CVENT INC
Form 10-Q
November 12, 2013
**Table of Contents**

**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

# FORM 10-Q

**(Mark One)**

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

**For the quarterly period ended September 30, 2013**

**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: 001-36043**

**Cvent, Inc.**

**(Exact name of registrant as specified in its charter)**

| | |
|---|---|
| **Delaware** | **54-1954458** |
| **(State or other jurisdiction of incorporation or organization)** | **(I.R.S. Employer Identification Number)** |
| **8180 Greensboro Drive, 9th Floor** | |
| **McLean, VA** | **22102** |
| **(Address of principal executive offices)** | **(Zip Code)** |

**(703) 226-3500**

**(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 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 x 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 x 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 x (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 x

Indicate the number of shares outstanding of each of the issuer s classes of common stock, as of the latest practicable date: As of November 8, 2013, there were 40,206,768 shares of the registrant s common stock outstanding.

Table of Contents

**CVENT, INC.**

**QUARTERLY REPORT ON FORM 10-Q**

**FOR THE QUARTER ENDED SEPTEMBER 30, 2013**

**TABLE OF CONTENTS**

Table of Contents

## CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS

This Quarterly Report on Form 10-Q, including the sections entitled Management s Discussion and Analysis of Financial Condition and Results of Operations and Quantitative and Qualitative Disclosure About Market Risk under Items 2 and 3, respectively, of Part I of this report, and the sections entitled Legal Proceedings, Risk Factors, and Unregistered Sales of Equity Securities and Use of Proceeds under Items 1, 1A and 2, respectively, of Part II of this report, contains forward-looking statements. These statements may relate to, but are not limited to, expectations of future operating results or financial performance, macroeconomic trends that we expect may influence our business, plans for capital expenditures, expectations regarding the introduction of new products, regulatory compliance and changes in the regulatory landscape affecting our business, impact of litigation, plans for growth and future operations, effects of acquisitions, as well as assumptions relating to the foregoing. Forward-looking statements are inherently subject to risks and uncertainties, some of which cannot be predicted or quantified. These risks and other factors include, but are not limited to, those listed under the section entitled Risk Factors in Item 1A of Part II of this Quarterly Report on Form 10-Q. In some cases, you can identify forward-looking statements by terminology such as may, will, should, could, expect, plan, anticipate, believe, estimate, predict, intend, potential, negative of these terms or other comparable terminology. These statements are only predictions. Actual events and/or results may differ materially.

We believe that it is important to communicate our future expectations. However, there may be events in the future that we are not able to accurately predict or control and that may cause our actual results to differ materially from the expectations we describe in our forward-looking statements. Except as required by applicable law, including the securities laws of the United States and the rules and regulations of the Securities and Exchange Commission, we do not plan to publicly update or revise any forward-looking statements, whether as a result of any new information, future events or otherwise, other than through the filing of periodic reports in accordance with the Securities Exchange Act of 1934, as amended (the Exchange Act ). You should not place undue reliance on our forward-looking statements. You should be aware that the occurrence of any of the events described in the Risk Factors section and elsewhere in this Quarterly Report on Form 10-Q could harm our business, prospects, operating results and financial condition. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements.

Table of Contents

## PART I. FINANCIAL INFORMATION

**Item 1. *Financial Statements***

**Cvent, Inc.**

**Consolidated Balance Sheets**

**(In thousands, except share and per share data)**

| | September 30, 2013 (Unaudited) | December 31, 2012 |
|---|---|---|
| **Assets** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 144,524 | $ 16,850 |
| Restricted cash | 651 | 455 |
| Short-term investments | 13,287 | 9,320 |
| Accounts receivable, net of reserve of $242 and $505, respectively | 15,455 | 29,081 |
| Prepaid expense and other current assets | 7,833 | 3,128 |
| Deferred tax assets | 2,486 | 2,486 |
| Total current assets | 184,236 | 61,320 |
| Property and equipment, net | 5,479 | 6,756 |
| Capitalized software development costs, net | 9,281 | 5,428 |
| Intangible assets, net | 3,322 | 3,919 |
| Goodwill | 12,505 | 12,505 |
| Other assets | 141 | 102 |
| Total assets | $ 214,964 | $ 90,030 |
| **Liabilities and Stockholders Equity** | | |
| Current liabilities: | | |
| Accounts payable | $ 3,126 | $ 3,272 |
| Accrued and other current liabilities | 18,732 | 13,921 |
| Deferred revenue | 48,754 | 51,554 |
| Total current liabilities | 70,612 | 68,747 |
| Deferred tax liabilities, non-current | 2,134 | 2,134 |
| Other liabilities, non-current | 263 | 419 |
| Total liabilities | 73,009 | 71,300 |
| Commitments and contingencies (Note 8) | | |
| Stockholders equity | | |
| | | 17 |

| | | | | |
|---|---|---|---|---|
| Series A convertible preferred stock, $0.001 par value, zero and 69,675,300 shares authorized and zero and 17,418,807 issued and outstanding | | | | |
| Common stock, $0.001 par value; 154,492,987 shares authorized at September 30, 2013 and December 31, 2012; 40,404,571 and 15,901,183 shares issued and 39,884,357 and 15,380,969 outstanding at September 30, 2013 and December 31, 2012, respectively | | 40 | | 16 |
| Treasury stock | | (3,966) | | (3,966) |
| Additional paid-in capital | | 168,432 | | 42,409 |
| Accumulated deficit | | (22,551) | | (19,746) |
| Total stockholders equity | | 141,955 | | 18,730 |
| Total liabilities and stockholders equity | $ | 214,964 | $ | 90,030 |

*See accompanying notes to the consolidated financial statements*

Table of Contents

**Cvent, Inc.**

**Consolidated Statements of Operations**

**(in thousands, except share and per share data)**

**(unaudited)**

| | Three Months Ended September 30, 2013 | Three Months Ended September 30, 2012 | Nine Months Ended September 30, 2013 | Nine Months Ended September 30, 2012 |
|---|---|---|---|---|
| Revenue | $ 29,145 | $ 21,836 | $ 80,440 | $ 59,865 |
| Cost of revenue[1] | 8,412 | 5,395 | 21,588 | 14,648 |
| Gross profit | 20,733 | 16,441 | 58,852 | 45,217 |
| Operating expenses: | | | | |
| Sales and marketing[1] | 11,552 | 9,192 | 35,202 | 25,748 |
| Research and development[1] | 2,813 | 2,082 | 8,105 | 5,391 |
| General and administrative[1] | 6,092 | 2,269 | 16,891 | 7,957 |
| Total operating expenses | 20,457 | 13,543 | 60,198 | 39,096 |
| Income (loss) from operations | 276 | 2,898 | (1,346) | 6,121 |
| Interest income | 295 | 199 | 677 | 670 |
| Income (loss)from operations before income tax expense | 571 | 3,097 | (669) | 6,791 |
| Provision for income taxes | 1,400 | 1,696 | 2,136 | 4,007 |
| Net income (loss) | $ (829) | $ 1,401 | $ (2,805) | $ 2,784 |
| Net income (loss) per common share: | | | | |
| Basic | $ (0.03) | $ 0.04 | $ (0.14) | $ 0.08 |
| Diluted | $ (0.03) | $ 0.04 | $ (0.14) | $ 0.08 |
| Weighted average common shares outstanding - basic | 29,700,211 | 32,288,572 | 20,336,459 | 33,252,002 |
| Weighted average common shares outstanding - diluted | 29,700,211 | 34,850,807 | 20,336,459 | 34,847,340 |
| [1]Stock-based compensation expense included in the above: | | | | |
| Cost of revenue | $ 353 | $ 222 | $ 886 | $ 586 |
| Sales and marketing | 393 | 473 | 2,092 | 2,105 |
| Research and development | 158 | 88 | 553 | 392 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| General and administrative | | 67 | | 164 | | 689 | | 734 |
| Total | $ | 971 | $ | 947 | $ | 4,220 | $ | 3,817 |

*See accompanying notes to the consolidated financial statements*

Table of Contents

**Cvent, Inc.**

**Consolidated Statements of Cash Flows**

**(in thousands)**

**(unaudited)**

| | Nine Months Ended September 30, 2013 | 2012 |
|---|---|---|
| Operating activities: | | |
| Net income (loss) | $ (2,805) | $ 2,784 |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities: | | |
| Depreciation and amortization | 5,782 | 3,863 |
| Foreign currency transaction (gain) loss | 568 | (11) |
| Stock-based compensation expense | 4,220 | 3,817 |
| Change in operating assets and liabilities: | | |
| Accounts receivable, net | 13,626 | 6,668 |
| Prepaid expenses and other assets | (4,744) | (1,237) |
| Accounts payable, accrued and other liabilities | 5,051 | 10,721 |
| Deferred revenue | (2,800) | (857) |
| Net cash provided by operating activities | 18,898 | 25,748 |
| Investing activities: | | |
| Purchase of property and equipment and capitalized software development costs | (7,761) | (6,036) |
| Sale (purchase) of short-term investments | (3,967) | 1,422 |
| Acquisitions, net of cash acquired | (90) | (7,237) |
| Restricted cash | (196) | (473) |
| Net cash used in investing activities | (12,014) | (12,324) |
| Financing activities: | | |
| Repurchase of preferred, common stock, and warrants | (1,275) | (3,950) |
| Proceeds from exercise of stock options and warrants | 502 | 1,133 |
| Proceeds from Initial Public Offering, net of expenses | 122,131 | |
| Net cash provided by (used in) financing activities | 121,358 | (2,817) |
| Effect of exchange rate changes on cash and cash equivalents | (568) | 11 |
| Increase in cash and cash equivalents | 127,674 | 10,618 |
| Cash and cash equivalents, beginning of period | 16,850 | 18,150 |
| Cash and cash equivalents, end of period | $ 144,524 | $ 28,768 |

| | | |
|---|---|---|
| Supplemental cash flow information: | | |
| Income taxes paid | $ 3,062 | $ 1,888 |
| | | |
| Supplemental disclosure of noncash investing activities: | | |
| Issuance of common stock in acquisition | $ | $ 935 |

*See accompanying notes to the consolidated financial statements*

6

Table of Contents

**CVENT, INC**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(in thousands, except share and per share data)**

**(unaudited)**

## 1. Description of Business

Cvent, Inc. (the Company ) was incorporated on August 20, 1999 in the State of Delaware. The Company provides a cloud-based enterprise event management platform with solutions for both sides of the events and meetings value chain: (i) event and meeting planners and (ii) hotels and venues. The Company s integrated, cloud-based solution addresses the entire event lifecycle by allowing event and meeting planners to organize, market and manage their meetings, conferences, tradeshows and other events. The Company s online marketplace connects event planners and venues through its vertical search engine that accesses its proprietary database of detailed hotel and venue information. The combination of these solutions creates an integrated platform that allows the Company to generate revenue from both sides of the events and meetings value chain.

## 2. Summary of Significant Accounting Policies

### *(a) Basis of Presentation*

The financial information presented in the accompanying unaudited consolidated financial statements as of September 30, 2013, and for the three and nine months ended September 30, 2013 and 2012 has been prepared in accordance with U.S. generally accepted accounting principles (U.S. GAAP) and in accordance with rules and regulations of the U.S. Securities and Exchange Commission (SEC) regarding interim financial reporting. Accordingly, they do not include all of the information and footnotes required by US GAAP for complete financial statements. In the opinion of management, the accompanying unaudited consolidated financial statements reflect all adjustments, consisting primarily of normal recurring accruals, necessary for a fair presentation of the financial position as of September 30, 2013, and the results of operations for the three and nine month periods ended September 30, 2013 and 2012 and cash flows for the nine month periods ended September 30, 2013 and 2012. These unaudited consolidated financial statements should be read in conjunction with the annual audited consolidated financial statements and notes thereto.

### *(b) Principles of Consolidation*

The accompanying consolidated financial statements include the accounts of Cvent and its wholly-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

### *(c) Use of Estimates*

The preparation of the consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Significant estimates and assumptions made by management include estimated useful lives of property and equipment, application of appropriate revenue recognition standards, allowances for doubtful accounts, valuation of deferred tax assets, stock-based compensation, income taxes and legal and other contingencies.

The current economic environment may have increased the degree of uncertainty inherent in some of those estimates and assumptions. Actual results could differ from those estimates and assumptions.

***(d) Cash and Cash Equivalents***

Highly liquid financial instruments purchased with original maturities of 90 days or less at the date of purchase including money market securities held in the U.S. are reported as cash equivalents. Cash equivalents are recorded at cost, which approximates fair value and include approximately $122.1 million of proceeds from the Company s initial public offering.

Included in cash and cash equivalents are funds representing amounts reserved for the face value of registration fees or tickets sold on behalf of customers. While these cash accounts are not restricted as to their use, a liability for amounts due to customers under these arrangements has been recorded in accounts payable in the accompanying consolidated balance sheets. The Company had amounts due to customers of $1,964 and $1,351 as of September 30, 2013, and December 31, 2012, respectively.

***(e) Short-Term Investments***

The Company s short-term investments consist of highly liquid financial instruments with original maturities greater than 90 days but less than one year. These short-term investments are comprised of certificates-of-deposit held in India and are carried at fair value.

Table of Contents

***(f) Revenue Recognition***

The Company derives revenue from two primary sources: platform subscription-based products and marketing solutions. These services are generally provided under annual and multi-year contracts and revenue is generally recognized on a straight-line basis over the life of the contract. The Company recognizes revenue when all of the following conditions are met:

(i) persuasive evidence exists of an arrangement with the customer reflecting the terms and conditions under which the products or services will be provided;

(ii) delivery to customers has occurred or services have been rendered;

(iii) the fee is fixed or determinable; and

(iv) collection of the fees is reasonably assured.

The Company considers a signed agreement or other similar documentation to be persuasive evidence of an arrangement. Collectability is assessed based on a number of factors, including transaction history and the creditworthiness of a customer. If it is determined that collection is not reasonably assured, revenue is not recognized until collection becomes reasonably assured, which is generally upon receipt of cash.

The Company adopted the provisions of FASB ASU 2009-13, Revenue Recognition (Topic 605): *Multiple-Deliverable Revenue Arrangements* (EITF Issue No. 08-1, Revenue Arrangements with Multiple Deliverables) with respect to its multiple-element arrangements entered into or significantly modified on or after January 1, 2011. ASU 2009-13 amends ASC 605-25 to eliminate the requirement that all undelivered elements have vendor specific objective evidence (VSOE) or third-party evidence (TPE) of selling price before an entity can recognize the portion of an overall arrangement fee that is attributable to items that have already been delivered. The adoption of ASU 2009-13 did not have a material impact on the Company s results of operations.

Deferred revenue consists of billings or payments received in advance of revenue recognition from platform subscription services or marketing solutions that are subsequently recognized when the revenue recognition criteria are met. The Company generally invoices customers in annual or quarterly installments.

*Platform Subscription Revenue*

The Company generates the majority of its revenue through software-as-a-service (SaaS) subscriptions to the event management platform, pricing for which is subject to the features and functionality selected. No features or functionality within the subscription-based services have stand alone value from one another and, therefore, the entire subscription fee is recognized on a straight-line basis over the term of the subscription arrangement.

SaaS subscriptions may include functionality that enables customers to manage the registration of participants attending the customer s event or events. In some cases, the negotiated fee for the subscription is based on a maximum number of event registrations permitted over the subscription term. At any time during the subscription term, customers may elect to purchase blocks of additional registrations, which are referred to as up-sells. The fees associated with the up-sells are added to the original subscription fee, and the revenue is recognized over the remaining subscription period. In other more limited cases, a customer may purchase additional registrations on a pay-as-you-go basis, which are referred to as overages. The revenue for overages is recognized as each additional registration is used by the customer. No portion of the subscription fee is refundable regardless of the actual number of registrations that occur. Other subscription-based solutions include the sale of mobile event apps as well as survey solutions, both of which are contracted through annual or multi-year agreements.

Subscription agreements do not provide customers with the right to take possession of the underlying software at any time.

*Marketing Solutions Revenue*

Marketing solutions revenue is generated through the delivery of various forms of advertising sold through annual or multi-year advertising contracts. Such solutions include prominent display of a customer s venue within the Cvent Supplier Network, the Cvent Destination Guide or in various electronic newsletters. Pricing for the advertisements is based on the targeted geography, number of advertisements and prominence of the ad placement.

The Company enters into arrangements with multiple deliverables that generally include various marketing solutions that may be sold individually or bundled together and delivered over various periods of time. In such situations, the Company applies the provisions of Financial Accounting Standards Board, or FASB, Accounting Standards Codification, or ASC, No. 605-25, *Revenue Recognition Multiple Element Arrangements* to account for the various elements within the marketing solution agreements delivered over the platform. Under such guidance, in order to treat deliverables in a multiple-deliverable arrangement as separate units of accounting, the deliverables must have standalone value upon delivery. If the deliverables have standalone value upon delivery, the Company accounts for each deliverable separately and revenue is recognized ratably over the contractual period that the related advertising deliverable is provided. Annual marketing solutions on the Cvent Supplier Network are often sold separately, and, as such, all have standalone value.

Some one-time marketing solutions, which can run for a month, several months, or a year, are primarily sold in a package. In determining whether the marketing solutions sold in packages have standalone value, the Company considers the availability of the services from other vendors, the nature of the solutions, and the contractual dependence of the solutions to the rest of the package. The Company has concluded that all of the marketing solutions in the packages included in multiple-deliverable arrangements executed have standalone value.

Revenue arrangements with multiple deliverables are divided into separate units of accounting and the arrangement consideration is allocated to all deliverables based on the relative selling price method. In such circumstances, the Company uses the selling price hierarchy of: (i) vendor specific objective evidence of fair value, or VSOE, if available, (ii) third-party evidence of selling price, or TPE, and (iii) best estimate of selling price. VSOE is limited to the price charged when the same element is sold separately by the Company. Due to the unique nature of some multiple deliverable revenue arrangements, the Company may not be able to establish selling prices based on historical stand-alone sales using VSOE or TPE; therefore the Company may use its best estimate to establish selling prices for these arrangements. The Company establishes the best estimates within a range of selling prices considering multiple factors including, but not limited to, factors such as size of transaction, customer demand and price lists.

***(g) Comprehensive Income***

There was no material difference between net income (loss) presented in the consolidated statements of operations and comprehensive income (loss) for each of the three and nine month periods ended September 30, 2013 and 2012.

***(h) Fair Value Measurements***

Fair value represents the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. The fair value hierarchy is based on the following three levels of inputs, of which the first two are considered observable and the last one is considered unobservable:

Level 1 Inputs: Unadjusted quoted prices in active markets for identical assets or liabilities accessible to the reporting entity at the measurement date.