

Paylocity Holding Corp
Form 10-Q
May 03, 2019
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 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, 2019

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 001-36348

PAYLOCITY HOLDING CORPORATION

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(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

46-4066644
(IRS Employer
Identification No.)

1400 American Lane

Schaumburg, Illinois 60173
(Address of principal executive offices) (Zip Code)
(847) 463-3200

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value \$0.001 per share	PCTY	The NASDAQ Global Select Market LLC

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 every Interactive Data File required to be submitted 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 such files). Yes No

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

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Large Accelerated Filer Accelerated Filer

Non-Accelerated Filer 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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 52,973,817 shares of Common Stock, \$0.001 par value per share, as of April 26, 2019.

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Form 10-Q

For the Quarterly Period Ended March 31, 2019

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PART I

FINANCIAL INFORMATION

Item 1. Financial Statements

PAYLOCITY HOLDING CORPORATION

Unaudited Consolidated Balance Sheets

(in thousands, except per share data)

	June 30, 2018	March 31, 2019
Assets		
Current assets:		
Cash and cash equivalents	\$ 137,193	\$ 90,856
Corporate investments	732	48,159
Accounts receivable, net	3,453	5,137
Deferred contract costs	—	19,765
Prepaid expenses and other	11,248	21,922
Total current assets before funds held for clients	152,626	185,839
Funds held for clients	1,225,614	1,722,309
Total current assets	1,378,240	1,908,148
Capitalized internal-use software, net	21,094	24,584
Property and equipment, net	62,029	64,893
Intangible assets, net	13,002	11,314
Goodwill	9,590	9,590
Long-term deferred contract costs	—	73,701
Long-term prepaid expenses and other	1,504	2,766
Deferred income tax assets, net	22,140	—
Total assets	\$ 1,507,599	\$ 2,094,996
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 2,990	\$ 5,344
Accrued expenses	42,241	48,396
Total current liabilities before client fund obligations	45,231	53,740
Client fund obligations	1,225,614	1,722,309

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Total current liabilities	1,270,845	1,776,049
Deferred rent	22,812	29,907
Other long-term liabilities	1,118	1,925
Deferred income tax liabilities, net	—	890
Total liabilities	\$ 1,294,775	\$ 1,808,771
Stockholders' equity:		
Preferred stock, \$0.001 par value, 5,000 authorized, no shares issued and outstanding at June 30, 2018 and March 31, 2019	\$ —	\$ —
Common stock, \$0.001 par value, 155,000 shares authorized at June 30, 2018 and March 31, 2019; 52,758 shares issued and outstanding at June 30, 2018 and 52,964 shares issued and outstanding at March 31, 2019	53	53
Additional paid-in capital	219,588	196,574
Retained earnings (accumulated deficit)	(6,678)	89,576
Accumulated other comprehensive income (loss)	(139)	22
Total stockholders' equity	\$ 212,824	\$ 286,225
Total liabilities and stockholders' equity	\$ 1,507,599	\$ 2,094,996

See accompanying notes to unaudited consolidated financial statements.

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PAYLOCITY HOLDING CORPORATION

Unaudited Consolidated Statements of Operations and Comprehensive Income

(in thousands, except per share data)

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2018	2019	2018	2019
Revenues:				
Recurring fees	\$ 105,857	\$ 129,976	\$ 264,443	\$ 326,012
Interest income on funds held for clients	2,719	6,197	6,119	14,164
Total recurring revenues	108,576	136,173	270,562	340,176
Implementation services and other	4,831	3,379	10,349	7,084
Total revenues	113,407	139,552	280,911	347,260
Cost of revenues:				
Recurring revenues	26,982	32,365	76,711	92,802
Implementation services and other	11,670	7,380	33,740	20,955
Total cost of revenues	38,652	39,745	110,451	113,757
Gross profit	74,755	99,807	170,460	233,503
Operating expenses:				
Sales and marketing	26,004	27,699	68,782	80,687
Research and development	9,058	12,688	27,227	36,886
General and administrative	19,228	23,208	53,338	68,915
Total operating expenses	54,290	63,595	149,347	186,488
Operating income	20,465	36,212	21,113	47,015
Other income	215	540	465	1,155
Income before income taxes	20,680	36,752	21,578	48,170
Income tax expense (benefit)	(18,497)	8,726	(18,573)	4,588
Net income	\$ 39,177	\$ 28,026	\$ 40,151	\$ 43,582
Other comprehensive income (loss), net of tax				
Unrealized gains (losses) on securities, net of tax	(61)	161	(171)	161
Total other comprehensive income (loss), net of tax	(61)	161	(171)	161
Comprehensive income	\$ 39,116	\$ 28,187	\$ 39,980	\$ 43,743
Net income per share:				
Basic	\$ 0.74	\$ 0.53	\$ 0.77	\$ 0.82
Diluted	\$ 0.71	\$ 0.51	\$ 0.73	\$ 0.79

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Weighted-average shares used in computing net
income per share:

Basic	52,615	52,934	52,334	52,880
Diluted	55,030	55,465	54,717	55,280

See accompanying notes to unaudited consolidated financial statements.

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PAYLOCITY HOLDING CORPORATION

Unaudited Consolidated Statement of Changes in Stockholders' Equity

(in thousands)

	Three Months Ended March 31, 2018					
	Common Stock Shares	Stock Amount	Additional Paid-in Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
Balances at December 31, 2017	52,590	\$ 53	\$ 202,512	\$ (44,302)	\$ (110)	\$ 158,153
Stock-based compensation	—	—	8,017	—	—	8,017
Stock options exercised	103	—	1,422	—	—	1,422
Issuance of common stock upon vesting of						
restricted stock units	11	—	—	—	—	—
Net settlement for taxes and/or exercise price						
related to equity awards	(55)	—	(2,160)	—	—	(2,160)
Unrealized losses on securities, net of tax	—	—	—	—	(61)	(61)
Net income	—	—	—	—	—	—