

Cornerstone OnDemand Inc
Form 10-Q
August 15, 2011
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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 June 30, 2011

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)

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Delaware
(State or other jurisdiction of
incorporation or organization)

13-4068197
(IRS Employer
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. (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 (a 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
Common Stock

Outstanding as of August 10, 2011
48,064,630

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CORNERSTONE ONDEMAND, INC.

QUARTERLY REPORT ON FORM 10-Q

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Table of Contents**PART I. FINANCIAL INFORMATION****Item 1. Condensed Consolidated Financial Statements****CORNERSTONE ONDEMAND, INC.****CONSOLIDATED BALANCE SHEETS****(in thousands, except per share data)****(unaudited)**

	June 30, 2011	December 31, 2010
Assets		
Cash and cash equivalents	\$ 48,658	\$ 7,067
Investments in marketable securities	34,063	
Accounts receivable, net	20,037	20,876
Deferred commissions	2,593	2,330
Prepaid expenses and other current assets	3,588	1,869
Total current assets	108,939	32,142
Capitalized software development costs, net	3,310	2,662
Property and equipment, net	4,318	3,976
Deferred offering costs		2,888
Other assets, net	840	1,226
Total Assets	\$ 117,407	\$ 42,894
Liabilities, Convertible Preferred Stock and Stockholders Equity (Deficit)		
Liabilities:		
Accounts payable	\$ 3,185	\$ 4,554
Accrued expenses	5,806	6,556
Deferred revenue, current portion	34,833	32,745
Capital lease obligations, current portion	1,497	1,369
Debt, current portion	223	14
Other liabilities	573	760
Total current liabilities	46,117	45,998
Other liabilities, non-current	849	981
Deferred revenue, net of current portion	1,071	1,073
Capital lease obligations, net of current portion	1,387	1,523
Long-term debt, net of current portion	427	8,705
Preferred stock warrant liabilities		39,756
Total liabilities	49,851	98,036
Commitments and contingencies (Note 9)		
Series A convertible preferred stock, \$0.0001 par value, 0 and 3,224 shares authorized, issued and outstanding at June 30, 2011 and December 31, 2010; liquidation preference of \$0 and \$3,224 at June 30, 2011 and December 31, 2010		2,144
Series B convertible preferred stock, \$0.0001 par value, 0 and 2,600 shares authorized, issued and outstanding at June 30, 2011 and December 31, 2010; liquidation preference of \$0 and \$3,250 at June 30,		3,250

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2011 and December 31, 2010

Series C convertible preferred stock, \$0.0001 par value, 0 and 2,456 shares authorized and 0 and 2,031 shares issued and outstanding at June 30, 2011 and December 31, 2010; liquidation preference of \$0 and \$3,250 at June 30, 2011 and December 31, 2010	3,250	
Series D redeemable convertible preferred stock, \$0.0001 par value, 0 and 14,417 shares authorized and 0 and 10,625 shares issued and outstanding at June 30, 2011 and December 31, 2010; liquidation preference of \$0 and \$17,000 at June 30, 2011 and December 31, 2010	22,122	
Series E redeemable convertible preferred stock, \$0.0001 par value, 0 and 7,030 shares authorized and 0 and 5,273 shares issued and outstanding at June 30, 2011 and December 31, 2010; liquidation preference of \$0 and \$8,700 at June 30, 2011 and December 31, 2010	11,323	
Stockholders Equity (Deficit):		
Common stock, \$0.0001 par value; 1,000,000 and 50,000 shares authorized, 47,919 and 10,586 shares issued and outstanding at June 30, 2011 and December 31, 2010	5	1
Additional paid-in capital	223,077	597
Accumulated deficit	(155,418)	(97,802)
Accumulated other comprehensive loss	(108)	(27)
Total stockholders equity (deficit)	67,556	(97,231)
Total Liabilities, Convertible Preferred Stock and Stockholders Equity (Deficit)	\$ 117,407	\$ 42,894

See accompanying notes to unaudited condensed consolidated financial statements.

Table of Contents**CORNERSTONE ONDEMAND, INC.****CONSOLIDATED STATEMENT OF OPERATIONS****(in thousands, except per share data)****(unaudited)**

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
Revenue (net of a \$2,500 and \$0 reduction of revenue during the three months ended June 30, 2011 and 2010 and net of a \$2,500 and \$0 reduction of revenue during the six months ended June 30, 2011 and 2010 relating to a common stock warrant)	\$ 14,870	\$ 10,613	\$ 30,617	\$ 20,283
Cost of revenue	4,953	3,163	9,532	6,227
Gross profit	9,917	7,450	21,085	14,056
Operating expenses:				
Sales and marketing	10,868	6,580	20,713	12,946
Research and development	2,616	1,141	4,938	2,145
General and administrative	3,585	1,700	7,138	3,116
Total operating expenses	17,069	9,421	32,789	18,207
Loss from operations	(7,152)	(1,971)	(11,704)	(4,151)
Other income (expense):				
Interest income	7	1	7	2
Interest expense	(70)	(218)	(754)	(429)
Change in fair value of preferred stock warrant liabilities		(3,170)	(42,559)	(4,442)
Other, net	187	(49)	423	(174)
Other income (expense), net	124	(3,436)	(42,883)	(5,043)
Loss before provision for income taxes	(7,028)	(5,407)	(54,587)	(9,194)
Provision for income taxes	(46)	(29)	(80)	(59)
Net loss	\$ (7,074)	\$ (5,436)	\$ (54,667)	(9,253)
Accretion of redeemable preferred stock		(1,241)	(5,208)	(2,005)
Net loss attributable to common stockholders	\$ (7,074)	\$ (6,677)	\$ (59,875)	(11,258)
Net loss per share attributable to common stockholders, basic and diluted	\$ (0.15)	\$ (0.78)	\$ (1.92)	\$ (1.32)
Weighted average common shares outstanding, basic and diluted	47,765	8,550	31,201	8,538

See accompanying notes to unaudited condensed consolidated financial statements.

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	Six Months Ended June 30,	
	2011	2010
Cash flows from operating activities:		
Net loss	\$ (54,667)	\$ (9,253)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	1,709	1,178
Non-cash interest expense	446	91
Change in fair value of preferred stock warrant liabilities	42,559	4,442
Charge related to the issuance of a common stock warrant to a distributor	2,500	
Stock-based compensation expense	1,939	229
Non-cash charitable contribution of common stock	193	
Changes in operating assets and liabilities:		
Accounts receivable	839	1,972
Deferred commissions	(263)	(309)
Prepaid expenses and other assets	(1,531)	(579)
Accounts payable	(184)	83
Accrued expenses	1,062	(533)
Deferred revenue	2,086	(75)
Other liabilities		