

PROOFPOINT INC  
Form 10-Q  
November 06, 2014  
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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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FORM 10-Q

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

For the Quarterly Period Ended September 30, 2014  
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 001-35506  
PROOFPOINT, INC.

(Exact name of Registrant as specified in its charter)

Delaware

(State or other jurisdiction of  
incorporation or organization)

51-0414846

(I.R.S. employer  
identification no.)

892 Ross Drive

Sunnyvale, California

(Address of principal executive offices)

94089

(Zip Code)

(408) 517-4710

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(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Sections 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, or a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

(Do not check if a smaller  
reporting company)

Smaller reporting  
company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No  Shares of Proofpoint, Inc. common stock, \$0.0001 par value per share, outstanding as of October 31, 2014:

38,134,381 shares.

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## PART I. FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS.

Proofpoint, Inc.

Condensed Consolidated Balance Sheets

(In thousands, except per share amounts)

(Unaudited)

	September 30, 2014	December 31, 2013
Assets		
Current assets		
Cash and cash equivalents	\$194,617	\$243,786
Short-term investments	38,175	8,015
Accounts receivable, net of allowance for doubtful accounts of \$345 and \$276 at September 30, 2014 and December 31, 2013, respectively	32,770	26,221
Inventory	1,298	860
Deferred product costs, current	1,793	1,004
Prepaid expenses and other current assets	10,118	7,963
Total current assets	278,771	287,849
Property and equipment, net	18,369	11,221
Deferred product costs, noncurrent	342	357
Goodwill	81,832	63,764
Intangible assets, net	22,257	22,976
Other noncurrent assets	4,157	4,392
Total assets	\$405,728	\$390,559
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable	\$8,270	\$7,281
Accrued liabilities	23,242	19,260
Notes payable and lease obligations, current	1,110	1,655
Deferred rent, current	366	297
Deferred revenue, current	109,304	89,450
Total current liabilities	142,292	117,943
Convertible senior notes	159,409	152,928
Notes payable and lease obligations, noncurrent	—	695
Deferred rent, noncurrent	1,667	56
Other long term liabilities	7,008	7,244
Deferred revenue, noncurrent	34,080	34,533
Total liabilities	344,456	313,399
Stockholders' Equity		
Common stock, \$0.0001 par value; 200,000 shares authorized at September 30, 2014 and December 31, 2013, respectively; 37,869 and 36,140 shares issued and outstanding at September 30, 2014 and December 31, 2013, respectively	4	4
Additional paid-in capital	318,178	287,165
Accumulated other comprehensive loss	(36	) —

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Accumulated deficit	(256,874	)	(210,009	)
Total stockholders' equity	61,272		77,160	
Total liabilities and stockholders' equity	\$405,728		\$390,559	

See accompanying Notes to the Condensed Consolidated Financial Statements.

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Proofpoint, Inc.  
Condensed Consolidated Statements of Operations  
(In thousands, except per share amounts)  
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Revenue:				
Subscription	\$48,506	\$33,464	\$134,757	\$92,732
Hardware and services	1,805	1,039	4,656	4,362
Total revenue	50,311	34,503	139,413	97,094
Cost of revenue: <sup>(1)(2)</sup>				
Subscription	14,300	8,937	38,295	25,042
Hardware and services	2,964	1,409	7,941	3,851
Total cost of revenue	17,264	10,346	46,236	28,893
Gross profit	33,047	24,157	93,177	68,201
Operating expense: <sup>(1)(2)</sup>				
Research and development	13,454	8,307	37,700	23,460
Sales and marketing	25,662	17,415	72,660	49,782
General and administrative	7,133	5,758	19,485	13,437
Total operating expense	46,249	31,480	129,845	86,679
Operating loss	(13,202	) (7,323	) (36,668	) (18,478
Interest expense, net	(2,814			