

INSTRUCTURE INC  
Form 10-Q  
October 31, 2018

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, 2018

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: 001-37629

Instructure, Inc.

(Exact name of registrant as specified in its charter)

Delaware 26-3505687  
(State or other jurisdiction of (I.R.S. Employer  
incorporation or organization) Identification No.)

6330 South 3000 East, Suite 700

Salt Lake City, UT 84121

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(Address of principal executive offices, including zip code)

(800) 203-6755

(Registrant's telephone number, including area 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 every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definition of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

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.

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

As of October 26, 2018, there were 35,058,168 shares of the registrant's common stock outstanding.

Instructure, Inc.

Quarterly Report on Form 10-Q

For the Quarter Ended September 30, 2018

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In this Quarterly Report on Form 10-Q, “we,” “our,” “us,” “Instructure,” and the “Company” refer to Instructure, Inc. and its wholly-owned subsidiaries.

## PART I. FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements  
INSTRUCTURE, INC.

## Consolidated Balance Sheets

(in thousands)

(unaudited)

	September 30, 2018	December 31, 2017 *As Adjusted
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 111,031	\$ 35,693
Short-term marketable securities	60,390	5,697
Accounts receivable—net of allowance of \$730 and \$318 at September 30, 2018 and December 31, 2017, respectively	47,510	34,312
Prepaid expenses	11,114	11,492
Deferred commissions	8,126	7,086
Other current assets	1,803	2,419
<b>Total current assets</b>	<b>239,974</b>	<b>96,699</b>
Property and equipment, net	27,024	23,926
Goodwill	12,354	12,354
Intangible assets, net	6,936	9,048
Noncurrent prepaid expenses	4,075	2,939
Deferred commissions, net of current portion	11,292	11,160
Other assets	526	497
<b>Total assets</b>	<b>\$ 302,181</b>	<b>\$ 156,623</b>
<b>Liabilities and stockholders' equity</b>		
Current liabilities:		
Accounts payable	\$ 11,458	\$ 2,892
Accrued liabilities	14,345	13,702
Deferred rent	1,303	936
Deferred revenue	136,179	99,773
<b>Total current liabilities</b>	<b>163,285</b>	<b>117,303</b>
Deferred revenue, net of current portion	2,494	1,889
Deferred rent, net of current portion	10,437	9,201
Other long-term liabilities	20	1,286
<b>Total liabilities</b>	<b>176,236</b>	<b>129,679</b>

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Stockholders' equity:

Common stock	3	3
Additional paid-in capital	385,789	250,899
Accumulated other comprehensive loss	(12 )	(1 )
Accumulated deficit	(259,835)	(223,957)
Total stockholders' equity	125,945	26,944
Total liabilities and stockholders' equity	\$302,181	\$156,623

\*See Note 1 for a summary of adjustments

See accompanying notes.

## INSTRUCTURE, INC.

## Consolidated Statements of Operations

(in thousands, except per share amounts)

(unaudited)

	Three Months Ended		Nine Months	
	September 30,		Ended September 30,	
	2018	2017	2018	2017
		*As	*As	
		Adjusted	Adjusted	
<b>Revenue:</b>				
Subscription and support	\$49,235	\$38,290	\$137,539	\$103,557
Professional services and other	6,004	4,913	15,754	12,663
Total revenue	55,239	43,203	153,293	116,220
<b>Cost of revenue:</b>				
Subscription and support	12,149	9,278	33,324	24,350
Professional services and other	3,989	3,245	11,397	8,908
Total cost of revenue	16,138	12,523	44,721	33,258
Gross profit	39,101	30,680	108,572	82,962
<b>Operating expenses:</b>				
Sales and marketing	25,641	21,397	73,670	58,596
Research and development	15,601	12,577	45,110	34,816
General and administrative	9,815	8,334	26,306	22,941
Total operating expenses	51,057	42,308	145,086	116,353
Loss from operations	(11,956)	(11,628)	(36,514)	(33,391)
<b>Other income (expense):</b>				
Interest income	761	84	1,528	199
Interest expense	(25 )	—	(54 )	(18 )
Other income (expense), net	(177 )	205	(531 )	253
Total other income, net	559	289	943	434
Loss before income taxes	(11,397)	(11,339)	(35,571)	(32,957)
Income tax expense	(75 )	(132 )	(307 )	(383 )
Net loss	\$(11,472)	\$(11,471)	\$(35,878)	\$(33,340)
Net loss per common share, basic and diluted	\$(0.33 )	\$(0.39 )	\$(1.06 )	\$(1.14 )
<b>Weighted average common shares used in computing basic and</b>				
diluted net loss per common share	34,895	29,535	33,934	29,120

\* See Note 1 for a summary of adjustments  
See accompanying notes.





INSTRUCTURE, INC.

Consolidated Statements of Comprehensive Loss

(in thousands)

(unaudited)

	Three Months Ended		Nine Months Ended	
	September 30,	September 30,	September 30,	September 30,
	2018	2017	2018	2017
		*As		*As
		Adjusted		Adjusted
Net loss	\$(11,472)	\$(11,471)	\$(35,878)	\$(33,340)
Other comprehensive gain (loss):				
Net change in unrealized gains (losses) on marketable securities	(10)	(1)	(11)	11
Comprehensive loss	\$(11,482)	\$(11,472)	\$(35,889)	\$(33,329)

\* See Note 1 for a summary of adjustments

See accompanying notes.

## INSTRUCTURE, INC.

## Consolidated Statements of Cash Flows

(in thousands)

(unaudited)

	Nine Months Ended September 30,	
	2018	2017
		*As Adjusted
<b>Operating activities:</b>		
Net loss	\$(35,878 )	\$(33,340 )
<b>Adjustments to reconcile net loss to net cash used in operating activities:</b>		
Depreciation of property and equipment	6,438	4,322
Amortization of intangible assets	2,112	330
Amortization of deferred financing costs	15	24
Change in fair value of mark-to-market liabilities	(1,266 )	98
Stock-based compensation	16,102	11,707
Other	(757 )	(42 )
<b>Changes in assets and liabilities:</b>		
Accounts receivable, net	(14,011 )	(17,270 )
Prepaid expenses and other assets	(168 )	(1,868 )
Deferred commissions	(1,172 )	(3,833 )
Accounts payable and accrued liabilities	10,241	8,197
Deferred revenue	37,011	35,692
Deferred rent	1,603	(63 )
Other liabilities	—	(32 )
Net cash provided by operating activities	20,270	3,922
<b>Investing activities:</b>		
Purchases of property and equipment	(8,888 )	(10,830 )
Purchases of intangible assets	—	(301 )
Proceeds from sale of property and equipment	78	50
Purchases of marketable securities	(92,170 )	(8,088 )
Maturities of marketable securities	37,850	23,900
Net cash (used in) provided by investing activities	(63,130 )	4,731
<b>Financing activities:</b>		
Proceeds from common stock offerings, net of offering costs	109,789	—
Proceeds from issuance of common stock from employee equity plans	8,760	5,769
Shares repurchased for tax withholdings on vesting of restricted stock	(333 )	(214 )
Payments for financing costs	(18 )	(31 )
Net cash provided by financing activities	118,198	5,524
Net increase in cash and cash equivalents	75,338	14,177
Cash and cash equivalents, beginning of period	35,693	44,539
Cash and cash equivalents, end of period	\$111,031	\$58,716
<b>Supplemental cash flow disclosure:</b>		
Cash paid for taxes	\$131	\$247

Non-cash investing and financing activities:

Capital expenditures incurred but not yet paid	\$192	\$24
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\*See Note 1 for a summary of adjustments

See accompanying notes.

INSTRUCTURE, INC.

Notes to Unaudited Consolidated Financial Statements

1. Description of Business and Basis of Presentation

Organization

Instructure provides innovative applications for learning, assessment and talent management. We enable organizations worldwide to develop, deliver, manage and track engaging academic and employee development programs. We offer our platform through a Software-as-a-Service, or SaaS, business model. We were incorporated in the State of Delaware in September 2008. We are headquartered in Salt Lake City, Utah, and have wholly-owned subsidiaries in the United Kingdom, Australia, the Netherlands, Hong Kong, Sweden, Brazil and Mexico.

Basis of Presentation

The accompanying unaudited interim consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States (“GAAP”) applicable to interim periods, under the rules and regulations of the United States Securities and Exchange Commission (“SEC”). In the opinion of management, we have prepared the accompanying unaudited financial statements on a basis substantially consistent with the audited consolidated financial statements of the Company as of and for the fiscal year ended December 31, 2017, and these financial statements include all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the results of the interim periods presented. All intercompany balances and transactions have been eliminated in consolidation. The results of operations for the interim periods presented are not necessarily indicative of the results to be expected for any subsequent quarter or for the entire year ending December 31, 2018. The year-end balance sheet data was derived from audited financial statements, but this Form 10-Q does not include all disclosures required under GAAP. Certain information and note disclosures normally included in annual financial statements prepared in accordance with GAAP have been omitted under the rules and regulations of the SEC.

These interim financial statements should be read in conjunction with the audited consolidated financial statements and related notes contained in the Company’s Annual Report on Form 10-K filed with the SEC on February 15, 2018.

Effective January 1, 2018, we adopted the requirements of Accounting Standards Update (“ASU”) No. 2014-09, Revenue from Contracts with Customers as discussed in Note 1. All amounts and disclosures set forth in the Form 10-Q have been updated to comply with the new standard, as indicated by the “as adjusted” column heading.

Certain prior period amounts reported in our interim and annual consolidated financial statements and notes thereto have been reclassified to conform to current period presentation.

Use of Estimates

The preparation of the consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Such estimates, which we evaluate on an on-going basis, include allowances for doubtful accounts, useful lives for property and equipment and intangible assets, valuation of marketable securities, valuation allowances for net deferred income tax assets, valuation of stock-based compensation and common stock, standalone selling price (“SSP”) of performance obligations and the determination of the period of benefit for deferred commissions. We base our estimates on historical experience and on various other assumptions which we believe to be reasonable.

Segment Information

We operate in a single operating segment, cloud-based learning management systems. Operating segments are defined as components of an enterprise for which separate financial information is regularly evaluated by the chief operating decision makers, or CODMs, which are our chief executive officer and chief financial officer, in deciding how to allocate resources and assess performance. Our CODMs evaluate our financial information and resources and assess the performance of these resources on a consolidated basis. Since we operate in one operating segment, all required financial segment information can be found on the consolidated financial statements.

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## Summary of Significant Accounting Policies

Except for the accounting policies for revenue recognition, trade and other receivables, and deferred commissions that were updated as a result of adopting ASU No. 2014-09, there have been no changes to our significant accounting policies described in the Annual Report on Form 10-K as of and for the year ended December 31, 2017, filed with the SEC on February 15, 2018, that have had a material impact on our condensed consolidated financial statements and related notes.

### Revenue Recognition

We generate revenue primarily from two main sources: (1) subscription and support revenue, which is comprised of SaaS fees from customers accessing our learning, assessment and talent management systems and from customers purchasing additional support beyond the standard support that is included in the basic SaaS fees; and (2) related professional services revenue, which is comprised of training, implementation services and other types of professional services. Revenue is recognized when control of these services is transferred to our customers, in an amount that reflects the consideration we expect to be entitled to in exchange for those services.

We determined revenue recognition through the following steps:

- Identification of the contract, or contracts, with a customer
- Identification of the performance obligations in the contract
- Determination of the transaction price
- Allocation of the transaction price to the performance obligations in the contract
- Recognition of revenue when, or as, we satisfy a performance obligation

The following describes the nature of our primary types of revenue and the revenue recognition policies and significant payment terms as they pertain to the types of transactions we enter into with our customers.

### Subscription and Support

Subscription and support revenue is derived from fees from customers to access our learning, assessment and talent management systems and support beyond the standard support that is included with all subscriptions. The terms of our subscriptions do not provide customers the right to take possession of the software. Subscription and support revenue is generally recognized on a ratable basis over the contract term. Payments from customers are primarily due annually in advance. Unearned subscription and support revenue is included in deferred revenue.

### Professional Services and Other

Professional services revenue is derived from implementation, training, and consulting services. Our professional services are typically considered distinct from the related subscription services as the promise to transfer the subscription can be fulfilled independently from the promise to deliver the professional services (i.e., customer receives standalone functionality from the subscription and the customer obtains the intended benefit of the subscription without the professional services). Professional services revenue is typically recognized over time as the services are rendered, using an efforts-expended (labor hours) input method.

### Contracts with Multiple Performance Obligations

Many of our contracts with customers contain multiple performance obligations. We account for individual performance obligations separately if they are distinct. The transaction price is allocated to the separate performance obligations on a relative standalone selling price basis. We determine the standalone selling prices based on our overall pricing objectives by reviewing our significant pricing practices, including discounting practices, the size and volume of our transactions, the customer type, price lists, our pricing strategy, and historical stand-alone sales. SSP is

analyzed on a periodic basis to identify if we have experienced significant changes in our selling prices.

Trade and Other Receivables

Accounts receivable, net is comprised of trade receivables that are recorded at the invoice amount, net of an allowance for doubtful accounts, and other receivables, which represents unbilled receivables related to subscription and professional services contracts. Unbilled receivable balances as of September 30, 2018 and December 31, 2017 were \$7,000,000 and \$4,177,000, respectively.

Standard payment terms to customers range from 30 to 90 days; however, payment terms and conditions in our customer contracts may vary. In some cases, customers prepay for products and services in advance of our delivery of the related products or services; in other cases, payment is due as services are performed or in arrears following the delivery of the related products or services. The unbilled receivable primarily relates to revenue recognized when transferred services are more than amounts billable to customers.

#### Deferred Commissions

Sales commissions earned by our sales force are considered incremental and recoverable costs of obtaining a contract with a customer. These costs are deferred and then amortized on a straight-line basis over a period of benefit that we have determined to be generally four years. We determined the period of benefit by taking into consideration our customer contracts, our technology and other factors. Amortization of deferred commissions is included in sales and marketing expenses in the accompanying consolidated statements of operations.

#### Recent Accounting Pronouncements

##### Adopted accounting pronouncements

In October 2016, the Financial Accounting Standards Board (“FASB”) issued ASU 2016-16, “Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory”. This standard requires an entity to recognize the income tax consequences of an intra-entity transfer of an asset other than inventory when the transfer occurs, rather than when the asset has been sold to an outside party. The new standard must be adopted using a modified retrospective basis through a cumulative-effect adjustment directly to retained earnings in the period of adoption. This standard is effective for annual reporting periods beginning after December 15, 2017. We adopted the new standard as of January 1, 2018 and it did not have a material impact on our consolidated financial statements and related disclosures.

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers (“Topic 606”). Topic 606 supersedes the revenue recognition requirements in Accounting Standards Codification (“ASC”) Topic 605, Revenue Recognition (“Topic 605”), and requires the recognition of revenue as promised goods or services are transferred to customers in an amount that reflects the consideration which the entity expects to be entitled to in exchange for those goods or services. Topic 606 also includes Subtopic 340-40, Other Assets and Deferred Costs - Contracts with Customers, which requires the deferral of incremental costs of obtaining a contract with a customer. Collectively, we refer to Topic 606 and Subtopic 340-40 as the “new standard”.

We adopted the new standard as of January 1, 2018, utilizing the full retrospective method of transition. As a result, we recognized the cumulative effect of initially applying the new standard as an adjustment to the opening balance of equity on January 1, 2016. We have changed our accounting policy for revenue recognition as detailed above. The details of the significant changes and quantitative impact of the changes are disclosed below.

We applied Topic 606 retrospectively using the following practical expedients in paragraph 606-10-65-1(f). We do not disclose the amount of consideration allocated to the remaining performance obligations or an explanation of when we expect to recognize that amount as revenue for all reporting periods presented before the date of the initial application – i.e. January 1, 2018. Further, we do not retrospectively restate contracts modified before the beginning of the earliest reporting period presented but reflect the aggregate effect of all modifications that occur before the beginning of the earliest period presented.

The primary impact of adopting the new standard related to the deferral of incremental commission costs to obtain customer contracts and the removal of the contingent revenue limitation. We previously expensed sales commission costs as incurred. Under the new standard, we capitalize and amortize these costs over a period of benefit that we have determined to be generally four years. We were also previously limiting the amount of revenue recognized for delivered elements to the amount that was not contingent on the future delivery of products or services, or subject to



our future performance. Under the new standard, there is no requirement to limit the allocated transaction price to non-contingent amounts, therefore, we record unbilled revenue when transferred services are more than amounts billable to customers.

#### Impacts on Financial Statements

The following tables summarize the impacts of Topic 606 adoption on our consolidated financial statements on the previously reported periods. Select consolidated balance sheet line items, which reflect the adoption of Topic 606, are as follows (in thousands):

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	December 31, 2017		
	As previously reported	Adjustments	As adjusted
<b>Assets</b>			
Accounts receivable—net of allowance	\$30,797	\$ 3,515	\$ 34,312
Deferred commissions	—	7,086	7,086
Deferred commissions, net of current portion	—	11,160	11,160
Other assets	1,045	(548 )	497
<b>Liabilities</b>			
Deferred revenue	99,086	687	99,773
Deferred revenue, net of current portion	3,950	(2,061 )	1,889

Select unaudited consolidated statement of operations line items, which reflect the adoption of Topic 606, are as follows (in thousands):

	Three months ended September 30, 2017		
	As previously reported	Adjustments	As adjusted
<b>Revenue:</b>			
Subscription and support	\$37,427	\$ 863	\$38,290
Professional services and other	5,521	(608 )	4,913
Total revenue	42,948	255	43,203
<b>Cost of revenue:</b>			
Professional services and other	3,192	53	3,245
Gross profit	30,478	202	30,680
<b>Operating expenses:</b>			
Sales and marketing	22,129	(732 )	21,397
Loss before income taxes	(12,302)	963	(11,339)
Income tax expense	(71 )	(61 )	(132 )
Net loss	(12,373)	902	(11,471)
Net loss per common share, basic and diluted	(0.42 )	0.03	(0.39 )

	Nine months ended September 30, 2017		
	As previously reported	Adjustments	As adjusted
<b>Revenue:</b>			
Subscription and support	\$100,590	\$ 2,967	\$103,557
Professional services and other	14,381	(1,718 )	12,663
Total revenue	114,971	1,249	116,220
<b>Cost of revenue:</b>			

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Professional services and other	8,729	179	8,908
Gross profit	81,892	1,070	82,962
Operating expenses:			
Sales and marketing	62,429	(3,833 )	58,596
Loss before income taxes	(37,893 )	4,936	(32,957 )
Income tax expense	(207 )	(176 )	(383 )
Net loss	(38,100 )	4,760	(33,340 )
Net loss per common share, basic and diluted	(1.31 )	0.17	(1.14 )

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Select unaudited consolidated statement of cash flows line items, which reflect the adoption of Topic 606, are as follows (in thousands):

	Nine months ended September 30, 2017		
	As previously reported		As Adjusted
<b>Cash flows from operating activities:</b>			
Net loss	\$(38,100)	\$ 4,760	\$(33,340 )
Accounts receivable, net	(17,620)	350	(17,270 )
Prepaid expenses and other assets	(2,229 )	361	(1,868 )
Deferred commissions	—	(3,833 )	(3,833 )
Deferred revenue	37,331	(1,639 )	35,692
Net cash used in operating activities	3,922	—	3,922

Issued accounting pronouncements

In February 2016, the FASB issued ASU No. 2016-02, Leases, requiring recognition of a right-of-use asset and a lease liability on the balance sheet for all leases with the exception of short-term leases. Long-term leases will continue to be classified as either operating or finance leases in the financial statements. Lessor accounting is similar to the current model but updated to align with certain changes to the lessee model. Lessors will continue to classify leases as operating, direct financing or sales-type leases. The new standard must be adopted using a modified retrospective transition and requires application of the new guidance at the beginning of the earliest comparative period presented. The updated standard is effective for us beginning in the first quarter of 2019. We are currently evaluating the effect that the updated standard will have on our consolidated financial statements and related disclosures.

## 2. Net Loss Per Share

Basic net loss per share is computed by dividing net loss by the weighted average number of common shares outstanding for the period. Diluted net loss per share is computed by giving effect to all potential dilutive common stock equivalents outstanding for the period. For purposes of the diluted net loss per share calculation, options to purchase common stock, common stock warrants and restricted stock units are considered to be common stock equivalents.

A reconciliation of the denominator used in the calculation of basic and diluted loss per share is as follows (in thousands, except per share amounts):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
<b>Numerator:</b>				
Net loss	\$(11,472)	\$(11,471)	\$(35,878)	\$(33,340)
<b>Denominator:</b>				
Total weighted average common shares				
outstanding—basic	34,895	29,535	33,934	29,120

Dilutive effect of share equivalents resulting from stock				
options, restricted stock units, common stock warrants				
and common stock subject to repurchase				
	—	—	—	—
Weighted average common shares outstanding-diluted	34,895	29,535	33,934	29,120
Net loss per common share, basic and diluted	\$(0.33 )	\$(0.39 )	\$(1.06 )	\$(1.14 )

For all periods presented, we incurred net losses and, therefore, the effect of our outstanding stock options, restricted stock units and common stock warrants was not included in the calculation of diluted loss per share as the effect would be anti-dilutive. The following table contains share totals with a potentially dilutive impact (in thousands):

	As of	
	September 30,	
	2018	2017
Options to purchase common stock	1,378	2,489
Common stock warrants	—	17
Restricted stock units	1,611	1,566
Total	2,989	4,072

## 3. Property and Equipment

Property and equipment consisted of the following (in thousands):

	September 30, 2018	December 31, 2017
Computer and office equipment	\$ 5,964	\$ 5,726
Purchased software	1,071	1,071
Capitalized software development costs	20,285	14,755
Furniture and fixtures	4,522	3,924
Leasehold improvements and other	15,337	13,379
Total property and equipment	47,179	38,855
Less accumulated depreciation and amortization	(20,155 )	(14,929 )
Total	\$ 27,024	\$ 23,926

Accumulated amortization for capitalized software development costs was \$7,775,000 and \$4,570,000 at September 30, 2018 and December 31, 2017, respectively. Amortization expense for capitalized software development costs was \$1,217,000 and \$639,000 for the three months ended September 30, 2018 and 2017, respectively, and \$3,205,000 and \$1,645,000 for the nine months ended September 30, 2018 and 2017, respectively. Amortization expense for capitalized software development costs is recorded within cost of revenue on the consolidated statements of operations.

## 4. Goodwill and Intangible Assets

Goodwill was \$12,354,000 as of September 30, 2018 and December 31, 2017.

Intangible assets consisted of the following (in thousands):

	Average Remaining Useful Life	September 30, 2018	December 31, 2017
Domain names	8 Months	\$ 1,268	\$ 1,268
Trademarks	59 Months	120	120
Software	10 Months	620	620
Capitalized learning content	37 Months	400	400
Trade names	26 Months	320	320
Developed technology	38 Months	5,320	5,320
Customer relationships	26 Months	2,910	2,910
Accumulated amortization		(4,022 )	(1,910 )
Total		\$ 6,936	\$ 9,048

Amortization expense for intangible assets was \$673,000 and \$71,000 for the three months ended September 30, 2018 and 2017, respectively, and \$2,112,000 and \$330,000 for the nine months ended September 30, 2018 and 2017, respectively.

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Based on the recorded intangible assets at September 30, 2018, estimated amortization expense is expected to be as follows (in thousands):

Years Ending December 31,	Amortization Expense
Remainder of 2018	\$ 674
2019	2,626
2020	2,386
2021	1,250
2022	—
Total	\$ 6,936

5. Revenue

Disaggregation of Revenue

Revenue by geographic region, based on the physical location of the customer, is (in thousands):

	Three Months Ended September 30, 2018		Nine Months Ended September 30, 2018	
	2017	*As Adjusted	2017	*As Adjusted
United States	\$44,790	\$ 36,613	\$ 124,586	\$