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(Address of principal executive offices)

415.418.7506

(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 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

As of October 31, 2015, there were 88,697,514 shares of the registrant's common stock outstanding.

ZENDESK, INC.

TABLE OF CONTENTS

PART I — FINANCIAL INFORMATION

Item 1	<u>Financial Statements (unaudited):</u>	4
	<u>Condensed Consolidated Balance Sheets as of September 30, 2015 and December 31, 2014</u>	4
	<u>Condensed Consolidated Statements of Operations for the Three and Nine Months Ended September 30, 2015 and 2014</u>	5
	<u>Condensed Consolidated Statements of Comprehensive Loss for the Three and Nine Months Ended September 30, 2015 and 2014</u>	6
	<u>Condensed Consolidated Statements of Cash Flows for the Nine Months Ended September 30, 2015 and 2014</u>	7
	<u>Notes to Condensed Consolidated Financial Statements</u>	8
Item 2	<u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	18
Item 3	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	29
Item 4	<u>Controls and Procedures</u>	29
PART II — OTHER INFORMATION		
Item 1	<u>Legal Proceedings</u>	30
Item 1A	<u>Risk Factors</u>	30
		3

Item 2	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	54
Item 6	<u>Exhibits</u>	54
	<u>SIGNATURES</u>	55

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 statements 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,” “might,” “expects,” “plans,” “anticipates,” “could,” “in,” “target,” “projects,” “contemplates,” “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 future financial performance, including our revenue, cost of revenue, gross profit, operating expenses, ability to generate positive cash flow, ability to improve our gross margin, and ability to achieve and maintain profitability;
- the sufficiency of our cash and cash equivalents, and marketable securities to meet our liquidity needs;
- our ability to attract and retain customers to use our customer service platform and live chat software, and to optimize the pricing for our customer service platform and live chat software;
- the evolution of technology affecting our platform, services, and markets;
- our ability to innovate and provide a superior customer experience;
- our ability to successfully expand in our existing markets and into new markets;
- the attraction and retention of qualified employees and key personnel;
- our ability to effectively manage our growth and future expenses;
- our ability to successfully offer our live chat software as a standalone service or further integrate it with our customer service platform;
 - our ability to integrate We Are Cloud SAS with our existing corporate operations, to sell our analytics software as a standalone service and to integrate our analytics software with our customer service platform;
- our ability to maintain, protect, and enhance our intellectual property;
- our ability to comply with modified or new laws and regulations applying to our business, including privacy and data security regulations;
 - worldwide economic conditions and their impact on information technology spending;
- our ability to securely maintain customer data; and
- our ability to maintain and enhance our brand.

We caution you that the foregoing list does 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, operating results, 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.

PART I — FINANCIAL INFORMATION

Item 1. Financial Statements

ZENDESK, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands, except par value and shares)

	September 30, 2015 (Unaudited)	December 31, 2014
Assets		
Current Assets:		
Cash and cash equivalents	\$ 255,386	\$ 80,265
Marketable securities	25,247	42,204
Accounts receivable, net of allowance for doubtful accounts of \$1,070 and \$264 as of September 30, 2015 and December 31, 2014, respectively	24,121	11,523
Prepaid expenses and other current assets	9,904	5,013
Total current assets	314,658	139,005
Marketable securities, noncurrent	22,513	9,205
Property and equipment, net	52,747	41,895
Goodwill and intangible assets, net	11,888	14,152
Other assets	2,450	1,531
Total assets	\$ 404,256	\$ 205,788
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$ 4,390	\$ 4,763
Accrued liabilities	10,445	7,841
Accrued compensation and related benefits	11,872	11,738
Deferred revenue	74,295	50,756
Current portion of credit facility	—	3,041
Current portion of capital leases	—	10
Total current liabilities	101,002	78,149
Deferred revenue, noncurrent	1,657	823
Credit facility, noncurrent	—	3,911
Other liabilities	8,966	9,199
Total liabilities	111,625	92,082
Commitments and contingencies (Note 7)		
Stockholders' equity:		
Preferred stock	—	—
Common stock	887	755
Additional paid-in capital	485,417	246,000
Accumulated other comprehensive loss	(1,578)	(528)

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Accumulated deficit	(191,443)	(131,869)
Treasury stock at cost (0.5 million shares as of September 30, 2015 and December 31, 2014)	(652)	(652)
Total stockholders' equity	292,631	113,706
Total liabilities and stockholders' equity	\$ 404,256	\$ 205,788

See Notes to Condensed Consolidated Financial Statements.

ZENDESK, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share data)

(Unaudited)

	Three Months Ended		Nine Months Ended	
	September 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014
Revenue	\$55,661	\$33,910	\$146,122	\$88,508
Cost of revenue ⁽¹⁾	17,039	11,684	47,491	32,410
Gross profit	38,622	22,226	98,631	56,098
Operating expenses ⁽¹⁾ :				
Research and development	16,031	9,550	43,517	25,227
Sales and marketing	29,079	21,548	79,725	56,174
General and administrative	12,319	8,940	33,982	23,639
Total operating expenses	57,429	40,038	157,224	105,040
Operating loss	(18,807)	(17,812)	(58,593)	(48,942)
Other income (expense), net	145	(343)	(428)	(1,252)
Loss before provision for (benefit from) income taxes	(18,662)	(18,155)	(59,021)	(50,194)
Provision for (benefit from) income taxes	262	(236)	554	(272)
Net loss	(18,924)	(17,919)	(59,575)	(49,922)
Accretion of redeemable convertible preferred stock	—	—	—	(18)
Net loss attributable to common stockholders	\$(18,924)	\$(17,919)	\$(59,575)	\$(49,940)
Net loss per share attributable to common stockholders, basic and diluted	\$(0.22)	\$(0.25)	\$(0.71)	\$(1.07)
Weighted-average shares used to compute net loss per share attributable to common stockholders, basic and diluted	87,777	71,732	83,536	46,751

(1) Includes share-based compensation expense as follows:

	Three Months Ended		Nine Months Ended	
	September 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014
Cost of revenue	\$1,131	\$591	\$3,136	\$1,691
Research and development	4,974	3,052	13,484	7,530
Sales and marketing	3,786	4,877	10,154	8,635

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General and administrative	3,551	2,298	10,283	5,769
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See Notes to Condensed Consolidated Financial Statements.

5

ZENDESK, INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(In thousands)

(Unaudited)

	Three Months Ended		Nine Months Ended	
	September 30, 2015	2014	September 30, 2015	2014
Net loss	\$(18,924)	\$(17,919)	\$(59,575)	\$(49,922)
Other comprehensive loss, net of tax:				
Net change in unrealized gain (loss) on available-for-sale investments	39	(58)	70	(66)
Foreign currency translation gain (loss)	(781)	(303)	(1,019)	17
Net change in unrealized loss on derivative instruments	(101)	—	(101)	—
Comprehensive loss	\$(19,767)	\$(18,280)	\$(60,625)	\$(49,971)

See Notes to Condensed Consolidated Financial Statements.

ZENDESK, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

(Unaudited)

	Nine Months Ended September 30,	
	2015	2014
Cash flows from operating activities		
Net loss	\$(59,575)	\$(49,922)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	13,672	7,673
Share-based compensation	37,057	23,625
Other	525	331
Excess tax benefit from share-based award activity	(124)	—
Changes in operating assets and liabilities:		
Accounts receivable	(13,082)	(5,104)
Prepaid expenses and other current assets	(4,161)	(1,960)
Other assets and liabilities	(1,622)	1,321
Accounts payable	(1,919)	591
Accrued liabilities	2,261	922
Accrued compensation and related benefits	(2,355)	5,215
Deferred revenue	24,372	17,290
Net cash used in operating activities	(4,951)	(18)
Cash flows from investing activities		
Purchases of property and equipment	(14,231)	(19,121)
Internal-use software development costs	(3,548)	(6,268)
Purchases of marketable securities	(56,991)	(43,006)
Proceeds from maturities of marketable securities	30,425	6,950
Proceeds from sale of marketable securities	29,650	—
Cash paid for the acquisition of Zopim, net of cash acquired	(1,099)	(1,896)
Net cash used in investing activities	(15,794)	(63,341)
Cash flows from financing activities		
Proceeds from initial public offering, net of issuance costs	—	103,110
Proceeds from follow-on public offering, net of issuance costs	190,110	—
Proceeds from exercise of employee stock options	5,773	2,745
Taxes paid related to net share settlement of equity awards	(481)	(1,750)
Proceeds from issuance of common stock from employee stock purchase plan	7,243	2,346
Proceeds from issuance of debt	—	3,940
Excess tax benefit from share-based award activity	124	—
Principal payments on debt	(6,952)	(20,000)
Principal payments on capital lease obligations	(10)	(271)
Net cash provided by financing activities	195,807	90,120
Effect of exchange rate changes on cash and cash equivalents	59	(50)

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Net increase in cash and cash equivalents	175,121	26,711
Cash and cash equivalents at the beginning of period	80,265	53,725
Cash and cash equivalents at the end of period	\$255,386	\$80,436

Supplemental cash flow data:

Cash paid for interest and income taxes	\$710	\$930
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Non-cash investing and financing activities:

Purchases of property and equipment in accounts payable and accrued expenses	\$3,766	\$998
Share-based compensation capitalized in internal-use software development costs	\$1,674	\$1,856
Vesting of early exercised stock options	\$815	\$1,196
Property and equipment acquired through tenant improvement allowances	\$174	\$3,932
Issuance of common stock for the acquisition of Zopim	\$—	\$10,893

See Notes to Condensed Consolidated Financial Statements.

ZENDESK, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Overview and Basis of Presentation

Company and Background

Zendesk was founded in Denmark in 2007 and reincorporated in Delaware in April 2009.

Our mission is to help organizations and their customers build better relationships. We are a software development company that provides a software-as-a-service, or SaaS, customer service platform. Our platform helps organizations engage with people in new ways that foster long-term customer loyalty and satisfaction. We empower organizations to better answer customers' questions, and to solve their problems through the channels that people use every day when seeking help, such as email, chat, voice, social media and websites. Our customer service platform also helps people find answers on their own through knowledge bases and communities, capitalizing on the increasing customer preference for self-service. Our customer engagement capabilities allow organizations to proactively serve their customers, reaching out to those who may need help and soliciting feedback about their experience. The openness of our customer service platform makes it easy for organizations to integrate with their other applications. Our customer service platform consolidates the data from customer interactions and provides organizations with powerful analytics and performance benchmarking.

References to Zendesk, the "Company", "our", or "we" in these notes refer to Zendesk, Inc. and its subsidiaries on a consolidated basis.

Basis of Presentation

These unaudited condensed consolidated financial statements have been prepared in accordance with United States generally accepted accounting principles, or GAAP, and applicable rules and regulations of the Securities and Exchange Commission, or SEC, regarding interim financial reporting. Certain information and note disclosures normally included in the financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations. Therefore, these condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes included in our Annual Report on Form 10-K for the year ended December 31, 2014, filed on February 17, 2015. There have been no changes to our significant accounting policies described in the Annual Report on Form 10-K that have had a material impact on our condensed consolidated financial statements and related notes.

The consolidated balance sheet as of December 31, 2014 included herein was derived from the audited financial statements as of that date. The unaudited condensed consolidated financial statements reflect all normal recurring adjustments necessary to present fairly the financial position, results of operations, our comprehensive loss and cash flows for the interim periods, but are not necessarily indicative of the results of operations to be anticipated for the full year ending December 31, 2015.

Follow-On Public Offering

In March 2015, we completed a follow-on public offering, in which we issued 8.8 million shares of our common stock at a public offering price of \$22.75 per share. We received net proceeds of \$190.1 million after deducting underwriting discounts and commissions of \$8.7 million and other offering expenses of \$0.9 million.

Initial Public Offering

In May 2014, we completed our initial public offering, or IPO, in which we issued and sold 12.8 million shares of common stock at a public offering price of \$9.00 per share. We received net proceeds of \$103.1 million after deducting underwriting discounts and commissions of \$8.1 million and other offering expenses of \$3.8 million. Upon the closing of the IPO, all shares of our then-outstanding redeemable convertible preferred stock automatically converted into an aggregate of 34.3 million shares of common stock.

Immaterial Error Correction

We corrected an immaterial prior period error on the statement of operations for the nine months ended September 30, 2014 related to the calculation of weighted average shares used to compute net loss per share attributable to common stockholders. As a result of this error, basic and diluted net loss per share attributable to common stockholders decreased by \$0.01 for the nine months ended September 30, 2014. The adjustment did not affect any other financial statements presented.

Reclassification

Certain prior year amounts have been reclassified for consistency with the current year presentation. These reclassifications had no effect on the reported results of operations.

Use of Estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenue and expenses during the reported periods.

Significant items subject to such estimates and assumptions include the fair value of our common stock (through the date of our IPO) and share-based awards, fair value of acquired intangible assets, goodwill, unrecognized tax benefits, useful lives of intangible assets and property and equipment, and the capitalization and estimated useful life of our capitalized internal-use software.

These estimates are based on information available as of the date of the financial statements; therefore, actual results could differ from those estimates.

Concentrations of Risk

As of September 30, 2015, one customer represented 10% of our total accounts receivable balance. As of December 31, 2014, no customers represented more than 10% of our accounts receivable balance. There were no customers that individually exceeded 10% of our revenue during the three and nine months ended September 30, 2015 or 2014.

Recently Issued and Adopted Accounting Pronouncements

In September 2015, the FASB issued ASU 2015-16 “Simplifying the Accounting for Measurement-Period Adjustments”, which requires that an acquirer in a business combination recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined. The new standard is required to be applied prospectively. We plan to adopt this guidance in the first quarter of 2016. The adoption of this new standard is not expected to have a material impact on our consolidated financial statements.

In May 2014, the FASB issued ASU 2014-09 regarding ASC Topic 606 “Revenue from Contracts with Customers.” This standard provides principles for recognizing revenue to which an entity expects to be entitled for the transfer of promised goods or services to customers. In August 2015, the FASB issued ASU 2015-14, which deferred the effective date of ASU 2014-09 by one year. Early adoption is permitted. The amendment may be applied

retrospectively to each prior period presented, or with the cumulative effect recognized as of the date of initial adoption. We are currently evaluating the accounting, transition and disclosure requirements of the standard and cannot currently estimate the financial statement impact of adoption.

Note 2. Acquisition

On March 21, 2014, we completed the acquisition of Zopim Technologies Pte Ltd., or Zopim, a software development company that provides a SaaS live chat service. As of December 31, 2014, we finalized our purchase accounting after adjustments were made to the preliminary purchase price allocation. The total adjusted acquisition date fair value of consideration transferred was \$15.8 million (\$4.9 million of cash and \$10.9 million of our common stock), which included \$1.1 million of cash and \$2.4 million of common stock consideration that was held back between 12 and 18 months as partial security for standard indemnification obligations. These hold back amounts were released in equal installments in March and September 2015. The total adjusted purchase price was allocated to assets acquired and liabilities assumed as set forth below (in thousands). The excess of the purchase price over the net assets acquired was recorded as goodwill. Goodwill generated from the acquisition is attributable to expected synergies from future growth and potential future monetization opportunities, and is not deductible for income tax purposes.

Net tangible liabilities assumed	\$(385)
Intangible assets	6,560
Goodwill	9,594
Total purchase price	\$15,769

In connection with the acquisition, we also established a retention plan pursuant to which we issued RSUs for 0.9 million shares of our common stock, which vest in three annual installments from the date of acquisition. In addition, we agreed to pay cash in an aggregate amount of \$3.0 million in two annual installments from the date of acquisition to Zopim employees in connection with their continued employment, which is recorded as compensation expense over the associated service periods of such employees. In the three months ended March 31, 2015, RSUs for 0.3 million shares of our common stock became vested pursuant to the terms of the retention plan, and we paid the first installment of the cash retention bonus in the amount of \$1.5 million.

Pro forma revenue and results of operations have not been presented because the historical results of Zopim were not material to our consolidated financial statements in any period presented.

Note 3. Financial Instruments

Investments

The following tables present information about our financial assets measured at fair value on a recurring basis as of September 30, 2015 and December 31, 2014 based on the three-tier fair value hierarchy (in thousands):

Description	Fair Value Measurement at September 30, 2015		
	Level 1	Level 2	Total
Corporate securities	\$		