substantially all Hospitality Cloud revenue is still generated through our group marketing solutions. Prior to this, we primarily concentrated on servicing the hospitality sector with marketing solutions through our CSN, which provided substantially all of the revenue for this product line in 2015 and prior. Marketing solutions revenue is generated through the delivery of various forms of advertising sold through annual or multi-year contracts to marketers, principally hotels and venues. Such solutions include prominent display of a customer's venue within CSN, the Cvent Destination Guide, the Elite Meetings magazine or in various electronic newsletters. Pricing for the advertisements is based on the prominence of the ad placement, term of the advertisement, targeted geography and number of advertisements.

We generally recognize the revenue from these marketing solutions over the period the advertisements are delivered. Customer contracts are typically not cancellable without cause and typically range in length from one to two years. We generally invoice our customers in advance in annual installments. Amounts that have been invoiced are initially recorded as deferred revenue and are recognized as revenue over the contract period. Contractual amounts that have not been invoiced (or for which the underlying contract term has not commenced), which we refer to as unbilled contract value, are not reflected in our consolidated financial statements.

Cost of Revenue

Cost of revenue primarily consists of employee-related expenses, including salaries, benefits, bonuses and stock-based compensation, related to providing support and hosting our applications, costs of data center capacity, software license fees and amortization expense associated with capitalized software. In addition, we allocate a portion of overhead, such as rent, information technology costs, and depreciation and amortization to cost of revenue based on head count. We are invested in our customers' success and as such, we will continue to invest in providing support, expanding our capacity to support our growth and developing new features to enhance our existing products. In the near-term, this will result in higher cost of revenue in absolute dollars, but we expect that in future periods cost of revenue will remain relatively consistent as a percentage of revenue.

Gross Profit and Gross Margin

Gross profit is total revenue less total cost of revenue. Gross margin is gross profit expressed as a percentage of total revenues. We expect that in future periods, our gross margin will remain relatively consistent from period to period.

Operating Expenses

Sales and Marketing

Sales and marketing expenses primarily consist of personnel and related expenses for our sales and marketing staff, including salaries, benefits, bonuses, commissions and stock-based compensation. We expense commissions when they are earned by staff, which is when the customer contract is signed. In addition to staff costs, our cost of marketing includes product marketing and other brand-building activities, such as trade shows, product seminars and online marketing. We also allocate a portion of overhead, such as rent, information technology costs, and depreciation to sales and marketing based on head count.

We intend to continue to invest in sales and marketing and expect spending in these areas to increase in the near-term in absolute dollars as we continue to expand our business both domestically and internationally. We expect sales and

marketing expenses to continue to be among the most significant components of our operating expenses.

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Research and Development

Research and development expenses consist primarily of personnel and related expenses for our research and development staff, including salaries, benefits, bonuses and stock-based compensation and the cost of certain third-party contractors. Research and development expenses, other than software development costs that qualify for capitalization, are expensed as incurred. In addition, we allocate a portion of overhead, such as rent, information technology costs, and depreciation to research and development based on head count.

With the exception of software developed by companies we have acquired, we maintain a unified software code base for our entire platform, which we believe improves the efficiency of our research and development activities. We expect research and development expenses to increase in the near-term in absolute dollars as we expand our product offerings and as a percentage of revenue as we invest in the integration and technological support associated with acquired businesses and technologies.

General and Administrative

General and administrative expenses consist primarily of personnel and related expenses for administrative, finance, legal and human resource staffs, including salaries, benefits, bonuses and stock-based compensation, as well as professional fees, insurance premiums and other corporate expenses. In addition, we allocate a portion of overhead, such as rent, information technology costs, and depreciation to general and administrative based on head count.

In the current quarter, we faced significantly higher legal costs due to the Merger with the Vista Funds. However, over the short-term we expect our general and administrative expenses to decrease in absolute dollars and as a percentage of revenue, as we complete the legal process related to the Merger with the Vista Funds. We also expect to continue to incur expenses related to outside legal counsel, accounting and auditing activities, compliance with public company reporting and corporate governance requirements, insurance requirements and enhancing our internal control environment.

Intangible Asset Amortization, Excluding Cost of Revenue

Intangible asset amortization, excluding cost of revenue, consists entirely of amortization expenses related to acquired customer relationship and trademark intangible assets. This line item excludes intangible asset amortization related to cost of revenue, which is defined as acquired developed technology and capitalized software intangible asset amortization.

We expect our intangible asset amortization, excluding cost of revenue, expenses to increase in absolute dollars and as a percentage of revenue over the short and long-term as we expect to strategically acquire companies to aid in our short and long-term growth.

Critical Accounting Policies and Estimates

Our unaudited consolidated financial statements and the related notes included in this Quarterly Report on Form 10-Q are prepared in accordance with U.S. generally accepted accounting principles. The preparation of these unaudited consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, cost of revenue, operating expenses, other income and expenses, provision for income taxes and related disclosures. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. Changes in accounting estimates are reasonably likely to occur from period to period. Accordingly, actual results could differ significantly from our estimates. We evaluate our estimates and assumptions on an ongoing basis. To the extent that there are material differences between our estimates and our actual results, our future financial statement presentation, financial condition, results of operations and cash flows will be affected. During the nine months ended September 30, 2016, there were no material changes to our critical accounting policies and use of estimates, which are disclosed in our audited consolidated financial statements for the year ended December 31, 2015 included in our Annual Report on Form 10-K dated March 1, 2016, and filed with the SEC.

Adopted

In March 2016, the FASB issued an amendment to ASC Topic 718, Compensation-Stock Compensation. ASU 2016-09, Compensation-Stock Compensation (Topic 718), simplifies several aspects of the accounting for stock-based compensation, including accounting for income taxes, forfeitures, statutory tax withholding requirements and

classification in the statement of cash flows. Primarily, this ASU eliminates the Additional Paid-In Capital pool ("APIC pool") concept and reduces the complexity in accounting for excess tax benefits and tax deficiencies. Under the new guidance, a company recognizes all

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excess tax benefits and tax deficiencies as income tax expense or benefit in the income statement. In addition, under the new guidance, a company may make a policy election to either estimate the number of stock awards that are expected to vest or account for forfeitures as they occur. This amendment would have become effective for the Company in the first quarter of 2017. However, the Company early adopted this standard on a prospective basis in the first quarter of 2016 and elected to account for forfeitures as they occur. The adoption of this standard required the Company to record a cumulative-effect adjustment to address historical forfeiture rate estimates for stock-based awards that were unvested as of December 31, 2015. The cumulative-effect adjustment was recorded in the first quarter and resulted in an offsetting entry to Additional Paid-in Capital and Retained Earnings of \$1.4 million, resulting in no net impact on Total Stockholders' Equity.

In November 2015, the FASB issued an amendment to ASC Topic 740: Income Taxes. ASU No. 2015-17, Balance Sheet Classification of Deferred Taxes ("ASU 2015-17"), which requires deferred tax liabilities and assets to be classified as noncurrent in a classified statement of financial position. The guidance is effective for financial statements issued for annual periods beginning after December 15, 2017, and interim periods within annual periods beginning after December 15, 2018. Earlier application is permitted for all entities as of the beginning of an interim or annual reporting period. This amendment may be applied either prospectively, or retrospectively to all periods presented. We adopted the provisions of ASU 2015-17 prospectively in the fourth quarter of 2015, and did not retrospectively adjust the prior periods. The adoption of this ASU simplifies the presentation of deferred income taxes and reduces complexity without decreasing the usefulness of information provided to users of financial statements. The adoption of ASU 2015-17 did not have a significant impact on our financial position, results of operations, and cash flows.

In September 2015, the FASB issued an amendment to ASC Topic 805: Business Combinations. ASU 2015-16, Business Combinations: Simplifying the Accounting for Measurement-Period Adjustments, simplifies the accounting for measurement period adjustments by requiring companies to recognize adjustments identified during the measurement period in the reporting period in which the adjustment amounts are determined. Prior to adoption, these measurement period adjustments were required to be recorded as retrospective adjustments to the provisional amounts recognized at the acquisition date with a corresponding adjustment to Goodwill. This amendment became effective for the Company in the first quarter of 2016. The adoption of ASU 2015-16 did not have a significant impact on our financial position, results of operations, and cash flows.

Pending/ Under Review

In February 2016, the FASB issued an amendment to ASC Topic 840: Leases. ASU 2016-02, Leases (Topic 842), which conforms the treatment for substantially all leases by requiring the lessees to recognize the lease assets and lease liabilities that arise from leases in the statement of financial position and to disclose qualitative and quantitative information about leases. Under current U.S. GAAP, leases designated as operating leases rather than capital leases are not reflected on the balance sheet. This amendment will become effective for the Company in the first quarter of 2019, although earlier adoption is permitted for financial statements that have not been issued. Management is currently assessing the effect the adoption of this standard will have on its consolidated financial statements.

In May 2014, the FASB and the International Accounting Standards Board issued joint guidance to improve and converge the financial reporting requirements for revenue from contracts with customers. ASU 2014-09, Revenue from Contracts with Customers, prescribes a five-step model for revenue recognition that will replace most existing revenue recognition guidance under U.S. GAAP. The new standard supersedes nearly all existing revenue recognition guidance under U.S. GAAP, and requires companies to recognize revenue when it transfers goods or services to a customer in an amount that reflects the consideration to which a company expects to be entitled for those goods or services. This update also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments, and assets recognized from costs incurred to obtain or fulfill a contract. ASU 2014-09 allows for either full retrospective or modified retrospective adoption. In August 2015, the FASB issued ASU 2015-14, Revenue from Contracts with Customers: Deferral of the Effective Date, which defers the effective date of ASU 2014-09 for the Company to be the first quarter of 2018. Early adoption is permitted for the Company, but only as of the first quarter of 2017. Management is still evaluating which adoption method it will use, the timing of its adoption and assessing the effect

the adoption of this standard will have on the Company's consolidated financial statements.

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Results of Operations

The following table sets forth selected consolidated statement of operations data for each of the periods indicated.

	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	2016	2015
	(In thousands)			
Revenue	\$56,668	\$48,379	\$168,605	\$136,808
Costs of revenue	16,615	14,725	47,911	43,659
Gross profit	40,053	33,654	120,694	93,149
Operating expenses:				
Sales and marketing	19,554	17,841	64,120	58,644
Research and development	12,196	5,424	34,314	15,338
General and administrative	12,727	8,181	31,430	24,698
Intangible asset amortization, excluding cost of revenue	737	680	2,210	1,492
(Gains) losses from foreign currency transactions	(253)	1,467	(344)	2,300
Total operating expenses	44,961	33,593	131,730	102,472
(Loss) income from operations	(4,908)	61	(11,036)	(9,323)
Interest income	209	679	1,167	1,800
Other expense	—	—	—	(426)
(Loss) income before income taxes	(4,699)	740	(9,869)	(7,949)
Provision for (benefit from) income taxes	879	(41)	2,574	(703)
Net (loss) income	\$(5,578)	\$781	\$(12,443)	\$(7,246)

The following table sets forth our consolidated statement of operations data as a percentage of revenue for each of the periods indicated.

	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	2016	2015
Revenue	100 %	100 %	100 %	100 %
Costs of revenue	29	30	28	32
Gross margin	71	70	72	68
Operating expenses:				
Sales and marketing	35	37	38	43
Research and development	22	11	20	11
General and administrative	22	17	19	18
Intangible asset amortization, excluding cost of revenue	1	1	1	1
(Gains) losses from foreign currency transactions	—	3	—	2
Total operating expenses	80	69	78	75
(Loss) income from operations	(9)	1	(6)	(7)
Interest income	—	1	1	1
Other expense	—	—	—	—
(Loss) income before income taxes	(9)	2	(5)	(6)
Provision for (benefit from) income taxes	2	—	2	(1)
Net (loss) income	(11)%	2 %	(7)%	(5)%

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Comparison of three and nine months ended September 30, 2016 and 2015

Revenue

	Three months ended		Variance	% Change	Nine months ended		Variance	% Change
	September 30, 2016	2015			September 30, 2016	2015		
Revenue by product:	(dollars in thousands)							
Event Cloud	\$39,560	\$33,742	\$ 5,818	17 %	\$117,074	\$94,736	\$22,338	24 %
Hospitality Cloud	17,108	14,637	2,471	17 %	51,531	42,072	9,459	22 %
Total revenue	\$56,668	\$48,379	\$ 8,289	17 %	\$168,605	\$136,808	\$31,797	23 %
Percentage of revenue:								
Event Cloud	70	% 70	%		69	% 69	%	
Hospitality Cloud	30	% 30	%		31	% 31	%	
Total revenue	100	% 100	%		100	% 100	%	

Total revenue increased \$8.3 million during the three months ended September 30, 2016 compared to the same period in 2015, due to a \$10.8 million increase in revenue from sales to new customers and sales by companies acquired since September 30, 2015. Revenue from sales of additional features and functionality to existing customers contributed an additional \$3.9 million in revenue for the three months ended September 30, 2016 over the corresponding period in 2015. These amounts were primarily offset by decreases in revenue due to lost customers since September 30, 2015 and the sale of the CrowdTorch business after that date. Included in total revenue for the three months ended September 30, 2016 and September 30, 2015