

PROOFPOINT INC
Form 10-Q
August 02, 2018
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 June 30, 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 001-35506

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

(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

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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, 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.

| | |
|---|---------------------------|
| Large accelerated filer | Accelerated filer |
| 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

Shares of Proofpoint, Inc. common stock, \$0.0001 par value per share, outstanding as of July 20, 2018: 51,272,010 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)

| | June 30, 2018 | December 31, 2017 |
|---|------------------|----------------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 114,225 | \$ 286,072 |
| Short-term investments | 19,832 | 45,526 |
| Accounts receivable, net | 140,644 | 107,696 |
| Inventory | 400 | 730 |
| Deferred product costs | 1,727 | 1,541 |
| Deferred commissions | 29,711 | 26,249 |
| Prepaid expenses and other current assets | 22,349 | 18,669 |
| Total current assets | 328,888 | 486,483 |
| Property and equipment, net | 75,941 | 73,617 |
| Long-term deferred product costs | 326 | 259 |
| Goodwill | 460,592 | 297,704 |
| Intangible assets, net | 158,355 | 95,602 |
| Long-term deferred commissions | 53,712 | 51,954 |
| Other assets | 6,088 | 12,813 |
| Total assets | \$ 1,083,902 | \$ 1,018,432 |
| Liabilities and Stockholders' Equity | | |
| Current liabilities: | | |
| Accounts payable | \$ 17,229 | \$ 12,271 |
| Accrued liabilities | 62,404 | 65,503 |
| Capital lease obligations | 35 | 34 |
| Deferred rent | 799 | 586 |
| Deferred revenue | 426,090 | 364,521 |
| Total current liabilities | 506,557 | 442,915 |
| Convertible senior notes | 204,011 | 197,858 |
| Long-term capital lease obligations | 38 | 55 |
| Long-term deferred rent | 3,950 | 4,102 |
| Other long-term liabilities | 7,162 | 11,069 |
| Long-term deferred revenue | 65,147 | 63,318 |
| Total liabilities | 786,865 | 719,317 |

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Commitments and contingencies (Note 6)

Stockholders' equity:

Convertible preferred stock, \$0.0001 par value; 5,000 shares

authorized; no shares issued and outstanding

— —

Common stock, \$0.0001 par value; 200,000 shares authorized; 51,189

and 50,325 shares issued and outstanding at June 30, 2018 and

December 31, 2017, respectively

5 5

Additional paid-in capital

835,156 787,572

Accumulated other comprehensive loss

(1) (9)

Accumulated deficit

(538,123) (488,453)

Total stockholders' equity

297,037 299,115

Total liabilities and stockholders' equity

\$1,083,902 \$ 1,018,432

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 | | Six Months Ended | |
|--|--------------------|-----------|------------------|-----------|
| | June 30, | | June 30, | |
| | 2018 | 2017 | 2018 | 2017 |
| Revenue: | | | | |
| Subscription | \$169,019 | \$118,703 | \$327,806 | \$231,794 |
| Hardware and services | 2,856 | 3,738 | 6,530 | 6,282 |
| Total revenue | 171,875 | 122,441 | 334,336 | 238,076 |
| Cost of revenue:⁽¹⁾⁽²⁾ | | | | |
| Subscription | 45,618 | 30,363 | 87,816 | 58,684 |
| Hardware and services | 5,154 | 4,130 | 10,013 | 8,185 |
| Total cost of revenue | 50,772 | 34,493 | 97,829 | 66,869 |