

Paylocity Holding Corp
Form 10-Q
November 04, 2016
[Table of Contents](#)

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

Form 10-Q

x Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended September 30, 2016

o 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 001-36348

PAYLOCITY HOLDING CORPORATION

(Exact name of registrant as specified in its charter)

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Delaware
(State or other jurisdiction of
incorporation or organization)

46-4066644
(IRS Employer
Identification No.)

3850 N. Wilke Road
Arlington Heights, Illinois
(Address of principal executive offices)

60004
(Zip Code)

(847) 463-3200

(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. (Check one):

Large Accelerated Filer	<input checked="" type="checkbox"/>	Accelerated Filer	<input type="checkbox"/>
Non-Accelerated Filer	<input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller Reporting Company	<input type="checkbox"/>

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: 51,343,799 shares of Common Stock, \$0.001 par value per share, as of October 28, 2016.

Table of Contents

Paylocity Holding Corporation

Form 10-Q

For the Quarterly Period Ended September 30, 2016

TABLE OF CONTENTS

	Page
<u>PART I. FINANCIAL INFORMATION</u>	
<u>ITEM 1. FINANCIAL STATEMENTS</u>	
<u>Unaudited Consolidated Balance Sheets</u>	2
<u>Unaudited Consolidated Statements of Operations</u>	3
<u>Unaudited Consolidated Statement of Changes in Stockholders' Equity</u>	4
<u>Unaudited Consolidated Statements of Cash Flows</u>	5
<u>Notes to the Unaudited Consolidated Financial Statements</u>	6
<u>ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u>	14
<u>ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</u>	25
<u>ITEM 4. CONTROLS AND PROCEDURES</u>	26
<u>PART II. OTHER INFORMATION</u>	
<u>ITEM 1. LEGAL PROCEEDINGS</u>	27
<u>ITEM 1A. RISK FACTORS</u>	27
<u>ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS</u>	42
<u>ITEM 3. DEFAULTS UPON SENIOR SECURITIES</u>	43
<u>ITEM 4. MINE SAFETY DISCLOSURES</u>	43
<u>ITEM 5. OTHER INFORMATION</u>	43
<u>ITEM 6. EXHIBITS</u>	43
<u>SIGNATURES</u>	44

Table of Contents

PART I
FINANCIAL INFORMATION

Item 1. Financial Statements**PAYLOCITY HOLDING CORPORATION****Unaudited Consolidated Balance Sheets****(in thousands, except per share data)**

	June 30, 2016	September 30, 2016
Assets		
Current assets:		
Cash and cash equivalents	\$ 86,496	\$ 77,998
Accounts receivable, net	1,681	1,757
Prepaid expenses and other	7,409	6,432
Total current assets before funds held for clients	95,586	86,187
Funds held for clients	1,239,622	770,948
Total current assets	1,335,208	857,135
Long-term prepaid expenses	845	533
Capitalized internal-use software, net	11,427	13,052
Property and equipment, net	26,787	28,681
Intangible assets, net	10,419	10,038
Goodwill	6,003	6,003
Total assets	\$ 1,390,689	\$ 915,442
Liabilities and Stockholders Equity		
Current liabilities:		
Accounts payable	\$ 1,621	\$ 2,784
Accrued expenses	24,979	18,260
Total current liabilities before client fund obligations	26,600	21,044
Client fund obligations	1,239,622	770,948
Total current liabilities	1,266,222	791,992
Deferred rent	4,646	4,476
Deferred income tax liabilities, net	249	327
Total liabilities	\$ 1,271,117	\$ 796,795
Stockholders equity:		

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Preferred stock, \$0.001 par value, 5,000 authorized, no shares issued and outstanding at June 30, 2016 and September 30, 2016	\$		\$	
Common stock, \$0.001 par value, 155,000 shares authorized at June 30, 2016 and September 30, 2016; 51,132 shares issued and outstanding at June 30, 2016 and 51,332 shares issued and outstanding at September 30, 2016		51		51
Additional paid-in capital		171,515		173,158
Accumulated deficit		(51,994)		(54,562)
Total stockholders' equity	\$	119,572	\$	118,647
Total liabilities and stockholders' equity	\$	1,390,689	\$	915,442

See accompanying notes to unaudited consolidated financial statements.

Table of Contents**PAYLOCITY HOLDING CORPORATION****Unaudited Consolidated Statements of Operations****(in thousands, except per share data)**

	Three months ended September 30,	
	2015	2016
Revenues:		
Recurring fees	\$ 42,363	\$ 61,920
Interest income on funds held for clients	528	717
Total recurring revenues	42,891	62,637
Implementation services and other	2,217	2,385
Total revenues	45,108	65,022
Cost of revenues:		
Recurring revenues	13,157	19,103
Implementation services and other	7,038	9,256
Total cost of revenues	20,195	28,359
Gross profit	24,913	36,663
Operating expenses:		
Sales and marketing	12,450	18,011
Research and development	5,429	7,301
General and administrative	10,451	13,858
Total operating expenses	28,330	39,170
Operating loss	(3,417)	(2,507)
Other income	83	39
Loss before income taxes	(3,334)	(2,468)
Income tax expense	101	100
Net loss	\$ (3,435)	\$ (2,568)
Net loss per share:		
Basic	\$ (0.07)	\$ (0.05)
Diluted	\$ (0.07)	\$ (0.05)
Weighted-average shares used in computing net loss per share:		
Basic	50,744	51,231
Diluted	50,744	51,231

See accompanying notes to unaudited consolidated financial statements.

Table of Contents**PAYLOCITY HOLDING CORPORATION****Unaudited Consolidated Statement of Changes in Stockholders' Equity**

(in thousands)

	Common Stock		Stockholders' Equity		Total
	Shares	Amount	Additional Paid-in Capital	Accumulated Deficit	Stockholders' Equity
Balances at June 30, 2016	51,132	\$ 51	\$ 171,515	\$ (51,994)	\$ 119,572
Stock-based compensation expense			6,185		6,185
Stock options exercised	125		1,669		1,669
Issuance of common stock upon vesting of restricted stock units	215				
Net settlement for taxes and/or exercise price related to equity awards	(140)		(6,211)		(6,211)
Net loss				(2,568)	(2,568)
Balances at September 30, 2016	51,332	\$ 51	\$ 173,158	\$ (54,562)	\$ 118,647

See accompanying notes to the unaudited consolidated financial statements.

Table of Contents**PAYLOCITY HOLDING CORPORATION****Unaudited Consolidated Statements of Cash Flows**

(in thousands)

	Three Months Ended September 30,	
	2015	2016
Cash flows from operating activities:		
Net loss	\$ (3,435)	\$ (2,568)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Stock-based compensation expense	3,712	5,813
Depreciation and amortization expense	2,719	4,268
Deferred income tax expense	84	78
Provision for doubtful accounts	25	(3)
Loss on disposal of equipment	66	28
Changes in operating assets and liabilities:		
Accounts receivable	(238)	(73)
Prepaid expenses	(639)	1,289
Trade accounts payable	133	85
Accrued expenses	551	(7,034)
Net cash provided by operating activities	2,978	1,883
Cash flows from investing activities:		
Capitalized internal-use software costs	(2,043)	(2,887)
Purchases of property and equipment	(1,588)	(2,952)
Payments for acquisitions	(183)	
Net change in funds held for clients	48,607	468,674
Net cash provided by investing activities	44,793	462,835
Cash flows from financing activities:		
Net change in client funds obligation	(48,607)	(468,674)
Proceeds from exercise of stock options	137	
Taxes paid related to net share settlement of equity awards	(1,868)	(4,542)
Net cash used in financing activities	(50,338)	(473,216)
Net Change in Cash and Cash Equivalents	(2,567)	(8,498)
Cash and Cash Equivalents Beginning of Period	81,258	86,496
Cash and Cash Equivalents End of Period	\$ 78,691	\$ 77,998
Supplemental Disclosure of Non-Cash Investing and Financing Activities		
Build-out allowances received from landlords	\$ 375	