

PROS Holdings, Inc.
Form 10-Q
May 01, 2018
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington D.C. 20549

FORM 10-Q

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

For the quarterly period ended March 31, 2018

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

For the transition period from to .

Commission File Number: 001-33554

PROS HOLDINGS, INC.
(Exact name of registrant as specified in its charter)

Delaware 76-0168604
(State of Incorporation) (I.R.S. Employer Identification No.)

3100 Main Street, Suite 900 77002
Houston TX
(Address of Principal Executive Offices) (Zip Code)
(713) 335-5151
(Registrant's telephone number, including area code)

(Former Name, Former Address and Former Fiscal Year, if changed Since Last Report)

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

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

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

Large Accelerated Filer Accelerated Filer

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Non-Accelerated Filer (do not check if a smaller reporting company) Smaller Reporting Company
Emerging Growth Company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

The number of shares outstanding of the registrant's Common Stock, \$0.001 par value, was 32,600,099 as of April 23, 2018.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended ("Exchange Act"). Forward-looking statements relate to future events or our future financial performance. These forward-looking statements regarding future events and our future results are based on current expectations, estimates, forecasts and projections, and the beliefs and assumptions of our management including, without limitation, our expectations regarding the following: our ability to execute on our revenue strategy shift to cloud-first, the license and subscription revenues generated by our software products and services; the impact of our revenue recognition policies; our belief that our current assets, including cash, cash equivalents, short-term investments, and expected cash flows from operating activities, will be sufficient to fund our operations; our belief that we will successfully integrate our acquisitions; our anticipated additions to property, plant and equipment; our belief that our facilities are suitable and adequate to meet our current operating needs; and our belief that we do not have any material exposure to changes in the fair value of our investment portfolio as a result of changes in foreign currency exchange rates or interest rates. Words such as, but not limited to, "we expect," "anticipate," "target," "project," "believe," "goals," "estimate," "potential," "predict," "may," "might," "could," "would," "intend," and various types of words and similar expressions are intended to identify these forward-looking statements.

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PART I. FINANCIAL INFORMATION

ITEM 1. INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

PROS Holdings, Inc.

Condensed Consolidated Balance Sheets

(In thousands, except share and per share amounts)

(Unaudited)

	March 31, 2018	December 31, 2017
Assets:		
Current assets:		
Cash and cash equivalents	\$ 148,146	\$ 160,505
Trade and other receivables, net of allowance of \$760 and \$760, respectively	29,031	32,484
Deferred costs	2,704	3,137
Prepaid and other current assets	7,294	5,930
Total current assets	187,175	202,056
Property and equipment, net	14,799	14,007
Long-term deferred costs	10,435	3,194
Intangibles, net	25,057	26,929
Goodwill	38,764	38,458
Other long-term assets	4,239	4,039
Total assets	\$ 280,469	\$ 288,683
Liabilities and Stockholders' Equity:		
Current liabilities:		
Accounts payable and other liabilities	\$ 3,606	\$ 2,976
Accrued liabilities	5,329	6,733
Accrued payroll and other employee benefits	8,530	16,712
Deferred revenue	83,682	75,604
Total current liabilities	101,147	102,025
Long-term deferred revenue	17,477	19,591
Convertible debt, net	216,131	213,203
Other long-term liabilities	853	843
Total liabilities	335,608	335,662
Commitments and contingencies (see Note 10)		
Stockholders' equity:		
Preferred stock, \$0.001 par value, 5,000,000 shares authorized; none issued	—	—
Common stock, \$0.001 par value, 75,000,000 shares authorized; 37,006,509 and 36,356,760 shares issued, respectively; 32,588,924 and 31,939,175 shares outstanding, respectively	37	36
Additional paid-in capital	208,368	207,924
Treasury stock, 4,417,585 common shares, at cost	(13,938)	(13,938)
Accumulated deficit	(247,317)	(238,185)
Accumulated other comprehensive loss	(2,289)	(2,816)
Total stockholders' equity	(55,139)	(46,979)
Total liabilities and stockholders' equity	\$ 280,469	\$ 288,683

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

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PROS Holdings, Inc.
Condensed Consolidated Statements of Comprehensive Income (Loss)
(In thousands, except per share data)
(Unaudited)

	Three Months Ended March 31,	
	2018	2017
Revenue:		
Subscription	\$20,950	\$12,214
Maintenance and support	16,574	18,076
Total subscription, maintenance and support	37,524	30,290
License	1,066	2,190
Services	9,320	7,649
Total revenue	47,910	40,129
Cost of revenue:		
Subscription	8,764	5,937
Maintenance and support	2,957	3,146
Total cost of subscription, maintenance and support	11,721	9,083
License	73	65
Services	7,727	7,461
Total cost of revenue	19,521	16,609
Gross profit	28,389	23,520
Operating expenses:		
Selling and marketing	17,568	16,473
General and administrative	10,689	10,408
Research and development	14,784	14,307
Acquisition-related	95	—
Loss from operations	(14,747)	(17,668)
Convertible debt interest and amortization	(4,179)	(2,394)
Other income (expense), net	202	32
Loss before income tax provision	(18,724)	(20,030)
Income tax provision	132	