

Zendesk, Inc.
Form S-1/A
March 16, 2015
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Registration No. 333-202621

As filed with the Securities and Exchange Commission on March 16, 2015.

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Amendment No. 1

to

FORM S-1

REGISTRATION STATEMENT

UNDER THE SECURITIES ACT OF 1933

Zendesk, Inc.

(Exact name of Registrant as specified in its charter)

Delaware (State or other jurisdiction of	7372 (Primary Standard Industrial	26-4411091 (I.R.S. Employer
incorporation or organization)	Classification Code Number) 1019 Market Street	Identification Number)

San Francisco, California 94103

415.418.7506

(Address, including zip code, and telephone number, including area code, of Registrant's principal executive offices)

Mikkel Svane

Chief Executive Officer

Zendesk, Inc.

1019 Market Street

San Francisco, California 94103

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(Name, address, including zip code, and telephone number, including area code, of agent for service)

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Approximate date of commencement of proposed sale to the public: As soon as practicable after this registration statement becomes effective.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act, check the following box: "

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

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. (Check one):

Large accelerated filer

Accelerated filer

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

Smaller reporting company

CALCULATION OF REGISTRATION FEE

	Amount	Proposed Maximum	Proposed Maximum	
	to be	Aggregate Offering	Aggregate	Amount of
Registered	Registered ⁽¹⁾	Price Per Share ⁽²⁾	Offering Price ⁽²⁾	Registration Fee ⁽³⁾
Common Stock, \$0.01 par value per share	9,809,500	\$22.54	\$221,106,130	\$25,693

- (1) Includes 1,279,500 shares of additional shares of common stock that the underwriters have the option to purchase.
- (2) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(c) under the Securities Act of 1933, as amended, based upon the average of the high and low sales prices of the registrant's common stock as reported by the New York Stock Exchange on March 12, 2015.
- (3) The registrant previously paid \$23,240 of the registration fee with the initial filing of this registration statement. **The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.**

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The information in this preliminary prospectus is not complete and may be changed. We and the selling stockholders may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell these securities and we and the selling stockholders are not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

Subject to Completion. Dated March 16, 2015.

8,530,000 Shares

Zendesk, Inc.

Common Stock

Zendesk, Inc. is selling 7,500,000 shares of common stock and the selling stockholders identified in this prospectus are selling 1,030,000 shares of common stock in this offering. We will not receive any proceeds from the sale of shares to be offered by the selling stockholders.

Our common stock is listed on the New York Stock Exchange under the symbol ZEN. On March 12, 2015, the last reported sale price of our common stock on the New York Stock Exchange was \$22.62 per share.

We are an emerging growth company as defined under the federal securities laws and, as such, we are subject to reduced public company reporting requirements.

See *Risk Factors* beginning on page 10 to read about factors you should consider before buying shares of common stock.

Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

	Per Share	Total
Public offering price	\$	\$
Underwriting discount ⁽¹⁾	\$	\$
Proceeds, before expenses, to us	\$	\$
Proceeds, before expenses, to selling stockholders	\$	\$

(1) See Underwriting for a description of the compensation payable to the underwriters. The underwriters have the option to purchase up to an additional 1,279,500 shares from us at the public offering price less the underwriting discount.

The underwriters expect to deliver the shares against payment in New York, New York on _____, 2015.

Goldman, Sachs & Co.

BofA Merrill Lynch

Pacific Crest Securities

Canaccord Genuity

Morgan Stanley

Credit Suisse

JMP Securities

Prospectus dated _____, 2015.

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Neither we, the selling stockholders, nor any of the underwriters have authorized anyone to provide any information or to make any representations other than as contained in this prospectus or in any free writing prospectuses we have prepared. We, the selling stockholders, and the underwriters take no responsibility for, and provide no assurance as to the reliability of, any information that others may give you. This prospectus is an offer to sell only the shares offered hereby, but only under circumstances and in jurisdictions where it is lawful to do so. The information contained in this prospectus is current only as of its date.

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PROSPECTUS SUMMARY

This summary highlights selected information that is presented in greater detail elsewhere in this prospectus. This summary does not contain all of the information you should consider before investing in our common stock. You should read this entire prospectus carefully, including the sections titled Risk Factors and Management's Discussion and Analysis of Financial Condition and Results of Operations, and our consolidated financial statements and the related notes included elsewhere in this prospectus, before making an investment decision. Unless expressly indicated or the context requires otherwise, the terms Zendesk, company, we, us, and our in this prospectus refer to Zendesk, Inc., a Delaware corporation, and its consolidated subsidiaries.

Overview

Zendesk believes the fundamental relationship between organizations and their customers is changing, and a new customer service philosophy is emerging.

Zendesk was formed to help organizations capitalize on this profound shift. We are a software development company that provides a software-as-a-service, or SaaS, customer service platform. Our beautifully simple platform helps organizations engage with people in new ways that foster long-term customer loyalty and satisfaction. We empower organizations to better answer customers' questions, and to solve their problems through the channels that people use every day when seeking help, such as email, chat, voice, social media, and websites. Our platform also helps people find answers on their own through knowledge bases and communities, capitalizing on the increasing customer preference for self-service. Our customer engagement capabilities allow organizations to proactively serve their customers, reaching out to those who may need help and soliciting feedback about their experience. The openness of our customer service platform makes it easy for organizations to integrate with other applications and embed our platform's functionality natively into their own websites and mobile applications. Our platform consolidates the data from customer interactions and provides organizations with powerful analytics and performance benchmarking.

Our business model is designed to drive organic growth, leverage positive word-of-mouth, and remove friction from the evaluation and purchasing process. A substantial percentage of our customers find us online and subscribe to our customer service platform directly from our website. Exemplifying the success of our sales and marketing strategy, during the three months ended December 31, 2014, approximately 64% of our qualified sales leads generated online, and approximately 62% of the total qualified sales leads for our customer service platform, came from organic search, customer referrals, and other unpaid sources. Our largest source of qualified sales leads is free trials of our customer service platform commenced by prospects. Our sales team largely focuses on a land and expand strategy, which leverages this grassroots adoption and seeks to expand our footprint within organizations.

As of December 31, 2014, we had approximately 52,500 paid customer accounts on our customer service platform and live chat software in the aggregate, which represent organizations across a broad array of sizes, industries, and geographies. Our customers are located in 150 countries and territories and provide customer service through our platform in over 40 languages.

In March 2014, we completed the acquisition of Zopim Technologies Pte Ltd., or Zopim, a software development company that provides a SaaS live chat service. Through Zopim, we provide live chat software as a standalone service and as an integrated service with our customer service platform for chat-enabled agents.

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Our financial performance reflects our significant customer growth and strong customer retention and expansion. For the years ended December 31, 2012, 2013, and 2014, our revenue was \$38.2 million, \$72.0 million, and \$127.0 million, respectively, representing an 88% annual growth rate from 2012 to 2013 and a 76% annual growth rate from 2013 to 2014. For the years ended December 31, 2012, 2013, and 2014, we derived \$15.8 million, or 41%, \$29.6 million, or 41%, and \$54.8 million, or 43%, respectively, of our revenue from customers located outside of the United States. For the years ended December 31, 2012, 2013, and 2014, we generated net losses of \$24.4 million, \$22.6 million, and \$67.4 million, respectively. We intend to continue to invest aggressively to drive continued growth and market leadership.

Industry Background

Over the last several years, the ways in which people research, purchase from, and communicate with organizations have evolved from a relatively simple set of interactions into a rapidly expanding network of information and communications. The result is people who are better informed about the products and services they buy; have more choices and potentially less loyalty; and can influence many others with their opinions. People have higher expectations about how an organization will relate to them and less patience for organizations that do not meet these expectations.

We believe this transformation creates tremendous opportunities for organizations of all sizes that make customer service a critical focus of their operations. We believe that many successful organizations today exemplify this new approach and have discovered that a deep understanding of the customer experience can be the foundation for building highly valuable customer relationships. While opportunities abound for organizations that recognize and capitalize on these trends, the penalties for failing to evolve to this changing landscape can be severe. Acting as brand advocates or adversaries, individuals can influence peers' opinions and purchasing behavior.

Various software tools, delivered both on-premise and in the cloud, have attempted to address the difficult nature of customer support for many years. This legacy customer support software is costly and complex, causing the vast majority of small and medium-sized businesses, or SMBs, to rely primarily on tools like email, phones, and spreadsheets. Even larger organizations able to afford customer support software often adopt a piecemeal approach with the goal of minimizing support costs. The result is the inability to support multiple channels or expand to new channels, ultimately leading to customer frustration.

Legacy customer support software also limits employees' effectiveness in responding to customer inquiries and offers few, if any, analytics, recommendations, or performance benchmarks. Familiar with consumer web software like Facebook, Twitter, and Gmail, employees desire tools with similar ease-of-use and sophistication. Most enterprise software, particularly customer support software, has not progressed to embrace consumer design tactics including optimized user experience, availability on personal devices, and ease-of-deployment.

We believe that effective customer service requires a purpose-built platform that embraces the new landscape of omni-channel communication and the empowered and informed customer, and places an emphasis on well-designed experiences.

According to International Data Corporation, or IDC, a global market intelligence firm, in 2013 the worldwide customer relationship management, or CRM, software market comprised \$22.8 billion. Our customer service platform primarily addresses the customer service and contact center segments which comprised a total of \$10.5 billion in 2013 worldwide. In addition, IDC has estimated that between 2012 and 2017 SaaS solutions in the overall CRM applications market will grow over ten times faster.

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than legacy on-premise solutions. In a 2013 report, IDC also estimated that there were approximately 76 million SMBs worldwide. We believe that many of these organizations have not been able to implement or afford legacy customer support software and therefore represent a substantial greenfield market opportunity for our customer service platform.

The Zendesk Approach

Zendesk's mission is to help organizations and their customers build better relationships. Our intuitive customer service platform facilitates listening to the customer, finding the best possible answer, communicating through the appropriate channel, and sharing the knowledge gained with the whole organization.

Beautifully Simple. We have an overarching philosophy to be beautifully simple. We take intuitive design elements that people have grown to expect from consumer software and incorporate them into our platform. We also offer a free trial and a transparent purchase process with numerous self-service options that are suitable for SMBs and enterprise departments as well as assisted options for larger clients.

Omni-Channel and Contextual. Our customer service platform is built to support customers across a wide variety of integrated channels—email, voice, social media, and websites. We offer live chat as a standalone service and as an integrated service with our customer service platform for chat-enabled agents. In addition, our customer service platform provides important contextual information around customer issues by encouraging employee collaboration and enabling real-time information sharing.

Affordable. We believe our subscription plans are significantly less expensive and offer greater pricing transparency than many legacy customer support software applications (especially when software updates, ongoing maintenance, and consultant fees required for integration, installation, customization, and training are taken into account).

Natively Mobile. Through native mobile apps, employees can access our platform anywhere with robust product functionality, an elegant interface, and performance analytics.

Cloud-Based Architecture. Our architecture automates frequent software updates and introduction of new features while also allowing our platform to easily scale within organizations. Configurations made with simple tools tailor the functionality and design of our platform to an organization's particular needs and keep customer service efforts of any size organized.

Open Platform. Our platform includes over 270 pre-built integrations with CRM, e-commerce, telephony, live chat, and other apps, which are enabled through our app marketplace. Developed with our open application programming interfaces, or APIs, our platform can also be customized, integrated, or expanded upon with private apps. Through Zendesk Embeddables, we enable customers to simply and natively integrate critical functionality directly into their own websites and applications, including optimized integrations for mobile applications.

Proactive Engagement. Organizations are equipped to proactively communicate with customers at the most relevant and critical moments. For example, organizations can automatically trigger workflow to proactively reach out to customers that may signal they have had a bad experience or need particular attention.

Strategic Analytics. Our customer service platform provides analytics that are mission critical for an organization's operations. In all subscription plans for our customer service platform, managers have access to real-time operational efficiency and customer satisfaction analytics at the interaction, agent, and organizational level.

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Growth Strategy

We are focused on the following key areas of growth:

Introducing new products and broadening our platform functionality;

Furthering our data-driven approach;

Maintaining our leadership in the SMB market;

Expanding our enterprise customer base;

Continuing to increase our global customer footprint;

Broadening our integrations and partnerships; and

Developing our brand.

Risk Factors Summary

Our business is subject to numerous risks and uncertainties, including those highlighted in the section titled **Risk Factors** immediately following this prospectus summary. These risks include, but are not limited to, the following:

We may fail to adapt our customer service platform, from which we derive substantially all of our revenue and cash flows, to changing market dynamics and customer preferences or achieve increased market acceptance of our platform;

We have a history of losses and we expect our revenue growth rate to decline; as our costs increase, we may not be able to generate sufficient revenue to achieve or sustain profitability;

We have a limited operating history, which makes it difficult to evaluate our prospects and future operating results;

We may not be able to develop enhancements to our customer service platform and live chat software that achieve market acceptance or that keep pace with technological developments;

We may fail to effectively manage our growth and organizational change in a manner that preserves the key aspects of our culture;

The market in which we participate is intensely competitive, and we may not compete effectively;

The market for SaaS business software applications may develop more slowly than we expect or decline;

If we are not successful in selling live chat software as a standalone service or more fully integrating our live chat software with our customer service platform, our business could be harmed;

Our network or computer systems may be breached or unauthorized access to customer data may otherwise be obtained, causing our platform to be perceived as insecure;

We may experience service interruptions or performance problems associated with our technology and infrastructure;

Real or perceived errors, failures, or bugs in our customer service platform or live chat software may occur;

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We depend substantially on our customers renewing their subscriptions and purchasing additional subscriptions from us and we may suffer declines in our customer retention or expansion;

We may fail to effectively expand our sales capabilities; and

Our stock price may be volatile or may decline regardless of our operating performance.

General Corporate Information

We were founded in Copenhagen, Denmark in 2007. We reincorporated in Delaware in 2009. Our principal executive offices are located at 1019 Market Street, San Francisco, California 94103, and our telephone number is (415) 418-7506. Our website address is *www.zendesk.com*. Information contained on or that can be accessed through our website does not constitute part of this prospectus and inclusions of our website address in this prospectus are inactive textual references only.

Zendesk, Zopim, the Lotus flower image, and other trademarks or service marks of Zendesk appearing in this prospectus are the property of Zendesk or its consolidated subsidiaries. This prospectus contains additional trade names, trademarks, and service marks of other companies. We do not intend our use or display of other companies trade names, trademarks or service marks to imply a relationship with, or endorsement or sponsorship of us by, these other companies.

Implications of Being an Emerging Growth Company

As a company with less than \$1.0 billion in revenue during our last fiscal year, we qualify as an emerging growth company as defined in the Jumpstart Our Business Startups Act of 2012, or the JOBS Act. An emerging growth company may take advantage of specified reduced reporting requirements that are otherwise applicable generally to public companies. These provisions include:

an exemption from compliance with the auditor attestation requirement on the effectiveness of our internal control over financial reporting;

an exemption from compliance with any requirement that the Public Company Accounting Oversight Board may adopt regarding mandatory audit firm rotation or a supplement to the auditor's report providing additional information about the audit and the financial statements;

reduced disclosure about our executive compensation arrangements; and

exemptions from the requirements to obtain a non-binding advisory vote on executive compensation or a stockholder approval of any golden parachute arrangements.

We will remain an emerging growth company until the earliest to occur of: the last day of the fiscal year in which we have more than \$1.0 billion in annual revenue; the end of the fiscal year in which the market value of our common stock that is held by non-affiliates exceeds \$700 million as of the end of the second quarter of that fiscal year; the

issuance, in any three-year period, by us of more than \$1.0 billion in non-convertible debt securities; and the last day of the fiscal year ending after the fifth anniversary of our initial public offering, or IPO. We may choose to take advantage of some, but not all, of the available benefits under the JOBS Act. We have chosen to irrevocably opt out of the extended transition periods available under the JOBS Act for complying with new or revised accounting standards, but we intend to take advantage of certain of the other exemptions discussed above. Accordingly, the information contained herein may be different than the information you receive from other public companies in which you hold stock.

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THE OFFERING

Common stock offered by us	7,500,000 shares
Common stock offered by the selling stockholders	1,030,000 shares
Common stock to be outstanding after this offering	83,097,076 shares
Option to purchase additional shares from us	We have granted the underwriters an option, exercisable for 30 days after the date of this prospectus, to purchase up to an additional 1,279,500 shares from us.
Use of proceeds	<p>The principal purposes of this offering are to raise additional capital and facilitate an orderly distribution of shares for the selling stockholders. We estimate that the net proceeds from the sale of shares of our common stock that we are selling in this offering will be approximately \$161.3 million (or approximately \$189.0 million if the underwriters' option to purchase additional shares in this offering is exercised in full), based on an estimated offering price of \$22.62 per share, the last reported sale price of our common stock on the New York Stock Exchange, or NYSE, on March 12, 2015, and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us. We will not receive any proceeds from the sale of shares by the selling stockholders.</p> <p>We intend to use the net proceeds that we receive from this offering for working capital or other general corporate purposes, including the further expansion and development of our customer service platform and live chat software, the development of new products and services, continued expansion of our sales and marketing capabilities, and international expansion. We</p>

may also use a portion of the net proceeds to acquire complementary businesses, products, services, or technologies. However, we have not entered into any agreements or commitments for any specific acquisitions at this time.

See the section titled "Use of Proceeds" for additional information.

Concentration of ownership

Upon the completion of this offering, our executive officers and directors and stockholders holding more than 5% of our capital stock, and their affiliates, will beneficially own, in the

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aggregate, approximately 47.6% of our outstanding shares of common stock.

NYSE trading symbol

ZEN

The number of shares of common stock that will be outstanding after this offering is based on 75,577,076 shares outstanding as of December 31, 2014 and 20,000 shares to be issued upon exercise of an option to purchase common stock by a certain selling stockholder and sold in this offering, and excludes:

12,044,546 shares of our common stock issuable upon the exercise of options to purchase common stock that were outstanding as of December 31, 2014 with a weighted-average exercise price of \$7.39 per share (other than 20,000 shares to be issued upon exercise of an option to purchase common stock by a certain selling stockholder and sold in this offering);

3,063,455 shares of our common stock subject to restricted stock units outstanding as of December 31, 2014;

1,318,800 shares of our common stock issuable upon the exercise of options to purchase common stock granted after December 31, 2014 through February 28, 2015, with a weighted-average exercise price of \$24.75 per share;

1,852,932 shares of our common stock subject to restricted stock units granted after December 31, 2014 through February 28, 2015;

7,559,573 shares of our common stock reserved for future issuance under our 2014 Stock Option and Incentive Plan as of December 31, 2014;

3,197,419 shares of our common stock reserved for future issuance under our 2014 Employee Stock Purchase Plan as of December 31, 2014; and

any shares of our common stock that become available subsequent to this offering under our 2014 Stock Option and Incentive Plan and 2014 Employee Stock Purchase Plan pursuant to provisions thereof that automatically increase the share reserves under such plans each year, as more fully described in Executive Compensation Employee Benefit and Stock Plans.

Except as otherwise indicated, all information in this prospectus assumes no exercise by the underwriters of their option to purchase up to an additional 1,279,500 shares of common stock from us in this offering.

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The following consolidated statements of operations for the years ended December 31, 2012, 2013, and 2014 and the summary consolidated balance sheet data as of December 31, 2014 are derived from the audited consolidated financial statements that are included elsewhere in this prospectus. Our historical results are not necessarily indicative of the results to be expected in the future. You should read the following summary consolidated financial data below in conjunction with the section titled Management's Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements and related notes included elsewhere in this prospectus.

	Year Ended December 31,		
	2012	2013	2014
	(In thousands, except per share data)		
Consolidated Statements of Operations:			
Revenue	\$ 38,228	\$ 72,045	\$ 127,049
Cost of revenue ⁽¹⁾	13,253	24,531	46,047
Gross profit	24,975	47,514	81,002
Operating expenses ⁽¹⁾			
Research and development	14,816	15,288	36,403
Sales and marketing	22,749	37,622	77,875
General and administrative	11,558	16,437	32,869
Total operating expenses	49,123	69,347	147,147
Operating loss	(24,148)	(21,833)	(66,145)
Other expense, net	(96)	(517)	(1,533)
Loss before provision for (benefit from) income taxes	(24,244)	(22,350)	(67,678)
Provision for (benefit from) income taxes	121	221	(263)
Net loss	(24,365)	(22,571)	(67,415)
Accretion of redeemable convertible preferred stock	(50)	(49)	(18)
Deemed dividend to investors in relation to the tender offer	(8,326)		
Net loss attributable to common stockholders	\$ (32,741)	\$ (22,620)	\$ (67,433)
Net loss per share attributable to common stockholders, basic and diluted ⁽²⁾	\$ (1.67)	\$ (1.04)	\$ (1.26)
Weighted-average shares used to compute net loss per share attributable to common stockholders, basic and diluted ⁽²⁾	19,629	21,674	53,571

(1) Includes share-based compensation expense as follows:

	Year Ended December 31,		
	2012	2013	2014
	(In thousands)		
Cost of revenue	\$ 129	\$ 254	\$ 2,464
Research and development	4,117	635	10,918
Sales and marketing	1,313	1,210	10,680
General and administrative	4,081	2,755	8,077

- (2) See Note 10 of the Notes to our Consolidated Financial Statements included elsewhere in this prospectus for an explanation of the method used to calculate basic and diluted net loss per share attributable to common stockholders and the weighted-average number of shares used in the computation of the per share amounts.

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	As of December 31, 2014	
	Actual	As Adjusted⁽¹⁾
	(In thousands)	
	(Unaudited)	
Consolidated Balance Sheet Data:		
Cash and cash equivalents	\$ 80,265	\$ 241,610
Marketable securities	42,204	42,204
Working capital	60,856	222,201
Property and equipment, net	41,895	41,895
Goodwill and intangible assets, net	14,152	14,152
Total assets	205,788	367,133
Deferred revenue	51,731	51,731
Credit facility	6,952	6,952
Total liabilities	92,082	92,082
Stockholders' equity	113,706	275,051

- (1) The as adjusted balance sheet data in the table above reflects (A) the sale of 7,500,000 shares of our common stock in this offering by us at an estimated offering price of \$22.62 per share, the last reported sale price of our common stock on the NYSE on March 12, 2015, and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us, and (B) the issuance of 20,000 shares of common stock to be acquired by a certain selling stockholder upon the exercise of options in order to sell those shares in the offering.

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RISK FACTORS

Investing in our common stock involves a high degree of risk. Before you invest in our common stock, you should carefully consider the following risks, together with all of the other information contained in this prospectus, including our financial statements and related notes, before making a decision to invest in our common stock. Any of the following risks could have a material adverse effect on our business, operating results, and financial condition and could cause the trading price of our common stock to decline, which would cause you to lose all or part of your investment.

Risks Related to Our Business

We derive, and expect to continue to derive, substantially all of our revenue and cash flows from our customer service platform. If we fail to adapt this platform to changing market dynamics and customer preferences or to achieve increased market acceptance of our customer service platform, our business, results of operations, financial condition, and growth prospects would be harmed.

We derive, and expect to continue to derive, substantially all of our revenue and cash flows from sales of subscriptions to our customer service platform. As such, the market acceptance of this platform is critical to our success. Demand for our customer service platform is affected by a number of factors, many of which are beyond our control, such as continued market acceptance of our platform by customers for existing and new use cases, the timing of development and release of new products, features, and functionality introduced by our competitors, technological change, and growth or contraction in our addressable market. We expect that an increasing focus on customer satisfaction and the growth of various communications channels will profoundly impact the market for customer support software and blur distinctions between traditionally separate systems for customer support, marketing automation, and customer relationship management, enabling new competitors to emerge. If we are unable to meet customer demands to manage customer experiences through flexible solutions designed to address all these needs or otherwise achieve more widespread market acceptance of our customer service platform, our business, results of operations, financial condition, and growth prospects will be adversely affected.

We have a history of losses and we expect our revenue growth rate to decline. As our costs increase, we may not be able to generate sufficient revenue to achieve and sustain our profitability.

We have incurred net losses in each year since our inception, including net losses of \$24.4 million, \$22.6 million, and \$67.4 million for the fiscal years ended December 31, 2012, 2013, and 2014, respectively. We incurred net losses of \$6.1 million and \$17.5 million in the three months ended December 31, 2013 and 2014, respectively. We