

PROOFPOINT INC  
Form 10-Q  
April 28, 2016  
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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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FORM 10-Q

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

For the Quarterly Period Ended March 31, 2016  
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 51-0414846  
(State or other jurisdiction of (I.R.S. employer  
incorporation or organization) identification no.)

892 Ross Drive 94089  
Sunnyvale, California (Zip Code)  
(Address of principal executive offices)

(408) 517-4710

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(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 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, 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  Smaller reporting company   
 (Do not check if a 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

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Shares of Proofpoint, Inc. common stock, \$0.0001 par value per share, outstanding as of April 22, 2016: 41,494,727 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)

	March 31, 2016	December 31, 2015
Assets		
Current assets:		
Cash and cash equivalents	\$377,441	\$346,205
Short-term investments	32,344	60,032
Accounts receivable, net of allowance for doubtful accounts of \$182 and \$199 as of March 31, 2016 and December 31, 2015, respectively	55,414	54,522
Inventory	582	485
Deferred product costs	1,799	2,228
Deferred commissions	17,857	19,314
Prepaid expenses and other current assets	6,148	5,695
Total current assets	491,585	488,481
Property and equipment, net	37,973	34,501
Deferred product costs	578	314
Goodwill	133,769	133,769
Intangible assets, net	37,925	41,330
Long-term deferred commissions	3,464	3,488
Other assets	3,756	3,733
Total assets	\$709,050	\$705,616
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$15,082	\$14,081
Accrued liabilities	26,207	35,053
Capital lease obligations	32	32
Deferred rent	513	496
Deferred revenue	203,142	182,195
Total current liabilities	244,976	231,857
Convertible senior notes	350,796	345,699
Long-term capital lease obligations	115	123
Long-term deferred rent	2,025	2,033
Other long-term liabilities	1,188	1,188
Long-term deferred revenue	39,886	41,531
Total liabilities	638,986	622,431
Commitments and contingencies (note 5)		
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; 41,413 and 40,840 shares issued and outstanding at March 31, 2016 and December 31, 2015, respectively	4	4

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Additional paid-in capital	459,618	441,104
Accumulated other comprehensive loss	(2 )	(23 )
Accumulated deficit	(389,556 )	(357,900 )
Total stockholders' equity	70,064	83,185
Total liabilities and stockholders' equity	\$709,050	\$705,616

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	
	March 31,	
	2016	2015
Revenue:		
Subscription	\$77,397	\$55,856
Hardware and services	1,606	1,907
Total revenue	79,003	57,763
Cost of revenue:(1)(2)		
Subscription	21,682	16,334
Hardware and services	3,142	2,954
Total cost of revenue	24,824	19,288
Gross profit	54,179	38,475
Operating expense:(1)(2)		
Research and development	22,653	15,708
Sales and marketing	46,523	32,951
General and administrative	10,604	7,333
Total operating expense	79,780	55,992
Operating loss	(25,601 )	(17,517 )
Interest expense	(5,800 )	(2,853 )
Other income (expense), net	2	(1,180 )
Loss before provision for income taxes	(31,399 )	(21,550 )
Provision for income taxes	(257 )	(162 )
Net loss	\$(31,656)	\$(21,712)
Net loss per share, basic and diluted	\$(0.77 )	\$(0.56 )
Weighted average shares outstanding, basic and diluted	41,093	38,957

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

Cost of subscription revenue	\$1,638	\$1,115
Cost of hardware and services revenue	353	254
Research and development	5,602	3,938
Sales and marketing		