

ENVIVIO INC  
Form 10-Q  
December 11, 2013  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**

**Form 10-Q**

(Mark One)

- Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934  
For the Quarterly Period Ended October 31, 2013**
- Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934  
Commission File No. 001-35205**

**ENVIVIO, INC.**

(Exact name of registrant as specified in its charter)

**Delaware**  
(State or other jurisdiction of

**3663**  
(Primary Standard Industrial

**94-3353255**  
(I.R.S. Employer

<b>incorporation or organization)</b>	<b>Classification Code Number)</b>	<b>Identification Number)</b>
	<b>400 Oyster Point Boulevard, Suite 325</b>	
	<b>South San Francisco, California 94080</b>	
	<b>(650) 243-2700</b>	

**(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)**

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 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. (Check one):

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 of the registrant's Common Stock, \$.001 par value, outstanding on December 4, 2013 was 27,118,423.

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## PART I

## FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

## ENVIVIO, INC. AND SUBSIDIARIES

## Condensed Consolidated Balance Sheets

(UNAUDITED)

	October 31, 2013	January 31, 2013
	(in thousands)	
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 49,946	\$ 51,344
Short-term investments		3,517
Accounts receivable, net of allowance for doubtful accounts	10,355	8,376
Inventory	412	708
Prepaid expenses and other assets	3,004	2,891
Deferred inventory costs	566	318
<b>Total current assets</b>	<b>64,283</b>	<b>67,154</b>
Property and equipment, net	4,103	5,003
Other non-current assets	250	216
<b>Total assets</b>	<b>\$ 68,636</b>	<b>\$ 72,373</b>
<b>Liabilities and stockholders equity</b>		
Current liabilities:		
Accounts payable	\$ 5,696	\$ 4,953
Accrued compensation	4,729	3,395
Accrued liabilities	1,712	1,271
Deferred revenue, current	6,296	3,298
<b>Total current liabilities</b>	<b>18,433</b>	<b>12,917</b>
Deferred revenue, net of current portion	672	1,360
Other non-current liabilities	1,675	1,661
Deferred rent	729	874
<b>Total liabilities</b>	<b>21,509</b>	<b>16,812</b>

Stockholders' equity:		
Common stock	28	27
Additional paid-in capital	153,914	152,168
Accumulated other comprehensive loss	(902)	(868)
Accumulated deficit	(105,913)	(95,766)
<b><i>Total stockholders' equity</i></b>	<b>47,127</b>	<b>55,561</b>
<b><i>Total liabilities and stockholders' equity</i></b>	<b>\$ 68,636</b>	<b>\$ 72,373</b>

See notes to condensed consolidated financial statements.

Table of Contents**ENVIVIO, INC. AND SUBSIDIARIES****Condensed Consolidated Statements of Operations****(UNAUDITED)****Three Months Ended October 31, Nine Months Ended October 31,****(in thousands, except for per share amounts)**

	2013	2012	2013	2012
<b>Revenue:</b>				
Product	\$ 9,384	\$ 5,600	\$ 24,434	\$ 26,146
Professional services and support	2,323	1,619	6,282	5,253
<b>Total revenue</b>	<b>11,707</b>	<b>7,219</b>	<b>30,716</b>	<b>31,399</b>
<b>Cost of revenue:</b>				
Product	3,524	2,221	8,885	10,748
Professional services and support	555	327	1,579	1,058
<b>Total cost of revenue</b>	<b>4,079</b>	<b>2,548</b>	<b>10,464</b>	<b>11,806</b>
<b>Gross profit</b>	<b>7,628</b>	<b>4,671</b>	<b>20,252</b>	<b>19,593</b>
<b>Operating expenses:</b>				
Research and development	2,491	2,057	6,897	6,086
Sales and marketing	5,014	5,167	14,955	16,538
General and administrative	2,939	2,964	8,434	8,694
<b>Total operating expenses</b>	<b>10,444</b>	<b>10,188</b>	<b>30,286</b>	<b>31,318</b>
<b>Loss from operations</b>	<b>(2,816)</b>	<b>(5,517)</b>	<b>(10,034)</b>	<b>(11,725)</b>
Interest income, net	7	32	39	47
Other income (expense), net	9	30	24	(117)
<b>Loss before provision for income taxes</b>	<b>(2,800)</b>	<b>(5,455)</b>	<b>(9,971)</b>	<b>(11,795)</b>
Income tax provision	129	112	176	287
<b>Net loss</b>	<b>\$ (2,929)</b>	<b>\$ (5,567)</b>	<b>\$ (10,147)</b>	<b>\$ (12,082)</b>
<b>Net loss per share of common stock, basic and diluted</b>	<b>\$ (0.11)</b>	<b>\$ (0.21)</b>	<b>\$ (0.37)</b>	<b>\$ (0.54)</b>
Shares used in computing net loss per share of common stock, basic and diluted	27,116,388	26,920,518	27,096,605	22,451,471

See notes to condensed consolidated financial statements.



Table of Contents**ENVIVIO, INC. AND SUBSIDIARIES****Condensed Consolidated Statements of Comprehensive Loss****(UNAUDITED)**

	<b>Three Months Ended October 31, 2013</b>		<b>Three Months Ended October 31, 2012</b>	
	(in thousands)			
	2013	2012	2013	2012
Net loss	\$ (2,929)	\$ (5,567)	\$ (10,147)	\$ (12,082)
Other comprehensive income (loss):				
Unrealized gain on short-term investments	7	5	7	3
Foreign currency translation adjustment	58	(12)	(41)	(57)
Other comprehensive income (loss):	65	(7)	(34)	(54)
<b>Total comprehensive loss</b>	<b>\$ (2,864)</b>	<b>\$ (5,574)</b>	<b>\$ (10,181)</b>	<b>\$ (12,136)</b>

See notes to condensed consolidated financial statements.



Table of Contents**ENVIVIO, INC. AND SUBSIDIARIES****Condensed Consolidated Statements of Cash Flows****(UNAUDITED)**

	<b>Nine Months Ended October 31,</b>	
	2013	2012
	(in thousands)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net loss	\$ (10,147)	\$ (12,082)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	2,186	2,011
Amortization of short-term investment discounts and premiums	18	32
Stock-based compensation	1,698	2,111
Bad debt expense	294	675
Provision for excess inventory	248	
Fair value remeasurement of warrant liability		(18)
Realized (gain) loss on short-term investments	7	(3)
Interest earned but not collected		(8)
Changes in operating assets and liabilities:		
Accounts receivable	(2,273)	(624)
Inventory	48	(177)
Prepaid expenses and other current assets	(113)	505
Deferred inventory costs	(249)	1,159
Other non-current assets	(35)	(418)
Accounts payable, accrued liabilities and accrued compensation	2,519	(2,722)
Deferred revenue	2,310	(3,156)
Other non-current liabilities	160	608
Deferred rent	(145)	
Net cash used in operating activities	(3,474)	(12,107)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of short-term investments		(20,371)
Sales and maturities of short-term investments	3,500	4,650
Capital expenditures	(1,286)	(3,457)
Net cash provided by (used in) investing activities	2,214	(19,178)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Net proceeds from initial public offering, net of offering costs paid		49,866
Repayment of credit facility		(1,000)
Proceeds from stock options exercised	48	87
Repayment of French governmental research grants	(145)	

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Net cash provided by (used in) financing activities	(97)	48,953
Effect of exchange rate changes on cash and cash equivalents	(41)	(53)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(1,398)</b>	<b>17,615</b>
CASH AND CASH EQUIVALENTS - Beginning of period	51,344	27,405
<b>CASH AND CASH EQUIVALENTS - End of period</b>	<b>\$ 49,946</b>	<b>\$ 45,020</b>
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:</b>		
Interest paid	\$ 3	\$ 33
Taxes paid	\$ 178	\$ 127
<b>NON-CASH OPERATING AND INVESTING ACTIVITIES:</b>		
Leasehold improvements funded by landlord	\$	\$ 643
<b>NON-CASH INVESTING AND FINANCING ACTIVITIES:</b>		
Conversion of convertible preferred stock to common stock upon initial public offering	\$	\$ 47,764
Offering costs not paid during period	\$	\$ 1,409
Reclassification of warrant liability to stockholders' equity	\$	\$ 84
Amortization of issuance costs related to Series I redeemable convertible preferred stock	\$	\$ 8

See notes to condensed consolidated financial statements.

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ENVIVIO, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

**1. Organization, Basis of Presentation and Summary of Significant Accounting Policies**

Envivio, Inc. (the Company) was incorporated in the state of Delaware on January 5, 2000. The Company is a provider of software-based video processing and distribution solutions to mobile and broadband service providers, cable multiple system operators, direct broadcast satellite service providers and content providers, which includes broadcasters and content publishers, owners, aggregators and licensees. The Company is headquartered in South San Francisco, California, and maintains operations in North America, Europe (including research and development operations in France) and Asia Pacific.

***Basis of Presentation***

The Company's unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ( U.S. GAAP ) and applicable rules and regulations of the Securities and Exchange Commission ( SEC ) regarding interim financial reporting. Certain information and note disclosures normally included in financial statements in accordance with U.S. GAAP have been condensed or omitted pursuant to such rules and regulations. The accompanying unaudited consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation. The January 31, 2013 condensed consolidated balance sheet was derived from audited financial statements. This Quarterly Report on Form 10-Q should be read in conjunction with the Company's audited consolidated financial statements and notes thereto contained in the Company's annual report on Form 10-K which was filed with the SEC on April 25, 2013 ( 2013 Form 10-K ). The interim results presented herein are not necessarily indicative of the results of operations that may be expected for the full fiscal year ending January 31, 2014, or any other future period.

***Use of Estimates***

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an on-going basis, the Company evaluates its estimates, including those related to revenue recognition, allowances for doubtful accounts, valuation of deferred inventory costs, useful lives of property and equipment, valuation of deferred tax assets, valuation of equity and liability instruments and stock-based compensation. The Company bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments of the carrying values of assets and liabilities. Actual results could differ materially from these estimates.

***Significant Accounting Policies***

The Company's significant accounting policies are described in Note 1 of its audited consolidated financial statements included in its 2013 Form 10-K. There have been no material changes to these significant accounting policies during the nine months ended October 31, 2013.

***Recent Accounting Pronouncements***

In February 2013, the FASB issued Accounting Standards Update No. 2013-02, Comprehensive Income (Topic 220): Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income (ASU 2013-02). ASU 2013-02 requires companies to report the effect of significant reclassifications out of accumulated other comprehensive income, by component, either on the face of the financial statements or in the notes to the financial statements and is intended to help entities improve the transparency of changes in other comprehensive income. ASU 2013-02 does not amend any existing requirements for reporting net income or other comprehensive income in the financial statements. The new guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2012. The adoption of this guidance during the nine months ended October 31, 2013 did not have a material impact on the Company's financial statements as the amount reclassified from accumulated other comprehensive loss to realized gain or loss was immaterial for the three and nine month period.

## **2. Balance Sheet Items**

Short-term investments consisted of \$3.5 million in corporate bonds as of January 31, 2013 and are classified as available-for-sale securities. All short-term investments had matured or been sold as of October 31, 2013. The Company has classified all available-for-sale securities with readily