

CVENT INC
Form 10-Q
November 06, 2014
Table of Contents

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, 2014

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: 001-36043

Cvent, Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

1765 Greensboro Station Place, 7th Floor

Tysons Corner, VA
(Address of principal executive offices)

(703) 226-3500

54-1954458
(I.R.S. Employer
Identification Number)

22102
(Zip Code)

(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

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: As of November 4, 2014, there were 41,326,256 shares of the registrant's common stock outstanding.

Table of Contents

CVENT, INC.
QUARTERLY REPORT ON FORM 10-Q
FOR THE QUARTER ENDED SEPTEMBER 30, 2014
TABLE OF CONTENTS

PART I. FINANCIAL INFORMATION

| | |
|--|----|
| <u>Item 1. Financial Statements</u> | 4 |
| <u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u> | 18 |
| <u>Item 3. Quantitative and Qualitative Disclosure about Market Risk</u> | 27 |
| <u>Item 4. Controls and Procedures</u> | 27 |

PART II. OTHER INFORMATION

| | |
|--|----|
| <u>Item 1. Legal Proceedings</u> | 30 |
| <u>Item 1A. Risk Factors</u> | 30 |
| <u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u> | 30 |
| <u>Item 3. Defaults Upon Senior Securities</u> | 31 |
| <u>Item 4. Mine Safety Disclosures</u> | 31 |
| <u>Item 5. Other Information</u> | 31 |
| <u>Item 6. Exhibits</u> | 31 |

| | |
|-------------------|----|
| <u>SIGNATURES</u> | 32 |
|-------------------|----|

EXHIBIT INDEX

| |
|---------|
| EX-31.1 |
| EX-31.2 |
| EX-32.1 |
| EX-32.2 |

Table of Contents

CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS

This Quarterly Report on Form 10-Q, including the sections entitled Management's Discussion and Analysis of Financial Condition and Results of Operations and Quantitative and Qualitative Disclosure About Market Risk under Items 2 and 3, respectively, of Part I of this report, and the sections entitled Legal Proceedings, Risk Factors, and Unregistered Sales of Equity Securities and Use of Proceeds under Items 1, 1A and 2, respectively, of Part II of this report, contains forward-looking statements. These statements may relate to, but are not limited to, expectations of future operating results or financial performance, macroeconomic trends that we expect may influence our business, plans for capital expenditures, expectations regarding the adoption of our cloud-based solutions and introduction of new products, regulatory compliance and changes in the regulatory landscape affecting our business, impact of litigation, plans for growth and future operations, effects of acquisitions, as well as assumptions relating to the foregoing. Forward-looking statements are inherently subject to risks and uncertainties, some of which cannot be predicted or quantified. These risks and other factors include, but are not limited to, those listed or incorporated by reference under the section entitled Risk Factors in Item 1A of Part II of this Quarterly Report on Form 10-Q. In some cases, you can identify forward-looking statements by terminology such as may, will, should, could, expect, plan, anticipate, believe, estimate, predict, intend, potential, continue, seek or the negative of these terms or comparable terminology. These statements are only predictions. Actual events and/or results may differ materially.

We believe that it is important to communicate our future expectations. However, there may be events in the future that we are not able to accurately predict or control and that may cause our actual results to differ materially from the expectations we describe in our forward-looking statements. Except as required by applicable law, including the securities laws of the United States and the rules and regulations of the Securities and Exchange Commission, we do not plan to publicly update or revise any forward-looking statements, whether as a result of any new information, future events or otherwise. You should not place undue reliance on our forward-looking statements. You should be aware that the occurrence of any of the events described in the Risk Factors section and elsewhere in this Quarterly Report on Form 10-Q could harm our business, prospects, operating results and financial condition. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements.

Table of Contents**PART I. FINANCIAL INFORMATION****Item 1. Financial Statements****Cvent, Inc.****Consolidated Balance Sheets****(in thousands, except share data)**

| | September 30, 2014 (Unaudited) | December 31, 2013 |
|--|---|------------------------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 164,001 | \$ 146,407 |
| Restricted cash | 412 | 664 |
| Short-term investments | 18,684 | 11,359 |
| Accounts receivable, net of reserve of \$522 and \$731, respectively | 21,701 | 33,199 |
| Prepaid expense and other current assets | 10,005 | 7,894 |
| Deferred tax assets | 3,915 | 3,060 |
| Total current assets | 218,718 | 202,583 |
| Property and equipment, net | 20,328 | 7,906 |
| Capitalized software development costs, net | 15,947 | 9,264 |
| Intangible assets, net | 4,305 | 3,123 |
| Goodwill | 14,589 | 12,703 |
| Other assets, non-current | 4,386 | 257 |
| Total assets | \$ 278,273 | \$ 235,836 |
| Liabilities and Stockholders Equity | | |
| Current liabilities: | | |
| Accounts payable | \$ 3,284 | \$ 5,388 |
| Accrued expenses and other current liabilities | 21,117 | 18,477 |
| Deferred revenue | 61,103 | 65,203 |
| Total current liabilities | 85,504 | 89,068 |
| Deferred tax liabilities, non-current | 7,212 | 3,323 |
| Deferred rent, non-current | 8,841 | 568 |
| Other liabilities, non-current | 2,138 | 839 |
| Total liabilities | 103,695 | 93,798 |
| Commitments and contingencies (Note 10) | | |
| Stockholders equity | | |

Edgar Filing: CVENT INC - Form 10-Q

Preferred stock, \$0.001 par value, 100,000,000 shares authorized at September 30, 2014 and December 31, 2013; and zero issued and outstanding at September 30, 2014 and December 31, 2013

| | | |
|---|-------------------|-------------------|
| Common stock, \$0.001 par value; 1,000,000,000 shares authorized at September 30, 2014 and December 31, 2013; 41,655,709 and 40,409,791 shares issued and 41,135,495 and 39,889,577 outstanding at September 30, 2014 and December 31, 2013, respectively | 42 | 40 |
| Treasury stock | (3,966) | (3,966) |
| Additional paid-in capital | 197,783 | 168,949 |
| Accumulated deficit | (19,281) | (22,985) |
| Total stockholders equity | 174,578 | 142,038 |
| Total liabilities and stockholders equity | \$ 278,273 | \$ 235,836 |

See accompanying notes to the consolidated financial statements

Table of Contents**Cvent, Inc.****Consolidated Statements of Operations****(in thousands, except share and per share data)****(unaudited)**

| | Three Months Ended | | Nine Months Ended | |
|--|---------------------------|-------------|--------------------------|-------------|
| | September 30, | | September 30, | |
| | 2014 | 2013 | 2014 | 2013 |
| Revenue | \$ 37,386 | \$ 29,145 | \$ 102,920 | \$ 80,440 |
| Cost of revenue ¹ | 11,208 | 8,412 | 29,455 | 21,588 |
| Gross profit | 26,178 | 20,733 | 73,465 | 58,852 |
| Operating expenses: | | | | |
| Sales and marketing ¹ | 14,571 | 11,552 | 44,215 | 35,202 |
| Research and development ¹ | 3,875 | 2,813 | 10,348 | 8,105 |
| General and administrative ¹ | 6,446 | 6,092 | 16,096 | 16,891 |
| Total operating expenses | 24,892 | 20,457 | 70,659 | 60,198 |
| Income (loss) from operations | 1,286 | 276 | 2,806 | (1,346) |
| Interest income | 450 | 295 | 1,091 | 677 |
| Other expense | (434) | | (434) | |
| Income (loss) from operations before income taxes | 1,302 | 571 | 3,463 | (669) |
| Provision for (benefit from) income taxes | 231 | 1,400 | (241) | 2,136 |
| Net income (loss) | \$ 1,071 | \$ (829) | \$ 3,704 | \$ (2,805) |
| Net income (loss) per common share: | | | | |
| Basic | \$ 0.03 | \$ (0.03) | \$ 0.09 | \$ (0.14) |
| Diluted | \$ 0.02 | \$ (0.03) | \$ 0.09 | \$ (0.14) |
| Weighted average common shares outstanding basic | 41,103,502 | 29,700,211 | 40,910,381 | 20,336,459 |
| Weighted average common shares outstanding diluted | 43,151,239 | 29,700,211 | 43,174,201 | 20,336,459 |
| ¹ Stock-based compensation expense included in the above: | | | | |
| Cost of revenue | \$ 213 | \$ 353 | \$ 552 | \$ 886 |
| Sales and marketing | 415 | 393 | 1,117 | 2,092 |
| Research and development | 276 | 158 | 731 | 553 |

Edgar Filing: CVENT INC - Form 10-Q

| | | | | |
|----------------------------|----------|--------|----------|----------|
| General and administrative | 226 | 67 | 704 | 689 |
| Total | \$ 1,130 | \$ 971 | \$ 3,104 | \$ 4,220 |

See accompanying notes to the consolidated financial statements

Table of Contents**Cvent, Inc.****Consolidated Statements of Cash Flows****(in thousands)****(unaudited)**

| | Nine Months Ended September 30, | |
|--|--|-------------|
| | 2014 | 2013 |
| Operating activities: | | |
| Net income (loss) | \$ 3,704 | \$ (2,805) |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities: | | |
| Depreciation and amortization | 7,175 | 5,782 |
| Loss on asset disposal | 434 | |
| Foreign currency transaction (gain) loss | (12) | 568 |
| Stock-based compensation expense | 3,104 | 4,220 |
| Deferred taxes | (944) | |
| Change in operating assets and liabilities: | | |
| Accounts receivable, net | 12,643 | 13,626 |
| Prepaid expenses and other assets | (2,256) | (4,744) |
| Accounts payable, accrued expenses and other liabilities | 8,406 | 5,051 |
| Deferred revenue | (4,100) | (2,800) |
| Net cash provided by operating activities | 28,154 | 18,898 |
| Investing activities: | | |
| Purchase of property and equipment and capitalized software development costs | (24,884) | (7,761) |
| Net purchases of short-term investments | (7,325) | (3,967) |
| Acquisition and acquisition-related consideration payments | (4,121) | (90) |
| Restricted cash | 252 | (196) |
| Net cash used in investing activities | (36,078) | (12,014) |
| Financing activities: | | |
| Proceeds from exercise of stock options and warrants | 660 | 502 |
| Repurchase of warrants | | (1,275) |
| Proceeds from initial public offering, net of expenses | | 122,131 |
| Proceeds from follow-on public offering, net of expenses | 24,846 | |
| Net cash provided by financing activities | 25,506 | 121,358 |
| Effect of exchange rate changes on cash and cash equivalents | 12 | (568) |
| Increase in cash and cash equivalents | 17,594 | 127,674 |
| Cash and cash equivalents, beginning of period | 146,407 | 16,850 |
| Cash and cash equivalents, end of period | \$ 164,001 | \$ 144,524 |

Supplemental cash flow information:

| | | | | |
|-------------------|----|-------|----|-------|
| Income taxes paid | \$ | 1,015 | \$ | 3,062 |
|-------------------|----|-------|----|-------|

Supplemental disclosure of noncash investing activities:

| | | | | |
|---|----|-------|----|--|
| Outstanding payments for purchase of property and equipment in accounts payable at period end | \$ | 1,368 | \$ | |
|---|----|-------|----|--|

See accompanying notes to the consolidated financial statements

Table of Contents

CVENT, INC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(in thousands, except share and per share data)

(unaudited)

1. Description of Business

Cvent, Inc. (the Company) provides a cloud-based enterprise event management platform with solutions for both sides of the events and meetings value chain: (i) event and meeting planners and (ii) hotels and venues. The Company's integrated, cloud-based solution addresses the entire event lifecycle by allowing event and meeting planners to organize, market and manage meetings, conferences, tradeshows and other events. The Company's online marketplace connects event planners and venues through its vertical search engine that accesses its proprietary database of detailed venue information. The combination of these solutions creates an integrated platform that allows the Company to generate revenue from both sides of the events and meetings value chain.

2. Summary of Significant Accounting Policies

(a) Basis of Presentation

The financial information presented in the accompanying unaudited consolidated financial statements as of September 30, 2014, and for the three and nine months ended September 30, 2014 and 2013 has been prepared in accordance with U.S. generally accepted accounting principles (U.S. GAAP) and in accordance with rules and regulations of the U.S. Securities and Exchange Commission (SEC) regarding interim financial reporting. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. In the opinion of management, the accompanying unaudited consolidated financial statements reflect all adjustments, consisting primarily of normal recurring accruals, necessary for a fair presentation of the financial position as of September 30, 2014, the results of operations for the three and nine months ended September 30, 2014 and 2013, and cash flows for the nine months ended September 30, 2014 and 2013. These unaudited consolidated financial statements should be read in conjunction with the annual audited consolidated financial statements and notes thereto.

(b) Reclassification

Certain items in the prior period financial statements have been reclassified for comparative purposes to conform to the current period presentation.

(c) Use of Estimates

The preparation of the consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Significant estimates and assumptions made by management include estimated useful lives of property and equipment and capitalized software development, goodwill and intangibles, application of appropriate revenue recognition standards, allowances for doubtful accounts, valuation of deferred tax assets, stock-based compensation, income taxes and legal and other contingencies. The current economic environment has

increased the degree of uncertainty inherent in those estimates and assumptions. Actual results could differ from those estimates and assumptions.

(d) Cash and Cash Equivalents

Highly liquid financial instruments purchased with original maturities of 90 days or less at the date of purchase are reported as cash equivalents. Cash equivalents are recorded at cost, which approximates fair value.

Included in cash and cash equivalents are funds representing amounts reserved for the face value of registration fees or tickets sold on behalf of customers. While these cash accounts are not restricted as to their use, a liability for amounts due to customers under these arrangements has been recorded in accounts payable in the accompanying consolidated balance sheets. The Company had amounts due to customers of \$3,773 and \$2,560 included within cash and cash equivalents as of September 30, 2014 and December 31, 2013, respectively.

Table of Contents

CVENT, INC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(in thousands, except share and per share data)

(unaudited)

(e) Revenue Recognition

The Company derives revenue from two primary sources: platform subscription-based solutions and marketing solutions. These services are generally provided under annual or multi-year contracts that are generally only cancellable for cause. Revenue is generally recognized on a straight-line basis over the life of the contract. The Company recognizes revenue when all of the following conditions are met:

(i) persuasive evidence exists of an arrangement with the customer reflecting the terms and conditions under which the solutions or services will be provided;

(ii) delivery to customers has occurred or services have been rendered;

(iii) the fee is fixed or determinable; and

(iv) collection of the fees is reasonably assured. The Company considers a signed agreement or other similar documentation to be persuasive evidence of an arrangement. Collectability is assessed based on a number of factors, including transaction history and the creditworthiness of a customer. If it is determined that collection is not reasonably assured, revenue is not recognized until collection becomes reasonably assured, which is generally upon receipt of cash.

The Company adopted the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2009-13, Revenue Recognition (Topic 605): *Multiple-Deliverable Revenue Arrangements* (EITF Issue No. 08-1, Revenue Arrangements with Multiple Deliverables) with respect to its multiple-element arrangements entered into or significantly modified on or after January 1, 2011. ASU 2009-13 amends ASC 605-25 to eliminate the requirement that all undelivered elements have vendor-specific objective evidence (VSOE) or third-party evidence (TPE) of selling price before an entity can recognize the portion of an overall arrangement fee that is attributable to items that have already been delivered. The adoption of ASU 2009-13 did not have a material impact on the Company's results of operations.

Platform Subscription Revenue

Event Management

The Company generates the majority of its revenue through software-as-a-service (SaaS) subscriptions to the event management platform, pricing for which is subject to the features and functionality selected. No features or functionality within the subscription-based services have stand-alone value from one another and, therefore, the entire subscription fee is recognized on a straight-line basis over the term of the subscription arrangement.

SaaS subscriptions may include functionality that enables customers to manage the registration of participants attending the customer's event or events. In some cases, the negotiated fee for the subscription is based on a maximum number of event registrations permitted over the subscription term. At any time during the subscription term, customers may elect to purchase blocks of additional registrations, which are referred to as subscription up-sells. The fees associated with the up-sells are added to the original subscription fee, and the revenue is recognized over the remaining subscription period. No portion of the subscription fee is refundable regardless of the actual number of registrations that occur.

Mobile Apps

Subscription-based solutions also include the sale of mobile event apps. The revenue for mobile event apps solutions is generally recognized on a straight-line basis over the life of the contract. A customer may use a singular mobile event app for any number of events. At any time during the subscription term, customers may elect to purchase additional mobile event apps, which are referred to as mobile up-sells. The fees associated with the up-sells are added to the original subscription fee, and the revenue is recognized over the remaining subscription period. No portion of the subscription fee is refundable.

Ticketing

Ticketing revenue is generated primarily through convenience and order processing fees charged to the end user purchasing the ticket for an event and is recorded net of the face value of the ticket. Revenue for these ticket fees collected in advance of the event is recorded as deferred revenue until the event occurs. If an event is cancelled, the customer receives a full refund of the ticket price and fees paid.

Table of Contents

CVENT, INC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(in thousands, except share and per share data)

(unaudited)

Other subscription-based solutions include the sale of survey solutions, which are contracted through annual or multiyear arrangements.

Subscription agreements do not provide customers with the right to take possession of the underlying software at any time.

Marketing Solutions Revenue

Marketing solutions revenue is generated through the delivery of various forms of advertising sold through annual or multi-year advertising contracts. Such solutions include prominent display of a customer's venue within the Cvent Supplier Network, the Cvent Destination Guide or in various electronic newsletters. Pricing for the advertisements is based on the targeted geography, number of advertisements and prominence of the ad placement.

The Company enters into arrangements with multiple deliverables that generally include various marketing solutions that may be sold individually or bundled together and delivered over various periods of time. In such situations, the Company applies the provisions of Financial Accounting Standards Board, or FASB, Accounting Standards Codification, or ASC, No. 605-25, *Revenue Recognition - Multiple Element Arrangements* to account for the various elements within the marketing solution agreements delivered over the platform. Under such guidance, in order to treat deliverables in a multiple-deliverable arrangement as separate units of accounting, the deliverables must have standalone value upon delivery. If the deliverables have standalone value upon delivery, the Company accounts for each deliverable separately and revenue is recognized ratably over the contractual period that the related advertising deliverable is provided. Annual marketing solutions on the Cvent Supplier Network are often sold separately, and, as such, all have standalone value.

Certain one-time marketing solutions, which can run for a month, several months, or a year, are primarily sold in a package. In determining whether the marketing solutions sold in packages have standalone value, the Company considers the availability of the services from other vendors, the nature of the solutions, and the contractual dependence of the solutions to the rest of the package. Based on these considerations, the Company has determined the estimated selling price for each marketing solution sold in a package.

Revenue arrangements with multiple deliverables are divided into separate units of accounting and the arrangement consideration is allocated to all deliverables based on the relative selling price method. In such circumstances, the Company uses the selling price hierarchy of: (i) VSOE, if available, (ii) third-party evidence of selling price, or TPE, and (iii) best estimate of selling price. VSOE is limited to the price charged when the same element is sold separately by the Company. Due to the unique nature of some multiple deliverable revenue arrangements, the Company may not be able to establish selling prices based on historical stand-alone sales using VSOE or TPE; therefore the Company may use its best estimate to establish selling prices for these arrangements. The Company establishes the best estimates within a range of selling prices considering multiple factors including, but not limited to, factors such as size

of transaction, customer demand and price lists.

(f) Deferred Revenue

Deferred revenue consists of contractual billings or payments received in advance of revenue recognition from platform subscription services or marketing solutions that are subsequently recognized when the revenue recognition criteria are met. The Company generally invoices customers in annual or quarterly installments.

(g) Business Combinations

The Company is required to allocate the purchase price of acquired companies to the identifiable tangible and intangible assets acquired and liabilities assumed at the acquisition date based upon their estimated fair values.

Goodwill as of the acquisition date represents the excess of the purchase consideration of an acquired business over the fair value of the underlying net tangible and intangible assets acquired and liabilities assumed. This allocation and valuation require management to make significant estimates and assumptions, especially with respect to long-lived and intangible assets.

Critical estimates in valuing intangible assets include but are not limited to estimates about: future expected cash flows from customer contracts, customer lists, distribution agreements, proprietary technology and non-competition agreements; the acquired company's brand awareness and market position, assumptions about the period of time the brand will continue to be used in our product portfolio; as well as expected costs to develop the in-process research and development into commercially viable products and estimated cash flows from the projects when completed, and discount rates. The Company's estimates of fair value are based upon assumptions the Company believe to be reasonable, but which are inherently uncertain and unpredictable. Assumptions may be incomplete or inaccurate, and unanticipated events and circumstances may occur.

Table of Contents

CVENT, INC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(in thousands, except share and per share data)

(unaudited)

In addition, uncertain tax positions and tax-related valuation allowances assumed in connection with a business combination are initially estimated as of the acquisition date. The Company continues to evaluate these items quarterly and records any adjustments to the preliminary estimates to goodwill provided that the Company is within the measurement period. Subsequent to the measurement period, changes to these uncertain tax positions and tax related valuation allowances will affect the Company's provision for income taxes in the consolidated statements of operations in the current period.

Other estimates associated with the accounting for these acquisitions may change as additional information becomes available regarding the assets acquired and liabilities assumed.

(h) Goodwill

Goodwill represents the excess of: (i) the aggregate of the fair value of consideration transferred in a business combination, over (ii) the fair value of assets acquired, net of liabilities assumed. Goodwill is not amortized, but is subject to annual impairment tests. The goodwill impairment test is a two-step test. Under the first step, the fair value of the reporting unit is compared with its carrying value, including goodwill. If the fair value of the reporting unit is less than its carrying value, an indication of goodwill impairment exists for the reporting unit and the entity must perform step two of the impairment test (measurement). Under step two, an impairment loss is recognized for any excess of the carrying amount of the reporting unit's goodwill over the implied fair value of that goodwill. The implied fair value of goodwill is determined by allocating the fair value of the reporting unit in a manner similar to a purchase price allocation and the residual fair value after this allocation is the implied fair value of the reporting unit goodwill. Fair value of the reporting unit is estimated using a discounted cash flow analysis. If the fair value of the reporting unit exceeds its carrying value, step two is not performed.

The Company performs its annual impairment review of goodwill on November 30 and when a triggering event occurs between annual impairment tests. There were no triggering events or indications of impairment as of September 30, 2014.

(i) Capitalized Software Development Costs

Costs to develop internal use software are capitalized and recorded as capitalized software in accordance with the provisions of FASB ASC Subtopic 350-40, *Intangibles-Goodwill and Other Subtopic 40 Internal-Use Software* on the balance sheet. These costs are amortized on a project-by-project basis using the straight-line method over the estimated economic life of the application, which is generally three years, beginning when the asset is substantially ready for use. Costs incurred during the preliminary development stage, as well as maintenance and training costs are expensed as incurred.

(j) Deferred Tax Assets and Liabilities

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. To the extent that it is not considered to be more likely than not that a deferred tax asset will be realized, a valuation allowance is established. The Company applies the provisions of FASB interpretation No. 48, *Accounting for Uncertainty in Income Taxes* (FIN 48) (included in ASC Subtopic 740-10, *Income Taxes - Overall*), which provides guidance related to the accounting for uncertain tax positions. In accordance with FIN 48, the Company only recognizes the tax benefit from an uncertain tax position if it is more likely than not that the tax position will be sustained upon examination.

(k) Stock-Based Compensation

The Company accounts for its employee stock-based compensation awards in accordance with FASB ASC Topic 718, *Compensation - Stock Compensation*. ASC Topic 718 requires that all employee stock-based compensation is recognized as a cost in the financial statements and that for equity-classified awards such cost is measured at the grant date fair value of the award. The Company estimates grant date fair value using the Black-Scholes option-pricing model.

Determining the fair value of stock-based compensation awards under this model requires judgment, including an estimation of the value per share of the Company's common stock prior to the Company's initial public offering (IPO) in August 2013, estimated volatility, risk free rate, expected term and estimated dividend yield. The assumptions used in calculating the fair value of stock-based

Table of Contents**CVENT, INC****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****(in thousands, except share and per share data)****(unaudited)**

compensation awards represent the Company's best estimates, based on management judgment. The estimate of the value per share of the Company's common stock used in the option-pricing model prior to the Company's IPO was based on the contemporaneous valuations performed with the assistance of an unrelated third-party valuation specialist and management's analysis of market transactions in proximity to the valuation dates. The estimated dividend yield is zero since the Company has not issued dividends to date and does not anticipate issuing dividends. The risk-free interest rate is based on the implied yield currently available on U.S. Treasury zero coupon issues with an equivalent remaining term. Due to its limited trading history, the Company estimates volatility for option grants by evaluating the average historical volatility of a peer group of similar public companies. The expected term of the Company's option plans represent the period that its stock-based awards are expected to be outstanding. For purposes of determining the expected term, the Company applies the simplified approach, in which the expected term of an award is presumed to be the mid-point between the vesting date and the expiration date of the award. Awards generally vest over a service period of four years, with a maximum contractual term of ten years.

Pursuant to FASB ASC Subtopic 718-10-35, *Stock Compensation*, the initial determination of compensation cost is based on the number of stock options granted amortized over the vesting period. The value of the awards granted is discounted by the forfeiture rate equal to the value expected to vest. The forfeiture rate is derived by taking into consideration historical employee turnover rates as well as expectations for the future. Expense is recognized using the straight-line attribution method.

(l) Foreign Currency

The Company's foreign subsidiary in India designates the U.S. dollar as the functional currency. For the subsidiary, assets and liabilities denominated in foreign currency are remeasured into U.S. dollars at current exchange rates for monetary assets and liabilities and historical exchange rates for nonmonetary assets and liabilities. Foreign currency gains and losses associated with remeasurement are included in general and administrative expense in the consolidated statements of operations.

Foreign currency gains (losses) associated with transactions and remeasurement were \$(610) and \$(845) for the three months ended September 30, 2014 and 2013, respectively, and \$(125) and \$(2,009) for the nine months ended September 30, 2014 and 2013, respectively.

3. New Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) and the International Accounting Standards Board (IASB) issued joint guidance to improve and converge the financial reporting requirements for revenue from contracts with customers. ASU 2014-9, *Revenue from Contracts with Customers*, prescribes a five-step model for revenue recognition that will replace most existing revenue recognition guidance under U.S. GAAP. The new standard supersedes nearly all existing revenue recognition guidance under U.S. GAAP, and requires companies to recognize

revenue when it transfers goods or services to a customer in an amount that reflects the consideration to which a company expects to be entitled for those goods or services. This update also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments, and assets recognized from costs incurred to obtain or fulfill a contract. ASU 2014-09 allows for either full retrospective or modified retrospective adoption and will become effective for the Company in the first quarter of 2017. Early adoption is prohibited. Management is currently evaluating which adoption method it will use and assessing the effect the adoption of this standard will have on the consolidated financial statements.

4. Follow-On Public Offering

On January 16, 2014, the Company completed a follow-on public offering of 6,072,000 shares of its common stock. The Company sold 747,500 shares of its common stock, and the selling shareholders sold 5,324,500 shares in the offering, including the underwriters' over-allotment, at a price to the public of \$35.50 per share. The offering closed on January 23, 2014, and the Company received net proceeds of \$24.8 million after deducting the underwriters' discount and offering expenses, which have been included in additional paid-in-capital in the accompanying unaudited balance sheet as of September 30, 2014.

Table of Contents

CVENT, INC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(in thousands, except share and per share data)

(unaudited)

5. Net Income Per Share

The Company calculates basic net income per share of common stock by dividing net income attributable to the common stockholders for the period by the weighted-average number of shares of common stock and participating convertible preferred stock outstanding during the period. The Company calculates diluted net income per share by dividing net income attributable to the Company for the period by the weighted-average number of shares of common stock and convertible preferred stock outstanding during the period, plus any dilutive effect from share-based equity awards and warrants during the period, using the treasury stock method. Included in the diluted weighted average shares outstanding is the effect of non-vested early option exercises of 188,875 shares, which are the remaining non-vested shares of the 573,941 shares subject to early option exercises on June 13, 2012. These shares are removed from the basic earnings per share calculation as the shares can be repurchased by the Company prior to the vesting date should employment of the early exercised option shareholders be terminated. The computation of basic and diluted net income per share is as follows:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|--|---|-------------|--|-------------|
| | 2014 | 2013 | 2014 | 2013 |
| Net income (loss) | \$ 1,071 | \$ (829) | \$ 3,704 | \$ (2,805) |
| Weighted average number of shares outstanding: | | | | |
| Weighted average common shares outstanding | 41,103,502 | 29,700,211 | 40,910,381 | 20,336,459 |
| Effect of convertible preferred stock | | | | |
| Weighted average shares outstanding for basic earnings per share | 41,103,502 | 29,700,211 | 40,910,381 | 20,336,459 |
| Effect of share-based equity award plan | 2,047,737 | | 2,263,820 | |
| Effect of warrants | | | | |
| Weighted average shares outstanding for diluted earnings per share | 43,151,239 | 29,700,211 | 43,174,201 | 20,336,459 |
| Net income (loss) per share: | | | | |

Edgar Filing: CVENT INC - Form 10-Q

| | | | | | | | | |
|---------|----|------|----|--------|----|------|----|--------|
| Basic | \$ | 0.03 | \$ | (0.03) | \$ | 0.09 | \$ | (0.14) |
| Diluted | \$ | 0.02 | \$ | (0.03) | \$ | 0.09 | \$ | (0.14) |

The weighted average number of shares outstanding used in the computation of basic and diluted loss per share for the three and nine months ended September 30, 2013 do not include the effect of 7,384,059 and 14,037,134 shares of convertible preferred stock that converted into common stock upon the Company's Initial Public Offering effective August 5, 2013, as these shares were not obligated to participate in losses. The weighted average number of shares outstanding used in the computation of diluted loss per share for the three and nine months ended September 30, 2013 do not include the effect of 2,379,051 and 1,867,295 stock options and warrants, respectively, as the effect would have been anti-dilutive.

6. Income Taxes

The Company generally estimates its annual effective tax rate for the full fiscal year and applies that rate to its income from continuing operations before income taxes in determining its provision for income taxes for the respective periods. The Company generally records discrete items in each respective period as appropriate. However, if a company is unable to reliably estimate its annual effective tax rate, then the actual effective tax rate for the year-to-date period may be the best estimate for the annual effective tax rate. For the three and nine months ended September 30, 2014, the Company determined that the annual rate method would not provide for a reliable estimate due to volatility in the forecasting process. As a result, the Company has recorded the provision for income taxes for the three and nine months ended September 30, 2014 using the actual effective rate for the three and nine months ended September 30, 2014 (the "cut-off" method). The effective tax rate for the three and nine months ended September 30, 2014 was calculated based on an actual effective tax rate plus discrete items, as described above.

The Company's consolidated effective tax rate for the three and nine months ended September 30, 2014 was 17.7% and (7.0%), respectively. The Company's consolidated effective tax rate for the three and nine months ended September 30, 2013 was 245.2% and (319.3%) respectively. The decrease in the rate for the three month periods and the increase for the nine month periods is primarily due to additional deductions related to stock based compensation as well as the ratio of book expenses not deductible for income tax purposes compared to pre-tax book income (loss).

Table of Contents

CVENT, INC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(in thousands, except share and per share data)

(unaudited)

The Company's estimated effective tax rate is subject to fluctuation based upon the level and mix of earnings and losses by tax jurisdiction, and the relative impact of permanent book to tax differences (e.g., non-deductible expenses). As a result of these factors, and due to potential changes in the Company's period to period results, fluctuations in the Company's effective tax rate and respective tax provisions or benefits may occur. The Company is subject to U.S. federal income tax, various state income taxes and various foreign income taxes. The effective income tax rate for the three and nine months ended September 30, 2014 and 2013 reflects various foreign income taxes.

In assessing the Company's ability to realize the future benefit associated with its deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets may not be realized. The ultimate realization is dependent on the generation of taxable income within the periods that those temporary differences become deductible. The Company has not recorded a valuation allowance for its deferred tax assets due to management's assessment that it is more-likely-than-not that the Company will be able to realize these tax assets.

The Company permanently reinvests cumulative undistributed earnings of its non-U.S. subsidiaries in non-U.S. operations. U.S. federal income taxes have not been provided for in relation to undistributed earnings to the extent that they are permanently reinvested in the Company's non-U.S. operations. It is not practical at this time to determine the income tax liability that would result upon repatriation to the U.S. As of September 30, 2014, the undistributed earnings of the Company's foreign affiliates was \$6,994.

The Company recognizes interest and penalties related to uncertain tax positions in income tax expense.

7. Stock-Based Compensation Plan

Stock Options

Stock options are granted with an exercise price equal to the stock's fair value at the date of grant. The awards have various terms and vest at various times from the date of grant, with most options vesting in tranches generally over four years. All options expire 10 years after the date of grant. At September 30, 2014, there were 6,576,762 shares available for the Company to grant under the 2013 Equity Incentive Plan.

The grant-date fair value of each option award is estimated on the date of grant using the Black-Scholes option-pricing model. The weighted average assumptions for 2014 and 2013 grants are provided in the table below. Because the Company's shares were not publicly traded prior to August 9, 2013 and its shares were rarely traded privately, and due to the limited trading history since August 9, 2013, expected volatility is estimated based on the average historical volatility of similar entities with publicly traded shares. The risk-free rate for the expected term of the option is based on the U.S. Treasury yield curve at the date of grant. Expense is recognized using the straight-line attribution method.

The following is a summary of the weighted average assumptions used in the valuation of stock-based awards under the Black-Scholes model:

| | Three Months Ended September 30, 2014 | Nine Months Ended September 30, 2014 |
|-------------------------|--|---|
| Dividend yield | 0.00% | 0.00% |
| Volatility | 48.17% | 48.67% |
| Expected term (years) | 6.61 | 6.65 |
| Risk-free interest rate | 2.15% | 1.79% |

Table of Contents

CVENT, INC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(in thousands, except share and per share data)

(unaudited)

Stock option activity during the periods indicated is as follows:

| | Number of shares subject to options | Weighted average exercise price per share | Weighted average remaining contractual term (years) | Aggregate intrinsic value |
|-----------------------------------|---|--|---|---------------------------------|
| Balance at December 31, 2013 | 3,631,272 | \$ 5.78 | 7.85 | \$ 111,150 |
| Granted | 437,045 | 31.56 | | |
| Exercised | (492,863) | 1.80 | | |
| Forfeited | (142,302) | 17.28 | | |
| Expired | (283) | 1.22 | | |
| Balance at September 30, 2014 | 3,432,869 | \$ 9.16 | 7.25 | \$ 55,649 |
| Exercisable at September 30, 2014 | 1,180,229 | \$ 2.15 | 6.46 | \$ 27,411 |

The weighted average grant date fair value of options granted during the nine months ended September 30, 2014 was \$15.78. The total intrinsic value of options exercised during the nine months ended September 30, 2014 was \$14,409.

The Company recorded stock-based compensation expense related to options of \$976 and \$814 during the three months ended September 30, 2014 and 2013 and \$2,701 and \$2,097 during the nine months ended September 30, 2014 and 2013. At September 30, 2014, there was \$7,335 of total unrecognized compensation cost related to unvested stock options granted under the Plan, which is expected to be recognized over a weighted average period of 2.45 years.

On June 13, 2012, stock options for the purchase of 573,941 shares were exercised prior to vesting pursuant to an early exercise feature. The proceeds from the transaction were recorded as a liability within accrued and other current liabilities and other liabilities, non-current. During the nine months ended September 30, 2014, 129,494 of these options vested and the \$226 liability related to the vesting options was reclassified to stockholders' equity. The remaining 188,875 options and \$340 liability will be reclassified to stockholders' equity as the Company's repurchase rights lapse as the options vest.

Common Stock Warrants

In 2011, the Company issued warrants to a non-employee to purchase 125,000 shares of common stock, in connection with a profit-sharing agreement. The warrants have an exercise price of \$1.80, vest annually over a four-year period, and expire on December 31, 2017. On June 28, 2013 the Company repurchased these warrants for \$1,275, which was equal to the estimated fair value at the time of purchase of \$12.00 per share less the exercise price of \$1.80. There were no new warrants granted during the nine months ended September 30, 2013, and warrants for the purchase of 14,729 shares were exercised at an exercise price of \$1.80 during the nine months ended September 30, 2013.

Unvested warrants to non-employees are re-measured at fair value as of each balance sheet date. The Company recorded no stock-based compensation expense related to non-employee warrants during the three months ended September 30, 2014 and 2013 as there were no outstanding warrants during those periods. The Company recorded stock-based compensation expense in general and administrative expense related to non-employee warrants of zero and \$299 during the nine months ended September 30, 2014 and 2013, respectively.

There is no unrecognized expense related to unvested warrants granted under the Plan as there are no outstanding warrants.

Table of Contents

CVENT, INC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(in thousands, except share and per share data)

(unaudited)

Restricted Stock Units

During the nine months ended September 30, 2014, the Company issued restricted stock units (RSUs) to employees and a non-employee director.

RSU activity during the periods indicated is as follows:

| | Number of shares subject to restriction | Weighted average share value | Weighted average remaining contractual term (years) | Aggregate intrinsic value |
|-------------------------------|---|---------------------------------------|--|---------------------------------|
| Balance at December 31, 2013 | 7,555 | \$ 34.27 | 1.18 | \$ 275 |
| Granted | 60,954 | 32.89 | | |
| Vested | (5,555) | 34.12 | | |
| Forfeited | | | | |
| Balance at September 30, 2014 | 62,954 | \$ 32.94 | 2.20 | \$ 1,597 |

The related compensation expense for restricted stock units recognized during the three months ended September 30, 2014 and 2013 was \$154 and zero, respectively, and \$403 and zero during the nine months ended September 30, 2014 and 2013, respectively. At September 30, 2014, there was \$1,804 of total unrecognized compensation cost related to unvested RSUs granted under the Plan. That cost is expected to be recognized over a weighted average period of 3.3 years.

Common Stock Call Option

In conjunction with the Company's July 2011 recapitalization transaction, the Company entered into a stock repurchase agreement (the Agreement) with certain members of senior management.

The Company recorded stock-based compensation expense related to the call option of zero and \$157 during the three months ended September 30, 2014 and 2013, respectively, and zero and \$1,824 during the nine months ended September 30, 2014 and 2013, respectively. At September 30, 2014, there was no remaining unrecognized compensation cost related to call options as the Company's right to repurchase these shares expired July 15, 2013.

Common Stock Valuations

Prior to the Company's IPO in August 2013, the Company derived the value of its common stock using valuation models prepared by third parties. In addition, management and the Company's Board of Directors also considered relevant market activity including the then anticipated IPO, and other events occurring in recent proximity to valuation dates, including the recapitalization transaction and issuance of New Series A Convertible Preferred Stock in July 2011 to determine an estimate of fair value per share for stock options granted prior to August 2013 and for options granted during the years ended December 31, 2012 and 2011.

Subsequent to the Company's IPO, the value of the Company's common stock was determined based on the closing market price of the Company's common stock traded on the New York Stock Exchange.

Table of Contents

CVENT, INC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(in thousands, except share and per share data)

(unaudited)

8. Stockholders' Equity*a) Changes in Stockholders' Equity*

In connection with the Company's follow-on public offering (Note 4), the Company issued an additional 747,500 shares for net proceeds of \$24.8 million after deducting the underwriters discount and offering expenses. Changes in stockholders' equity for the nine months ended September 30, 2014 were as follows (in thousands, except for share amounts):

| | Common Stock Shares | Common Stock Amount | Treasury Stock | Additional Paid-In Capital | Accumulated Deficit | Total Stockholders Equity |
|--|------------------------|---------------------------|-------------------|----------------------------------|------------------------|---------------------------------|
| Balance as of December 31, 2013 | 40,409,791 | \$ 40 | \$ (3,966) | \$ 168,949 | \$ (22,985) | \$ 142,038 |
| Net income | | | | | 3,704 | 3,704 |
| Share-based compensation expense | | | | 3,104 | | 3,104 |
| Exercise of stock options and vesting of awards | 368,924 | 1 | | 659 | | 660 |
| Issuance of common stock upon vesting of early exercised options | 129,494 | | | 226 | | 226 |
| Issuance of common stock in follow-on offering | 747,500 | 1 | | 24,845 | | 24,846 |
| Balance as of September 30, 2014 | 41,655,709 | \$ 42 | \$ (3,966) | \$ 197,783 | \$ (19,281) | \$ 174,578 |

9. Acquisition of Decision Street, LLC

On September 15, 2014, the Company acquired 100% of the equity interests of Decision Street, LLC ("Decision Street") for total consideration of \$4.7 million, net of cash acquired. Decision Street is a development stage company that is building RFP lead scoring and sales optimization technology. The acquisition was accounted for as a purchase business combination.

Total consideration is comprised of \$3.7 million, net of cash acquired of \$0.4 million, \$0.2 million of deferred consideration payment due November 30, 2015, and \$0.8 million of liabilities assumed by the Company. In addition, the purchase agreement provides for additional contingent payments totaling \$2.7 million, \$0.9 million payable on November 30, 2015, and \$1.8 million payable on October 31, 2017. These additional payments are contingent upon the continued employment of two key employees and are considered compensatory arrangements that are being

recognized as expense over the requisite service period, as earned.

The table below represents the preliminary allocation of the purchase price for the acquired net assets of Decision Street based on their estimated fair values as of September 15, 2014. The allocation of the purchase price was based upon preliminary estimates of fair value of the corresponding assets and liabilities as follows:

| | |
|-------------------------------------|-----------------|
| Tangible assets, net | \$ 689 |
| In-process research and development | 1,442 |
| Customer relationships | 200 |
| Goodwill | 2,349 |
| Total consideration | \$ 4,680 |

In-process research and development represents the estimated fair value of Decision Street's development stage software. Customer relationships represent the fair values of the underlying relationships and agreements with Decision Street customers. The excess of purchase consideration over the fair value of the net tangible and identifiable intangible assets acquired of \$2.3 million was recorded as goodwill. Changes to amounts recorded as assets or liabilities may result in a corresponding adjustment to goodwill. The goodwill balance is attributed to the assembled workforce and expanded market opportunities when integrating Decision Street's lead scoring technology into the Company's technology. The goodwill balance is deductible for U.S. income tax purposes.

Table of Contents**CVENT, INC****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****(in thousands, except share and per share data)****(unaudited)**

Acquisition-related costs, including transaction costs such as legal and accounting fees, were expensed as incurred. The Company incurred \$0.1 million of transaction costs for the three and nine months ended September 30, 2014, which have been included in general and administrative expenses in the consolidated statement of operations. The amount of revenue attributable to this acquisition was immaterial for the three and nine months ended September 30, 2014.

10. Commitments and Contingencies***a) Legal Proceedings, Regulatory Matters and Other Contingencies***

From time to time, the Company may become involved in legal proceedings, regulatory matters or other contingencies in the ordinary course of its business. The Company is not presently involved in any legal proceeding, regulatory matter or other contingency that, if determined adversely to it, would individually or in the aggregate have a material adverse effect on its business, operating results, financial condition or cash flows.

b) Acquisition Payouts

A summary of the changes in the recorded amount of accrued compensation related to earnouts from acquisitions for which continued service is required from December 31, 2013 to September 30, 2014 is as follows (dollars in thousands):

| | |
|------------------------------------|----------|
| Liability as of December 31, 2013 | \$ 1,787 |
| Payments | (2,256) |
| Additional accruals | 1,179 |
| Liability as of September 30, 2014 | \$ 710 |

The accrued compensation related to acquisition payouts is recorded as earned within accrued expenses and other current liabilities on the accompanying consolidated balance sheets. Additionally, the Company made \$0.4 million in contingent consideration payments related to previous acquisitions during the nine months ended September 30, 2014. The contingent consideration payments were recorded within accrued expense and other current liabilities on the accompanying balance sheet.

11. Subsequent Events

The Company has evaluated subsequent events through November 6, 2014, the date the financial statements were available to be issued.

Table of Contents**ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and the related notes to those statements included elsewhere in this Quarterly Report on Form 10-Q and our Annual Report on Form 10-K for the year ended December 31, 2013. In addition to historical financial information, the following discussion and analysis contains forward-looking statements that involve risks, uncertainties and assumptions. Our actual results and timing of selected events may differ materially from those anticipated in these forward-looking statements as a result of many factors, including those discussed under Risk Factors. In Part I, Item IA of our Annual Report on Form 10-K, as may be updated in our subsequent Quarterly Reports on Form 10-Q. The words may, believe, could, anticipate, would, might, plan, expect, will, intend, potential, objective, strategy, goal, should, vision, designed, and similar expressions or the negative of these terms are intended to identify forward-looking statements. Consolidated financial data referenced in this section as of and for the three and nine months ended September 30, 2014 and 2013 are derived from our unaudited consolidated financial statements. The unaudited consolidated financial data as of and for the three and nine months ended September 30, 2014 and 2013 includes all adjustments, consisting only of normal recurring accruals, that are necessary in the opinion of our management for a fair presentation of our financial position and results of operations for these periods.

Overview

We are a leading cloud-based enterprise event management platform. We provide solutions for both sides of the meetings and events value chain: (i) event and meeting planners, and (ii) hotels and venues. Our integrated, cloud-based solutions address the entire event lifecycle by allowing meeting and event planners to organize, market and manage their meetings, conferences, tradeshows and other events. Our online marketplace connects event planners and venues through our vertical search engine that accesses our proprietary database of detailed venue information. The combination of these solutions creates an integrated platform that allows us to generate revenue from both sides of the meetings and events value chain.

Our meeting and event planner customers include enterprises such as corporations, associations, not-for-profits, government agencies and universities. These customers enter into annual or multi-year subscription contracts to utilize part or all of our cloud-based software solutions to plan, manage and execute enterprise meetings and events, including external events such as conferences, tradeshows and customer events, as well as internal events, such as sales meetings, training seminars and team-building events. Revenue from our event management solutions platform was \$26.2 million and \$72.1 million for the three and nine months ended September 30, 2014, or 70% of our total revenue in each period. Revenue from our event management solutions platform was \$20.1 million and \$56.0 million for the three and nine months ended September 30, 2013, or 69% and 70% of our total revenue, respectively. We generally recognize revenue from these contracts ratably over the term of the subscription contract.

On the other side of the event value chain, hotels and venues utilize our online marketing solutions to generate more visibility with ready-to-transact event and meeting planners. Our online marketplace, the Cvent Supplier Network, or CSN, connects tens of thousands of event and meeting planners seeking the best venue for their event with more than 250,000 venues in our proprietary database. We believe that our CSN contains the world's largest, most accurate and searchable database of detailed meeting venue information with listings of hotels, conference centers, convention centers, resorts, restaurants, museums, country clubs, wineries, castles and other special event venues in more than 175 countries. Hotels and venues enter into annual or multi-year advertising contracts with us for marketing solutions that increase the prominence of their properties in our CSN. We recognize the revenue from these marketing solutions over the term of the solution or marketing agreement based on the estimated selling prices of each solution. Revenue from our marketing solutions was \$11.2 million and \$30.8 million for the three and nine months ended September 30, 2014, or 30% of our total revenue during each period, and \$9.0 million and \$24.4 million for the three and nine

months ended September 30, 2013, or 31% and 30%, respectively, of our total revenue during the period.

Financial Operations Overview

Revenue

Platform Subscriptions. We generate the majority of our revenue through subscriptions for our event management solutions platform, pricing for which is based on the features and functionality selected. Our Strategic Meetings Management solution is targeted towards the large enterprise market, and includes the full functionality of our platform. Our Event Management solution, which is targeted towards mid-market and smaller enterprises, has many of the same features as our Strategic Meetings Management solution but does not include some of the advanced features and functionality required by larger organizations. The number of attendee registrations available to customers subscribing to the registration functionality is contractually fixed, and registrations above the contracted amount result in additional fees paid by the customer.

Our customer contracts are typically not cancellable without cause and typically range in length from one to three years. We generally recognize revenue from platform subscriptions ratably over the term of the agreement. Customers are typically invoiced in advance on a quarterly or annual basis. Amounts that have been invoiced are initially recorded as deferred revenue and are recognized as revenue ratably over the subscription period. We refer to contractual amounts that have not been invoiced as unbilled contract value. Unbilled contract value is not reflected in our consolidated financial statements.

Table of Contents

Platform subscription revenue also includes revenue from our mobile event apps, ticketing and web survey products.

Marketing Solutions. Marketing solutions revenue is generated through the delivery of various forms of advertising sold through annual or multi-year contracts to marketers, principally hotels and venues. Such solutions include prominent display of a customer's venue within the CSN, the Cvent Destination Guide or in various electronic newsletters. Pricing for the advertisements is based on the term of the advertisement, targeted geography, number of advertisements and prominence of the ad placement.

We generally recognize the revenue from these marketing solutions over the period the advertisements are delivered. Customer contracts are typically not cancellable without cause and typically range in length from one to two years. We generally invoice our customers in advance in annual installments. Amounts that have been invoiced are initially recorded as deferred revenue and are recognized as revenue over the contract period. Contractual amounts that have not been invoiced, which we refer to as unbilled contract value, are not reflected in our consolidated financial statements.

Cost of Revenue

Cost of revenue primarily consists of employee-related expenses, including salaries, benefits, bonuses and stock-based compensation, related to providing support and hosting our applications, costs of data center capacity, software license fees and amortization expense associated with capitalized software. In addition, we allocate a portion of overhead, such as rent, information technology costs, depreciation and amortization to cost of revenue based on head count.

We are invested in the success of our customers and as such, we will continue to invest in providing support and expanding our capacity to support our growth, which in the near-term will result in higher cost of revenue in absolute dollars and as a percentage of revenue.

Operating Expenses

Sales and Marketing

Sales and marketing expenses primarily consist of personnel and related expenses for our sales and marketing staff, including salaries, benefits, bonuses, commissions and stock-based compensation. Commissions are expensed when the customer contract is signed. In addition to staff costs, our cost of marketing includes product marketing and other brand-building activities, such as trade shows, product seminars and online marketing.

We intend to continue to invest in sales and marketing and expect spending in these areas to increase in the near-term in absolute dollars as we continue to expand our business both domestically and internationally. We expect sales and marketing expenses to continue to be among the most significant components of our operating expenses.

Research and Development

Research and development expenses consist primarily of personnel and related expenses for our research and development staff, including salaries, benefits, bonuses and stock-based compensation and the cost of certain third-party contractors. Research and development costs, other than software development expenses qualifying for capitalization, are expensed as incurred.

With the exception of software developed by companies we have acquired, we maintain a unified software code base for our entire platform, which we believe improves the efficiency of our research and development activities. We

continue to internally develop new features to be added to our platforms. Accordingly, we expect research and development expenses to increase in the near-term in absolute dollars and as a percentage of revenue as we develop new functionality to be added to the platform and expand our cloud-delivery infrastructure.

General and Administrative

General and administrative expenses consist primarily of personnel and related expenses for administrative, finance, legal and human resource staffs, including salaries, benefits, bonuses and stock-based compensation, as well as professional fees, insurance premiums, other corporate expenses, and overhead.

We expect our general and administrative expenses to increase in absolute dollars and as a percentage of revenue over the long-term as we continue to expand our operations and hire additional personnel. As a new public company, we expect to incur additional expenses related to outside legal counsel, accounting and auditing activities, compliance with public company reporting and corporate governance requirements, increased insurance requirements and enhancing our internal control environment.

Table of Contents**Critical Accounting Policies and Estimates**

Our unaudited financial statements and the related notes included elsewhere in this Quarterly Report on Form 10-Q are prepared in accordance with generally accepted accounting principles in the United States. The preparation of these financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, cost of revenue, operating expenses, other income and expenses, provision for income taxes and related disclosures. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. Changes in accounting estimates are reasonably likely to occur from period to period. Accordingly, actual results could differ significantly from our estimates. We evaluate our estimates and assumptions on an ongoing basis. To the extent that there are material differences between our estimates and our actual results, our future financial statement presentation, financial condition, results of operations and cash flows will be affected. During the nine months ended September 30, 2014, there were no material changes to our critical accounting policies and use of estimates, which are disclosed in our audited consolidated financial statements for the year ended December 31, 2013 included in our Annual Report on form 10K dated March 21, 2014, and filed with the SEC.

In May 2014, the FASB and the International Accounting Standards Board (IASB) issued joint guidance to improve and converge the financial reporting requirements for revenue from contracts with customers. ASU 2014-9, *Revenue from Contracts with Customers*, prescribes a five-step model for revenue recognition that will replace most existing revenue recognition guidance under U.S. GAAP. The new standard supersedes nearly all existing revenue recognition guidance under U.S. GAAP, and requires companies to recognize revenue when it transfers goods or services to a customer in an amount that reflects the consideration to which a company expects to be entitled for those goods or services. This update also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments, and assets recognized from costs incurred to obtain or fulfill a contract. ASU 2014-09 allows for either full retrospective or modified retrospective adoption and will become effective in the first quarter of 2017. Early adoption is prohibited. Management is currently evaluating which adoption method we will use and assessing the effect the adoption of this standard will have on the consolidated financial statements.

Results of Operations

The following table sets forth selected consolidated statement of operations data for each of the periods indicated.

| | Three months ended September 30, 2014 | | Nine months ended September 30, 2014 | |
|----------------------------|---------------------------------------|-----------|--------------------------------------|-----------|
| | 2014 | 2013 | 2014 | 2013 |
| | (In thousands) | | | |
| Revenue | \$ 37,386 | \$ 29,145 | \$ 102,920 | \$ 80,440 |
| Costs of revenue | 11,208 | 8,412 | 29,455 | 21,588 |
| Gross profit | 26,178 | 20,733 | 73,465 | 58,852 |
| Operating expenses: | | | | |
| Sales and marketing | 14,571 | 11,552 | 44,215 | 35,202 |
| Research and development | 3,875 | 2,813 | 10,348 | 8,105 |
| General and administrative | 6,446 | 6,092 | 16,096 | 16,891 |
| Total operating expenses | 24,892 | 20,457 | 70,659 | 60,198 |

Edgar Filing: CVENT INC - Form 10-Q

| | | | | |
|---|----------|----------|----------|------------|
| Income (loss) from operations | 1,286 | 276 | 2,806 | (1,346) |
| Interest income | 450 | 295 | 1,091 | 677 |
| Other expense | (434) | | (434) | |
| Income (loss) from operations before income taxes | 1,302 | 571 | 3,463 | (669) |
| Provision for (benefit from) income taxes | 231 | 1,400 | (241) | 2,136 |
| Net income (loss) | \$ 1,071 | \$ (829) | \$ 3,704 | \$ (2,805) |

Table of Contents

The following table sets forth our consolidated statement of operations data as a percentage of revenue for each of the periods indicated.

| | Three months ended September 30, | | Nine months ended September 30, | |
|---|----------------------------------|------|---------------------------------|------|
| | 2014 | 2013 | 2014 | 2013 |
| Revenue | 100% | 100% | 100% | 100% |
| Costs of revenue | 30 | 29 | 29 | 27 |
| Gross profit | 70 | 71 | 71 | 73 |
| Operating expenses: | | | | |
| Sales and marketing | 39 | 39 | 43 | 44 |
| Research and development | 11 | 10 | 10 | 10 |
| General and administrative | 17 | 21 | 15 | 21 |
| Total operating expenses | 67 | 70 | 68 | 75 |
| Income (loss) from operations | 3 | 1 | 3 | (2) |
| Interest income | 1 | 1 | 1 | 1 |
| Other expense | (1) | | | |
| Income (loss) from operations before income taxes | 3 | 2 | 4 | (1) |
| Provision for (benefit from) income taxes | | 5 | | 3 |
| Net income (loss) | 3% | (3)% | 4% | (4)% |

Comparison of Three and Nine Months Ended September 30, 2014 and 2013**Revenue**

| | Three months ended September 30, | | | | Nine months ended September 30, | | | |
|------------------------|----------------------------------|-----------|----------|----------|---------------------------------|-----------|-----------|----------|
| | 2014 | 2013 | Variance | % Change | 2014 | 2013 | Variance | % Change |
| Revenue by product: | | | | | | | | |
| Platform subscriptions | \$ 26,153 | \$ 20,123 | \$ 6,030 | 30% | \$ 72,076 | \$ 56,039 | \$ 16,037 | 29% |
| Marketing solutions | 11,233 | 9,022 | 2,211 | 25% | 30,844 | 24,401 | 6,443 | 26% |
| Total revenue | \$ 37,386 | \$ 29,145 | \$ 8,241 | 28% | \$ 102,920 | \$ 80,440 | \$ 22,480 | 28% |
| Percentage of revenue: | | | | | | | | |
| Platform subscriptions | 70% | 69% | | | 70% | 70% | | |
| Marketing solutions | 30% | 31% | | | 30% | 30% | | |

Edgar Filing: CVENT INC - Form 10-Q

| | | | | |
|---------------|------|------|------|------|
| Total revenue | 100% | 100% | 100% | 100% |
|---------------|------|------|------|------|

Total revenue increased \$8.2 million during the three months ended September 30, 2014 compared to the same period in 2013, primarily driven by an increase of \$7.7 million of revenue from sales of features and functionality and new advertising products to new customers, primarily offset by customers lost during the three months ended September 30, 2014.

Platform subscription revenue increased \$6.0 million during the three months ended September 30, 2014 compared to the same quarter in 2013 primarily due to a \$5.8 million increase in revenue from sales of event planning subscriptions to new customers in 2014. Revenue from sales of additional features and functionality to existing customers, increased registrations and a full quarter of revenue from customers that originated during the three months ended September 30, 2013, contributed \$2.1 million in platform subscription revenue during the three months ended September 30, 2014. These increases were primarily offset by customers lost during the three months ended September 30, 2014.

Marketing solutions revenue increased \$2.2 million during the three months ended September 30, 2014 compared to the same quarter in 2013 primarily due to recognition of \$1.8 million in revenue from sales to new customers. Net revenue recognized from sales of additional marketing solutions and price increases contributed an additional \$1.3 million during the three months ended September 30, 2014. These amounts were primarily offset by customers lost during the three months ended September 30, 2014.

Total revenue increased \$22.5 million during the nine months ended September 30, 2014 compared to the same period in 2013, primarily driven by a \$16.2 million increase in revenue from sales of features and functionality to new customers and new advertising products to new customers, primarily offset by customers lost during the nine months ended September 30, 2014.

Table of Contents

Platform subscription revenue increased \$16.0 million during the nine months ended September 30, 2014 compared to the same quarter in 2013 primarily due to a \$12.5 million increase in revenue from sales of event planning subscriptions to new customers in 2014. Revenue from sales of additional features and functionality to existing customers, increased registrations and a full quarter of revenue from customers that originated during the nine months ended September 30, 2013 contributed \$9.5 million in platform subscription revenue during the nine months ended September 30, 2014. These increases were primarily offset by customers lost during the nine months ended September 30, 2014.

Marketing solutions revenue increased \$6.4 million during the nine months ended September 30, 2014 compared to the same quarter in 2013 primarily due to recognition of \$3.7 million in revenue from sales to new customers. Revenue recognized from sales of additional marketing solutions and price increases contributed an additional \$5.0 million during the nine months ended September 30, 2014. These amounts were primarily offset by customers lost during the nine months ended September 30, 2014.

We generate the majority of our revenue from North America with revenue from outside North America accounting for 11% of total revenue for each of the three and nine months ended September 30, 2014 and 2013. As we invest in our UK office, we expect that the proportion of total revenue from outside of North America will grow in the future.

Cost of Revenue

| | Three months ended | | | | Nine months ended | | | |
|-----------------------|--------------------|----------|----------|----------|-------------------|-----------|----------|----------|
| | September 30, | | Variance | % Change | September 30, | | Variance | % Change |
| | 2014 | 2013 | | | 2014 | 2013 | | |
| Cost of revenue | \$ 11,208 | \$ 8,412 | \$ 2,796 | 33% | \$ 29,455 | \$ 21,588 | \$ 7,867 | 36% |
| Percentage of revenue | 30% | 29% | | | 29% | 27% | | |

Cost of revenue increased by \$2.8 million during the three months ended September 30, 2014 compared to the corresponding quarter in 2013. This increase was primarily due to a \$1.4 million increase in technology maintenance expense, due to the Blue Release, and a \$0.5 million increase in customer service support costs primarily related to personnel costs for maintenance of technology and systems and the customer support for the expanded features and functionality of our products. In addition, amortization of capitalized software and acquired technology included in cost of revenue increased by \$0.4 million.

Cost of revenue increased by \$7.9 million during the nine months ended September 30, 2014 compared to the corresponding period in 2013. This increase was primarily due to an increase in technology maintenance expense of \$4.6 million and a \$1.1 million increase in customer service support costs. Both of these increases were driven by additional personnel costs for maintenance of technology and systems and for customer support for the expanded features and functionality of our products. In addition, rent expense included in cost of revenue increased \$0.5 million, due to the effect of our Oregon and Virginia office leases, and amortization of capitalized software and acquired technology included in cost of revenue increased by \$1.2 million.

Table of Contents**Operating Expenses**

| | Three months ended | | | | Nine months ended | | | |
|----------------------------|--------------------|-----------|----------|----------|-------------------|-----------|-----------|----------|
| | September 30, | | Variance | % Change | September 30, | | Variance | % Change |
| | 2014 | 2013 | | | 2014 | 2013 | | |
| Operating expenses: | | | | | | | | |
| Sales and marketing | \$ 14,571 | \$ 11,552 | \$ 3,019 | 26% | \$ 44,215 | \$ 35,202 | \$ 9,013 | 26% |
| Research and development | 3,875 | 2,813 | 1,062 | 38% | 10,348 | 8,105 | 2,243 | 28% |
| General and administrative | 6,446 | 6,092 | 354 | 6% | 16,096 | 16,891 | (795) | (5)% |
| Total operating expenses | \$ 24,892 | \$ 20,457 | \$ 4,435 | 22% | \$ 70,659 | \$ 60,198 | \$ 10,461 | 17% |
| Percentage of revenue: | | | | | | | | |
| Sales and marketing | 39% | 39% | | | 43% | 44% | | |
| Research and development | 11% | 10% | | | 10% | 10% | | |
| General and administrative | 17% | 21% | | | 15% | 21% | | |
| Total operating expenses | 67% | 70% | | | 68% | 75% | | |

Sales and Marketing

Sales and marketing expenses increased by \$3.0 million for the three months ended September 30, 2014 over the corresponding quarter in 2013. The increase is primarily due to increased head count and expansion of our marketing efforts. Total head count of our sales and marketing personnel increased by 11% from September 30, 2013 to September 30, 2014, to support revenue growth and expanded marketing efforts. This increase contributed \$2.2 million of additional expenses in the three months ended September 30, 2014. Costs related to expanded marketing efforts contributed an additional \$0.6 million to the period-over-period difference.

Sales and marketing expenses increased by \$9.0 million for the nine months ended September 30, 2014 over the corresponding period in 2013. The increase is primarily due to increased head count and expansion of our marketing efforts. As noted above, total head count of our sales and marketing personnel increased by 11% from September 30, 2013 to September 30, 2014, to support revenue growth and expanded features and functionality. This increase contributed \$6.2 million of additional expenses in the nine months ended September 30, 2014. Costs related to expanded marketing efforts and partnership fees contributed an additional \$3.3 million to the period-over-period difference.

Research and Development

Research and development expenses increased by \$1.1 million for the three months ended September 30, 2014 over the corresponding quarter in 2013. The increase is primarily due to increased head count within our software

development group for technology support for the new functionality on the platform and expand our cloud-delivery infrastructure and to integrate new product lines.

Research and development expenses increased by \$2.2 million for the nine months ended September 30, 2014 over the corresponding period in 2013. The increase is primarily due to increased head count within our software development group for technology support for the new functionality on the platform and to expand our cloud-delivery infrastructure and to integrate new product lines.

Total head count within research and development increased by 38% from September 30, 2013 to September 30, 2014. Certain of our additional research and development head count supports our internal-use software, which is capitalized rather than expensed.

General and Administrative

General and administrative expenses increased by \$0.4 million for the three months ended September 30, 2014 over the corresponding quarter in 2013. This increase was primarily driven by an increase in employee related expenses due to an increase in headcount for administrative operations of 34% from September 30, 2013 to September 30, 2014, which contributed \$0.8 million of increased personnel expenses in the three months ended September 30, 2014. These increases were partially offset by a decrease in stock based compensation of \$0.7 million.

General and administrative expenses decreased by \$0.8 million for the nine months ended September 30, 2014 over the corresponding period in 2013. This decrease was primarily driven by the effect of foreign currency exchange rates, specifically for our India and United Kingdom operations, which favorably decreased costs by \$1.9 million. Stock based compensation declined as well, decreasing by \$2.2 million. These decreases were partially offset by an increase in employee related expenses of \$1.5 million due to a 34% increase in headcount for administrative operations from September 30, 2013 to September 30, 2014. The decrease was also offset by increases in rent expenses of \$1.3 million, due to the effect of our Oregon and Virginia office leases, and professional fees of \$0.6 million.

Table of Contents**Interest Income**

| | Three months ended | | | | Nine months ended | | | |
|-----------------------|--------------------|--------|----------|----------|-------------------|--------|----------|----------|
| | September 30, | | Variance | % Change | September 30, | | Variance | % Change |
| 2014 | 2013 | 2014 | | | 2013 | | | |
| Interest income | \$ 450 | \$ 295 | \$ 155 | 53% | \$ 1,091 | \$ 677 | \$ 414 | 61% |
| Percentage of revenue | 1% | 1% | | | 1% | 1% | | |

Interest income increased slightly for the three and nine months ended September 30, 2014 as compared to the three and nine months ended September 30, 2013 due to higher cash and cash equivalents and short term investments balances from proceeds of our initial public offering and follow-on public offering as well as additional investment.

Provision for Income Taxes

| | Three months ended | | | | Nine months ended | | | |
|---|--------------------|----------|------------|----------|-------------------|----------|------------|----------|
| | September 30, | | Variance | % Change | September 30, | | Variance | % Change |
| 2014 | 2013 | 2014 | | | 2013 | | | |
| Provision for (benefit from) income taxes | \$ 231 | \$ 1,400 | \$ (1,169) | (84)% | \$ (241) | \$ 2,136 | \$ (2,377) | (111)% |
| Percentage of revenue | % | 5% | | | % | 3% | | |

The income tax expense for the three months ended September 30, 2014 decreased by \$1.2 million compared to the three months ended September 30, 2013, due to an increase in deductions generated from disqualifying dispositions of incentive stock options as well as realization of income tax benefits resulting from our operations in a Special Economic Zone in India that were implemented in the fourth quarter of 2013, partially offset by the period over period increase in income from operations before income tax.

The income tax benefit for the nine months ended September 30, 2014 increased by \$2.4 million compared to the nine months ended September 30, 2013, primarily as a result of the deduction generated from disqualifying dispositions of incentive stock options as well as realization of income tax benefits resulting from our operations in a Special Economic Zone in India, partially offset by the period over period increase in income from operations before income tax.

Liquidity and Capital Resources**Sources of Liquidity**

Historically, we have financed our operations primarily through cash generated from operating activities and in earlier periods from private placements of capital stock. On August 14, 2013, we closed our IPO in which we sold and issued 6,440,000 shares of common stock resulting in net proceeds of approximately \$122.1 million to us after offering expenses. On January 23, 2014, we closed our follow-on public offering in which we sold and issued 747,500 shares of common stock resulting in net proceeds of approximately \$24.8 million to us after offering expenses. As of September 30, 2014, we had \$164.0 million of cash and cash equivalents, excluding \$0.4 million of restricted cash and \$18.7 million of short-term investments.

We believe our current cash and cash equivalents, short-term investments and cash flow from operations will be sufficient to meet our working capital and capital expenditure requirements for at least the next twelve months. Our future capital requirements will depend on many factors, including our revenue growth rate, our spending to support development efforts, the expansion of sales and marketing activities, the introduction of new and improved software solutions, and our planned investments, particularly in our product development efforts or acquisitions of complementary business and technologies.

Table of Contents***Working Capital and Cash Flows***

The following table summarizes our cash flows for the periods indicated:

| | Nine months ended | |
|--|--------------------------|-------------------|
| | September 30, | |
| | 2014 | 2013 |
| | (In thousands) | |
| Net cash provided by operating activities | \$ 28,154 | \$ 18,898 |
| Net cash used in investing activities | (36,078) | (12,014) |
| Net cash provided by financing activities | 25,506 | 121,358 |
| Effect of exchange rates on cash | 12 | (568) |
| Net increase in cash and cash equivalents | \$ 17,594 | \$ 127,674 |

Our cash, cash equivalents and short-term investments at September 30, 2014 were held for working capital purposes. We do not enter into investments for trading or speculative purposes. Our policy is to invest any cash in excess of our immediate requirements in investments designed to preserve the principal balance and maintain liquidity.

Accordingly, our cash and cash equivalents and short-term investments are invested primarily in demand deposit accounts, certificates of deposit and money market funds that are currently providing only a minimal return.

As of September 30, 2014, \$5.3 million of our total cash and cash equivalents and \$18.7 million of our short-term investments were held in India and \$2.8 million of our total cash and cash equivalents were held in deposit accounts in the United Kingdom. These balances are available for general corporate purposes.

Operating Activities

Net cash provided by operating activities is significantly influenced by the amount of cash we invest in personnel and infrastructure to support the anticipated growth of our business, the increase in the number of customers, recurring dollar retention rates and the amount and timing of customer payments. Cash provided by operations in the nine months ended September 30, 2014 and 2013 is primarily attributable to net income, which is driven by an increasing customer base and increased sales of our platform subscriptions, mobile, and marketing services. Cash provided by operations is also attributable to the change in accounts receivable, which is driven by the seasonality of our business and our strong collections process. Our cash flows from operating activities are generally reflective of our ability to invoice annual subscription fees upfront with net 30 payment terms. Our days sales outstanding, or DSO, is a primary indicator in cash flows from operating activities for a given period. We experience seasonality in our accounts receivable. The first and fourth quarters historically include a higher level of cash collections, which is a result of higher levels of invoicing in the fourth quarter. Additionally, we generally invoice our large hotel customers of the Cvent Supplier Network in the fourth quarter, resulting in higher accounts receivable balances at year-end and subsequently higher cash collections during the first quarter of the following year. We calculate our DSO on a twelve-month rolling basis using billings for the period divided by accounts receivable and adjusted for the number of days in the period.

Net cash provided by operating activities was \$28.2 million for the nine months ended September 30, 2014, driven primarily by a decrease in accounts receivable of \$12.6 million and an increase in accounts payable, accrued expenses, and other liabilities of \$8.4 million, including an increase of \$8.0 million, included in deferred rent, related to our

tenant improvement allowance for our new headquarters lease. These were offset by a decrease in deferred revenue of \$4.1 million, reflective of our historical cash collection and billing cycle, and an increase in prepaid expense of \$2.3 million. Net cash provided by operating activities was also driven by net income for the period, as adjusted for the exclusion of depreciation, amortization and stock-based compensation of approximately \$14.0 million. Our DSO as of September 30, 2014 was 45 days.

Net cash provided by operating activities was \$18.9 million for the nine months ended September 30, 2013, driven primarily by a decrease in accounts receivable of \$13.6 million, consistent with our historical cash collection and billing cycle. This was offset by increases in prepaid expenses of \$4.7 million and deferred revenue of \$2.8 million during the period. Net cash provided by operating activities was also driven by adjustments for depreciation and amortization and stock-based compensation expense, which contributed a combined \$10.0 million, offset by the net loss during the period. Our DSO as of September 30, 2013 was 42 days.

Investing Activities

Our investing activities have consisted primarily of purchases of equipment and costs related to software developed for internal use, short-term investments, an acquisition, and contingent consideration payments related to previous acquisitions. We expect our capital expenditures and our investment activity to continue to increase as our business grows.

Table of Contents

Net cash used in investing activities was \$36.1 million for the nine months ended September 30, 2014. The use of cash was the result of an investment of \$24.9 million in property and equipment, including software developed for internal use and for the Blue Release, and approximately \$11.5 million of capital related to leasehold improvements and capital expenditures for our new headquarters space in Tysons Corner, Virginia. Net purchases of short-term investments of \$7.3 million, cash payments of \$4.1 million related to the acquisition of Decision Street, LLC and contingent consideration payments related to previous acquisitions also contributed to the net cash used in investing activities.

Net cash used in investing activities was \$12.0 million for the nine months ended September 30, 2013. The amount consisted of investments in property and equipment of \$7.8 million, including software developed for internal use to accommodate the growth of our business, and net purchases of short-term investments of \$4.0 million.

Financing Activities

For the nine months ended September 30, 2014, net cash from financing activities provided \$25.5 million in cash during the period primarily driven by \$24.8 million in net proceeds received in connection with the closing of our follow-on public offering.

For the nine months ended September 30, 2013 net cash from financing activities provided \$121.4 million in cash during the period, primarily attributable to \$122.1 million in net proceeds provided in connection with the closing of our IPO.

Off-Balance Sheet Arrangements

As of September 30, 2014, we did not have any off-balance sheet arrangements, as defined in Item 303(a)(4)(ii) of SEC Regulation S-K, such as the use of unconsolidated subsidiaries, structured finance, special purpose entities or variable interest entities.

Table of Contents

Item 3. *Quantitative and Qualitative Disclosures about Market Risk*

No material changes in our market risk occurred from December 31, 2013 through September 30, 2014. Information regarding our market risk at December 31, 2013 is contained in Management's Discussion and Analysis, Quantitative and Qualitative Disclosures about Market Risk, in our Annual Report on Form 10-K dated March 21, 2014 and filed with the SEC.

Item 4. *Controls and Procedures*

Evaluation of Disclosure Controls and Procedures

We produce our consolidated financial statements in accordance with the requirements of U.S. GAAP. Effective internal controls are necessary for us to provide reliable financial reports, to help mitigate the risk of fraud and to operate successfully as a publicly traded company.

Background

In connection with the preparation of our consolidated financial statements for the year ended December 31, 2013, we concluded there was a material weakness in the design and operating effectiveness of our internal control over financial reporting as defined in SEC Regulation S-X. A material weakness is defined as a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of a company's annual or interim financial statements will not be prevented or detected on a timely basis by the company's internal controls. As of December 31, 2013, the primary factors contributing to the material weakness, which relates to our control environment and financial statement close process, were:

We had ineffective entity level and process level controls impacting the preparation and review of our consolidated financial statements. We had ineffective monitoring and management oversight of the financial reporting control environment and ineffective process level controls related to the review of manually prepared analyses and supporting information used to prepare our consolidated financial statements. Specifically, we determined that we had significant deficiencies related to inappropriately designed and ineffective controls over our cut off procedures, reviews of account reconciliations and account analyses, and ineffective controls related to the preparation and review of our financial statements, all of which, in the aggregate, were determined to be a material weakness in internal control over financial reporting as of December 31, 2013.

We did not have adequate policies and procedures in place to ensure the effective design and operation of general IT controls over our financial reporting systems. Specifically, we identified deficiencies in internal controls related to access to programs and data, and program development and changes, which we consider in the aggregate to be a material weakness, due to the inability to rely on certain system generated reports and application controls.

Further, as previously disclosed, in connection with the preparation of our consolidated financial statements for the years ended December 31, 2013 and 2012, we determined that we had significant deficiencies related to our review of equity transactions, controls related to the preparation and review of our tax provision and

the operation of our financial reporting controls, all of which aggregated to a material weakness in internal control over financial reporting.

Current Status

As detailed below under **Changes in Internal Control Over Financial Reporting**, we have taken steps to improve our internal control over financial reporting. However, we have determined that we continue to have material weaknesses in the design and operating effectiveness of our internal control over financial reporting as of September 30, 2014.

As a result of various factors including, in part, the identified material weaknesses in the design and operation of our internal controls over financial reporting, our management concluded that our disclosure controls and procedures as of September 30, 2014 were ineffective. Furthermore, our management may be unable to conclude in future periods that our disclosure controls and procedures are effective due to the effects of various factors, which may, in part, include unremediated material weakness in internal controls over financial reporting.

The term **disclosure controls and procedures**, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, or the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the rules and forms of the Securities and Exchange Commission, or SEC. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be

Table of Contents

disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure.

Under SEC rules applicable to newly public registrants, for the year ended December 31, 2013, we did not perform an evaluation of our internal control over financial reporting pursuant to Section 404(a) of the Sarbanes-Oxley Act of 2002. Further, as long as we qualify as an emerging growth company as defined by the Jumpstart our Business Startups Act of 2012, we will not be required to obtain an auditor's attestation report on our internal controls in future annual reports on Form 10-K as otherwise required by Section 404(b) of the Sarbanes-Oxley Act. Accordingly, our independent registered public accounting firm did not perform an audit of our internal control over financial reporting for the fiscal year ended December 31, 2013. Had we performed such an evaluation or had our independent registered public accounting firm performed an audit of our internal control over financial reporting, material weaknesses and/or significant deficiencies, in addition to those discussed above, may have been identified.

Because we are an emerging growth company, our independent registered public accounting firm will not perform an audit of our internal control over financial reporting for the fiscal year ending December 31, 2014. Our qualification as an emerging growth company may last for up to five years following our IPO on August 8, 2013. Although we believe the internal controls we are developing, once properly designed and implemented, will be effective, we cannot provide assurance that our registered public accounting firm will be able to attest that our internal controls are effective when they are required to do so. During the course of the evaluation, documentation or attestation, we or our independent registered public accounting firm may identify weaknesses and significant deficiencies that we may not otherwise identify in a timely manner or at all as a result of the deferred implementation of this additional level of review.

We cannot assure you that we will be able to remediate our existing material weaknesses in a timely manner, if at all, or that in the future additional material weaknesses will not exist or otherwise be discovered, a risk that is significantly increased in light of the complexity of our business.

If our efforts to remediate these material weaknesses are not successful or if other deficiencies occur, our ability to accurately and timely report our financial position, results of operations, cash flows or key operating metrics could be impaired, which could result in late filings of our annual and quarterly reports under the Exchange Act, restatements of our consolidated financial statements or other corrective disclosures.

Additional impacts could include a decline in our stock price, suspension of trading or delisting of our common stock by the New York Stock Exchange, or other material adverse effects on our business, reputation, results of operations, financial condition or liquidity. Furthermore, if we continue to have these existing material weaknesses or other material weaknesses or significant deficiencies in the future, it could create a perception that our financial results do not fairly state our financial condition or results of operations. Any of the foregoing could have an adverse effect on the value of our stock.

Changes in Internal Control Over Financial Reporting

Since December 31, 2013, with the oversight of senior management and our audit committee, we have begun taking steps and plan to take additional measures to remediate the underlying causes of the identified material weaknesses, primarily through the performance of a risk assessment process; the development and implementation of formal, documented policies and procedures, improved processes and control activities (including an assessment of the segregation of duties); as well as the hiring of additional finance personnel for specific roles such as financial reporting. During the period covered by this Quarterly Report on Form 10-Q, we made the following changes to our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our

internal control over financial reporting:

We have developed entity level and process level controls with respect to the preparation and review of our consolidated financial statements. We have developed monitoring and management oversight of the financial reporting control environment. We have developed process level controls relating to the review of manually prepared analyses and supporting information used to prepare our consolidated financial statements. In particular, we have developed measures to mitigate our previously-identified significant deficiencies relating to controls over our cut off procedures, reviews of account reconciliations and account analyses, and controls related to the preparation and review of our financial statements. We are in the process of testing and validating these controls. At this time, we cannot state whether these controls will prove to be effective.

We are currently working to write policies and procedures to ensure the effective design and operation of general IT controls over our financial reporting systems. We have not yet completed our development, implementation and testing of these controls. At this time, we cannot state whether these controls will prove to be effective.

Table of Contents

We have completed the development and formal documentation of our policies and procedures relating to our internal control over financial reporting, but we have not completed the testing of these formalized controls. We also have not yet completed the development and formal documentation of general IT controls over our financial reporting systems. We will not consider the material weaknesses remediated until our internal control processes have been operational for a sufficient period of time and successfully tested. Accordingly, we have determined that we continue to have material weaknesses in our internal control over financial reporting as of September 30, 2014, as described in the Background section above. We also cannot provide assurance that management will be able to report that our internal control over financial reporting is effective as of December 31, 2014.

Table of Contents

PART II. OTHER INFORMATION

Item 1. *Legal Proceedings*

From time to time, we may become involved in legal proceedings in the ordinary course of our business. We are not presently a party to any legal proceedings that, if determined adversely to us, would individually or in the aggregate have a material adverse effect on our business, operating results, financial condition or cash flows.

Item 1A. *Risk Factors*

The risks described in Part I, Item 1A, Risk Factors, in our Annual Report on Form 10-K for the year ended December 31, 2013, which was filed with the Securities and Exchange Commission on March 21, 2014, remain current in all material respects. Those risk factors do not identify all risks that we face our operations could also be affected by factors that are not presently known to us or that we currently consider to be immaterial to our operations.

Item 2. *Unregistered Sales of Equity Securities and Use of Proceeds*

(a) *Unregistered Sales of Equity Securities during the Three Months Ended September 30, 2014*

None.

(b) *Use of Proceeds from Sale of Registered Equity Securities*

August 2013 Initial Public Offering

On August 8, 2013, our Registration Statement on Form S-1, as amended (Reg. No. 333-189837) was declared effective in connection with the initial public offering of our common stock, pursuant to which we registered an aggregate of 6,440,000 shares of our common stock, all of which were sold by us, including the underwriters over-allotment, at a price to the public of \$21.00 per share. The offering closed on August 14, 2013, and, as a result, we received net proceeds of approximately \$122.1 million after underwriters discounts and commissions of approximately \$9.5 million and additional offering-related costs of approximately \$3.6 million. The managing underwriters of the offering were Morgan Stanley & Co. LLC and Goldman, Sachs & Co. No payments for such expenses were made directly or indirectly to (i) any of our officers or directors or their associates, (ii) any persons owning 10% or more of any class of our equity securities, or (iii) any of our affiliates. There has been no material change in the planned use of proceeds from our IPO as described in the final prospectus relating to that offering dated August 8, 2013. We invested the funds received in registered money market funds and to date have used a portion of the funds for acquisition costs.

January 2014 Follow-On Public Offering

On January 16, 2014, our Registration Statements on Form S-1, as amended (Reg. Nos. 333-193188 and 333-193400) were declared effective in connection with the follow-on public offering of our common stock, pursuant to which we and the selling stockholders in such transaction registered the sale of an aggregate of 6,072,000 shares of our common stock, 747,500 shares of which were sold by us and 5,324,500, including the underwriters over-allotment, sold by the selling shareholders, at a price to the public of \$35.50 per share. The offering closed on January 23, 2014, and, as a

result, we received net proceeds of approximately \$24.8 million after underwriters' discounts and commissions of approximately \$1.1 million and additional offering-related costs of \$650,000. We did not receive any proceeds from the sales of shares by the selling stockholders, other than \$96,844 in disgorged profits remitted to the Company by two officers due to their sale of 7,500 shares of common stock under Section 16(b) of the Securities Exchange Act of 1934, as amended. The managing underwriters of the offering were Morgan Stanley & Co. LLC and Goldman, Sachs & Co.

We paid all of the expenses related to the registration and offering of the shares sold by the selling stockholders, other than underwriting discounts and commissions relating to those shares and the fees and expenses of counsel to the selling stockholders. Other than these expenses, we made no payments directly or indirectly to (i) any of our officers or directors or their associates, (ii) any persons owning 10% or more of any class of our equity securities, or (iii) any of our affiliates.

The principal purposes of the offering were to facilitate an orderly distribution of shares for the selling stockholders in the offering and increase our public float. We currently have no specific plans for the use of a significant portion of the net proceeds to us of the offering. As noted above, we used a portion of the net proceeds to us from the offering to pay certain expenses of the selling stockholders in that offering. Additional funds have been used for working capital and general corporate purposes, including further expansion of our operations, product development and acquisition expenses. We invested the remaining funds received in registered money market funds. There has been no material change in the planned use of proceeds from our initial public offering from that described in the final prospectus filed by us with the SEC pursuant to Rule 424(b) dated January 16, 2014.

Table of Contents

(c) Purchases of Equity Securities by the Issuer and Affiliated Purchasers

None.

Item 3. *Defaults Upon Senior Securities*

None.

Item 4. *Mine Safety Disclosures*

Not Applicable.

Item 5. *Other Information*

None.

Item 6. *Exhibits*

The exhibits listed on the Exhibit Index attached hereto are filed or incorporated by reference (as stated therein) as part of this Quarterly Report on Form 10-Q.

Table of Contents

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Cvent, Inc.

/s/ Peter L. Childs
Peter L. Childs
Chief Financial Officer
*(Principal Financial and Accounting Officer
and*

Duly Authorized Officer)

Date: November 6, 2014

Table of Contents**EXHIBIT INDEX**

| Exhibit No. | Exhibit Document |
|------------------------|---|
| 3.1(1) | Amended and Restated Certificate of Incorporation of the Registrant (Exhibit 3.2) |
| 3.2(2) | Amended and Restated Bylaws of the Registrant (Exhibit 3.3) |
| 4.1(2) | Second Amended and Restated Investors Rights Agreement, dated July 15, 2011, by and among Registrant and certain security holders of Registrant (Exhibit 4.1) |
| 4.2(2) | Voting Agreement, dated July 15, 2011, by and among Registrant and certain security holders of Registrant (Exhibit 4.2) |
| 31.1 | Certification of the Chief Executive Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 31.2 | Certification of the Chief Financial Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 32.1 | Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 32.2 | Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 101 | Interactive Data Files pursuant to Rule 405 of Regulation S-T: (i) Consolidated Statements of Operations for the three and nine months ended September 30, 2014 and 2013, (ii) Consolidated Balance Sheets as of September 30, 2014 and December 31, 2013, (iii) Consolidated Statements of Cash Flows for the three and nine months ended September 30, 2014 and 2013 and (iv) Notes to Consolidated Financial Statements XBRL Exhibits. |
| (1) | Incorporated by reference to the exhibits to the Registrant's Registration Statement on Form S-1, as amended, dated August 5, 2013 (No. 333-189837). The number given in parentheses indicates the corresponding exhibit number in such Form S-1. |
| (2) | Incorporated by reference to the exhibits to the Registrant's Registration Statement on Form S-1, as amended, dated July 8, 2013 (No. 333-189837). The number given in parentheses indicates the corresponding exhibit number in such Form S-1. |