

MINDBODY, Inc.  
Form 10-Q  
November 10, 2016

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2016

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_.

Commission File Number: 001-37453

MINDBODY, INC.

(Exact name of registrant as specified in its charter)

Delaware 20-1898451  
(State or other jurisdiction of (I.R.S. Employer  
incorporation or organization) Identification No.)  
4051 Broad Street, Suite 220  
San Luis Obispo, CA 93401  
(Address of principal executive offices and zip code)  
(877) 755-4279  
(Registrant's telephone number, including area code)

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

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

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

Large accelerated filer  Accelerated filer

Non-accelerated filer  (Do not check if a small reporting company) Small reporting company

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

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As of November 7, 2016, the registrant had 27,004,858 shares of Class A common stock, and 13,500,082 shares of Class B common stock outstanding.

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**SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS**

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of the federal securities laws, which involve substantial risks and uncertainties. Forward-looking statements generally relate to future events or our future financial or operating performance. In some cases, you can identify forward-looking statements because they contain words such as “may,” “will,” “should,” “expects,” “plans,” “anticipates,” “could,” “intends,” “target,” “projects,” “believes,” “estimates,” “predicts,” “potential” or “continue” or the negative of these words or other similar terms or expressions that concern our expectations, strategy, plans or intentions. Forward-looking statements contained in this Quarterly Report on Form 10-Q include, but are not limited to, statements about:

- our ability to attract and retain subscribers;
- our ability to deepen our relationships with existing subscribers;
- our business plan and beliefs and objectives for future operations, including regarding our pricing and pricing model;
- benefits associated with use of our products and services;
- our ability to develop or acquire new products and services, improve our existing products and services and increase the value of our products and services;
- our ability to further develop strategic relationships;
- our ability to achieve positive returns on investments;
- our plans to further invest in and grow our business, including investment in research and development, sales and marketing, in the development of our customer support teams, and our data center infrastructure, and our ability to effectively manage our growth and associated investments;
- our ability to timely and effectively scale and adapt our existing technology;
- our ability to increase our revenue and our revenue growth rate;
- our future financial performance, including expectations regarding trends in revenue, cost of revenue, operating expenses, other income and expenses, income taxes, subscribers, average monthly revenue per subscriber, payments volume, and dollar-based net expansion rate;
- the sufficiency of our cash and cash equivalents and cash generated from operations to meet our working capital and capital expenditure requirements;
- the effects of seasonal trends on our operating results;
- the sufficiency of our efforts to remediate our past material weaknesses;
- our ability to attract and retain senior management, qualified employees and key personnel;
- our ability to successfully identify, acquire and integrate companies and assets;
- our ability to successfully enter new markets and manage our international expansion; and
- our ability to maintain, protect and enhance our intellectual property and not infringe upon others’ intellectual property.

We caution you that the foregoing list may not contain all of the forward-looking statements made in this Quarterly Report on Form 10-Q. You should not rely upon forward-looking statements as predictions of future events. We have based the forward-looking statements contained in this Quarterly Report on Form 10-Q primarily on our current expectations and projections about future events and trends that we believe may affect our business, financial condition, results of operations and prospects. The outcome of the events described in these forward-looking statements is subject to risks, uncertainties and other factors described in the section titled “Risk Factors” and elsewhere in this Quarterly Report on Form 10-Q. Moreover, we operate in a very competitive and rapidly changing environment. New risks and uncertainties emerge from time to time and it is not possible for us to predict all risks and uncertainties that could have an impact on the forward-looking statements contained in this Quarterly Report on Form 10-Q. We cannot assure you that the results, events and circumstances reflected in the forward-looking statements will be achieved or occur, and actual results, events or circumstances could differ materially from those described in the forward-looking statements.

The forward-looking statements made in this Quarterly Report on Form 10-Q relate only to events as of the date on which the statements are made. We undertake no obligation to update any forward-looking statements made in this Quarterly Report on Form 10-Q to reflect events or circumstances after the date of this Quarterly Report on Form

10-Q or to reflect new information or the occurrence of unanticipated events, except as required by law. We may not actually achieve the plans, intentions or expectations disclosed in our forward-looking statements and you should not place undue reliance on our forward-looking statements. Our forward-looking statements do not reflect the potential impact of any future acquisitions, mergers, dispositions, joint ventures or investments we may make.

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## PART I—FINANCIAL INFORMATION

## Item 1. Financial Statements

## MINDBODY, INC.

## Condensed Consolidated Balance Sheets

(in thousands, except share and per share data)

(Unaudited)

	September 30, 2016	December 31, 2015
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$86,288	\$93,405
Accounts receivable, net of allowance for doubtful accounts of \$221 and \$90 as of September 30, 2016 and December 31, 2015	8,520	6,643
Prepaid expenses and other current assets	3,710	3,082
Total current assets	98,518	103,130
Property and equipment, net	33,658	31,754
Intangible assets, net	2,193	636
Goodwill	9,039	5,396
Other noncurrent assets	538	498
<b>TOTAL ASSETS</b>	<b>\$143,946</b>	<b>\$141,414</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$5,500	\$4,426
Accrued expenses and other liabilities	10,099	7,911
Deferred revenue, current portion	4,486	3,367
Other current liabilities	984	645
Total current liabilities	21,069	16,349
Deferred revenue, noncurrent portion	2,909	1,886
Deferred rent, noncurrent portion	1,359	1,254
Financing obligation on leases, noncurrent portion	15,640	15,961
Other noncurrent liabilities	996	181
Total liabilities	41,973	35,631
Commitments and contingencies (Note 7)		
Stockholders' equity:		
Class A common stock, par value of \$0.000004 per share; 1,000,000,000 shares authorized, 26,769,797 shares issued and outstanding as of September 30, 2016; 1,000,000,000 shares authorized, 14,931,016 shares issued and outstanding as of December 31, 2015	—	—
Class B common stock, par value of \$0.000004 per share; 100,000,000 shares authorized, 13,650,774 shares issued and outstanding as of September 30, 2016; 100,000,000 shares authorized, 24,296,346 shares issued and outstanding as of December 31, 2015	—	—
Additional paid-in capital	285,641	270,436
Accumulated other comprehensive loss	(247 )	(271 )
Accumulated deficit	(183,421 )	(164,382 )
Total stockholders' equity	101,973	105,783
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$143,946</b>	<b>\$141,414</b>

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

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## MINDBODY, INC.

## Condensed Consolidated Statements of Operations

(in thousands, except share and per share data)

(Unaudited)

	Three Months		Nine Months	
	Ended September		Ended September	
	30,	30,	30,	30,
	2016	2015	2016	2015
Revenue	\$35,262	\$26,081	\$100,830	\$73,104
Cost of revenue	10,972	9,596	31,657	27,098
Gross profit	24,290	16,485	69,173	46,006
Operating expenses:				
Sales and marketing	14,599	12,389	41,534	33,926
Research and development	7,747	6,012	22,758	16,213
General and administrative	7,346	7,256	22,550	21,298
Change in fair value of contingent consideration	—	—	—	—