

MINDBODY, Inc.
Form 8-K
June 12, 2018

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d)

of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): June 12, 2018

MINDBODY, Inc.

(Exact name of Registrant as Specified in Its Charter)

Delaware
(State or Other Jurisdiction

of Incorporation)

001-37453
(Commission

File Number)
4051 Broad Street, Suite 220

20-1898451
(IRS Employer

Identification No.)

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San Luis Obispo, CA 94301

(Address of Principal Executive Offices)

(877) 755-4279

(Registrant's Telephone Number, Including Area Code)

Not Applicable

(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instructions A.2. below):

Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§ 230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§ 240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 1.01 Entry into a Material Definitive Agreement.

On June 12, 2018, MINDBODY, Inc. (the Company) completed its previously announced private offering of \$270,000,000 aggregate principal amount of 0.375% Convertible Senior Notes due 2023 (the Notes). The Company also granted the initial purchasers of the Notes, during a 13-day period beginning on, and including, the first date on which the Notes are issued, an option to purchase up to an additional \$40,500,000 principal amount of Notes. The Notes are the senior unsecured obligations of the Company. The Notes were issued pursuant to an Indenture, dated June 12, 2018 (the Indenture), between the Company and U.S. Bank National Association, as trustee.

The Notes will mature on June 1, 2023, unless earlier repurchased, redeemed or converted. The Notes will bear interest from June 12, 2018 at a rate of 0.375% per year payable semiannually in arrears on June 1 and December 1 of each year, beginning on December 1, 2018. The Notes will be convertible at the option of the holders at any time prior to the close of business on the business day immediately preceding December 1, 2022, only under the following circumstances: (1) during any calendar quarter commencing after the calendar quarter ending on September 30, 2018 (and only during such calendar quarter), if the last reported sale price of the Company's Class A common stock, par value \$0.000004 per share (the Common Stock), for at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days ending on, and including, the last trading day of the immediately preceding calendar quarter is greater than or equal to 130% of the conversion price on each applicable trading day; (2) during the five business day period after any ten consecutive trading day period (the measurement period) in which the trading price (as defined in the Indenture) per \$1,000 principal amount of Notes for each trading day of the measurement period was less than 98% of the product of the last reported sale price of the Common Stock and the conversion rate for the Notes on each such trading day; (3) if the Company calls any or all of the Notes for redemption, at any time prior to the close of business on the scheduled trading day immediately preceding the redemption date; and (4) upon the occurrence of specified corporate events as set forth in the Indenture. On or after December 1, 2022 until the close of business on the second scheduled trading day immediately preceding the maturity date, holders may convert all or any portion of their Notes, in multiples of \$1,000 principal amount, at the option of the holder regardless of the foregoing circumstances. Upon conversion, the Company may satisfy its conversion obligation by paying and/or delivering, as the case may be, cash, shares of the Common Stock or a combination of cash and shares of the Common Stock, at the Company's election, in the manner and subject to the terms and conditions provided in the Indenture. The conversion rate for the Notes will initially be 20.1898 shares of the Common Stock per \$1,000 principal amount of Notes, which is equivalent to an initial conversion price of approximately \$49.53 per share of the Common Stock. The initial conversion price of the Notes represents a premium of approximately 30.00% to the \$38.10 per share closing price of the Common Stock on June 7, 2018. The conversion rate is subject to adjustment under certain circumstances in accordance with the terms of the Indenture. In addition, following certain corporate events that occur prior to the maturity date or if the Company delivers a notice of redemption, the Company will increase the conversion rate, in certain circumstances, for a holder who elects to convert its Notes in connection with such a corporate event or notice of redemption, as the case may be.

The Company may redeem, for cash, all or any portion of the Notes, at its option, on or after June 6, 2021 if the last reported sale price of Common Stock has been at least 130% of the conversion price for at least 20 trading days (whether or not consecutive) during any 30 consecutive trading day period (including the last trading day of such period) ending on, and including, the trading day immediately preceding the date on which the Company provides notice of redemption, at a redemption price equal to 100% of the principal amount of the notes to be redeemed, plus accrued and unpaid interest.

If the Company undergoes a fundamental change (as defined in the Indenture), holders may require the Company to repurchase for cash all or any portion of their Notes at a fundamental change repurchase price equal to 100% of the principal amount of the Notes to be repurchased, plus any accrued and unpaid interest to, but excluding, the fundamental change repurchase date.

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The Indenture includes customary terms and covenants and sets forth certain events of default after which the Notes may be declared immediately due and payable and sets forth certain types of bankruptcy or insolvency events of default involving the Company or any of its significant subsidiaries (as defined in the Indenture) after which the Notes become automatically due and payable. The following events are considered events of default under the Indenture:

default for 30 days in the payment when due of interest on the Notes;

default in the payment of principal of any Note when due and payable at its stated maturity, upon optional redemption, repurchase, declaration of acceleration or otherwise;

failure by the Company to comply with its obligation to convert the Notes in accordance with the Indenture upon exercise of a holder's conversion right, and such failure continues for three business days;

failure by the Company to issue notice of a fundamental change or make-whole fundamental change (as defined in the Indenture) or notice of certain specified corporate events, and such failure continues for one business day;

failure by the Company to comply with its obligations in respect of any consolidation, merger or sale of assets;

failure by the Company to comply with any of the other agreements in the Indenture for 60 days after receipt of written notice of such failure;

one or more defaults by the Company or its significant subsidiaries shall have occurred under any mortgage, agreement or other instrument of certain indebtedness for money borrowed in excess of \$35,000,000 (or its foreign currency equivalent), either (i) resulting in such indebtedness becoming or being declared due and payable prior to its stated maturity or (ii) constituting a failure to pay the principal or interest of any such indebtedness when due and payable at its stated maturity, upon required repurchase, upon declaration of acceleration or otherwise, in each case, after the expiration of any applicable grace period, if not rescinded or annulled or cured or waived, or such indebtedness shall not have been paid or discharged, as the case may be, for 30 days after receipt of written notice of such failure; and

certain events of bankruptcy or insolvency with respect to the Company or any of its significant subsidiaries.

If certain bankruptcy and insolvency-related events of default occur with respect to the Company or any of its significant subsidiaries, the principal of, and accrued and unpaid interest on, all of the then outstanding Notes shall automatically become due and payable. If an event of default other than certain bankruptcy and insolvency-related events of default with respect to the Company or any of its significant subsidiaries occurs and is continuing, the trustee by notice to the Company, or the holders of at least 25% in principal amount of the outstanding Notes by notice to Company and the trustee, may declare the principal of, and accrued and unpaid interest on, all of the then outstanding Notes to be due and payable. Notwithstanding the foregoing, the Indenture provides that, to the extent the Company elects, the sole remedy for an event of default relating to certain failures by the Company to comply with certain reporting covenants in the Indenture will, for the first 365 days after such event of default, consist exclusively of the right of holders to receive additional interest on the Notes.

The Indenture provides that the Company shall not consolidate with or merge with or into another person, or sell, convey, transfer or lease all or substantially all of its consolidated properties and assets to, another person, unless: (i) the resulting, surviving or transferee person (if not the Company) is a corporation organized and existing under the laws of the United States of America, any State thereof or the District of Columbia, and such corporation (if not the Company) expressly assumes by supplemental indenture all of the Company's obligations under the Notes and the Indenture; and (ii) immediately after giving effect to such transaction, no default or event of default has occurred and is continuing under the Indenture.

A copy of the Indenture (including the form of the Notes) is attached as an exhibit to this report and is incorporated herein by reference (and this description is qualified in its entirety by reference to such document).

The net proceeds from this offering were approximately \$261.5 million, after deducting the initial purchasers discounts and commissions and the estimated offering expenses payable by the Company. The Company used

approximately \$31.7 million of the net proceeds to pay the cost of the capped call transactions described below. The Company intends to use the remainder of the net proceeds for working capital and general corporate purposes. The Company may also use a portion of the net proceeds to acquire or invest in technologies, solutions or businesses that complement its businesses. However, the Company has no commitments or agreements to enter into any such acquisitions or investments at this time.

Capped Call Transactions

On June 7, 2018, in connection with the offering of the Notes, the Company entered into privately negotiated capped call transactions with each of Société Générale, Goldman Sachs & Co. LLC, and Morgan Stanley & Co. LLC pursuant to capped call confirmations in substantially the form filed as Exhibit 10.1 to this Current Report on Form 8-K, which is incorporated herein by reference (and this description is qualified in its entirety by reference to such document). The capped call transactions are expected generally to reduce potential dilution to the Common Stock upon any conversion of Notes and/or offset any cash payments the Company is required to make in excess of the principal amount of converted Notes, as the case may be, with such reduction and/or offset subject to a cap initially equal to \$76.20 per share (which represents a premium of 100% over the last reported sale price of the Common Stock on the Nasdaq Global Market on June 7, 2018, and is subject to certain adjustments under the terms of the capped call transactions).

Item 2.03 Creation of a Direct Financial Obligation or an Obligation under an Off-Balance Sheet Arrangement of a Registrant.

The information set forth under Item 1.01 of this Current Report on Form 8-K is incorporated herein by reference.

Item 3.02 Unregistered Sale of Equity Securities.

The information set forth under Item 1.01 of this Current Report on Form 8-K is incorporated herein by reference.

The Company offered and sold the Notes to the initial purchasers in reliance on the exemption from registration provided by Section 4(a)(2) of the Securities Act of 1933, as amended (the Securities Act), and for resale by the initial purchasers to qualified institutional buyers pursuant to the exemption from registration provided by Rule 144A under the Securities Act. The Company relied on these exemptions from registration based in part on representations made by the initial purchasers in the purchase agreement dated June 7, 2018 by and among the Company and the initial purchasers. The shares of the Common Stock issuable upon conversion of the Notes, if any, have not been registered under the Securities Act and may not be offered or sold in the United States absent registration or an applicable exemption from registration requirements.

To the extent that any shares of the Common Stock are issued upon conversion of the Notes, they will be issued in transactions anticipated to be exempt from registration under the Securities Act by virtue of Section 3(a)(9) thereof, because no commission or other remuneration is expected to be paid in connection with conversion of the Notes, and any resulting issuance of shares of the Common Stock.

Forward-Looking Statements

This Current Report on Form 8-K contains forward-looking statements, as that term is defined under the federal securities laws, including but not limited to statements regarding the offering of the Notes, the effects of the capped call transactions, and the Company's expectations regarding the expected net proceeds from the offering and use of those net proceeds. These forward-looking statements are based on the Company's current assumptions, expectations and beliefs and are subject to substantial risks, uncertainties, assumptions and changes in circumstances that may cause the Company's actual results, performance or achievements to differ materially from those expressed or implied in any forward-looking statement. Given these uncertainties, you should not place undue reliance on these forward-looking statements. Further information on these and other factors that could affect the forward-looking statements in this Current Report on Form 8-K is included in the filings the Company makes with the Securities and Exchange Commission (SEC) from time to time, particularly under the captions Risk Factors and Management's Discussion and Analysis of Financial Condition and Results of Operations, including the Annual Report on Form 10-K for the fiscal year ended December 31, 2017 and the Quarterly Report on Form 10-Q for the quarter ended March 31, 2018. Copies of these documents may be obtained by visiting the Company's Investor Relations website at investors.mindbodyonline.com/ or the SEC's website at www.sec.gov. These forward-looking statements represent the Company's estimates and assumptions only as of the date of this Current Report on Form 8-K. The Company assumes no obligation and does not intend to update these forward-looking statements, except as required by law.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits

Exhibit No.	Description
4.1	<u>Indenture, dated as of June 12, 2018, by and between MINDBODY, Inc. and U.S. Bank National Association, as Trustee.</u>
4.2	<u>Form of Global Note, representing MINDBODY, Inc.'s 0.375% Convertible Senior Notes due 2023 (included as Exhibit A to the Indenture filed as Exhibit 4.1).</u>

10.1

Form of Confirmation for Capped Call Transactions.

SIGNATURES

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

MINDBODY, INC.

By: /s/ Brett White
Brett White

Chief Financial Officer and Chief Operating Officer

June 12, 2018