

PROS Holdings, Inc.
Form 10-Q
November 06, 2014
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington D.C. 20549

FORM 10-Q

ý 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: 001-33554

PROS HOLDINGS, INC.

(Exact name of registrant as specified in its charter)

Delaware

76-0168604

(State or Other Jurisdiction of
Incorporation or Organization)

(I.R.S. Employer
Identification No.)

3100 Main Street, Suite 900 Houston TX
(Address of Principal Executive Offices)

77002
(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.

Table of Contents

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

The number of shares outstanding of the Registrant's Common Stock, \$0.001 par value, was 29,018,286 as of November 4, 2014.

Table of Contents

PROS Holdings, Inc.
 Form 10-Q
 For the Quarterly Period Ended September 30, 2014

Table of Contents

	Page
<u>PART I. FINANCIAL INFORMATION</u>	
<u>Item 1. Interim Condensed Consolidated Financial Statements (Unaudited)</u>	
<u>Condensed Consolidated Balance Sheets</u>	<u>4</u>
<u>Condensed Consolidated Statements of Comprehensive Income</u>	<u>5</u>
<u>Condensed Consolidated Statements of Cash Flows</u>	<u>6</u>
<u>Notes to Condensed Consolidated Financial Statements</u>	<u>7</u>
<u>Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>17</u>
<u>Item 3. Quantitative and Qualitative Disclosures about Market Risk</u>	<u>28</u>
<u>Item 4. Controls and Procedures</u>	<u>28</u>
 <u>PART II. OTHER INFORMATION</u>	
<u>Item 1. Legal Proceedings</u>	<u>29</u>
<u>Item 1A. Risk Factors</u>	<u>29</u>
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>29</u>
<u>Item 3. Defaults Upon Senior Securities</u>	<u>30</u>
<u>Item 4. Mine Safety Disclosure</u>	<u>30</u>
<u>Item 5. Other Information</u>	<u>30</u>
<u>Item 6. Exhibits</u>	<u>30</u>
<u>Signatures</u>	<u>31</u>

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. 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: the sales of our software products and services; the impact of our revenue recognition policies; our belief that our current assets, including cash, cash equivalents, 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 interest rates. Words such as, but not limited to, “we expect,” “anticipate,” “target,” “project,” “believe,” “goals,” “estimate,” “potential,” “prudent,” “may,” “might,” “could,” “would,” “intend,” and variations of these types of words and similar expressions are intended to identify these forward-looking statements.

Table of Contents

PART I. Financial Information

ITEM 1. INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

PROS Holdings, Inc.

Condensed Consolidated Balance Sheets

(In thousands, except share amounts)

	(Unaudited) September 30, 2014	December 31, 2013
Assets:		
Current assets:		
Cash and cash equivalents	\$40,413	\$44,688
Accounts and unbilled receivables, net of allowance of \$770 and \$1,060, respectively	52,111	46,566
Prepaid and other current assets	13,090	6,157
Restricted cash - current	2,322	39,718
Total current assets	107,936	137,129
Restricted cash - noncurrent	100	100
Property and equipment, net	17,446	15,587
Intangibles, net	21,919	8,232
Goodwill	22,097	7,024
Deferred tax assets - noncurrent, net of valuation allowance	10,744	10,505
Other long term assets	1,710	1,251
Total assets	\$181,952	\$179,828
Liabilities and Stockholders' Equity:		
Current liabilities:		
Accounts payable and other liabilities	\$10,061	\$7,839
Accrued liabilities	8,928	5,210
Accrued payroll and other employee benefits	10,913	9,679
Deferred revenue	50,111	42,274
Total current liabilities	80,013	65,002
Long-term deferred revenue	2,639	2,977
Other long-term liabilities	1,445	546
Total liabilities	84,097	68,525
Commitments and contingencies (Note 7)		
PROS 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; 33,434,825 and 32,606,228 shares issued, respectively; 29,017,240 and 28,188,643 shares outstanding, respectively	34	33
Additional paid-in capital	112,332	106,880
Treasury stock, 4,417,585 common shares, at cost	(13,938)	(13,938)
Retained earnings (accumulated deficit)	(1,076)	18,328
Accumulated other comprehensive loss	(1,421)	—
Non-controlling interest	1,924	—
Total stockholders' equity	97,855	111,303
Total liabilities and stockholders' equity	\$181,952	\$179,828

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

4

Table of Contents

PROS Holdings, Inc.

Condensed Consolidated Statements of Comprehensive Income

(In thousands, except share and per share data)

(Unaudited)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2014	2013	2014	2013
Revenue:				
License	\$ 11,844	\$ 10,930	\$ 36,039	\$ 30,044
Services	13,764	12,195	38,959	35,939
Subscription	6,775	1,960	16,901	5,864
Total license, services and subscription	32,383	25,085	91,899	71,847
Maintenance and support	14,336	11,728	40,101	34,119
Total revenue	46,719	36,813	132,000	105,966
Cost of revenue:				
License	48	37	154	270
Services	10,556			