

Cornerstone OnDemand Inc
Form 10-Q
November 03, 2016

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 September 30, 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 001-35098

Cornerstone OnDemand, Inc.
(Exact name of registrant as specified in its charter)
Delaware 13-4068197
(State or other jurisdiction of (IRS Employer
incorporation or organization) Identification No.)
1601 Cloverfield Blvd.
Suite 620 South
Santa Monica, CA 90404
(Address of principal executive offices, including zip code)
Registrant's telephone number, including area code:
(310) 752-0200

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date

Class Outstanding as of October 31, 2016
Common Stock 56,186,698

CORNERSTONE ONDEMAND, INC.
 QUARTERLY REPORT ON FORM 10-Q
 INDEX

	Page No.
<u>PART I.—FINANCIAL INFORMATION</u>	
<u>Item 1. Condensed Consolidated Financial Statements (unaudited)</u>	<u>3</u>
<u>Condensed Consolidated Balance Sheets as of September 30, 2016 and December 31, 2015</u>	<u>3</u>
<u>Condensed Consolidated Statements of Operations for the Three and Nine Months Ended September 30, 2016 and September 30, 2015</u>	<u>4</u>
<u>Condensed Consolidated Statements of Comprehensive Loss for the Three and Nine Months Ended September 30, 2016 and September 30, 2015</u>	<u>5</u>
<u>Condensed Consolidated Statements of Cash Flows for the Nine Months Ended September 30, 2016 and September 30, 2015</u>	<u>6</u>
<u>Notes to Condensed Consolidated Financial Statements</u>	<u>7</u>
<u>Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>17</u>
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	<u>29</u>
<u>Item 4. Controls and Procedures</u>	<u>30</u>
<u>PART II.—OTHER INFORMATION</u>	
<u>Item 1. Legal Proceedings</u>	<u>30</u>
<u>Item 1A. Risk Factors</u>	<u>31</u>
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>48</u>
<u>Item 3. Defaults Upon Senior Securities</u>	<u>48</u>
<u>Item 4. Mine Safety Disclosures</u>	<u>48</u>
<u>Item 5. Other Information</u>	<u>48</u>
<u>Item 6. Exhibits</u>	<u>48</u>
<u>SIGNATURE</u>	<u>49</u>
<u>TRADEMARKS</u>	

© Copyright 2016 Cornerstone OnDemand, Inc. All rights reserved. “Cornerstone,” “Cornerstone OnDemand,” the Cornerstone OnDemand logo, “CyberU” and other trademarks or service marks of Cornerstone OnDemand, Inc. appearing in this Quarterly Report on Form 10-Q are the property of Cornerstone OnDemand, Inc. Trade names, trademarks and service marks of other companies appearing in this Quarterly Report on Form 10-Q are the property of their respective holders and should be treated as such.

PART I. FINANCIAL INFORMATION

ITEM 1. Condensed Consolidated Financial Statements

CORNERSTONE ONDEMAND, INC.
 CONDENSED CONSOLIDATED BALANCE SHEETS
 (in thousands, except par values)
 (unaudited)

	September 30, 2016	December 31, 2015
Assets		
Cash and cash equivalents	\$ 65,290	\$ 107,691
Short-term investments	172,015	136,841
Accounts receivable, net	99,581	104,686
Deferred commissions	32,642	35,910
Prepaid expenses and other current assets	18,995	15,297
Total current assets	388,523	400,425
Capitalized software development costs, net	28,796	23,089
Property and equipment, net	24,790	27,021
Long-term investments	73,716	64,247
Intangible assets, net	9,638	16,713
Goodwill	25,894	25,894
Other assets, net	482	878
Total Assets	\$ 551,839	\$ 558,267
Liabilities and Stockholders' Equity		
Liabilities:		
Accounts payable	\$ 13,982	\$ 18,954
Accrued expenses	40,408	44,111
Deferred revenue, current portion	225,827	237,679
Capital lease obligations, current portion	—	33
Other liabilities	1,359	2,663
Total current liabilities	281,576	303,440
Convertible notes, net	236,110	229,305
Other liabilities, non-current	2,154	3,240
Deferred revenue, net of current portion	9,240	14,460
Total liabilities	529,080	550,445
Commitments and contingencies (Note 9)		
Stockholders' Equity:		
Common stock, \$0.0001 par value; 1,000,000 shares authorized, 56,126 and 54,704 shares issued and outstanding at September 30, 2016 and December 31, 2015, respectively	6	5
Additional paid-in capital	454,399	394,089
Accumulated deficit	(435,101)	(386,882)
Accumulated other comprehensive income	3,455	610
Total stockholders' equity	22,759	7,822
Total Liabilities and Stockholders' Equity	\$ 551,839	\$ 558,267

See accompanying notes to unaudited condensed consolidated financial statements.

3

CORNERSTONE ONDEMAND, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per share data)

(unaudited)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2016	2015	2016	2015
Revenue	\$107,758	\$87,271	\$314,095	\$243,789
Cost of revenue	33,369	27,246	100,974	79,801
Gross profit	74,389	60,025	213,121	163,988
Operating expenses:				
Sales and marketing	53,690	53,255	168,226	150,659
Research and development	12,130	10,457	34,927	30,207
General and administrative	18,608	13,194	51,611	36,545
Amortization of certain acquired intangible assets	—	150	150	450
Total operating expenses	84,428	77,056	254,914	217,861
Loss from operations	(10,039)	(17,031)	(41,793)	(53,873)
Other income (expense):				
Interest income	451	218	1,182	590
Interest expense	(3,245)	(3,138)	(9,652)	(9,343)
Other, net	663	(66)	2,938	(3,257)
Other income (expense), net	(2,131)			