

Edgar Filing: WORKIVA INC - Form 10-Q

WORKIVA INC

Form 10-Q

November 09, 2016

false--12-31Q320162016-09-300001445305Accelerated

Filer7130007940000.0010.0010.0010.0011000000000500000000100000000500000000290146651193378430218473109908

P6Y1M10D 0001445305 2016-01-01 2016-09-30 0001445305 us-gaap:CommonClassAMember 2016-11-07

0001445305 us-gaap:CommonClassBMember 2016-11-07 0001445305 2015-12-31 0001445305 2016-09-30

0001445305 us-gaap:CommonClassBMember 2016-09-30 0001445305 us-gaap:CommonClassAMember 2015-12-31

0001445305 us-gaap:CommonClassAMember 2016-09-30 0001445305 us-gaap:CommonClassBMember 2015-12-31

0001445305 2015-01-01 2015-09-30 0001445305 2016-07-01 2016-09-30 0001445305 2015-07-01 2015-09-30

0001445305 2015-09-30 0001445305 2016-06-30 0001445305 2015-06-30 0001445305 2014-12-31 0001445305

us-gaap:USTreasurySecuritiesMember 2016-09-30 0001445305 us-gaap:CashAndCashEquivalentsMember

us-gaap:MoneyMarketFundsMember 2016-09-30 0001445305 us-gaap:MoneyMarketFundsMember 2016-09-30

0001445305 wk:MarketableSecuritiesMember us-gaap:DomesticCorporateDebtSecuritiesMember 2016-09-30

0001445305 us-gaap:DomesticCorporateDebtSecuritiesMember 2016-09-30 0001445305

us-gaap:USTreasurySecuritiesMember 2015-12-31 0001445305 us-gaap:MoneyMarketFundsMember 2015-12-31

0001445305 us-gaap:DomesticCorporateDebtSecuritiesMember 2015-12-31 0001445305

wk:MarketableSecuritiesMember us-gaap:DomesticCorporateDebtSecuritiesMember 2015-12-31 0001445305

us-gaap:CashAndCashEquivalentsMember us-gaap:MoneyMarketFundsMember 2015-12-31 0001445305

us-gaap:FairValueMeasurementsRecurringMember us-gaap:DomesticCorporateDebtSecuritiesMember 2015-12-31

0001445305 us-gaap:MoneyMarketFundsMember us-gaap:FairValueInputsLevel1Member

us-gaap:FairValueMeasurementsRecurringMember 2016-09-30 0001445305 us-gaap:MoneyMarketFundsMember

us-gaap:FairValueInputsLevel2Member us-gaap:FairValueMeasurementsRecurringMember 2016-09-30 0001445305

wk:MarketableSecuritiesMember us-gaap:FairValueMeasurementsRecurringMember 2016-09-30 0001445305

us-gaap:FairValueInputsLevel2Member us-gaap:FairValueMeasurementsRecurringMember 2016-09-30 0001445305

us-gaap:MoneyMarketFundsMember us-gaap:FairValueMeasurementsRecurringMember 2015-12-31 0001445305

us-gaap:FairValueInputsLevel1Member us-gaap:FairValueMeasurementsRecurringMember

us-gaap:USTreasurySecuritiesMember 2016-09-30 0001445305 us-gaap:FairValueInputsLevel1Member

us-gaap:FairValueMeasurementsRecurringMember 2015-12-31 0001445305 us-gaap:FairValueInputsLevel2Member

us-gaap:FairValueMeasurementsRecurringMember us-gaap:DomesticCorporateDebtSecuritiesMember 2016-09-30

0001445305 us-gaap:FairValueInputsLevel1Member us-gaap:FairValueMeasurementsRecurringMember

us-gaap:DomesticCorporateDebtSecuritiesMember 2015-12-31 0001445305

us-gaap:FairValueMeasurementsRecurringMember 2016-09-30 0001445305

us-gaap:FairValueMeasurementsRecurringMember us-gaap:DomesticCorporateDebtSecuritiesMember 2016-09-30

0001445305 us-gaap:FairValueMeasurementsRecurringMember us-gaap:USTreasurySecuritiesMember 2015-12-31

0001445305 us-gaap:MoneyMarketFundsMember us-gaap:FairValueInputsLevel2Member

us-gaap:FairValueMeasurementsRecurringMember 2015-12-31 0001445305 us-gaap:FairValueInputsLevel2Member

us-gaap:FairValueMeasurementsRecurringMember 2015-12-31 0001445305 us-gaap:MoneyMarketFundsMember

us-gaap:FairValueMeasurementsRecurringMember 2016-09-30 0001445305 us-gaap:FairValueInputsLevel2Member

us-gaap:FairValueMeasurementsRecurringMember us-gaap:USTreasurySecuritiesMember 2015-12-31 0001445305

us-gaap:FairValueInputsLevel1Member us-gaap:FairValueMeasurementsRecurringMember

us-gaap:DomesticCorporateDebtSecuritiesMember 2016-09-30 0001445305

us-gaap:FairValueMeasurementsRecurringMember us-gaap:USTreasurySecuritiesMember 2016-09-30 0001445305

us-gaap:FairValueInputsLevel1Member us-gaap:FairValueMeasurementsRecurringMember 2016-09-30 0001445305

wk:MarketableSecuritiesMember us-gaap:FairValueMeasurementsRecurringMember 2015-12-31 0001445305

us-gaap:CashAndCashEquivalentsMember us-gaap:FairValueMeasurementsRecurringMember 2016-09-30

0001445305 us-gaap:MoneyMarketFundsMember us-gaap:FairValueInputsLevel1Member

us-gaap:FairValueMeasurementsRecurringMember 2015-12-31 0001445305

us-gaap:FairValueMeasurementsRecurringMember 2015-12-31 0001445305 us-gaap:FairValueInputsLevel2Member

us-gaap:FairValueMeasurementsRecurringMember us-gaap:DomesticCorporateDebtSecuritiesMember 2015-12-31

0001445305 us-gaap:FairValueInputsLevel1Member us-gaap:FairValueMeasurementsRecurringMember

Edgar Filing: WORKIVA INC - Form 10-Q

us-gaap:USTreasurySecuritiesMember 2015-12-31 0001445305 us-gaap:CashAndCashEquivalentsMember  
us-gaap:FairValueMeasurementsRecurringMember 2015-12-31 0001445305 us-gaap:FairValueInputsLevel2Member  
us-gaap:FairValueMeasurementsRecurringMember us-gaap:USTreasurySecuritiesMember 2016-09-30 0001445305  
us-gaap:FairValueInputsLevel3Member 2016-09-30 0001445305  
wk:RestrictedStockandRestrictedStockUnitsMember 2015-12-31 0001445305  
wk:RestrictedStockandRestrictedStockUnitsMember 2016-09-30 0001445305  
wk:RestrictedStockandRestrictedStockUnitsMember 2016-01-01 2016-09-30 0001445305  
wk:CostofServicesLicensesandServicesMember 2015-01-01 2015-09-30 0001445305  
us-gaap:SellingAndMarketingExpenseMember 2015-01-01 2015-09-30 0001445305  
wk:CostofServicesLicensesandServicesMember 2016-07-01 2016-09-30 0001445305  
wk:CostofServicesProfessionalServicesMember 2015-01-01 2015-09-30 0001445305  
us-gaap:ResearchAndDevelopmentExpenseMember 2015-07-01 2015-09-30 0001445305  
us-gaap:SellingAndMarketingExpenseMember 2016-01-01 2016-09-30 0001445305  
us-gaap:ResearchAndDevelopmentExpenseMember 2016-01-01 2016-09-30 0001445305  
wk:CostofServicesLicensesandServicesMember 2015-07-01 2015-09-30 0001445305  
us-gaap:SellingAndMarketingExpenseMember 2016-07-01 2016-09-30 0001445305  
us-gaap:GeneralAndAdministrativeExpenseMember 2016-07-01 2016-09-30 0001445305  
us-gaap:GeneralAndAdministrativeExpenseMember 2015-07-01 2015-09-30 0001445305  
wk:CostofServicesProfessionalServicesMember 2016-07-01 2016-09-30 0001445305  
us-gaap:GeneralAndAdministrativeExpenseMember 2016-01-01 2016-09-30 0001445305  
wk:CostofServicesLicensesandServicesMember 2016-01-01 2016-09-30 0001445305  
wk:CostofServicesProfessionalServicesMember 2015-07-01 2015-09-30 0001445305  
us-gaap:ResearchAndDevelopmentExpenseMember 2015-01-01 2015-09-30 0001445305  
us-gaap:ResearchAndDevelopmentExpenseMember 2016-07-01 2016-09-30 0001445305  
wk:CostofServicesProfessionalServicesMember 2016-01-01 2016-09-30 0001445305  
us-gaap:GeneralAndAdministrativeExpenseMember 2015-01-01 2015-09-30 0001445305  
us-gaap:SellingAndMarketingExpenseMember 2015-07-01 2015-09-30 0001445305 2015-01-01 2015-12-31  
0001445305 wk:EmployeeandNonemployeeStockOptionsMember 2016-09-30 0001445305  
wk:RestrictedStockandRestrictedStockUnitsMember 2015-01-01 2015-09-30 0001445305  
wk:EmployeeandNonemployeeStockOptionsMember us-gaap:CommonClassAMember 2016-01-01 2016-09-30  
0001445305 wk:EquityIncentivePlan2014Member us-gaap:CommonClassAMember 2016-09-30 0001445305  
wk:EmployeeandNonemployeeStockOptionsMember us-gaap:CommonClassAMember 2015-01-01 2015-09-30  
0001445305 wk:EmployeeandNonemployeeStockOptionsMember 2016-01-01 2016-09-30 0001445305  
wk:EquityIncentivePlan2014Member us-gaap:CommonClassAMember 2016-06-01 2016-06-30 0001445305  
wk:RestrictedStockandRestrictedStockUnitsMember us-gaap:ExecutiveOfficerMember 2016-01-01 2016-09-30  
0001445305 wk:RestrictedStockandRestrictedStockUnitsMember wk:DirectorNonemployeeMember 2016-01-01  
2016-09-30 0001445305 wk:EmployeeandNonemployeeStockOptionsMember us-gaap:MinimumMember  
us-gaap:CommonClassAMember 2016-01-01 2016-09-30 0001445305  
wk:EmployeeandNonemployeeStockOptionsMember us-gaap:MaximumMember us-gaap:CommonClassAMember  
2016-01-01 2016-09-30 0001445305 us-gaap:CommonClassAMember 2015-01-01 2015-09-30 0001445305  
us-gaap:CommonClassBMember 2015-01-01 2015-09-30 0001445305 us-gaap:CommonClassAMember 2016-01-01  
2016-09-30 0001445305 us-gaap:CommonClassBMember 2016-01-01 2016-09-30 0001445305  
us-gaap:CommonClassAMember 2016-07-01 2016-09-30 0001445305 us-gaap:CommonClassBMember 2015-07-01  
2015-09-30 0001445305 us-gaap:CommonClassBMember 2016-07-01 2016-09-30 0001445305  
us-gaap:CommonClassAMember 2015-07-01 2015-09-30 0001445305 us-gaap:RestrictedStockMember 2016-01-01  
2016-09-30 0001445305 us-gaap:RestrictedStockMember 2015-01-01 2015-09-30 0001445305  
us-gaap:StockOptionMember 2016-01-01 2016-09-30 0001445305 us-gaap:StockOptionMember 2015-01-01  
2015-09-30 iso4217:USD xbrli:shares xbrli:shares iso4217:USD xbrli:pure

**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 transition  
period from  
to  
Commission File  
Number  
001-36773

---

## WORKIVA INC.

(Exact name of registrant as specified in its charter)

---

**Delaware**

(State

or

other jurisdiction)  
**47-2509828**

(I.R.S. Employer Identification Number)

of  
incorporation

or

organization)

**2900 University Blvd**

**Ames, IA 50010**

**(888) 275-3125**

(Address of principal executive offices and zip  
code)

**(888) 275-3125**

(Registrant's telephone number, including area  
code)

---

## Edgar Filing: WORKIVA INC - Form 10-Q

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. (Check one):

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

As of November 7, 2016, there were approximately 30,248,470 shares of the registrant's Class A common stock and 10,966,888 shares of the registrant's Class B common stock outstanding.

---

**WORKIVA INC.**  
**TABLE OF CONTENTS**

	<b><u>Page</u></b>
<b><u>Part I. Financial Information</u></b>	
<u>Item 1. Unaudited Consolidated Financial Statements:</u>	<u>1</u>
<u>Condensed Consolidated Balance Sheets as of September 30, 2016 and December 31, 2015</u>	<u>1</u>
<u>Condensed Consolidated Statements of Operations for the Three and Nine Months Ended September 30, 2016 and 2015</u>	<u>2</u>
<u>Condensed Consolidated Statements of Comprehensive Loss for the Three and Nine Months Ended September 30, 2016 and 2015</u>	<u>3</u>
<u>Condensed Consolidated Statements of Cash Flows for the Three and Nine Months Ended September 30, 2016 and 2015</u>	<u>4</u>
<u>Notes to Condensed Consolidated Financial Statements</u>	<u>5</u>
<u>Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>15</u>
<u>Item 3. Quantitative and Qualitative Disclosure About Market Risk</u>	<u>29</u>
<u>Item 4. Controls and Procedures</u>	<u>30</u>
<b><u>Part II. Other Information</u></b>	
<u>Item 1. Legal Proceedings</u>	<u>31</u>
<u>Item 1A. Risk Factors</u>	<u>31</u>
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>32</u>
<u>Item 6. Exhibits</u>	<u>32</u>
<u>Signatures</u>	<u>S-1</u>
<u>Exhibit Index</u>	<u>E-1</u>

Table of Contents

**SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS**

Certain statements in this Quarterly Report on Form 10-Q are “forward-looking statements” within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, and are subject to the safe harbor created thereby. All statements contained in this Quarterly Report on Form 10-Q other than statements of historical facts, including statements regarding our future results of operations and financial position, our business strategy and plans and our objectives for future operations, are forward-looking statements. The words “believe,” “may,” “will,” “estimate,” “continue,” “anticipate,” “intend,” “expect” and similar expressions are intended to identify forward-looking statements. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our financial condition, results of operations, business strategy, short-term and long-term business operations and objectives, and financial needs. These forward-looking statements are subject to a number of risks, uncertainties and assumptions, including those described in “Item 1A. Risk Factors” of our Annual Report on Form 10-K for the year ended December 31, 2015, in “Item 1A. Risk Factors” in Part II of this Quarterly Report on Form 10-Q and in any subsequent filing we make with the SEC, as well as in any documents incorporated by reference that describe risks and factors that could cause results to differ materially from those projected in these forward-looking statements.

Moreover, we operate in a very competitive and rapidly changing environment. New risks emerge from time to time. It is not possible for our management to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. In light of these risks, uncertainties and assumptions, the future events and trends discussed in this Quarterly Report on Form 10-Q may not occur and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements.

Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance, achievements or events and circumstances reflected in the forward-looking statements will occur. We are under no duty to update any of these forward-looking statements after completion of this Quarterly Report on Form 10-Q to conform these statements to actual results or revised expectations.

Table of Contents**Part I. Financial Information****Item 1. Financial Statements****WORKIVA INC.****CONDENSED CONSOLIDATED BALANCE SHEETS**

(in thousands, except share and per share amounts)

	<b>As of September 30, 2016 (unaudited)</b>	<b>As of December 31, 2015</b>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 42,842	\$ 58,750
Marketable securities	10,995	17,420
Accounts receivable, net of allowance for doubtful accounts of \$794 and \$713 at September 30, 2016 and December 31, 2015, respectively	22,353	15,647
Deferred commissions	1,634	1,368
Other receivables	1,261	818
Prepaid expenses and other current assets	4,972	3,875
Total current assets	84,057	97,878
Property and equipment, net	43,287	44,410
Intangible assets, net	995	896
Other assets	1,583	711
Total assets	\$ 129,922	\$ 143,895
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities		
Accounts payable	\$ 5,637	\$ 5,138
Accrued expenses and other current liabilities	17,177	20,394
Deferred revenue	63,629	55,741
Deferred government grant obligation	1,164	985
Current portion of capital lease and financing obligations	1,432	1,808
Current portion of long-term debt	20	18
Total current liabilities	89,059	84,084
Deferred revenue	15,216	7,597
Deferred government grant obligation	1,089	1,996
Other long-term liabilities	4,064	3,343
Capital lease and financing obligations	20,013	21,083
Long-term debt	53	73
Total liabilities	129,494	118,176
Stockholders' equity		
Class A common stock, \$0.001 par value per share, 1,000,000,000 shares authorized, 30,218,473 and 29,014,665 shares issued and outstanding at September 30, 2016 and December 31, 2015, respectively	30	29
Class B common stock, \$0.001 par value per share, 500,000,000 shares authorized, 10,990,888 and 11,933,784 shares issued and outstanding at September 30, 2016 and	11	12

Edgar Filing: WORKIVA INC - Form 10-Q

December 31, 2015, respectively

Preferred stock, \$0.001 par value per share, 100,000,000 shares authorized, no shares issued and outstanding	—	—
Additional paid-in-capital	213,532	202,371
Accumulated deficit	(213,395	) (176,934 )
Accumulated other comprehensive income	250	241
Total stockholders' equity	428	25,719
Total liabilities and stockholders' equity	\$ 129,922	\$ 143,895

*See accompanying notes.*

1

---



Table of Contents**WORKIVA INC.****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS****(in thousands, except share and per share amounts)****(unaudited)**

	<b>Three months ended</b>		<b>Nine months ended</b>	
	<b>September 30,</b>		<b>September 30,</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
Revenue				
Subscription and support	\$36,237	\$29,832	\$104,791	\$84,186
Professional services	8,473	6,436	27,481	21,204
Total revenue	44,710	36,268	132,272	105,390
Cost of revenue				
Subscription and support	6,694	5,319	20,651	16,768
Professional services	6,040	4,457	17,766	12,423
Total cost of revenue	12,734	9,776	38,417	29,191
Gross profit	31,976	26,492	93,855	76,199
Operating expenses				
Research and development	14,342	12,766	42,905	36,970
Sales and marketing	22,354	20,903	62,270	50,937
General and administrative	8,015	7,153	24,850	20,178
Total operating expenses	44,711	40,822	130,025	108,085
Loss from operations	(12,735 )	(14,330 )	(36,170 )	(31,886 )
Interest expense	(462 )	(494 )	(1,420 )	(1,517 )
Other income and (expense), net	298	163	1,152	288
Loss before provision for income taxes	(12,899 )	(14,661 )	(36,438 )	(33,115 )
(Benefit) provision for income taxes	(8 )	(31 )	23	(9 )
Net loss	\$(12,891 )	\$(14,630 )	\$(36,461 )	\$(33,106 )
Net loss per common share:				
Basic and diluted	\$(0.32 )	\$(0.37 )	\$(0.90 )	\$(0.83 )
Weighted average common shares outstanding - basic and diluted	40,762,960	39,980,308	40,603,430	39,735,393

*See accompanying notes.*

Table of Contents**WORKIVA INC.****CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS****(in thousands)****(unaudited)**

	<b>Three months ended</b>		<b>Nine months ended</b>	
	<b>September 30,</b>		<b>September 30,</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
Net loss	\$ (12,891 )		\$ (14,630 )	
Other comprehensive (loss) income, net of tax				
Foreign currency translation adjustment, net of income tax (expense) of \$0 and (\$40) for the three months ended September 30, 2016 and 2015, respectively, and net of income tax benefit (expense) of \$21 and (\$84) for the nine months ended September 30, 2016 and 2015, respectively	(4	) 59	(37	) 104
Unrealized (loss) gain on available-for-sale securities, net of income tax benefit of \$5 and \$0 for the three months ended September 30, 2016 and 2015, respectively, and net of income tax (expense) of (\$28) and \$0 for the nine months ended September 30, 2016 and 2015, respectively	(8	) 4	46	4
Other comprehensive (loss) income, net of tax	(12	) 63	9	108
Comprehensive loss	\$ (12,903 )		\$ (14,567 )	
<i>See accompanying notes.</i>				

Table of Contents**WORKIVA INC.****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS****(in thousands)****(unaudited)**

	<b>Three months ended</b>		<b>Nine months ended</b>	
	<b>September 30,</b>		<b>September 30,</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
<b>Cash flows from operating activities</b>				
Net loss			\$(12,891)	\$(14,630)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities				\$(36,461)
Depreciation and amortization	944	1,058	2,916	3,354
Stock-based compensation expense	3,670	3,082	10,562	7,876
(Recovery of) provision for doubtful accounts	(92)	) 222	78	348
Realized gain on sale of available-for-sale securities	—	(7)	) (6)	) (7)
Amortization (accretion) of premiums and discounts on marketable securities, net	36	32	111	32
Recognition of deferred government grant obligation	(247)	) (236)	) (910)	) (508)
Deferred income tax	5	—	(7)	) —
Changes in assets and liabilities:				
Accounts receivable	(4,009)	) 47	(6,734)	) (1,448)
Deferred commissions	(135)	) (217)	) (264)	) (104)
Other receivables	(365)	) (44)	) (447)	) (656)
Prepaid expenses and other	415	(218)	) (1,098)	) (139)
Other assets	(455)	) 72	(841)	) 166
Accounts payable	279	857	380	2,276
Deferred revenue	13,228	1,686	15,412	3,528
Accrued expenses and other liabilities	2,410	3,578	(3,012)	) 1,732
Change in restricted cash	—	—	—	101
Net cash provided by (used in) operating activities	2,793	(4,718)	) (20,321)	) (16,555)
<b>Cash flows from investing activities</b>				
Purchase of property and equipment	(91)	) (629)	) (1,100)	) (1,659)
Purchase of marketable securities	—	(15,692)	) (802)	) (15,692)
Sale of marketable securities	—	3,012	7,197	3,012
Purchase of intangible assets	(38)	) (66)	) (152)	) (344)
Net cash (used in) provided by investing activities	(129)	) (13,375)	) 5,143	(14,683)
<b>Cash flows from financing activities</b>				
Payment of equity issuance costs	—	—	—	(1,346)
Proceeds from option exercises	840	1,062	1,360	1,495
Taxes paid related to net share settlements of stock-based compensation awards	—	—	(761)	) —
Changes in restricted cash	—	—	—	300
Repayment of other long-term debt	—	(17)	) (18)	) (84)
Principal payments on capital lease and financing obligations	(538)	) (522)	) (1,446)	) (1,683)
Distributions to members	—	—	—	(35)
Proceeds from government grants	—	235	183	548

Edgar Filing: WORKIVA INC - Form 10-Q

Payments of issuance costs on line of credit	—	—	(33	) —
Net cash provided by (used in) financing activities	302	758	(715	) (805 )
Effect of foreign exchange rates on cash	(9	) (3	) (15	) 6
Net increase (decrease) in cash and cash equivalents	2,957	(17,338	) (15,908	) (32,037 )
Cash and cash equivalents at beginning of period	39,885	86,432	58,750	101,131
Cash and cash equivalents at end of period	\$42,842	\$69,094	\$42,842	\$69,094

**Supplemental cash flow disclosure**

Cash paid for interest	\$600	\$488	\$1,392	\$1,407
Cash paid for income taxes, net of refunds	\$(26	) \$—	\$22	\$—

**Supplemental disclosure of noncash investing and financing activities**

Fixed assets acquired through capital lease arrangements	\$—	\$—	\$—	\$527
Allowance for tenant improvements	\$80	\$—	\$481	\$698
Accrued distributions to members	\$—	\$—	\$—	\$60
Purchases of property and equipment, accrued but not paid	\$505	\$—	\$505	\$—

*See accompanying notes.*

Table of Contents

**WORKIVA INC.**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**1. Organization and Significant Accounting Policies**

***Organization***

Workiva Inc., a Delaware corporation, and its wholly-owned subsidiaries created Wdesk, a cloud-based platform for enterprises to collect, link, report and analyze business data with control and accountability. The Wdesk proprietary word processing, spreadsheet and presentation applications are integrated and built upon a data management engine, offering synchronized data, controlled collaboration, granular permissions and a full audit trail. We offer our customers solutions in the areas of compliance, risk, finance, accounting, and audit management. Our operational headquarters are located in Ames, Iowa, with additional offices located in the United States, Europe and Canada.

***Basis of Presentation and Principles of Consolidation***

The financial information presented in the accompanying unaudited condensed consolidated financial statements has been prepared in accordance with U.S. generally accepted accounting principles (“U.S. GAAP”) and in accordance with rules and regulations of the U.S. Securities and Exchange Commission (“SEC”) regarding interim financial reporting. Accordingly, the financial statements do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. The condensed consolidated balance sheet data as of December 31, 2015 was derived from audited financial statements, but does not include all disclosures required by U.S. GAAP. The condensed consolidated financial information should be read in conjunction with the consolidated financial statements and notes included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2015 filed with the SEC on March 1, 2016. In the opinion of management, the accompanying unaudited condensed consolidated financial statements reflect all adjustments, consisting primarily of normal recurring accruals, necessary for a fair presentation of our financial position and results of operations. The operating results for the three and nine months ended September 30, 2016 are not necessarily indicative of the results expected for the full year ending December 31, 2016.

The unaudited condensed consolidated financial statements include the accounts of Workiva Inc. and its wholly-owned subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation.

***Use of Estimates***

The preparation of consolidated financial statements in conformity with U.S. GAAP requires us to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. We base our estimates on historical experience and various other assumptions believed to be reasonable. These estimates include, but are not limited to, the determination of the relative selling prices of our services, health insurance claims incurred but not yet reported, collectability of accounts receivable, valuation of available-for-sale marketable securities, useful lives of intangible assets and property and equipment, income taxes and certain assumptions used in the valuation of equity awards. While these estimates are based on our best knowledge of current events and actions that may affect us in the future, actual results may differ materially from these estimates.

Table of Contents***New Accounting Pronouncements***

In May 2014, the Financial Accounting Standards Board (“FASB”) issued guidance codified in Accounting Standards Codification (“ASC”) 606, *Revenue Recognition - Revenue from Contracts with Customers*, which amends the guidance in former ASC 605, *Revenue Recognition*. In August 2015, the FASB approved the deferral of the effective date of the standard by one year. The new guidance is effective for our fiscal year beginning January 1, 2018 instead of January 1, 2017 and permits the use of either a full retrospective or modified retrospective transition method. Entities are permitted to adopt the guidance in accordance with the original effective date if they choose. We plan to adopt this guidance on the effective date. We have not determined our transition method, and we are currently evaluating the impact the provisions of ASC 606 will have on our consolidated financial statements.

In April 2015, the FASB issued Accounting Standards Update (“ASU”) 2015-05, *Intangibles-Goodwill and Other-Internal-Use Software (Subtopic 350-40): Customer’s Accounting for Fees Paid in a Cloud Computing Arrangement*. The amendments in this update provide guidance to customers about whether a cloud computing arrangement includes a software license. The amendment was effective for interim and annual periods beginning after December 15, 2015 with early adoption permitted. Effective January 1, 2016, we adopted this standard prospectively. The adoption did not have a material impact on our consolidated financial statements.

In April 2015, the FASB issued ASU 2015-03, *Interest - Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs*. The standard requires debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The recognition and measurement guidance for debt issuance costs are not affected. The standard became effective for interim and annual periods beginning after December 15, 2015. Effective January 1, 2016, we adopted this standard. The adoption did not have a material impact on our consolidated financial statements.

In February 2016, the FASB issued guidance codified in ASC 842, *Leases*, which supersedes the guidance in former ASC 840, *Leases*, to increase transparency and comparability among organizations by requiring recognition of lease assets and lease liabilities on the balance sheet and disclosure of key information about leasing arrangements. The standard will become effective for interim and annual periods beginning after December 15, 2018, with early adoption permitted. The guidance is required to be adopted at the earliest period presented using a modified retrospective approach. We are currently evaluating the impact the provisions will have on our consolidated financial statements and whether we will adopt the guidance early.

In March 2016, the FASB issued ASU 2016-09, *Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting*. Under this ASU, entities are permitted to make an accounting policy election to either estimate forfeitures on share-based payment awards, as required by current guidance, or to recognize forfeitures as they occur. We will be required to make this election at the entity level using a modified retrospective transition method, with a cumulative-effect adjustment to the accumulated deficit. The guidance will be effective for interim and annual periods beginning after December 15, 2016, with early adoption permitted. We plan to adopt this update on the effective date and are currently evaluating the impact it will have on our consolidated financial statements. The remaining provisions of ASU 2016-09 are not expected to have a material impact on our consolidated financial statements.

Table of Contents**2. Supplemental Consolidated Balance Sheet and Statement of Operations Information*****Other Assets***

Other assets consisted of (in thousands):

	<b>September 30, December 31,</b>	
	<b>2016</b>	<b>2015</b>
Deposits and prepayments	\$ 1,166	\$ 708
Refundable tax credits	330	—
Other assets	87	3
	<b>\$ 1,583</b>	<b>\$ 711</b>

***Accrued Expenses and Other Current Liabilities***

Accrued expenses and other current liabilities consisted of (in thousands):

	<b>September 30, December 31,</b>	
	<b>2016</b>	<b>2015</b>
Accrued vacation	\$ 4,336	\$ 3,604
Accrued commissions	2,307	2,470
Accrued bonuses	6,421	9,598
Estimated health insurance claims	1,100	900
Accrued other liabilities	3,013	3,822
	<b>\$ 17,177</b>	<b>\$ 20,394</b>

***Other Income and (Expense), net***

Other income and (expense), net for the three and nine months ended September 30, 2016 and 2015 consisted of (in thousands):

	<b>Three months ended</b>		<b>Nine months ended</b>	
	<b>September 30,</b>		<b>September 30,</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
Interest income	\$64	\$51	\$209	\$78
Income from training reimbursement program	247	236	910	508
Other	(13 )	(124 )	33	(298 )
	<b>\$298</b>	<b>\$163</b>	<b>\$1,152</b>	<b>\$288</b>

Table of Contents**3. Marketable Securities**

At September 30, 2016, marketable securities consisted of the following (in thousands):

	<b>Amortized Cost</b>	<b>Unrealized Gains</b>	<b>Unrealized Losses</b>	<b>Aggregate Fair Value</b>
U.S. treasury debt securities	\$ 3,505	\$ 1	\$ —	\$ 3,506
U.S. corporate debt securities	7,478	12	(1 )	7,489
Money market funds	37,455	—	—	37,455
	\$ 48,438	\$ 13	\$ (1 )	\$ 48,450
Included in cash and cash equivalents	\$ 37,455	\$ —	\$ —	\$ 37,455
Included in marketable securities	\$ 10,983	\$ 13	\$ (1 )	\$ 10,995

At December 31, 2015, marketable securities consisted of the following (in thousands):

	<b>Amortized Cost</b>	<b>Unrealized Gains</b>	<b>Unrealized Losses</b>	<b>Aggregate Fair Value</b>
U.S. treasury debt securities	\$ 4,805	\$ —	\$ (31 )	\$ 4,774
U.S. corporate debt securities	12,679	1	(34 )	12,646
Money market funds	53,365	—	—	53,365
	\$ 70,849	\$ 1	\$ (65 )	\$ 70,785
Included in cash and cash equivalents	\$ 53,365	\$ —	\$ —	\$ 53,365
Included in marketable securities	\$ 17,484	\$ 1	\$ (65 )	\$ 17,420

The following table presents gross unrealized losses and fair values for those marketable securities that were in an unrealized loss position as of September 30, 2016, aggregated by investment category and the length of time that individual securities have been in a continuous loss position (in thousands):

	<b>As of September 30, 2016</b>			
	<b>Less than 12 months Fair Value</b>	<b>Unrealized Loss</b>	<b>12 months or greater Fair Value</b>	<b>Unrealized Loss</b>
U.S. corporate debt securities	\$2,042	\$ (1 )	\$ —	—
Total	\$2,042	\$ (1 )	\$ —	—

We do not believe any of the unrealized losses represented an other-than-temporary impairment based on our evaluation of available evidence, which includes our intent as of September 30, 2016 to hold these investments until the cost basis is recovered.

**4. Fair Value Measurements**

We determine the fair values of our financial instruments based on the fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value assumes that the transaction to sell the asset or transfer the liability occurs in the principal or most advantageous market for the asset or liability and establishes that the fair value of an asset or liability shall be determined based on the assumptions that market participants would use in pricing the asset or liability. The classification of a financial asset or liability within the hierarchy is based upon the lowest level input





Table of Contents

that is significant to the fair value measurement. The fair value hierarchy prioritizes the inputs into three levels that may be used to measure fair value:

Level 1 - Inputs are unadjusted quoted prices in active markets for identical assets or liabilities.

Inputs are quoted prices for similar assets and liabilities in active markets or inputs that are observable for the

Level 2 - asset or liability, either directly or indirectly through market corroboration, for substantially the full term of the financial instrument.

Level 3 - Inputs are unobservable inputs based on our assumptions.

**Financial Assets**

Cash equivalents primarily consist of AAA-rated money market funds with overnight liquidity and no stated maturities. We classified cash equivalents as Level 1 due to the short-term nature of these instruments and measured the fair value based on quoted prices in active markets for identical assets.

When available, our marketable securities are valued using quoted prices for identical instruments in active markets. If we are unable to value our marketable securities using quoted prices for identical instruments in active markets, we value our investments using broker reports that utilize quoted market prices for comparable instruments. We validate, on a sample basis, the derived prices provided by the brokers by comparing their assessment of the fair values of our investments against the fair values of the portfolio balances of another third-party professional pricing service. As of September 30, 2016, all of our marketable securities were valued using quoted prices for comparable instruments in active markets and are classified as Level 2.

Based on our valuation of our money market funds and marketable securities, we concluded that they are classified in either Level 1 or Level 2 and we have no financial assets measured using Level 3 inputs. The following table presents information about our assets that are measured at fair value on a recurring basis using the above input categories (in thousands):

Description	Fair Value Measurements as of September 30, 2016			Fair Value Measurements as of December 31, 2015		
	Total	Level 1	Level 2	Total	Level 1	Level 2
Money market funds	\$37,455	\$37,455	\$—	\$53,365	\$53,365	\$—
U.S. treasury debt securities	3,506	—	3,506	4,774	—	4,774
U.S. corporate debt securities	7,489	—	7,489	12,646	—	12,646
	\$48,450	\$37,455	\$10,995	\$70,785	\$53,365	\$17,420
Included in cash and cash equivalents	\$37,455			\$53,365		
Included in marketable securities	\$10,995			\$17,420		

**Other Fair Value Measurements**

At September 30, 2016, the fair value of our debt obligations approximated the carrying amount of \$73,000. The estimated fair value was based in part on our consideration of incremental borrowing rates for similar types of borrowing arrangements. We have classified the fair value of our debt obligations as Level 3 due to the lack of relevant observable market data over fair value inputs.

Table of Contents**5. Commitments and Contingencies*****Lease Commitments***

As of September 30, 2016, future estimated minimum lease payments under non-cancelable operating leases were as follows (in thousands):

	<b>Operating Leases</b>
Remainder of 2016	\$ 827
2017	3,477
2018	3,281
2019	2,581
2020	2,263
Thereafter	10,316
Total minimum lease payments	\$ 22,745

There have been no material changes in our future estimated minimum lease payments under non-cancelable capital and financing leases, as disclosed in our Annual Report on Form 10-K for the year ended December 31, 2015.

***Litigation***

From time to time we may become involved in legal proceedings or be subject to claims arising in the ordinary course of our business. Although the results of litigation and claims cannot be predicted with certainty, we currently believe that the final outcome of any currently pending legal proceedings to which we are a party will not have a material adverse effect on our business, operating results, financial condition or cash flows. Regardless of the outcome, litigation can have an adverse impact on us because of defense and settlement costs, diversion of management resources and other factors.

**6. Stock-Based Compensation**

We grant stock-based incentive awards to attract, motivate and retain qualified employees, non-employee directors and consultants, and to align their financial interests with those of our stockholders. We utilize stock-based compensation in the form of restricted stock awards, restricted stock units (together, "restricted stock") and options to purchase Class A common stock.

As of September 30, 2016, awards outstanding under the 2009 Plan consisted of stock options, and awards outstanding under the 2014 Plan consisted of stock options, restricted stock awards and restricted stock units.

In June 2016, stockholders approved an amendment to the 2014 Plan that increased the number of shares available for grant by 3,900,000. As of September 30, 2016, 4,173,014 shares of Class A common stock were available for grant under the 2014 Plan.

Stock-based compensation expense for the nine months ended September 30, 2016 was \$7.0 million and \$3.6 million for options to purchase Class A common stock and restricted stock, respectively. Stock-based compensation expense for the nine months ended September 30, 2015 was \$5.5 million and \$2.4 million for options to purchase Class A common stock and restricted stock, respectively.

Table of Contents

Stock-based compensation expense associated with stock options and restricted stock was recorded in the following cost and expense categories consistent with the respective employee or service provider's related cash compensation (in thousands):

	<b>Three months ended</b>		<b>Nine months ended</b>	
	<b>September 30,</b>		<b>September 30,</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
Cost of revenue				
Subscription and support	\$ 122	\$ 92	\$ 365	\$ 275
Professional services	100	90	315	251
Operating expenses				
Research and development	594	586	1,787	1,289
Sales and marketing	567	461	1,471	1,243
General and administrative	2,287	1,853	6,624	4,818
Total	\$3,670	\$3,082	\$10,562	\$7,876

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model. Expected volatility is based on historical volatilities for publicly traded stock of comparable companies over the estimated expected life of the options. The expected term represents the period of time the options are expected to be outstanding and is based on the "simplified method" as defined by SEC Staff Accounting Bulletin No. 110 (Topic 14.D.2). We use the "simplified method" due to the lack of sufficient historical exercise data to provide a reasonable basis upon which to otherwise estimate the expected life of the options. The risk-free interest rate is based on yields on U.S. Treasury STRIPS (Separate Trading of Registered Interest and Principal of Securities) with a maturity similar to the estimated expected term of the options. The fair value of our stock options was estimated assuming no expected dividends and the following weighted-average assumptions:

	<b>Three months ended September 30,</b>		<b>Nine months ended September 30,</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
Expected term (in years)	6.1	6.1	6.1	6.1
Risk-free interest rate	1.15% - 1.32%	1.70% - 1.93%	1.15% - 1.90%	1.35% - 1.93%
Expected volatility	44.36% - 44.57%	46.09% - 47.07%	44.36% - 45.29%	42.35% - 47.07%

Table of Contents**Stock Options**

The following table summarizes the option activity under the Plans for the nine months ended September 30, 2016:

	<b>Options</b>	<b>Weighted- Average Exercise Price</b>	<b>Weighted- Average Remaining Contractual Term (Years)</b>	<b>Aggregate Intrinsic Value  (in thousands)</b>
Outstanding at December 31, 2015	6,969,133	\$ 11.37	7.7	\$ 43,287
Granted	1,194,119	15.24		
Forfeited	(251,073 )	14.58		
Exercised	(322,228 )	4.22		
Outstanding at September 30, 2016	7,589,951	\$ 12.18	7.4	\$ 45,209
Exercisable at September 30, 2016	4,107,422	\$ 9.69	6.3	\$ 34,677

Options to purchase Class A common stock generally vest over a three- or four-year period and are generally granted for a term of ten years. The total intrinsic value of options exercised during the nine months ended September 30, 2016 and 2015 was \$3.4 million and \$5.9 million, respectively.

The weighted-average grant-date fair value of options granted during the nine months ended September 30, 2016 and 2015 was \$6.78 and \$6.31, respectively. The total fair value of options vested during the nine months ended September 30, 2016 and 2015 was approximately \$6.9 million and \$6.8 million, respectively. Total unrecognized compensation expense of \$20.4 million related to options will be recognized over a weighted-average period of 2.5 years.

**Restricted Stock**

We have granted restricted stock awards and restricted stock units to our executive officers that vest in three equal annual installments from the date of grant and restricted stock awards and restricted stock units to non-employee members of our Board of Directors with one-year cliff vesting from the date of grant. The fair value for restricted stock awards and units is calculated based on the stock price on the date of grant. The total fair value of restricted stock awards and units vested during the nine months ended September 30, 2016 was approximately \$3.3 million. No restricted stock awards or units vested during the nine months ended September 30, 2015.

Table of Contents

The following table summarizes the restricted stock activity under the Plan for the nine months ended September 30, 2016:

	<b>Number of Shares</b>	<b>Weighted- Average Grant Date Fair Value</b>	<b>Aggregate Intrinsic Value  (in thousands)</b>
Outstanding at December 31, 2015	600,025	\$ 13.38	\$ 10,542
Granted	381,952	15.11	
Forfeited	—	—	
Vested	(246,690)	13.35	
Outstanding at September 30, 2016	735,287	\$ 14.29	\$ 13,331

Compensation expense associated with unvested restricted stock is recognized on a straight-line basis over the vesting period. The expense recognized each period is dependent upon our estimate of the number of shares that will ultimately be issued. At September 30, 2016, there was approximately \$7.6 million of total unrecognized compensation expense related to restricted stock, which is expected to be recognized over a weighted-average period of 1.8 years.

Table of Contents**7. Net Loss Per Share**

Basic net loss per share is computed by dividing the net loss by the weighted-average number of shares of common stock outstanding during the period. Diluted net loss per share is computed by giving effect to all potential shares of common stock, including our outstanding stock options and stock related to unvested restricted stock awards to the extent dilutive.

The net loss per share is allocated based on the participation rights of the Class A and Class B common shares as if the loss for the year has been distributed. As the liquidation and dividend rights are identical, the net loss is allocated on a proportionate basis.

We consider unvested restricted stock awards granted under the 2014 Equity Incentive Plan to be participating securities because holders of such shares have non-forfeitable dividend rights in the event of our declaration of a dividend for common shares. In future periods to the extent we are profitable, we will subtract earnings allocated to these participating securities from net income to determine net income attributable to common stockholders.

A reconciliation of the denominator used in the calculation of basic and diluted loss per share is as follows (in thousands, except share and per share data):

	<b>Three months ended</b>			
	<b>September 30, 2016</b>		<b>September 30, 2015</b>	
	<b>Class A</b>	<b>Class B</b>	<b>Class A</b>	<b>Class B</b>
<i>Numerator</i>				
Net loss	\$ (9,369 )	\$ (3,522 )	\$ (10,199 )	\$ (4,431 )
<i>Denominator</i>				
Weighted-average common shares outstanding - basic and diluted	29,624,794	1,138,166	27,870,414	12,109,894
Basic and diluted net loss per share	\$ (0.32 )	\$ (0.32 )	\$ (0.37 )	\$ (0.37 )
	<b>Nine months ended</b>			
	<b>September 30, 2016</b>		<b>September 30, 2015</b>	
	<b>Class A</b>	<b>Class B</b>	<b>Class A</b>	<b>Class B</b>
<i>Numerator</i>				
Net loss	\$ (26,076 )	\$ (10,385 )	\$ (22,849 )	\$ (10,257 )
<i>Denominator</i>				
Weighted-average common shares outstanding - basic and diluted	29,038,566	11,564,864	27,423,991	12,311,402
Basic and diluted net loss per share	\$ (0.90 )	\$ (0.90 )	\$ (0.83 )	\$ (0.83 )

The anti-dilutive securities excluded from the weighted-average shares used to calculate the diluted net loss per common share were as follows:

	<b>As of</b>	
	<b>September 30, 2016</b>	<b>September 30, 2015</b>
Shares subject to outstanding common stock options	7,589,951	6,945,857
Shares subject to unvested restricted stock awards	353,335	654,375

Table of Contents

**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 our operations should be read in conjunction with the condensed consolidated financial statements and related notes included elsewhere in this report and in our Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 1, 2016. In addition to historical consolidated financial information, this discussion contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those discussed below. Factors that could cause or contribute to these differences include, but are not limited to, those identified below, and those discussed in “Item 1A. Risk Factors” of our Annual Report on Form 10-K for the year ended December 31, 2015, in “Item 1A. Risk Factors” in Part II of this Quarterly Report on Form 10-Q and in any subsequent filing we make with the SEC.*

**Overview**

Workiva created Wdesk, a cloud-based productivity platform for enterprises to collect, link, report and analyze business data with control and accountability. Wdesk’s proprietary word processing, spreadsheet and presentation applications are integrated and built upon a data management engine, offering synchronized data, controlled collaboration, granular permissions and a full audit trail. Wdesk empowers our customers to dynamically define their business processes and optimize workflows so that critical data can be reported, analyzed and understood more efficiently. Our customers can gain insights based on their trusted data, which enables better real-time decision-making. Additionally, our customers deploy Wdesk to serve as a single system of record for critical data, to reduce risk and operational costs, and to increase efficiency. As of September 30, 2016, we provided our solutions to more than 2,600 enterprise customers, including over 65% of the FORTUNE 100® and FORTUNE 500® companies<sup>(1)</sup>.

(1) Claim not confirmed by FORTUNE or Time Inc. FORTUNE 500 is a registered trademark of Time Inc. and is used under license. FORTUNE and Time Inc. are not affiliated with, and do not endorse products or services of, Workiva Inc.

Our Wdesk product platform allows multiple users to simultaneously create, review and publish data-linked documents and reports with greater control, accuracy and productivity than ever before. We offer our customers solutions for compliance, risk, finance, accounting and audit management. Underlying these solutions is our scalable, enterprise-grade data engine that collects, aggregates and manages our customers’ unstructured and structured data. Largely in response to customer demand, Workiva has been evolving Wdesk from a point solution for SEC filings to a solution addressing multiple use cases and now toward an enterprise-wide solution. This evolution has presented significant demands on our development team and our sales and marketing groups, particularly in the context of managing resources to improve operating cash flow.

We operate our business on a software-as-a-service (SaaS) model. Customers enter into quarterly, annual and multi-year subscription contracts to utilize Wdesk. Our subscription fee includes the use of our service and technical support. Our pricing is based primarily on the number of corporate entities, number of users, level of customer support, and length of contract. Our pricing model is scaled to the number of users, so the subscription price per user typically decreases as the number of users increases. We charge customers additional fees primarily for document setup and XBRL tagging services. We generate sales primarily through our direct sales force and, to a lesser extent, customer success and professional services teams.

Our integrated platform, subscription-based model, and exceptional customer support have contributed to a low rate of customer turnover while achieving strong revenue growth. Our subscription and support revenue retention rate was 95.0% (excluding add-on seats) for the twelve months ended September 30, 2016.

We continue to invest in the development of our solutions, infrastructure and sales and marketing to drive long-term growth. Our full-time employee headcount expanded to 1,166 at September 30, 2016 from 1,035 at September 30, 2015, an increase of 12.7%.

We have achieved significant revenue growth in recent periods. Our revenue grew to \$44.7 million and \$132.3 million during the three and nine months ended September 30, 2016 from \$36.3 million and





**Table of Contents**

\$105.4 million during the three and nine months ended September 30, 2015. We incurred net losses of \$12.9 million and \$36.5 million during the three and nine months ended September 30, 2016 compared to \$14.6 million and \$33.1 million during the three and nine months ended September 30, 2015.

We are an “emerging growth company,” as defined in the JOBS Act. We will cease to be an “emerging growth company” upon the earliest of (i) December 31, 2019, (ii) the last day of the first fiscal year in which our annual gross revenue is \$1 billion or more, (iii) the date on which we have, during the previous rolling three-year period, issued more than \$1 billion in nonconvertible debt securities or (iv) the date on which we qualify as a “large accelerated filer” with at least \$700 million of equity securities held by non-affiliates.

**Key Factors Affecting Our Performance**

*New customers.* We employ a “land-and-expand” sales strategy that focuses on acquiring new customers through our direct sales model and building our relationships with existing customers over time. Acquiring new customers is a key component of our continued success in the marketplace, growth opportunity and future revenue. We have aggressively invested in and intend to continue to invest in our direct sales force.

*Further penetration of existing customers.* Our account management teams seek to generate additional revenue from our customers by adding seats to existing subscriptions and by signing new subscriptions for additional business solutions on our platform. We believe a significant opportunity exists for us to sell additional subscriptions to current customers as they become more familiar with our platform and adopt our solutions to address additional business use cases.

*Investment in growth.* We are expanding our operations, increasing our headcount and developing software to both enhance our current offerings and build new features. We expect our total operating expenses to increase, particularly as we continue to expand our sales operations, marketing activities and development staff. We continue to invest in our sales, marketing and customer success organizations to drive additional revenue and support the growth of our customer base. Investments we make in our sales and marketing and research and development organizations will occur in advance of experiencing any benefits from such investments.

*Seasonality.* Our revenue from professional services has some degree of seasonality. Many of our customers employ our professional services just before they file their Form 10-K, often in the first calendar quarter. As professional services revenue from our non-SEC offerings continues to grow, we expect our professional services revenue to become less seasonal. Our sales and marketing expense also has some degree of seasonality. Sales and marketing expense is generally higher in the third quarter since we hold our annual user conference in September. In addition, we typically pay cash bonuses to employees in the first quarter, resulting in some seasonality in operating cash flow.

Table of Contents**Key Performance Indicators**

	<b>Three months ended</b>		<b>Nine months ended</b>	
	<b>September 30,</b>		<b>September 30,</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>

(dollars in thousands)

*Financial metrics*

Total revenue	\$44,710	\$36,268	\$132,272	\$105,390
Percentage increase in total revenue	23.3 %	29.9 %	25.5 %	27.6 %
Subscription and support revenue	\$36,237	\$29,832	\$104,791	\$84,186
Percentage increase in subscription and support revenue	21.5 %	25.9 %	24.5 %	27.0 %
Subscription and support as a percent of total revenue	81.0 %	82.3 %	79.2 %	79.9 %

**As of**  
**September 30,**  
**2016 2015**

*Operating metrics*

Number of customers	2,696	2,468
Subscription and support revenue retention rate	95.0%	96.4%
Subscription and support revenue retention rate including add-ons	108.7%	107.7%

*Total customers.* We believe total number of customers is a key indicator of our financial success and future revenue potential. We define a customer as an entity with an active subscription contract as of the measurement date. Our customer is typically a parent company or, in a few cases, a significant subsidiary that works with us directly.

Companies with publicly listed securities account for a substantial majority of our customers.

*Subscription and support revenue retention rate.* We calculate our subscription and support revenue retention rate by annualizing the subscription and support revenue recorded in the first month of the measurement period for only those customers in place throughout the entire measurement period, thereby excluding any attrition. We divide the result by the annualized subscription and support revenue in the first month of the measurement period for all customers in place at the beginning of the measurement period. The measurement period is based on the trailing twelve months. Our subscription and support revenue retention rate was 95.0% at the September 2016 measurement date, down from 96.4% as of September 2015. We believe that our success in maintaining a high rate of revenue retention is attributable primarily to our robust technology platform and strong customer service. Customers being acquired or ceasing to file SEC reports has been the largest contributing factor to our revenue attrition.

*Subscription and support revenue retention rate including add-ons.* Add-on revenue includes the change in both seats purchased and seat pricing for existing customers. We calculate our subscription and support revenue retention rate including add-ons by annualizing the subscription and support revenue recorded in the last month of the measurement period for only those customers in place throughout the entire measurement period. We divide the result by the annualized subscription and support revenue in the first month of the measurement period for all customers in place at the beginning of the measurement period. The measurement period is based on the trailing twelve months.

**Table of Contents**

Our subscription and support revenue retention rate including add-ons was 108.7% at the September 2016 measurement date, up from 107.7% as of September 2015. Shifting the focus of our sales team covering existing customers toward use cases with larger target deal sizes drove most of the rate increase.

**Components of Results of Operations**

***Revenue***

We generate revenue through the sale of subscriptions to our cloud-based software and the delivery of professional services. We serve a wide range of customers in many industries, and our revenue is not concentrated with any single customer or small group of customers. For the nine months ended September 30, 2016 and 2015, no single customer represented more than 1% of our revenue, and our largest ten customers accounted for less than 5% of our revenue in the aggregate.

We generate sales directly through our sales force. We also identify some sales opportunities with existing customers through our customer success and professional services teams.

Our customer contracts typically range in length from three to 36 months. Our arrangements do not contain general rights of return. We typically invoice our customers for subscription fees in advance on a quarterly, annual, two-year or three-year basis, with payment due at the start of the subscription term. In 2015, we began to move toward a standard minimum subscription term of one year and plan to convert most of our quarterly contracts to annual over the next few years. In addition, we continue to offer limited incentives for customers to enter into contract terms of more than one year, typically for terms of two or three years. Unpaid invoice amounts for services starting in future periods are excluded from accounts receivable and deferred revenue. Invoiced amounts are reflected as accounts receivable once we have initiated services with an offset to deferred revenue or revenue depending on whether the revenue recognition criteria have been met.

*Subscription and Support Revenue.* We recognize the aggregate minimum subscription and support fees ratably on a straight-line basis over the subscription term, provided that an enforceable contract has been signed by both parties, access to our SaaS solutions has been granted to the customer, the fee for the subscription and support is fixed or determinable, and collection is reasonably assured.

*Professional Services Revenue.* We believe our professional services facilitate the sale of our subscription service to certain customers. To date, most of our professional services have consisted of document set up, XBRL tagging, and consulting with our customers on business processes and best practices for using Wdesk. Our professional services are not required for customers to utilize our solution. We recognize revenue for our professional services contracts when the services are performed.

***Cost of Revenue***

Cost of revenue consists primarily of personnel and related costs directly associated with our professional services, customer success teams and training personnel, including salaries, benefits, bonuses and stock-based compensation; the costs of contracted third-party vendors; the costs of server usage by our customers; information technology costs and facility costs. Costs of server usage are comprised primarily of fees paid to Google Cloud Platform and Amazon Web Services.

**Table of Contents**

***Sales and Marketing Expenses***

Sales and marketing expenses consist primarily of personnel and related costs, including salaries, benefits, bonuses, commissions, travel, and stock-based compensation. Other costs included in this expense are marketing and promotional events, our annual user conference, online marketing, product marketing, information technology costs and facility costs. We capitalize and amortize sales commissions that are directly attributable to a contract over the lesser of twelve months or the non-cancelable term of the customer contract based on the terms of our commission arrangements.

***Research and Development Expenses***

Research and development expenses consist primarily of personnel and related costs, including salaries, benefits, bonuses, and stock-based compensation; costs of server usage by our developers; information technology costs; and facility costs.

***General and Administrative Expenses***

General and administrative expenses consist primarily of personnel and related costs for our executive, finance and accounting, legal, human resources, and administrative personnel, including salaries, benefits, bonuses, and stock-based compensation; legal, accounting, and other professional service fees; other corporate expenses; information technology costs; and facility costs.

Table of Contents**Results of Operations**

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

	<b>Three months ended September 30,</b>		<b>Nine months ended September 30,</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>(in thousands)</b>			
Revenue				
Subscription and support	\$36,237	\$29,832	\$104,791	\$84,186
Professional services	8,473	6,436	27,481	21,204
Total revenue	44,710	36,268	132,272	105,390
Cost of revenue				
Subscription and support <sup>(1)</sup>	6,694	5,319	20,651	16,768
Professional services <sup>(1)</sup>	6,040	4,457	17,766	12,423
Total cost of revenue	12,734	9,776	38,417	29,191
Gross profit	31,976	26,492	93,855	76,199
Operating expenses				
Research and development <sup>(1)</sup>	14,342	12,766	42,905	36,970
Sales and marketing <sup>(1)</sup>	22,354	20,903	62,270	50,937
General and administrative <sup>(1)</sup>	8,015	7,153	24,850	20,178
Total operating expenses	44,711	40,822	130,025	108,085
Loss from operations	(12,735 )	(14,330 )	(36,170 )	(31,886 )
Interest expense	(462 )	(494 )	(1,420 )	(1,517 )
Other income and (expense), net	298	163	1,152	288
Loss before provision for income taxes	(12,899 )	(14,661 )	(36,438 )	(33,115 )
(Benefit) provision for income taxes	(8 )	(31 )	23	(9 )
Net loss	\$(12,891)	\$(14,630)	\$(36,461)	\$(33,106)

Table of Contents

(1) Stock-based compensation expense included in these line items was as follows:

	<b>Three months ended</b>		<b>Nine months ended</b>	
	<b>September 30,</b>		<b>September 30,</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>(in thousands)</b>			
Cost of revenue				
Subscription and support	\$122	\$92	\$365	\$275
Professional services	100	90	315	251
Operating expenses				
Research and development	594	586	1,787	1,289
Sales and marketing	567	461	1,471	1,243
General and administrative	2,287	1,853	6,624	4,818
Total stock-based compensation expense	\$3,670	\$3,082	\$10,562	\$7,876

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

	<b>Three months ended</b>		<b>Nine months ended</b>	
	<b>September 30,</b>		<b>September 30,</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
Revenue				
Subscription and support	81.0 %	82.3 %	79.2 %	79.9 %
Professional services	19.0	17.7	20.8	20.1
Total revenue	100.0	100.0	100.0	100.0
Cost of revenue				
Subscription and support	15.0	14.7	15.6	15.9
Professional services	13.5	12.3	13.4	11.8
Total cost of revenue	28.5	27.0	29.0	27.7
Gross profit	71.5	73.0	71.0	72.3
Operating expenses				
Research and development	32.1	35.2	32.4	35.1
Sales and marketing	50.0	57.6	47.1	48.3
General and administrative	17.9	19.7	18.8	19.1
Total operating expenses	100.0	112.5	98.3	102.5
Loss from operations	(28.5 )	(39.5 )	(27.3 )	(30.2 )
Interest expense	(1.0 )	(1.4 )	(1.1 )	(1.4 )
Other income and (expense), net	0.7	0.4	0.9	0.3
Loss before provision for income taxes	(28.8 )	(40.5 )	(27.5 )	(31.3 )
(Benefit) provision for income taxes	—	(0.1 )	—	—
Net loss	(28.8 )%	(40.4 )%	(27.5 )%	(31.3 )%

Table of Contents**Comparison of Three and Nine Months Ended September 30, 2016 and 2015****Revenue**

	Three months ended September 30, 2016			Nine months ended September 30, 2016		
	2016	2015	% Change	2016	2015	% Change

**(dollars in thousands)**

## Revenue

Subscription and support	\$36,237	\$29,832	21.5%	\$104,791	\$84,186	24.5%
Professional services	8,473	6,436	31.7%	27,481	21,204	29.6%
Total revenue	\$44,710	\$36,268	23.3%	\$132,272	\$105,390	25.5%

Total revenue increased \$8.4 million for the three months ended September 30, 2016 compared to the same quarter a year ago due primarily to a \$6.4 million increase in subscription and support revenue. Of the total gain in subscription and support revenue, 46.0% represented revenue from new customers acquired after September 30, 2015 and 54.0% represented revenue from existing customers at or prior to September 30, 2015. The total number of our customers expanded 9.2% from September 30, 2015 to September 30, 2016.

Total revenue increased \$26.9 million for the nine months ended September 30, 2016 compared to the same period a year ago due primarily to a \$20.6 million increase in subscription and support revenue. Of the total gain in subscription and support revenue, 28.7% represented revenue from new customers acquired after September 30, 2015 and 71.3% represented revenue from existing customers at or prior to September 30, 2015.

**Cost of Revenue**

	Three months ended September 30, 2016			Nine months ended September 30, 2016		
	2016	2015	% Change	2016	2015	% Change

**(dollars in thousands)**

## Cost of revenue

Subscription and support	\$6,694	\$5,319	25.9%	\$20,651	\$16,768	23.2%
Professional services	6,040	4,457	35.5%	17,766	12,423	43.0%
Total cost of revenue	\$12,734	\$9,776	30.3%	\$38,417	\$29,191	31.6%

Cost of revenue increased \$3.0 million during the three months ended September 30, 2016 versus the same quarter a year ago, attributable primarily to an aggregate increase in employee compensation, benefits, and travel costs of \$2.3 million in addition to an increase in server usage of \$0.4 million. Headcount growth was the primary driver of the personnel-related costs. Expenses related to subscription and support rose 25.9% in the three months ended September 30, 2016 compared to the same period a year ago, due primarily to an increase in headcount, employee compensation and server usage. Professional services expense expanded 35.5% in the three months ended September 30, 2016 versus the same period a year ago due primarily to an increase in headcount and employee compensation to handle the growing demand for our services.

Cost of revenue increased \$9.2 million during the nine months ended September 30, 2016 compared to the same period a year ago due primarily to an aggregate increase in employee compensation, benefits



Table of Contents

and travel costs of \$7.3 million, an increase in other support costs of \$0.7 million, and an increase in server usage costs of \$1.1 million. Subscription and support expense rose 23.2% in the nine months ended September 30, 2016 compared to the same period a year ago due primarily to increases in headcount, employee compensation, and server expenses used to support our expanding customer base. Professional services expense increased 43.0% in the nine months ended September 30, 2016 versus the same period a year ago due primarily to an increase in headcount, employee compensation and travel expense related to fulfilling increased demand for our services.

**Operating Expenses**

	<b>Three months ended September 30, 2016</b>			<b>Nine months ended September 30, 2016</b>		
	<b>2016</b>	<b>2015</b>	<b>% Change</b>	<b>2016</b>	<b>2015</b>	<b>% Change</b>
<b>(dollars in thousands)</b>						
Operating expenses						
Research and development	\$ 14,342	\$ 12,766	12.3%	\$ 42,905	\$ 36,970	16.1%
Sales and marketing	22,354	20,903	6.9%	62,270	50,937	22.2%
General and administrative	8,015	7,153	12.1%	24,850	20,178	23.2%
Total operating expenses	\$ 44,711	\$ 40,822	9.5%	\$ 130,025	\$ 108,085	20.3%

**Research and Development**

Research and development expenses rose \$1.6 million in the three months ended September 30, 2016 compared to the same quarter a year ago due primarily to \$1.5 million in higher employee compensation, benefits and travel costs. Research and development expenses increased \$5.9 million in the nine months ended September 30, 2016 compared to the same period a year ago due primarily to \$5.6 million in higher employee compensation, benefits, and travel costs. We continue to dedicate resources to enhance our Wdesk platform, which has resulted in higher headcount in research and development.

**Sales and Marketing**

Sales and marketing expenses rose \$1.5 million during the three months ended September 30, 2016 compared to the three months ended September 30, 2015, due primarily to \$2.4 million in higher employee compensation and benefits. The increase in these costs was offset partially by a decline in professional service fees of \$0.6 million relating to consulting, recruiting and training.

Sales and marketing expenses increased \$11.3 million during the nine months ended September 30, 2016 compared to the same period a year ago as a result of higher employee compensation, benefits and travel costs. We continue to invest in sales and marketing for future revenue growth. Sales and marketing expense is generally higher in the third quarter due to our annual user conference held in September.

**General and Administrative**

General and administrative expenses increased \$0.9 million during the three months ended September 30, 2016 compared to the same quarter a year ago, due principally to higher employee cash-based compensation and benefits of \$0.3 million and additional employee stock-based compensation of \$0.7 million.

Table of Contents

General and administrative expenses rose \$4.7 million during the nine months ended September 30, 2016 compared to the nine months ended September 30, 2015 due primarily to higher employee cash-based compensation, benefits, and travel costs of \$2.0 million and additional employee stock-based compensation of \$2.2 million. The increase in personnel-related costs was driven primarily by a rise in headcount to support the growth of our business. Higher stock-based compensation expense was driven primarily by restricted stock grants to executive officers in February 2015 and January 2016 with a vesting term of three years, as well as stock option grants to executive officers in February 2016 with a vesting term of three years.

***Non-Operating Income (Expenses)***

	<b>Three months ended September 30, 2016</b>		<b>Nine months ended September 30, 2015</b>	
--	--	--	---	--

(dollars in thousands)

Interest expense	\$(462)	\$(494)	\$(1,420)	\$(1,517)
Other income and (expense), net	298	163	1,152	288

***Interest Expense and Other Income and (Expense), Net***

Interest expense remained relatively flat during the three and nine months ended September 30, 2016 compared to the same periods a year ago.

Other income and (expense), net increased during the three and nine months ended September 30, 2016 compared to the three and nine months ended September 30, 2015 due primarily to an increase in the amount recognized related to our job training reimbursement program resulting from the amounts diverted and paid to the community college in the periods.

Table of Contents**Liquidity and Capital Resources**

	<b>Three months ended September 30,</b>		<b>Nine months ended September 30,</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>(in thousands)</b>			
Cash flow provided by (used in) operating activities	\$2,793	\$(4,718 )	\$(20,321)	\$(16,555)
Cash flow (used in) provided by investing activities	(129 )	(13,375 )	5,143	(14,683 )
Cash flow provided by (used in) financing activities	302	758	(715 )	(805 )
Net increase (decrease) in cash and equivalents, net of impact of exchange rates	\$2,957	\$(17,338)	\$(15,908)	\$(32,037)

As of September 30, 2016, our cash, cash equivalents and marketable securities totaled \$53.8 million. To date, we have financed our operations primarily through the proceeds of our initial public offering, private placements of equity, debt that was settled in equity and cash from operating activities. We have generated significant operating losses and negative cash flows from operating activities as reflected in our accumulated deficit and consolidated statements of cash flows. We expect to continue to incur operating losses and may incur negative cash flows from operations in the future. As a result, we may require additional capital resources to continue to grow our business. We believe that current cash and cash equivalents, cash to be received from existing and new customers, and availability under our existing credit facility will be sufficient to fund our operations for at least the next twelve months.

In August 2014, we entered into a \$15.0 million credit facility with Silicon Valley Bank. Borrowing capacity is equal to the most recent month's subscription and support revenue multiplied by a percentage that adjusts based on the prior quarter's customer retention rate. The credit facility can be used to fund working capital and general business requirements. The credit facility is secured by all of our assets, has first priority over our other debt obligations, and requires us to maintain certain financial covenants, including the maintenance of at least \$5.0 million of cash on hand or unused borrowing capacity. The credit facility contains certain restrictive covenants that limit our ability to transfer or dispose of assets, merge with other companies or consummate certain changes of control, acquire other companies, pay dividends, incur additional indebtedness and liens, effect changes in management and enter into new businesses. The credit facility has a variable interest rate equal to the bank's prime lending rate with interest payable monthly and the principal balance due at maturity. We amended the credit facility in April 2016 to extend the maturity date to August 2018. No amount was outstanding under the credit facility as of September 30, 2016.

Pursuant to the credit facility, letters of credit totaling \$0 and \$2.3 million were outstanding at September 30, 2016 and December 31, 2015, respectively. These letters of credit, which do not reduce availability under the credit facility, were issued as security for a forgivable loan. The remaining \$2.3 million outstanding letters of credit were canceled in the first quarter of 2016 as all contingencies related to a forgivable loan were resolved.

***Operating Activities***

For the three months ended September 30, 2016, cash provided by operating activities was \$2.8 million. The primary factors affecting our operating cash flows during the period were our net loss of \$12.9 million, adjusted for \$0.9 million for depreciation and amortization of our property and equipment and intangible assets, \$3.7 million of stock-based compensation, and a \$13.2 million increase in deferred revenue. Short-term deferred revenue from subscription and support contracts increased \$6.8 million from June 30, 2016 to September 30, 2016. Long-term deferred revenue from subscription and support contracts increased by \$6.7 million from June 30, 2016 to September 30, 2016. Contract renewals for longer terms accounted

Table of Contents

for most of the increase in deferred revenue. In addition, a \$2.4 million increase in accrued expenses and other liabilities was offset by a \$4.0 million increase in accounts receivable and a \$0.5 million increase in other assets. The increases in accounts receivable and accrued expenses and other liabilities was primarily attributable to the timing of our billings, cash collections, and cash payments. The increase in other assets is due to an increase in deposits and prepayments in addition to an increase in our refundable research and development tax credit.

For the three months ended September 30, 2015, cash used in operating activities was \$4.7 million. The primary factors affecting our operating cash flows during the period were our net loss of \$14.6 million, adjusted for non-cash charges of \$1.1 million for depreciation and amortization of our property and equipment and intangible assets, and \$3.1 million of stock-based compensation. The primary drivers of the changes in operating assets and liabilities were a \$1.7 million increase in deferred revenue, a \$3.6 million increase in accrued expenses and other liabilities and a \$0.9 million increase in accounts payable. Short-term deferred revenue from subscription and support contracts increased from \$42.3 million at June 30, 2015 to \$45.5 million at September 30, 2015, while long-term deferred revenue from these contracts decreased from \$10.1 million at June 30, 2015 to \$8.5 million at September 30, 2015. This rise in short-term deferred revenue was due primarily to new customers and a shift towards more annual contracts. In addition, short-term deferred revenue from professional services increased from \$5.5 million at June 30, 2015 to \$5.6 million at September 30, 2015. As anticipated, long-term deferred revenue declined following our implementation of reduced incentives for long-term prepayments. The increases in accounts receivable, accounts payable and accrued expenses and other liabilities were attributable primarily to the timing of our billings, cash collections, and cash payments.

For the nine months ended September 30, 2016, cash used in operating activities was \$20.3 million. The primary factors affecting our operating cash flows during the period were our net loss of \$36.5 million, adjusted for non-cash charges of \$2.9 million for depreciation and amortization of our property and equipment and intangible assets, \$10.6 million of stock-based compensation, and \$0.9 million for recognition of other income from government grants. The primary drivers of the changes in operating assets and liabilities were a \$6.7 million increase in accounts receivable, a \$1.1 million increase in prepaid expenses, a \$0.8 million increase in other assets and a \$3.0 million decrease in accrued expenses and other liabilities offset by a \$15.4 million increase in deferred revenue. Short-term deferred revenue from subscription and support contracts increased \$10.4 million from December 31, 2015 to September 30, 2016. Long-term deferred revenue from subscription and support contracts increased by \$7.5 million from December 31, 2015 to September 30, 2016. Short-term deferred revenue from professional services decreased by \$2.6 million from December 31, 2015 to September 30, 2016. Customer growth and contract renewals for longer terms accounted for most of the increase in deferred revenue. The increase in accounts receivable was attributable primarily to the timing of our billings and cash collections. The increase in prepaid expenses was primarily due to purchasing server capacity upfront. The increase in other assets is due to an increase in deposits and prepayments in addition to an increase in our refundable research and development tax credit. The decrease in accrued expenses and other liabilities was attributable primarily to the timing of our cash payments, including payment of annual bonuses.

For the nine months ended September 30, 2015, cash used in operating activities was \$16.6 million. The primary factors affecting our operating cash flows during the period were our net loss of \$33.1 million, adjusted for non-cash charges of \$3.4 million for depreciation and amortization of our property and equipment and intangible assets, and \$7.9 million of stock-based compensation. The primary drivers of the changes in operating assets and liabilities were a \$3.5 million increase in deferred revenue, a \$2.3 million increase in accounts payable, and a \$1.7 million increase in accrued expenses and other liabilities, partially offset by a \$1.4 million increase in accounts receivable and a \$0.7 million increase in other receivables. Short-term deferred revenue from subscription and support contracts increased from \$36.7 million at December 31, 2014 to \$45.5 million at September 30, 2015, while long-term deferred revenue

**Table of Contents**

from these contracts decreased from \$13.3 million at December 31, 2014 to \$8.5 million at September 30, 2015. This rise in short-term deferred revenue was due primarily to new customers and a shift towards more annual contracts. As anticipated, long-term deferred revenue declined following our implementation of reduced incentives for long-term prepayments. The increases in accounts receivable, accounts payable, and accrued expenses and other liabilities were attributable primarily to the timing of our billings, cash collections and cash payments. The increase in other receivables was attributable primarily to the timing of receipts in connection with the administration of our government job training program.

***Investing Activities***

Cash used in investing activities of \$0.1 million for the three months ended September 30, 2016 was due primarily to \$0.1 million of capital expenditures. Our capital expenditures were associated primarily with leasehold improvements, computer equipment and furniture and fixtures in support of expanding our infrastructure and work force.

Cash used in investing activities of \$13.4 million for the three months ended September 30, 2015 was due primarily to \$15.7 million for the purchase of marketable securities and \$0.6 million of capital expenditures partially offset by proceeds of \$3.0 million from the sale of marketable securities. Our capital expenditures were associated primarily with computer equipment and furniture and fixtures in support of expanding our infrastructure and work force.

Cash provided by investing activities of \$5.1 million for the nine months ended September 30, 2016 was due primarily to proceeds of \$7.2 million from the sale of marketable securities, which was partially offset by \$0.8 million of purchases of marketable securities and \$1.1 million of capital expenditures. Our capital expenditures were associated primarily with leasehold improvements, computer equipment and furniture and fixtures in support of expanding our infrastructure and work force.

Cash used in investing activities of \$14.7 million for the nine months ended September 30, 2015 was due primarily to \$15.7 million for the purchase of marketable securities and \$1.7 million of capital expenditures partially offset by proceeds of \$3.0 million from the sale of marketable securities. Our capital expenditures were associated primarily with leasehold improvements, computer equipment and furniture and fixtures in support of expanding our infrastructure and work force.

***Financing Activities***

Cash provided by financing activities of \$0.3 million for the three months ended September 30, 2016 was due primarily to \$0.8 million in proceeds from option exercises partially offset by \$0.5 million in payments on capital lease and financing obligations.

Cash provided by financing activities of \$0.8 million for the three months ended September 30, 2015 was due primarily to \$1.1 million in proceeds from option exercises and \$0.2 million in proceeds from our government grant awards partially offset by \$0.5 million in repayments on long-term debt and payments on capital lease and financing obligations.

Cash used in financing activities of \$0.7 million for the nine months ended September 30, 2016 was due primarily to \$0.8 million in taxes paid related to the net share settlements of stock-based compensation awards and an aggregate, \$1.5 million in repayments on long-term debt and payments on capital lease and financing obligations, partially offset by \$1.4 million in proceeds from option exercises.

Cash used in financing activities of \$0.8 million for the nine months ended September 30, 2015 was due primarily to \$1.3 million in payments of issuance costs related to our initial public offering and \$1.8 million in repayments on long-term debt and payments on capital lease and financing obligations partially

**Table of Contents**

offset by \$1.5 million in proceeds from option exercises and \$0.5 million in proceeds from our government grant awards.

**Contractual Obligations and Commitments**

There were no material changes in our contractual obligations and commitments from those disclosed in the Annual Report on Form 10-K for the year ended December 31, 2015 filed with the SEC on March 1, 2016 except those related to operating lease obligations.

The following table represents our contractual obligations as of September 30, 2016 for operating lease obligations:

	<b>Payments due by period</b>			
	<b>Total</b>	<b>Less than 1 year</b>	<b>1-3 years</b>	<b>3-5 years</b>

**(in thousands)**

Operating lease obligations relating to office facilities	\$22,745	\$3,509	\$6,138	\$4,499	\$8,599
---	----------	---------	---------	---------	---------

**Off-Balance Sheet Arrangements**

During all periods presented, we did not have any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities, which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. As a result, we are not exposed to any financing, liquidity, market or credit risk that could arise if we had engaged in those types of relationships.

**Critical Accounting Policies and Estimates**

Our condensed consolidated financial statements are prepared in accordance with U.S. GAAP. The preparation of these condensed consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, costs and expenses, income taxes and related disclosures. On an ongoing basis, we evaluate our estimates and assumptions. Our actual results may differ from these estimates under different assumptions or conditions.

During the nine months ended September 30, 2016, there were no significant changes to our critical accounting policies and estimates as described in financial statements contained in the Annual Report on Form 10-K for the year ended December 31, 2015 filed with the SEC on March 1, 2016.

Table of Contents

**Item 3. Quantitative and Qualitative Disclosures about Market Risk**

For quantitative and qualitative disclosures about market risk, see “Item 7A., Quantitative and Qualitative Disclosures About Market Risk” of our Annual Report on Form 10-K for the year ended December 31, 2015. Our exposures to market risk have not changed materially since December 31, 2015.

Table of Contents

**Item 4. Controls and Procedures**

**Evaluation of Disclosure Controls and Procedures**

Under the supervision and with the participation of our principal executive officer and principal financial officer, our management conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, as of the end of the period covered by this report. Our disclosure controls and procedures are intended to provide assurance at a reasonable level that the information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures.

In designing and evaluating our disclosure controls and procedures, management recognizes that any disclosure controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply its judgment in evaluating the benefits of possible controls and procedures relative to their costs.

Based on management's evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures are designed to, and are effective to, provide assurance at a reasonable level that the information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures.

**Changes in Internal Control Over Financial Reporting**

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of any changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during our most recently completed fiscal quarter. Based on that evaluation, our principal executive officer and principal financial officer concluded that there has not been any material change in our internal control over financial reporting during the quarter covered by this report that materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.



Table of Contents

**Part II. Other Information**

**Item 1. Legal Proceedings**

From time to time we may become involved in legal proceedings or be subject to claims arising in the ordinary course of our business. We are not presently a party to any legal proceedings that in the opinion of our management, if determined adversely to us, would have a material adverse effect on our business, financial condition, operating results or cash flows. Regardless of the outcome, litigation can have an adverse impact on us because of defense and settlement costs, diversion of management resources and other factors.

**Item 1A. Risk Factors**

In addition to the other information set forth in this report, you should carefully consider the factors discussed in Part I, “Item 1A. Risk Factors” in our 2015 Annual Report on Form 10-K, which could materially affect our business, financial condition or future results. There have been no material changes during fiscal 2016 to the risk factors that were included in the Form 10-K.

Table of Contents

**Item 2. Unregistered Sales of Securities and Use of Proceeds**

**Sales of Unregistered Securities**

Not applicable.

**Use of Proceeds from Public Offerings of Common Stock**

There has been no material change in the planned use of proceeds from our initial public offering as described in our final prospectus filed with the SEC pursuant to Rule 424(b) under the Securities Act on December 12, 2014.

**Issuer Purchases of Equity Securities**

Not applicable.

**Item 6. Exhibits**

See the Exhibit Index immediately following the signature page of this Quarterly Report on Form 10-Q.

Table of Contents

**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on this 9th day of November, 2016.

**WORKIVA INC.**

**By:** /s/ Matthew M. Rizai, Ph.D.

**Name:** Matthew M. Rizai, Ph.D.

**Title:** Chairman and Chief Executive Officer

**By:** /s/ J. Stuart Miller

**Name:** J. Stuart Miller

**Title:** Executive Vice President, Treasurer and Chief Financial Officer

**By:** /s/ Jill Klindt

**Name:** Jill Klindt

**Title:** Vice President and Chief Accounting Officer

Table of Contents

**EXHIBIT INDEX**

<b><u>Exhibit Number</u></b>	<b><u>Description</u></b>
31.1	Certification of the Chief Executive Officer, pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of the Chief Financial Officer, pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of the Chief Executive Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of the Chief Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	XBRL Taxonomy Extension Schema Document.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.