

PROOFPOINT INC
Form 10-Q
May 24, 2012
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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, 2012
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

(State or other jurisdiction of
incorporation or organization)

51-0414846

(I.R.S. employer
identification no.)

892 Ross Drive

Sunnyvale, California

(Address of principal executive offices)

94089

(Zip Code)

(408) 517-4710

(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

(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

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Shares of Proofpoint, Inc. common stock, \$0.0001 par value per share, outstanding as of May 1, 2012: 31,052,396 shares.

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PROOFPOINT, INC.

FORM 10-Q

Quarterly Period Ended March 31, 2012

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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)

	At March 31, 2012	At December 31, 2011
Assets		
Current assets		
Cash and cash equivalents	\$12,575	\$9,767
Short-term investments	616	2,947
Accounts receivable, net	14,334	15,789
Inventory	494	729
Deferred product costs, current	1,738	1,803
Prepaid expenses and other current assets	2,119	2,556
Total current assets	31,876	33,591
Property and equipment, net	6,760	7,353
Deferred product costs, noncurrent	644	987
Goodwill	18,557	18,557
Intangible assets, net	4,910	6,189
Other noncurrent assets	1,981	1,275
Total assets	\$64,728	\$67,952
Liabilities, Convertible Preferred Stock and Stockholders' Deficit		
Current liabilities		
Accounts payable	\$3,638	\$3,504
Accrued liabilities	9,153	10,061
Notes payable and lease obligations	830	467
Deferred rent	519	517
Deferred revenue	51,425	52,836
Total current liabilities	65,565	67,385
Notes payable and lease obligations, noncurrent	4,123	4,514
Other long term liabilities, noncurrent	93	85
Deferred revenue, noncurrent	24,078	23,404
Total liabilities	93,859	95,388
Convertible preferred stock, \$0.0001 par value—39,424 shares authorized at December 31, 2011 and March 31, 2012; 38,942 shares issued and outstanding at December 31, 2011 and March 31, 2012, respectively, net of issuance costs (liquidation preference of \$110,338 at December 31, 2011 and March 31, 2012, respectively)	109,911	109,911
Stockholders' deficit		
Common stock, \$0.0001 par value—71,400 shares authorized at December 31, 2011 and March 31, 2012; 4,961 and 6,321 shares outstanding at December 31, 2011 and March 31, 2012, respectively	1	1
Additional paid-in capital	27,828	24,773
Accumulated other comprehensive loss	—	(3)

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Accumulated deficit	(166,871)	(162,118)
Total stockholders' deficit	(139,042)	(137,347)
Total liabilities, convertible preferred stock, and stockholders' deficit	\$64,728		\$67,952	

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,		
	2012	2011	
Revenue:			
Subscription	\$23,269	\$16,077	
Hardware and services	1,350	2,704	
Total revenue	24,619	18,781	
Cost of revenue:(1)(2)			
Subscription	7,211	5,816	
Hardware and services	1,169	1,583	
Total cost of revenue	8,380	7,399	
Gross profit	16,239	11,382	
Operating expense:(1)(2)			
Research and development	5,881	4,941	
Sales and marketing	12,175	9,445	
General and administrative	2,766	2,048	
Total operating expense	20,822	16,434	
Operating loss	(4,583) (5,052)
Interest expense, net	(60) (76)
Other income (expense), net	(31) 149)
Loss before provision for income taxes	(4,674) (4,979)
Provision for income taxes	(79) (106)
Net loss	\$(4,753) \$(5,085)
Net loss per share, basic and diluted	\$(0.85) \$(1.33)
Weighted average shares outstanding, basic and diluted	5,619	3,832	
(1) Includes stock based compensation expense as follows:			
Cost of subscription revenue	\$129	\$98	
Cost of hardware and services revenue	11	7	
Research and development	422	278	
Sales and marketing	651	429	
General and administrative	288	245	
(2) Includes intangible amortization expense as follows:			
Cost of subscription revenue	\$1,153	\$925	
Research and development	8	—	
Sales and ma			