

MINDBODY, Inc.
Form 10-Q
August 07, 2015

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 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 June 30, 2015

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: 001-37453

MINDBODY, INC.

(Exact Name of Registrant as Specified in its Charter)

Delaware 20-1898451
(State or other jurisdiction of
(I.R.S. Employer
incorporation or organization) Identification No.)

4051 Broad Street, Suite 220

San Luis Obispo, CA 93401

(Address of principal executive offices and Zip Code)

(877) 755-4279

(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 small reporting company) Small 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 July 31, 2015, the registrant had 7,150,000 shares of Class A common stock, and 31,979,595 shares of Class B common stock outstanding.

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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,” “expects,” “plans,” “anticipates,” “could,” “intends,” “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 ability to attract and retain subscribers;
- our ability to deepen our relationships with existing subscribers;
- our expectations regarding our subscriber growth rate and the usage of our payment platform;
- our business plan and beliefs and objectives for future operations;
- trends associated with our industry, target consumer behaviors and potential market;
- benefits associated with use of our products and services;
- our ability to develop or acquire new products and services, improve our existing products and services and increase the value of our products and services;
- the network effects associated with our business;
- our ability to further develop strategic relationships;
- our ability to achieve positive returns on investments;
- our plans to further invest in and grow our business, and our ability to effectively manage our growth and associated investments;
- our ability to timely and effectively scale and adapt our existing technology;
- our ability to increase our revenue and our revenue growth rate;
- our future financial performance, including trends in revenue, cost of revenue, operating expenses, other income and expenses, income taxes, subscribers, average monthly revenue per subscriber and payments volume;
- the sufficiency of our cash and cash equivalents and cash generated from operations to meet our working capital and capital expenditure requirements;
- the sufficiency of our efforts to remediate our past material weaknesses;
- our ability to attract and retain qualified employees and key personnel;
- our ability to successfully identify, acquire and integrate companies and assets;
- our ability to successfully enter new markets and manage our international expansion;
- our ability to maintain, protect and enhance our intellectual property and not infringe upon others’ intellectual property; and
- our anticipated uses of the net proceeds from our recent offering.

We caution you that the foregoing list may 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, results of operations 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

MINDBODY, INC.

Condensed Consolidated Balance Sheets

(in thousands, except share and per share data)

(Unaudited)

	December 31, 2014	June 30, 2015
ASSETS		
Current assets:		
Cash and cash equivalents	\$34,675	\$106,846
Accounts receivable, net of allowance for doubtful accounts of \$79 and \$72 as of December 31, 2014 and June 30, 2015	3,193	4,500
Prepaid expenses and other current assets	2,562	2,227
Total current assets	40,430	113,573
Restricted cash	772	—
Property and equipment, net	28,568	32,412
Intangible assets, net	60	789
Goodwill	1,827	5,396
Other noncurrent assets	1,394	577
TOTAL ASSETS	\$73,051	\$152,747
LIABILITIES, REDEEMABLE CONVERTIBLE PREFERRED STOCK, AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current liabilities:		
Accounts payable	\$5,406	\$5,005
Accrued expenses and other liabilities	5,219	7,095
Deferred revenue, current portion	2,396	2,691
Other current liabilities	447	558
Total current liabilities	13,468	15,349
Deferred rent, noncurrent portion	988	1,163
Financing obligation on leases, noncurrent portion	15,496	16,083
Preferred stock warrant	1,188	—
Other noncurrent liabilities	388	515
Total liabilities	31,528	33,110
Commitments and contingencies (Note 7)		
Redeemable convertible preferred stock, par value of \$0.000004 per share; 20,542,012 shares	166,448	—

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authorized, 20,454,489 shares issued and outstanding as of December 31, 2014; aggregate

liquidation preference of \$117,636 as of December 31, 2014; no shares authorized,

issued and outstanding as of June 30, 2015

Stockholders' equity (deficit):

Preferred stock, par value \$0.000004 per share; no shares authorized, issued and outstanding

as of December 31, 2014; 100,000,000 shares authorized, no shares issued and outstanding
as of

June 30, 2015

Common stock, par value \$0.000004 per share; 50,000,000 shares authorized, 11,189,360

issued and outstanding as of December 31, 2014; no shares authorized, issued and

outstanding as of June 30, 2015

Class A common stock, par value of \$0.000004 per share; no shares authorized, issued and
outstanding

as of December 31, 2014; 1,000,000,000 shares authorized, 7,150,000 shares issued

and outstanding as of June 30, 2015

Class B common stock, par value of \$0.000004 per share; no shares authorized, issued and
outstanding

as of December 31, 2014; 100,000,000 shares authorized, 31,979,595 shares issued and

outstanding as of June 30, 2015

Additional paid-in capital

Accumulated other comprehensive loss

Accumulated deficit

Total stockholders' equity (deficit)

TOTAL LIABILITIES, REDEEMABLE CONVERTIBLE PREFERRED STOCK,

AND STOCKHOLDERS' EQUITY (DEFICIT)

The accompanying notes are an integral part of these condensed consolidated financial statements.

\$73,051 \$152,747

—	264,844
(132)	(203)
(124,793)	(145,004)
(124,925)	119,637

MINDBODY, INC.

Condensed Consolidated Statements of Operations

(in thousands, except share and per share data)

(Unaudited)

	Three Months Ended		Six Months Ended	
	June 30, 2014	2015	June 30, 2014	2015
Revenue	\$16,571	\$24,760	\$32,224	\$47,023
Cost of revenue	6,998	8,809	13,476	17,502
Gross profit	9,573	15,951	18,748	29,521
Operating expenses:				
Sales and marketing	7,047	11,820	14,294	21,537
Research and development	4,033	5,476	7,627	10,201
General and administrative	4,483	7,262	8,013	14,042
Change in fair value of contingent consideration	(415)	(11)	(838)	(11)
Total operating expenses	15,148	24,547	29,096	45,769
Loss from operations	(5,575)	(8,596)	(10,348)	(16,248)
Change in fair value of preferred stock warrant	81	125	59	(25)
Interest income	—	3	—	6
Interest expense	(5)	(266)	(25)	(283)
Other income (expense), net	21	(53)	26	(92)
Loss before provision for income taxes	(5,478)	(8,787)	(10,288)	(16,642)
Provision for income taxes	29	62	63	68
Net loss	(5,507)	(8,849)	(10,351)	(16,710)
Accretion of redeemable convertible preferred stock	(3,287)	(4,403)	(9,118)	(9,862)
Deemed dividend—preferred stock modification	—	—	—	1,748
Net loss attributable to common stockholders	\$(8,794)	\$(13,252)	\$(19,469)	\$(24,824)
Net loss per share attributable to common				
stockholders, basic and diluted	\$(0.80)	\$(0.87)	\$(1.77)	\$(1.88)
Weighted-average shares used to compute net loss				
per share attributable to common stockholders, basic				
and diluted	10,994,074	15,267,325	10,981,192	13,231,844

The accompanying notes are an integral part of these condensed consolidated financial statements.

MINDBODY, INC.

Condensed Consolidated Statements of Comprehensive Loss

(in thousands)

(Unaudited)

	Three Months Ended		Six Months Ended	
	June 30, 2014	2015	June 30, 2014	2015
Net loss	\$ (5,507)	\$ (8,849)	\$ (10,351)	\$ (16,710)
Other comprehensive loss, net of taxes:				
Change in cumulative translation adjustment	(8)	(9)	2	(71)
Comprehensive loss	\$ (5,515)	\$ (8,858)	\$ (10,349)	\$ (16,781)

The accompanying notes are an integral part of these condensed consolidated financial statements.

MINDBODY, INC.

Condensed Consolidated Statements of Redeemable Convertible Preferred Stock and Stockholders' Equity (Deficit)

(in thousands, except share data)

(Unaudited)

	Redeemable Convertible Preferred Stock		Class A and B Common Stock	Additional Paid-In Capital		Accumulated Other Comprehensive Income		Total Stockholders' Equity (Deficit)
	Shares	Amount		Amount	Capital	Loss	Deficit	
Balance as of December 31, 2013	16,761,805	\$95,224	11,154,388	\$ —	\$ —	\$ (66)	\$(81,049)	\$(81,115)
Issuance of Series G redeemable convertible preferred stock (net of issuance costs of \$130)	3,692,684	49,913	—	—	—	—	—	—
Issuance of common stock for contingent consideration payment	—	—	29,900	—	322	—	—	322
Reclassification of restricted stock award liability to common stock	—	—	—	—	102	—	—	102
Accretion of redeemable convertible preferred stock to redemption value	—	21,311	—	—	(2,173)	—	(19,138)	(21,311)
Stock-based compensation expense								