

PROS Holdings, Inc.
Form 10-Q
August 08, 2007

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2007

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: 333-141884

PROS HOLDINGS, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

76-0168604

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

3100 Main Street, Suite 900, Houston, TX 77002

(713) 335-5151

(Address and telephone number of principal executive offices)

Indicate by check mark whether 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) had been subject to such filing requirements for the past 90 days. Yes No

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

Large Accelerated Filer

Accelerated Filer

Non-Accelerated Filer

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

The number of shares outstanding of the Registrant's Common Stock, \$0.01 par value, was 25,782,897 as of August 6, 2007.

PROS HOLDINGS, INC.

Form 10-Q for the Quarter Ended June 30, 2007

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Cautionary Statement

Except for the historical financial information contained herein, the matters discussed in this report on Form 10-Q (as well as documents incorporated herein by reference) may be considered forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Such forward-looking statements include declarations regarding the intent, belief or current expectations of PROS Holdings, Inc. and its management and may be signified by the words expects, anticipates, target, project, goals, estimates, potential, predicts, may, might, could, intends, believes or similar language. You are cautioned that any such forward-looking statements are not guarantees of future performance and involve a number of risks and uncertainties. Actual results could differ materially from those indicated by such forward-looking statements. Factors that could cause or contribute to such differences include those discussed under Risk Factors and elsewhere in this report. PROS Holdings, Inc. disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

PART I. FINANCIAL INFORMATION**Item 1. Condensed Unaudited Consolidated Financial Statements****PROS Holdings, Inc.****Condensed Consolidated Balance Sheets****(unaudited)**

	June 30, 2007	December 31, 2006
Assets		
Current assets		
Cash and cash equivalents	\$ 4,168,465	\$ 42,540,180
Accounts and unbilled receivables, net of allowance of \$1,180,000 and \$1,190,000 respectively	16,010,472	13,788,989
Prepaid expenses and other	2,527,723	2,199,997
Total current assets	22,706,660	58,529,166
Property and equipment, net	2,473,816	2,372,872
Other assets	4,359,335	2,144,371
Total assets	\$ 29,539,811	\$ 63,046,409
Liabilities and stockholders' (deficit) equity		
Current liabilities		
Current portion of long-term debt	\$ 200,000	\$
Accounts payable	2,155,948	584,372
Accrued liabilities	3,038,607	3,965,817
Accrued contract labor	1,423,748	1,405,287
Accrued payroll	1,722,828	2,918,979
Deferred revenue	22,442,582	22,079,937
Total current liabilities	30,983,713	30,954,392
Long-term debt	19,750,000	
Long-term deferred revenue	4,806,306	4,131,757
Commitments and contingencies		
Redeemable preferred stock, \$0.001 par value, 3,921,312 shares authorized, 0 and 2,627,282 shares outstanding, respectively		17,283,168
Stockholders' equity (deficit)		
Common stock, 20,669,134 and 19,733,689 shares outstanding	24,516	23,581
Additional paid-in capital	406,271	7,812,536
Common stock warrants	226,000	226,000
Treasury stock, 3,847,040 common shares at cost	(8,937,500)	(8,937,500)
Retained (deficit) earnings	(17,719,495)	11,552,475
Total stockholders' (deficit) equity	(26,000,208)	10,677,092
Total liabilities and stockholders' (deficit) equity	\$ 29,539,811	\$ 63,046,409

The accompanying notes are an integral part of these condensed consolidated financial statements.

PROS Holdings, Inc.

Condensed Consolidated Statements of Income

(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Revenue				
License and implementation	\$ 9,892,831	\$ 6,657,225	\$ 18,916,326	\$ 12,364,000
Maintenance and support	4,521,667	4,077,657	8,950,495	7,988,577
Total revenue	14,414,498	10,734,882	27,866,821	20,352,577
Cost of Revenue				
License and implementation	3,218,310	2,861,936	6,406,858	5,267,259
Maintenance and support	1,104,351	952,400	2,093,740	1,818,628
Total cost of revenue	4,322,661	3,814,336	8,500,598	7,085,887
Gross profit	10,091,837	6,920,546	19,366,223	13,266,690
Operating expenses				
Selling, general and administrative	3,777,311	3,206,988	6,925,062	6,569,637
Research and development	4,323,643	2,257,751	8,064,981	4,404,553
Income from operations	1,990,883	1,455,807	4,376,180	2,292,500
Other income (expense)				
Interest income	62,143	477,064	594,864	907,235
Interest expense	(441,364))	(458,077))
Income before income taxes	1,611,662	1,932,871	4,512,967	3,199,735
Income tax provision	343,936	380,951	950,424	630,639
Net income	1,267,726	1,551,920	3,562,543	2,569,096
Accretion of preferred stock		(131,250)	(81,915)	(262,500)
Net earnings attributable to common stockholders	\$ 1,267,726	\$ 1,420,670	\$ 3,480,628	\$ 2,306,596
Net earnings attributable to common stockholders per share:				
Basic	\$ 0.06	\$ 0.07	\$ 0.17	\$ 0.12
Diluted	\$ 0.06	\$ 0.07	\$ 0.16	\$ 0.11
Weighted average number of shares				
Basic	20,669,134	19,609,545	20,216,903	19,596,992
Diluted	21,818,421	20,732,661	21,366,190	20,720,108

The accompanying notes are an integral part of these condensed consolidated financial statements.

PROS Holdings, Inc.

Condensed Consolidated Statements of Cash Flows

(unaudited)

	Six Months Ended June 30,	
	2007	2006
Operating activities		
Net income	\$ 3,562,543	\$ 2,569,096
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	595,136	728,961
Noncash compensation	509,486	
Other, net	20,655	
Changes in operating assets and liabilities:		
Accounts receivable and unbilled receivables, net	(2,221,483)	(430,480)
Prepaid expenses and other	(303,626)	(320,378)
Accounts payable, accrued liabilities, accrued contract labor and accrued payroll	(2,062,083)	(3,337,060)
Deferred revenue	1,037,194	3,608,880
Net cash provided by operating activities	1,137,822	2,819,019
Investing activities		
Purchases of property and equipment	(696,080)	(372,438)
Net cash used in investing activities	(696,080)	(372,438)
Financing activities		
Proceeds from long-term debt	20,000,000	
Dividend on common stock	(41,328,294)	
Payments on long-term debt	(50,000)	
Redemption of redeemable preferred stock	(17,365,083)	
Exercise of stock options	660,880	18,236
Offering costs	(313,150)	
Deferred loan costs	(417,810)	
Net cash (used in) provided by financing activities	(38,813,457)	18,236
Net (decrease) increase in cash and cash equivalents	(38,371,715)	2,464,817
Cash and cash equivalents		