

WORKIVA INC

Form 10-Q

November 07, 2018

9/30/2018Q334,126,7249,722,484000144530512/312018FALSEAccelerated

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

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**FORM 10-Q**

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(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,  
2018**

**OR**

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

**For transition  
period from  
to**

**Commission File  
Number  
001-36773**

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**WORKIVA INC.**

(Exact name of registrant as specified in its charter)

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**Delaware**

(State or other jurisdiction of  
incorporation or organization)

**47-2509828**

(I.R.S.  
Employer  
Identification  
Number)

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2900 University Blvd  
Ames, IA 50010  
(888) 275-3125

(Address of principal executive offices and zip code)

(888) 275-3125

(Registrant's telephone number, including area code)

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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.

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

As of November 5, 2018, there were approximately 34,126,724 shares of the registrant's Class A common stock and 9,722,484 shares of the registrant's Class B common stock outstanding.

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**SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS**

Certain statements in this Quarterly Report on Form 10-Q are “forward-looking statements” within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, and are subject to the safe harbor created thereby. All statements contained in this Quarterly Report on Form 10-Q other than statements of historical facts, including statements regarding our future results of operations and financial position, our business strategy and plans and our objectives for future operations, are forward-looking statements. The words “believe,” “may,” “will,” “estimate,” “continue,” “anticipate,” “intend,” “expect” and similar expressions are intended to identify forward-looking statements. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our financial condition, results of operations, business strategy, short-term and long-term business operations and objectives, and financial needs. These forward-looking statements are subject to a number of risks, uncertainties and assumptions, including those described in “Item 1A. Risk Factors” of our Annual Report on Form 10-K for the year ended December 31, 2017, in “Item 1A. Risk Factors” in Part II of this Quarterly Report on Form 10-Q and in any subsequent filing we make with the SEC, as well as in any documents incorporated by reference that describe risks and factors that could cause results to differ materially from those projected in these forward-looking statements.

Moreover, we operate in a very competitive and rapidly changing environment. New risks emerge from time to time. It is not possible for our management to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. In light of these risks, uncertainties and assumptions, the future events and trends discussed in this Quarterly Report on Form 10-Q may not occur and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements.

Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance, achievements or events and circumstances reflected in the forward-looking statements will occur. We are under no duty to update any of these forward-looking statements after completion of this Quarterly Report on Form 10-Q to conform these statements to actual results or revised expectations.

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Table of Contents**Part I. Financial Information****Item 1. Financial Statements****WORKIVA INC.****CONDENSED CONSOLIDATED BALANCE SHEETS**

(in thousands, except share and per share amounts)

As of September 30, 2018	As of December 31, 2017
-----------------------------	----------------------------

**(unaudited)****ASSETS**

Current assets

Cash

and			
\$	71,843	\$	60,333
cash			

equivalents

Marketable securities

Accounts receivable, net

of allowance

for doubtful accounts

of

\$719

and \$388

at September 30,

2018

and

December 31,

2017,

respectively

Deferred commissions

Other receivables

5,727

16,364

28,800

2,376

975

6,444

Prepaid expenses			
Total current assets	150,691	115,292	
Property and equipment, net	39,759	40,444	
Deferred commissions, non-current	7,368	—	
Intangible assets, net	1,116	1,118	
Other assets	1,414	861	
Total assets	\$ 200,448	\$ 157,715	

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Table of Contents**WORKIVA INC.****CONDENSED CONSOLIDATED BALANCE SHEETS (continued)****(in thousands, except share and per share amounts)****As of September 30, 2018**      **As of December 31, 2017****(unaudited)****LIABILITIES AND STOCKHOLDERS' DEFICIT**

Current liabilities

Accounts payable	5,053	\$	3,060
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Accrued expenses and

34,146 other	20,212		
--------------	--------	--	--

current liabilities

Deferred revenue	128,435	104,684	
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Deferred government grant	228	217	
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obligation

Current portion of

capital lease	1,181	1,168	
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and financing obligations

Total current liabilities	169,043	129,341	
---------------------------	---------	---------	--

Deferred revenue	20,650	22,709	
------------------	--------	--------	--

non-current

Deferred government grant	278		
---------------------------	-----	--	--



obligation	
Other long-term liabilities	3,896
Capital lease and financing obligations	18,425
Total liabilities	174,649
Stockholders' deficit	
Class A common stock, \$0.001 par value per share, 1,000,000,000 shares authorized, 34,077,670 and 32,165,407 shares issued and outstanding at September 30, 2018 and December 31, 2017, respectively	32
Class B common stock, \$0.001 par value per	10

share,  
 500,000,000  
 shares  
 authorized,  
 9,722,484  
 and  
 10,203,371  
 shares  
 issued  
 and  
 outstanding  
 at  
 September  
 30,  
 2018  
 and  
 December  
 31,  
 2017,  
 respectively

Preferred  
 stock,  
 \$0.001  
 par  
 value  
 per  
 share,  
 100,000,000

—

shares  
 authorized,  
 no  
 shares  
 issued  
 and  
 outstanding

Additional  
 paid-in-capital

248,289

Accumulated  
 deficit

(265,337)

Accumulated  
 other  
 comprehensive  
 income

72

Total  
 stockholders'  
 deficit

(16,934)

Total  
 liabilities  
 and

200,448 \$ 157,715

stockholders'  
deficit

*See accompanying notes.*

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Table of Contents**WORKIVA INC.****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS****(in thousands, except share and per share amounts)****(unaudited)**

<b>Three months ended September 30,</b>			<b>Nine months ended September 30,</b>	
<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>	
Revenue				
Subscription and support	\$ 51,306	\$ 43,214	\$ 146,613	\$ 123,734
Professional services	9,567	8,854	33,296	29,629
Total revenue	60,873	52,068	179,909	153,363
Cost of revenue				
Subscription and support	8,139	8,472	25,578	23,867
Professional services	7,520	7,180	22,888	20,289
Total cost of revenue	15,659	15,652	48,466	44,156
Gross profit	45,214	36,416	131,443	109,207
Operating expenses				
Research and development	19,984	17,527	60,829	49,302
Sales and marketing	4,068	23,712	67,326	62,212
General administrative	11,864	8,959	45,286	27,323
Total operating expenses	35,916	50,198	173,441	138,837

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Loss from operations	(10,702)	(13,782)	(41,998)	(29,630)
Interest expense	(448)	(464)	(1,347)	(1,394)
Other income, net	203	198	1,038	986
Loss before provision for income taxes	(10,947)	(14,048)	(42,307)	(30,038)
Provision for income taxes	17	25	43	67
Net loss	(10,964)	\$ (14,073)	\$ (42,350)	\$ (30,105)
Net loss per common share:				
Basic and diluted	\$ (0.25)	\$ (0.34)	\$ (0.98)	\$ (0.73)
Weighted-average common shares outstanding	43,973,428	41,815,139	43,359,939	41,453,736

See accompanying notes.

Table of Contents**WORKIVA INC.****CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS****(in thousands)****(unaudited)**

	<b>Three months ended September 30,</b>		<b>Nine months ended September 30,</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
Net loss	(10,964)	\$ (14,073)	\$ (42,350)	\$ (30,105)
Other comprehensive income (loss), net of tax				
From		(82)		
currency translation adjustment, net of income tax benefit (expense) of (\$5) and \$0 for the three months ended September 30, 2018 and 2017, respectively, and net of income tax				

benefit  
(expense)  
of  
(\$5) and  
\$2  
for  
the  
nine  
months  
ended  
September  
30,  
2018  
and  
2017,  
respectively