

ELLIE MAE INC  
Form 10-Q  
August 06, 2015  
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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2015

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: 001-35140

ELLIE MAE, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of  
incorporation or organization)

94-3288780

(I.R.S. Employer  
Identification No.)

4420 Rosewood Drive, Suite 500

Pleasanton, California

(Address of principal executive offices)

(925) 227-7000

(Registrant's telephone number, including area code)

94588

(Zip Code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "small reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer  (Do not check if smaller reporting company)

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined by Rule 12b-2 of the Exchange Act). Yes  No

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Indicate the number of shares outstanding of each of the registrant's classes of common stock as of the latest practicable date:

As of August 3, 2015:

Class	Number of Shares
Common Stock, \$0.0001 par value	29,592,551

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## PART I—FINANCIAL INFORMATION

## ITEM 1—CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Ellie Mae, Inc.

## CONDENSED CONSOLIDATED BALANCE SHEETS

(UNAUDITED)

(in thousands, except share and per share amounts)

	June 30, 2015	December 31, 2014
Assets		
Current assets:		
Cash and cash equivalents	\$34,918	\$26,756
Short-term investments	57,116	49,352
Accounts receivable, net of allowances for doubtful accounts of \$58 and \$66 as of June 30, 2015 and December 31, 2014, respectively	29,168	20,403
Prepaid expenses and other current assets	11,433	16,021
Total current assets	132,635	112,532
Property and equipment, net	62,962	28,694
Long-term investments	50,119	58,679
Intangible assets, net	18,941	21,452
Goodwill	65,338	65,338
Deposits and other assets	8,319	3,425
Total assets	\$338,314	\$290,120
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$6,508	\$6,726
Accrued and other current liabilities	24,640	16,822
Acquisition holdback, net of discount	522	522
Deferred revenue	14,289	9,729
Total current liabilities	45,959	33,799
Leases payable, net of current portion	2,146	443
Other long-term liabilities	13,369	2,994
Total liabilities	61,474	37,236
Commitments and contingencies (Note 7)		
Stockholders' equity:		
Common stock, \$0.0001 par value per share; 140,000,000 authorized shares, 29,566,184 and 28,907,147 shares issued and outstanding as of June 30, 2015 and December 31, 2014, respectively	3	3
Additional paid-in capital	262,680	242,527
Accumulated other comprehensive income (loss)	35	(95
Retained earnings	14,122	10,449
Total stockholders' equity	276,840	252,884
Total liabilities and stockholders' equity	\$338,314	\$290,120

See accompanying notes to these condensed consolidated financial statements (unaudited).

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Ellie Mae, Inc.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
(UNAUDITED)

(in thousands, except share and per share amounts)

	Three Months ended June 30,		Six Months ended June 30,	
	2015	2014	2015	2014
Revenues	\$65,942	\$39,984	\$120,131	\$72,162
Cost of revenues	20,862	10,576	38,212	19,894
Gross profit	45,080	29,408	81,919	52,268
Operating expenses:				
Sales and marketing	8,804	6,451	18,564	12,546
Research and development	9,282	6,077	17,579	12,892
General and administrative	14,149	9,551	26,451	18,544
Total operating expenses	32,235	22,079	62,594	43,982
Income from operations	12,845	7,329	19,325	8,286
Other income, net	153	109	285	209
Income before income taxes	12,998	7,438	19,610	8,495
Income tax provision	5,368	2,714	8,396	2,989
Net income	\$7,630	\$4,724	\$11,214	\$5,506

The Underlying Index: S&P® Oil & Gas Exploration & Production Select Industry® Index

We have derived all information contained in this document regarding the Underlying Index, including, without limitation, its make-up, method of calculation and changes in its components, from publicly available information. Such information reflects the policies of, and is subject to change by, S&P.

The Underlying Index is an equal-weighted index that is designed to measure the performance of the oil and gas exploration and production sub-industry portion of the S&P TMI. The S&P TMI includes all U.S. common equities listed on the NYSE (including NYSE Arca), the NYSE MKT, the NASDAQ Global Select Market, and the NASDAQ Capital Market. Each of the component stocks in the Underlying Index is a constituent company within the oil and gas exploration and production sub-industry portion of the S&P TMI.

To be eligible for inclusion in the Underlying Index, companies must be in the S&P TMI and must be included in the relevant Global Industry Classification Standard (GICS) sub-industry. The GICS was developed to establish a global standard for categorizing companies into sectors and industries. In addition to the above, companies must satisfy one of the two following combined size and liquidity criteria:

float-adjusted market capitalization above US\$500 million and float-adjusted liquidity ratio above 90%; or

float-adjusted market capitalization above US\$400 million and float-adjusted liquidity ratio above 150%.

All U.S. companies satisfying these requirements are included in the Underlying Index. The total number of companies in the Underlying Index should be at least 35. If there are fewer than 35 stocks, stocks from a supplementary list of highly correlated sub-industries that meet the market capitalization and liquidity thresholds above are included in order of their float-adjusted market capitalization to reach 35 constituents. Minimum market capitalization requirements may be relaxed to ensure there are at least 22 companies in the Underlying Index as of each rebalancing effective date.

Eligibility factors include:

**Market Capitalization:** Float-adjusted market capitalization should be at least US\$400 million for inclusion in the Underlying Index. Existing index components must have a float-adjusted market capitalization of US\$300 million to remain in the Underlying Index at each rebalancing.

**Liquidity:** The liquidity measurement used is a liquidity ratio, defined as dollar value traded over the previous 12-months divided by the float-adjusted market capitalization as of the Underlying Index rebalancing reference date. Stocks having a float-adjusted market capitalization above US\$500 million must have a liquidity ratio greater than 90% to be eligible for addition to the Underlying Index. Stocks having a float-adjusted market capitalization between US\$400 and US\$500 million must have a liquidity ratio greater than 150% to be eligible for addition to the Underlying Index. Existing index constituents must have a liquidity ratio greater than 50% to remain in the Underlying Index at the quarterly rebalancing. The length of time to evaluate liquidity is reduced to the available trading period for IPOs or spin-offs that do not have 12 months of trading history.

Takeover Restrictions: At the discretion of S&P, constituents with shareholder ownership restrictions defined in company bylaws may be deemed ineligible for inclusion in the Underlying Index. Ownership restrictions preventing entities from replicating the index weight of a company may be excluded from the eligible universe or removed from the Underlying Index.

Turnover: S&P believes turnover in index membership should be avoided when possible. At times, a company may appear to temporarily violate one or more of the addition criteria. However, the addition criteria are for addition to the Underlying Index, not for continued membership. As a result, an index constituent that appears to violate the criteria for addition to the Underlying Index will not be deleted unless ongoing conditions warrant a change in the composition of the Underlying Index.

Historical Information of the SPDR® S&P® Oil & Gas  
Exploration & Production ETF

The following table sets forth the high and low closing prices of the Reference Stock from the first quarter of 2008 through the Pricing Date.

	High (in \$)	Low (in \$)
2008 First Quarter	55.79	45.14
Second Quarter	71.38	54.47
Third Quarter	71.06	42.70
Fourth Quarter	43.38	23.01
2009 First Quarter	33.47	23.41
Second Quarter	38.25	27.58
Third Quarter	39.61	28.51
Fourth Quarter	43.37	36.91
2010 First Quarter	44.07	39.22
Second Quarter	45.83	38.57
Third Quarter	42.85	38.03
Fourth Quarter	52.71	42.17
2011 First Quarter	64.44	52.75
Second Quarter	64.97	54.71
Third Quarter	65.21	42.86
Fourth Quarter	57.56	39.99
2012 First Quarter	61.34	52.67
Second Quarter	57.85	45.20
Third Quarter	59.35	48.73
Fourth Quarter	57.38	50.69
2013 First Quarter	62.10	55.10
Second Quarter	62.61	54.71
Third Quarter	66.47	58.62
Fourth Quarter	72.74	65.02
2014 First Quarter	71.83	64.04
Second Quarter	83.45	71.19
Third Quarter	82.08	68.83
Fourth Quarter	66.84	42.75
2015 First Quarter	53.94	42.55
Second Quarter	55.63	46.43
Third Quarter	45.22	31.71
Fourth Quarter	40.53	28.64
2016 First Quarter	30.96	23.60



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Second Quarter	37.50	29.23
Third Quarter	39.12	32.75
Fourth Quarter	43.42	34.73
2017 First Quarter	42.21	35.17
Second Quarter	37.89	30.17
Third Quarter (through the Pricing Date)	33.54	28.97

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## Validity of the Notes

In the opinion of Osler, Hoskin & Harcourt LLP, the issue and sale of the notes has been duly authorized by all necessary corporate action of the Bank in conformity with the Senior Indenture, and when this pricing supplement has been attached to, and duly notated on, the master note that represents the notes, the notes will have been validly executed and issued and, to the extent validity of the notes is a matter governed by the laws of the Province of Ontario, or the laws of Canada applicable therein, and will be valid obligations of the Bank, subject to the following limitations (i) the enforceability of the Senior Indenture may be limited by the Canada Deposit Insurance Corporation Act (Canada), the Winding-up and Restructuring Act (Canada) and bankruptcy, insolvency, reorganization, receivership, moratorium, arrangement or winding-up laws or other similar laws affecting the enforcement of creditors' rights generally; (ii) the enforceability of the Senior Indenture may be limited by equitable principles, including the principle that equitable remedies such as specific performance and injunction may only be granted in the discretion of a court of competent jurisdiction; (iii) pursuant to the Currency Act (Canada) a judgment by a Canadian court must be awarded in Canadian currency and that such judgment may be based on a rate of exchange in existence on a day other than the day of payment; and (iv) the enforceability of the Senior Indenture will be subject to the limitations contained in the Limitations Act, 2002 (Ontario), and such counsel expresses no opinion as to whether a court may find any provision of the Senior Debt Indenture to be unenforceable as an attempt to vary or exclude a limitation period under that Act. This opinion is given as of the date hereof and is limited to the laws of the Provinces of Ontario and the federal laws of Canada applicable thereto. In addition, this opinion is subject to customary assumptions about the Trustee's authorization, execution and delivery of the Indenture and the genuineness of signatures and certain factual matters, all as stated in the letter of such counsel dated April 27, 2017, which has been filed as Exhibit 5.3 to Bank of Montreal's Form 6-K filed with the SEC and dated April 27, 2017.

In the opinion of Morrison & Foerster LLP, when the pricing supplement has been attached to, and duly notated on, the master note that represents the notes, and the notes have been issued and sold as contemplated by the prospectus supplement and the prospectus, the notes will be valid, binding and enforceable obligations of Bank of Montreal, entitled to the benefits of the Senior Indenture, subject to applicable bankruptcy, insolvency and similar laws affecting

creditors' rights generally, concepts of reasonableness and equitable principles of general applicability (including, without limitation, concepts of good faith, fair dealing and the lack of bad faith). This opinion is given as of the date hereof and is limited to the laws of the State of New York. This opinion is subject to customary assumptions about the Trustee's authorization, execution and delivery of the Senior Indenture and the genuineness of signatures and to such counsel's reliance on the Bank and other sources as to certain factual matters, all as stated in the legal opinion dated April 27, 2017, which has been filed as Exhibit 5.4 to the Bank's Form 6-K dated April 27, 2017.

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