WORKIVA INC
Form 10-Q
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2017

OR

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

For transition period from to

Commission File Number 001-36773

WORKIVA INC.
(Exact name of registrant as specified in its charter)

Delaware	**47-2509828**

(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

2900 University Blvd
Ames, IA 50010
(888) 275-3125

(Address of principal executive offices and zip code)

(888) 275-3125

(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 ý No o

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 ý No o

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 definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer	o		Accelerated filer	ý
Non-accelerated filer	o	(Do not check if a smaller reporting company)	Smaller reporting company	o
			Emerging growth company	ý

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. ý

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

As of August 1, 2017, there were approximately 31,106,464 shares of the registrant's Class A common stock and 10,719,888 shares of the registrant's Class B common stock outstanding.

WORKIVA INC.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements in this Quarterly Report on Form 10-Q are “forward-looking statements” within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, and are subject to the safe harbor created thereby. All statements contained in this Quarterly Report on Form 10-Q other than statements of historical facts, including statements regarding our future results of operations and financial position, our business strategy and plans and our objectives for future operations, are forward-looking statements. The words “believe,” “may,” “will,” “estimate,” “continue,” “anticipate,” “intend,” “expect” and similar expressions are intended to identify forward-looking statements. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our financial condition, results of operations, business strategy, short-term and long-term business operations and objectives, and financial needs. These forward-looking statements are subject to a number of risks, uncertainties and assumptions, including those described in “Item 1A. Risk Factors” of our Annual Report on Form 10-K for the year ended December 31, 2016, in “Item 1A. Risk Factors” in Part II of this Quarterly Report on Form 10-Q and in any subsequent filing we make with the SEC, as well as in any documents incorporated by reference that describe risks and factors that could cause results to differ materially from those projected in these forward-looking statements.

Moreover, we operate in a very competitive and rapidly changing environment. New risks emerge from time to time. It is not possible for our management to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. In light of these risks, uncertainties and assumptions, the future events and trends discussed in this Quarterly Report on Form 10-Q may not occur and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements.

Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance, achievements or events and circumstances reflected in the forward-looking statements will occur. We are under no duty to update any of these forward-looking statements after completion of this Quarterly Report on Form 10-Q to conform these statements to actual results or revised expectations.

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Part I. Financial Information

Item 1. Financial Statements

WORKIVA INC.

CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except share and per share amounts)

	As of June 30, 2017		As of December 31, 2016	
	(unaudited)			
ASSETS				
Current assets				
Cash and cash equivalents	$	59,986	$	51,281
Marketable securities	12,877		11,435	
Accounts receivable, net of allowance for doubtful accounts of $1,335 and $900 at June 30, 2017 and December 31, 2016, respectively	22,733		22,535	
Deferred commissions	2,021		1,864	
Other receivables	1,573		1,545	
	11,416		9,382	

Prepaid expenses				
Total current assets	110,606		98,042	
Property and equipment, net	41,138		42,590	
Intangible assets, net	1,056		1,012	
Other assets	1,393		1,499	
Total assets	$	154,193	$	143,143

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WORKIVA INC.

CONDENSED CONSOLIDATED BALANCE SHEETS (continued)
(in thousands, except share and per share amounts)

	As of June 30, 2017		As of December 31, 2016	
	(unaudited)			
LIABILITIES AND STOCKHOLDERS' DEFICIT				
Current liabilities				
Accounts payable	$	1,191	$	849
Accrued expenses and other current liabilities	17,286		20,695	
Deferred revenue	91,914		76,016	
Deferred government grant obligation	904		1,022	
Current portion of capital lease and financing obligations	1,242		1,285	
Current portion of long-term debt	21		20	
Total current liabilities	112,558		99,887	
Deferred revenue	24,342		21,485	
Deferred government grant obligation	405		1,000	

Other long-term liabilities	3,985		4,100	
Capital lease and financing obligations	18,999		19,743	
Long-term debt	32		53	
Total liabilities	160,321		146,268	
Stockholders’ deficit				
Class A common stock, $0.001 par value per share, 1,000,000,000 shares authorized, 30,939,112 and 30,369,199 shares issued and outstanding at June 30, 2017 and December 31, 2016, respectively	31		30	
Class B common stock, $0.001 par value per share, 500,000,000 shares authorized, 10,843,888 and 10,891,888 shares issued and outstanding at June 30, 2017 and December 31, 2016, respectively	11		11	
Preferred stock, $0.001 par value per share, 100,000,000 shares authorized, no shares issued and outstanding	—		—	
Additional paid-in-capital	230,568		217,454	
Accumulated deficit	(236,943)		(220,911)	
Accumulated other comprehensive income	205		291	
Total stockholders’ deficit	(6,128)		(3,125)	
Total liabilities and stockholders’ deficit	$	154,193	$	143,143

See accompanying notes.

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WORKIVA INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except share and per share amounts)
(unaudited)

	Three months ended June 30,				Six months ended June 30,			
	2017		**2016**		**2017**		**2016**	
Revenue								
Subscription and support	$	40,980	$	34,969	$	80,520	$	68,554
Professional services	8,411		8,042		20,775		19,008	
Total revenue	49,391		43,011		101,295		87,562	
Cost of revenue								
Subscription and support	7,758		7,039		15,395		13,957	
Professional services	6,528		5,538		13,109		11,726	
Total cost of revenue	14,286		12,577		28,504		25,683	
Gross profit	35,105		30,434		72,791		61,879	
Operating expenses								
Research and development	16,239		14,047		31,775		28,563	
Sales and marketing	19,787		19,828		38,500		39,916	
General and administrative	8,943		7,882		18,364		16,835	
Total operating expenses	44,969		41,757		88,639		85,314	
Loss from operations	(9,864)		(11,323)		(15,848)		(23,435)	
Interest expense	(475)		(468)		(930)		(958)	
Other income, net	176		278		788		854	
Loss before provision for income taxes	(10,163)		(11,513)		(15,990)		(23,539)	
Provision for income taxes	33		12		42		31	

Net loss	$ (10,196)	$ (11,525)	$ (16,032)	$ (23,570)
Net loss per common share:				
Basic and diluted	$ (0.25)	$ (0.28)	$ (0.39)	$ (0.58)
Weighted-average common shares outstanding - basic and diluted	41,429,691	40,593,908	41,270,038	40,522,790

See accompanying notes.

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WORKIVA INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(in thousands)
(unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2017	**2016**	**2017**	**2016**
Net loss	$ (10,196)	$ (11,525)	$ (16,032)	$ (23,570)
Other comprehensive (loss) income, net of tax				
Foreign currency translation adjustment, net of income tax benefit of $0 and $21 for the three months ended June 30, 2017 and 2016, respectively, and net of income tax benefit of $2 and $21 for the six months ended June 30, 2017 and 2016, respectively	(52)	68	(86)	(33)
Unrealized gain on available-for-sale securities, net of income tax (expense) of $0 and ($33) for the	(2)	(21)	—	54

three months ended June 30, 2017 and 2016, respectively, and net of income tax (expense) of ($2) and ($33) for the six months ended June 30, 2017 and 2016, respectively				
Other comprehensive (loss) income, net of tax	(54)	47	(86)	21
Comprehensive loss	$ (10,250)	$ (11,478)	$ (16,118)	$ (23,549)

See accompanying notes.

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WORKIVA INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2017	**2016**	**2017**	**2016**
Cash flows from operating activities				
Net loss	$ (10,196)	$ (11,525)	$ (16,032)	$ (23,570)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities				
Depreciation and amortization	867	975	1,758	1,972
Stock-based compensation expense	4,397	3,502	8,536	6,892
	146	48	432	170

Provision for doubtful accounts				
Realized gain on sale of available-for-sale securities, net	—	(4)	—	(6)
Amortization of premiums and discounts on marketable securities, net	28	36	59	75
Recognition of deferred government grant obligation	(198)	(230)	(736)	(663)
Deferred income tax	—	(12)	—	(12)
Changes in assets and liabilities:				
Accounts receivable	(3,228)	(1,844)	(542)	(2,725)
Deferred commissions	(149)	(117)	(151)	(129)
Other receivables	(865)	142	(25)	(82)
Prepaid expenses and other	(2,830)	(1,327)	(2,026)	(1,513)
Other assets	36	(323)	13	(386)
Accounts payable	(678)	797	339	101
Deferred revenue	14,398	5,399	18,494	2,184
Accrued expenses and other liabilities	2,254	447	(3,557)	(5,422)
Net cash provided by (used in) operating activities	3,982	(4,036)	6,562	(23,114)
Cash flows from investing activities				
Purchase of property and equipment	(26)	(597)	(147)	(1,009)
Purchase of marketable securities	(2,259)	(802)	(6,350)	(802)
	1,850	—	4,851	—

Maturities of marketable securities				
Sale of marketable securities	—	2,404	—	7,197
Purchase of intangible assets	(58)	(59)	(89)	(114)
Net cash (used in) provided by investing activities	(493)	946	(1,735)	5,272

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WORKIVA INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)
(in thousands)
(unaudited)

	Three months ended June 30,		**Six months ended June 30,**	
	2017	**2016**	**2017**	**2016**
Cash flows from financing activities				
Proceeds from option exercises	4,709	236	5,515	520
Taxes paid related to net share settlements of stock-based compensation awards	—	—	(936)	(761)
Repayment of other long-term debt	(20)	(18)	(20)	(18)
Principal payments on capital lease and financing obligations	(490)	(476)	(787)	(908)
Proceeds from government grants	22	—	22	183
Payments of issuance costs	(10)	(33)	(10)	(33)

on line of credit								
Net cash provided by (used in) financing activities	4,211		(291)		3,784		(1,017)	
Effect of foreign exchange rates on cash	82		40		94		(6)	
Net increase (decrease) in cash and cash equivalents	7,782		(3,341)		8,705		(18,865)	
Cash and cash equivalents at beginning of period	52,204		43,226		51,281		58,750	
Cash and cash equivalents at end of period	$	59,986	$	39,885	$	59,986	$	39,885
Supplemental cash flow disclosure								
Cash paid for interest	$	448	$	470	$	747	$	792
Cash paid for income taxes, net of refunds	$	27	$	40	$	40	$	48
Supplemental disclosure of noncash investing and financing activities								
Allowance for tenant improvements	$	—	$	215	$	—	$	401
Purchases of property and equipment, accrued but not paid	$	—	$	82	$	—	$	82

See accompanying notes.

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WORKIVA INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Organization and Significant Accounting Policies

Organization

Workiva Inc., a Delaware corporation, and its wholly-owned subsidiaries created Wdesk, a collaborative work management platform for organizations to collect, link, report and analyze their business data. Wdesk's proprietary word processing, spreadsheet and presentation applications are integrated and built upon a data management engine, offering synchronized data, controlled collaboration, granular permissions and a full audit trail. We offer Wdesk solutions for a wide range of use cases in the following markets: finance and accounting, audit and internal controls, risk and compliance, and operations. Our operational headquarters are located in Ames, Iowa, with additional offices located in the United States, Europe, and Canada.

Basis of Presentation and Principles of Consolidation

The financial information presented in the accompanying unaudited condensed consolidated financial statements has been prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP") and in accordance with rules and regulations of the U.S. Securities and Exchange Commission ("SEC") regarding interim financial reporting. Accordingly, the financial statements do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. The condensed consolidated balance sheet data as of December 31, 2016 was derived from audited financial statements, but does not include all disclosures required by U.S. GAAP. In the opinion of management, the accompanying unaudited condensed consolidated financial statements reflect all adjustments, consisting primarily of normal recurring accruals, necessary for a fair presentation of our financial position and results of operations. The operating results for the three and six months ended June 30, 2017 are not necessarily indicative of the results expected for the full year ending December 31, 2017. Seasonality has affected our revenue, expenses and cash flow in the first and third quarters. Revenue from professional services has been higher in the first quarter as many of our customers file their Form 10-K in the first calendar quarter. Sales and marketing expense has been higher in the third quarter due to our annual user conference in September. Payment of cash bonuses in the first quarter affects operating cash flow. The condensed consolidated financial information should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" contained in this report and the consolidated financial statements and notes included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2016 filed with the SEC on February 23, 2017.

The unaudited condensed consolidated financial statements include the accounts of Workiva Inc. and its wholly-owned subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires us to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. We base our estimates on historical experience and various other assumptions believed to be reasonable. These estimates include, but are not limited to, the determination

of the relative selling prices of our services, health insurance claims incurred but not yet reported, collectability of accounts receivable, valuation of available-for-sale marketable securities, useful lives of intangible assets and property and equipment, income taxes and certain assumptions used in the valuation of equity awards. While these estimates are based on our best knowledge of current events and actions that may affect us in the future, actual results may differ materially from these estimates.

Recently Adopted Accounting Pronouncements

In March 2016, the FASB issued ASU 2016-09, *Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting*. Under this ASU, entities are permitted to make an accounting policy election to either estimate forfeitures on share-based payment awards, as required by current guidance, or to recognize forfeitures as they occur in addition to other changes. The guidance became effective for interim and annual periods beginning after December 15, 2016. Effective January 1, 2017, we adopted this standard. We elected to recognize forfeitures on share-based payment awards as they occur. The adoption, along with the remaining provisions of ASU 2016-09, did not have a material impact on our consolidated financial statements.

In October 2016, the FASB issued ASU 2016-16, *Income Taxes - Intra-Entity Transfers of Assets Other Than Inventory*, which requires entities to recognize the income tax consequences of an intra-entity transfer of an asset other than inventory when the transfer occurs. The new guidance is effective for annual reporting periods beginning after December 15, 2017. Early adoption is permitted as of the beginning of an annual reporting period. The new standard must be adopted using a modified retrospective transition method, with the cumulative effect recognized as of the date of initial adoption. Effective January 1, 2017, we adopted this standard. The adoption of this new guidance did not have a material impact on our consolidated financial statements.

New Accounting Pronouncements Not Yet Adopted

In May 2014, the Financial Accounting Standards Board (FASB) issued guidance codified in ASC 606, *Revenue Recognition - Revenue from Contracts with Customers* (ASU 2014-09), which amends the guidance in former ASC 605, *Revenue Recognition*. The core principle of ASU 2014-09 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Additionally, the guidance requires improved disclosures to help users of financial statements better understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The FASB has issued several amendments and updates to the new revenue standard, including guidance related to when an entity should recognize revenue gross as a principal or net as an agent and how an entity should identify performance obligations. As amended, ASU 2014-09 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017. Early adoption is permitted for all entities only as of annual reporting periods beginning after December 15, 2016, including interim reporting periods within that reporting period.

We believe the adoption of ASU 2014-09 will require us to recognize revenue from certain of our professional services over time rather than upon completion of the services. We expect this change may result in some acceleration of revenue recognition.

In addition, under current guidance, the amount that is allocated to, and recognized as revenue related to, a delivered service is limited to the amount that is not contingent on completion of the remaining performance obligations. We expect the removal of this limitation on contingent revenue under ASU 2014-09 to result in revenue being recognized earlier for certain contracts.

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In addition, ASU 2014-09 requires that all incremental costs of obtaining a contract with a customer be recognized as an asset. We expect this requirement will result in an increase in the costs that we capitalize. The guidance also requires that these costs be deferred over a term that is consistent with the transfer of services related to the asset. Based on our preliminary analysis, we believe this term will be approximately three years compared to one year or less under current guidance.

Under ASU 2014-09, in addition to recording deferred revenue when the related cash payments are received, we will record deferred revenues when payments are due in advance of our performance, including amounts that are refundable. We expect this change will result in an offsetting increase in accounts receivable and deferred revenue.

We are still evaluating the ASU for other potential impacts to our consolidated financial statements. We plan to adopt the guidance as of January 1, 2018 and expect to utilize the modified retrospective transition method. We have a project plan in place guiding our transition which includes the necessary changes to accounting processes, procedures, systems and internal controls.

In May 2017, the FASB issued ASU 2017-09, *Compensation – Stock Compensation (Topic 718): Scope of Modification Accounting*. This ASU clarifies when to account for a change to the terms or conditions of a share-based payment award as a modification. Under the new guidance, modification accounting is required only if the fair value, the vesting conditions, or the classification of the award (as equity or liability) changes as a result of the change in terms or conditions. The ASU is effective prospectively for the annual period ending December 31, 2018 and interim periods within that annual period. Early adoption is permitted. The implementation of this standard is not expected to have a significant impact on our consolidated financial statements.

2. Supplemental Consolidated Balance Sheet and Statement of Operations Information

Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities consisted of (in thousands):

	June 30, 2017	**December 31, 2016**
Accrued vacation	$ 5,686	$ 4,368
Accrued commissions	2,131	2,382
Accrued bonuses	5,107	8,927
Estimated health insurance claims	1,100	1,210
Accrued other	3,262	3,808

liabilities				
	$	17,286	$	20,695

Other Income, net

Other income, net for the three and six months ended June 30, 2017 and 2016 consisted of (in thousands):

	Three months ended June 30,		Six months ended June 30,	
	2017	**2016**	**2017**	**2016**
Interest income	$ 129	$ 62	$ 220	$ 145
Income from training reimbursement program	198	230	736	663
Other	(151)	(14)	(168)	46
	$ 176	$ 278	$ 788	$ 854

3. Marketable Securities

At June 30, 2017, marketable securities consisted of the following (in thousands):

	Amortized Cost		Unrealized Gains		Unrealized Losses		Aggregate Fair Value	
U.S. treasury debt securities	$	2,701	$	—	$	(6)	$	2,695
U.S. corporate debt securities	10,185		2		(5)		10,182	
Money market funds	53,903		—		—		53,903	
	$	66,789	$	2	$	(11)	$	66,780
Included in cash and cash equivalents	$	53,903	$	—	$	—	$	53,903
Included in marketable securities	$	12,886	$	2	$	(11)	$	12,877

At December 31, 2016, marketable securities consisted of the following (in thousands):

	Amortized Cost		Unrealized Gains		Unrealized Losses		Aggregate Fair Value	
U.S. treasury debt securities	$	3,503	$	—	$	(5)	$	3,498
U.S. corporate debt securities	7,943		1		(7)		7,937	
Money market funds	43,496		—		—		43,496	
	$	54,942	$	1	$	(12)	$	54,931
Included in cash and cash equivalents	$	43,496	$	—	$	—	$	43,496
Included in marketable securities	$	11,446	$	1	$	(12)	$	11,435

The following table presents gross unrealized losses and fair values for those marketable securities that were in an unrealized loss position as of June 30, 2017, aggregated by investment category and the length of time that individual securities have been in a continuous loss position (in thousands):

	As of June 30, 2017							
	Less than 12 months				12 months or greater			
	Fair Value		Unrealized Loss		Fair Value		Unrealized Loss	
U.S. treasury debt securities	$	2,695	$	(6)	$	—	$	—
U.S. corporate debt securities	6,023		(5)		—		—	
Total	$	8,718	$	(11)	$	—	$	—

We do not believe any of the unrealized losses represented an other-than-temporary impairment based on our evaluation of available evidence, which includes our intent as of June 30, 2017 to hold these investments until the cost basis is recovered.

4. Fair Value Measurements

We determine the fair values of our financial instruments based on the fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value assumes that the transaction to sell the asset or transfer the liability occurs in the principal or most advantageous market for the asset or liability and establishes that the fair value of an asset or liability shall be determined based on the assumptions that market participants would use in pricing the asset or liability. The classification of a financial asset or liability within the hierarchy is based upon the lowest level input that is significant to the fair value measurement. The fair value hierarchy prioritizes the inputs into three levels that may be used to measure fair value:

Level 1 - Inputs are unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 - Inputs are quoted prices for similar assets and liabilities in active markets or inputs that are observable for the asset or liability, either directly or indirectly through market corroboration, for substantially the full term of the financial instrument.

Level 3 - Inputs are unobservable inputs based on our assumptions.

Financial Assets

Cash equivalents primarily consist of AAA-rated money market funds with overnight liquidity and no stated maturities. We classified cash equivalents as Level 1 due to the short-term nature of these instruments and measured the fair value based on quoted prices in active markets for identical assets.

When available, our marketable securities are valued using quoted prices for identical instruments in active markets. If we are unable to value our marketable securities using quoted prices for identical instruments in active markets, we value our investments using broker reports that utilize quoted market prices for comparable instruments. We validate, on a sample basis, the derived prices provided by the brokers by comparing their assessment of the fair values of our investments against the fair values of the portfolio balances of another third-party professional pricing service. As of June 30, 2017, all of our

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marketable securities were valued using quoted prices for comparable instruments in active markets and are classified as Level 2.

Based on our valuation of our money market funds and marketable securities, we concluded that they are classified in either Level 1 or Level 2 and we have no financial assets measured using Level 3 inputs. The following table presents information about our assets that are measured at fair value on a recurring basis using the above input categories (in thousands):

	Fair Value Measurements as of June 30, 2017	Fair Value Measurements as of December 31, 2016

Description	Total		Level 1		Level 2		Total		Level 1		Level 2	
Money market funds	$	53,903	$	53,903	$	—	$	43,496	$	43,496	$	—
U.S. treasury debt securities	2,695		—		2,695		3,498		—		3,498	
U.S. corporate debt securities	10,182		—		10,182		7,937		—		7,937	
	$	66,780	$	53,903	$	12,877	$	54,931	$	43,496	$	11,435
Included in cash and cash equivalents	$	53,903					$	43,496				
Included in marketable securities	$	12,877					$	11,435				

Other Fair Value Measurements

At June 30, 2017, the fair value of our debt obligations approximated the carrying amount of $53,000. The estimated fair value was based in part on our consideration of incremental borrowing rates for similar types of borrowing arrangements. We have classified the fair value of our debt obligations as Level 3 due to the lack of relevant observable market data over fair value inputs.

5. Commitments and Contingencies

Lease Commitments

There have been no material changes in our future estimated minimum lease payments under non-cancelable operating, capital and financing leases, as disclosed in our Annual Report on Form 10-K for the year ended December 31, 2016.

Litigation

From time to time we may become involved in legal proceedings or be subject to claims arising in the ordinary course of our business. Although the results of litigation and claims cannot be predicted with certainty, we currently believe that the final outcome of any currently pending legal proceedings to which we are a party will not have a material adverse effect on our business, operating results, financial condition or cash flows. Regardless of the outcome, litigation can have an adverse impact on us because of defense and settlement costs, diversion of management resources and other factors.

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6. Stock-Based Compensation

We grant stock-based incentive awards to attract, motivate and retain qualified employees, non-employee directors and consultants, and to align their financial interests with those of our stockholders. We utilize stock-based compensation in the form of restricted stock awards, restricted stock units and options to purchase Class A common stock.

As of June 30, 2017, awards outstanding under the 2009 Plan consisted of stock options, and awards outstanding under the 2014 Plan consisted of stock options, restricted stock awards and restricted stock units.

As of June 30, 2017, 2,600,554 shares of Class A common stock were available for grant under the 2014 Plan.

Stock-Based Compensation Expense

Stock-based compensation expense for the six months ended June 30, 2017 was $5.3 million, $1.2 million, and $2.0 million for options to purchase Class A common stock, restricted stock awards and restricted stock units, respectively. Stock-based compensation expense for the six months ended June 30, 2016 was $4.5 million, $1.6 million and $0.8 million for options to purchase Class A common stock, restricted stock awards and restricted stock units, respectively.

Stock-based compensation expense associated with stock options, restricted stock awards, and restricted stock units was recorded in the following cost and expense categories consistent with the respective employee or service provider's related cash compensation (in thousands):

	Three months ended June 30,			**Six months ended June 30,**
	2017	**2016**	**2017**	**2016**
Cost of revenue				
Subscription and support	$ 178	$ 125	$ 318	$ 243
Professional services	100	93	200	215
Operating expenses				
Research and development	472	609	965	1,193
Sales and marketing	694	449	1,353	904
General and administrative	2,953	2,226	5,700	4,337
Total	$ 4,397	$ 3,502	$ 8,536	$ 6,892

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The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model. Expected volatility is based on historical volatilities for publicly traded stock of comparable companies over the estimated expected life of the options. The expected term represents the period of time the options are expected to be outstanding and is based on the “simplified method” as defined by SEC Staff Accounting Bulletin No. 110 (Topic 14.D.2). We use the “simplified method” due to the lack of sufficient historical exercise data to provide a reasonable basis upon which to otherwise estimate the expected life of the options. The risk-free interest rate is based on yields on U.S. Treasury STRIPS (Separate Trading of Registered Interest and Principal of Securities) with a maturity similar to the estimated expected term of the options. The fair value of our stock options was estimated assuming no expected dividends and the following weighted-average assumptions:

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Expected term (in years)	6.1	6.1	6.0 - 6.1	6.0 - 6.1
Risk-free interest rate	1.90% - 2.03%	1.41% - 1.54%	1.90% - 2.14%	1.41% - 1.90%
Expected volatility	39.3% - 39.6%	44.7% - 45.1%	39.3% - 43.8%	44.7% - 45.3%

Stock Options

The following table summarizes the option activity under the Plans for the six months ended June 30, 2017:

	Options	Weighted-Average Exercise Price		Weighted-Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value (in thousands)	
Outstanding at December 31, 2016	7,532,455	$	12.22	7.2	$	19,988
Granted	1,415,953	13.94				
Forfeited	(242,609)	14.47				
Exercised	(566,648)	9.73				
Outstanding at June 30, 2017	8,139,151	$	12.64	7.2	$	52,205
Exercisable at June 30,	4,520,224	$	10.94	6.0	$	36,672

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Options to purchase Class A common stock generally vest over a three- or four-year period and are generally granted for a term of ten years. The total intrinsic value of options exercised during the six months ended June 30, 2017 and 2016 was $4.2 million and $1.5 million, respectively.

The weighted-average grant-date fair value of options granted during the six months ended June 30, 2017 and 2016 was $6.05 and $6.53, respectively. The total fair value of options vested during the six months ended June 30, 2017 and 2016 was approximately $5.2 million and $4.1 million, respectively. Total unrecognized compensation expense of $20.8 million related to options will be recognized over a weighted-average period of 2.4 years.

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Restricted Stock Awards

We have granted restricted stock awards to our executive officers that vest in three equal annual installments from the date of grant. The recipient of an award of restricted stock under the Plan may vote and receive dividends on the shares of restricted stock covered by the award. The fair value for restricted stock awards is calculated based on the stock price on the date of grant. The total fair value of restricted stock awards vested during the six months ended June 30, 2017 and 2016 was approximately $2.4 million and $3.3 million, respectively.

The following table summarizes the restricted stock award activity under the Plan for the six months ended June 30, 2017:

	Number of Shares	Weighted-Average Grant Date Fair Value	
Unvested at December 31, 2016	353,335	$	13.40
Granted	—	—	
Forfeited	—	—	
Vested	(176,670)	13.40	
Unvested at June 30, 2017	176,665	$	13.40

Compensation expense associated with unvested restricted stock awards is recognized on a straight-line basis over the vesting period. At June 30, 2017, there was approximately $1.4 million of total unrecognized compensation expense related to restricted stock awards, which is expected to be recognized over a weighted-average period of 0.6 years.

Restricted Stock Units

We have granted restricted stock units to our executive officers that vest in three equal annual installments from the date of grant and to non-employee members of our Board of Directors with one-year cliff vesting from the date of grant. The recipient of a restricted stock unit award under the Plan will have no rights as a stockholder until share certificates are issued by us, but, at the discretion of our Compensation Committee, has the right to receive a dividend equivalent payment in the form of additional restricted stock units. Additionally, until the shares are issued, they have no voting rights and may not be bought or sold. The fair value for restricted stock units is calculated based on the stock price on the date of grant. The total fair value of restricted stock units vested during the six months ended June 30, 2017 was approximately $2.5 million. No restricted stock units vested during the six months ended June 30, 2016.

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The following table summarizes the restricted stock unit activity under the Plan for the six months ended June 30, 2017:

	Number of Shares	Weighted-Average Grant Date Fair Value	
Unvested at December 31, 2016	381,952	$	15.11
Granted	413,792	13.95	
Forfeited	—	—	
Vested(1)	(174,211)	14.58	
Unvested at June 30, 2017	621,533	$	14.48

(1) As of June 30, 2017, recipients of 146,075 shares had elected to defer settlement of the vested restricted stock units in accordance with our Nonqualified Deferred Compensation Plan.

Compensation expense associated with unvested restricted stock units is recognized on a straight-line basis over the vesting period. At June 30, 2017, there was approximately $7.5 million of total unrecognized compensation expense related to restricted stock units, which is expected to be recognized over a weighted-average period of 2.0 years.

Employee Stock Purchase Plan

Our Employee Stock Purchase Plan (“ESPP”) became effective on June 13, 2017. Under the ESPP, eligible employees are granted options to purchase shares at the lower of 85% of the fair market value of the stock at the time of grant or 85% of the fair market value at the time of exercise. Options to purchase shares are granted twice yearly on or about July 15 and January 15 and exercisable on or about the succeeding January 14 and July 14, respectively, of each year. As of June 30, 2017, 5,000,000 shares of Class A common stock were available for issuance under the ESPP. No participant may purchase more than $12,500 worth of the Company’s common stock in a six-month offering period. The ESPP's initial offering period began in July 2017. Accordingly, no shares of the Company's common stock had been purchased or distributed pursuant to the ESPP as of June 30, 2017.

7. Net Loss Per Share

Basic net loss per share is computed by dividing the net loss by the weighted-average number of shares of common stock outstanding during the period. Diluted net loss per share is computed by giving effect to all potential shares of common stock, including our outstanding stock options and stock related to unvested restricted stock awards to the extent dilutive.

The net loss per share is allocated based on the participation rights of the Class A and Class B common shares as if the loss for the year has been distributed. As the liquidation and dividend rights are identical, the net loss is allocated on a proportionate basis.

We consider unvested restricted stock awards granted under the 2014 Equity Incentive Plan to be participating securities because holders of such shares have non-forfeitable dividend rights in the event of our declaration of a dividend for common shares. In future periods to the extent we are profitable, we will subtract earnings allocated to these participating securities from net income to determine net income attributable to common stockholders.

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

	Three months ended							
	June 30, 2017				**June 30, 2016**			
	Class A		**Class B**		**Class A**		**Class B**	
Numerator								
Net loss	$	(7,527)	$	(2,669)	$	(8,219)	$	(3,306)
Denominator								
Weighted-average common shares outstanding - basic and diluted	30,585,012		10,844,679		28,950,226		11,643,682	
Basic and diluted net loss per share	$	(0.25)	$	(0.25)	$	(0.28)	$	(0.28)

	Six months ended							
	June 30, 2017				**June 30, 2016**			
	Class A		**Class B**		**Class A**		**Class B**	
Numerator								
Net loss	$	(11,814)	$	(4,218)	$	(16,718)	$	(6,852)
Denominator								

Weighted-average common shares outstanding - basic and diluted	30,413,156	10,856,882	28,742,233	11,780,557
Basic and diluted net loss per share	$ (0.39)	$ (0.39)	$ (0.58)	$ (0.58)

The anti-dilutive securities excluded from the weighted-average shares used to calculate the diluted net loss per common share were as follows:

	As of June 30, 2017	**June 30, 2016**
Shares subject to outstanding common stock options	8,139,151	7,433,402
Shares subject to unvested restricted stock awards	176,665	353,335

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of our financial condition and results of our operations should be read in conjunction with the condensed consolidated financial statements and related notes included elsewhere in this report and in our Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 23, 2017. In addition to historical consolidated financial information, this discussion contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those discussed below. Factors that could cause or contribute to these differences include, but are not limited to, those identified below, and those discussed in "Item 1A. Risk Factors" of our Annual Report on Form 10-K for the year ended December 31, 2016, in "Item 1A. Risk Factors" in Part II of this Quarterly Report on Form 10-Q and in any subsequent filing we make with the SEC.

Overview

Workiva provides enterprises with cloud solutions for improving productivity, accountability and insight into business data. Workiva created Wdesk, a collaborative work management platform for organizations to collect, link, report and analyze their business data. Wdesk's proprietary word processing, spreadsheet and presentation applications are integrated and built upon a data management engine, offering synchronized data, controlled collaboration, granular permissions and a full audit trail. Wdesk helps mitigate risk, improves productivity and gives users confidence to make decisions with real-time data. As of June 30, 2017, we provided our solutions to more than 2,900 enterprise customers, including over 70% of FORTUNE 500® companies[(1)].

(1) Claim not confirmed by FORTUNE or Time Inc. FORTUNE 500 is a registered trademark of Time Inc. and is used under license. FORTUNE and Time Inc. are not affiliated with, and do not endorse products or services of, Workiva Inc.

Our scalable, enterprise-grade data engine enables users to collect, aggregate and manage their unstructured and structured data in Wdesk. We offer Wdesk solutions for a wide range of use cases in the following markets: finance and accounting, audit and internal controls, risk and compliance and operations. Underlying these solutions is our scalable, enterprise-grade data engine that enables users to collect, aggregate and manage their unstructured and structured data in Wdesk.

We operate our business on a software-as-a-service (SaaS) model. Customers enter into quarterly, annual and multi-year subscription contracts to utilize Wdesk. Our subscription fee includes the use of our service and technical support. Our pricing is based primarily on the number of corporate entities, number of users, Wdesk functionality, level of customer support, and length of contract. Our pricing model is scaled to the number of users, so the subscription price per user typically decreases as the number of users increases. We charge customers additional fees primarily for document setup and XBRL tagging services. We generate sales primarily through our direct sales force and, to a lesser extent, customer success and professional services teams and our partners. Over time, we expect our partners to include technology companies, consultants, service providers and accounting firms. We expect our partners to support our sales efforts through referrals and co-selling arrangements, as well as expand the use of Wdesk through complementary technology offerings and software integrations.

Our integrated platform, subscription-based model, and exceptional customer support have contributed to a low rate of customer turnover while achieving strong revenue growth. Our subscription and support revenue retention rate was 96.1% (excluding add-on seats) for the twelve months ended June 30, 2017.

We continue to invest in the development of our solutions, infrastructure and sales and marketing to drive long-term growth. Our full-time employee headcount expanded to 1,195 at June 30, 2017 from 1,178 at June 30, 2016, an increase of 1.4%.

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We have achieved significant revenue growth in recent periods. Our revenue grew to $49.4 million and $101.3 million during the three and six months ended June 30, 2017 from $43.0 million and $87.6 million during the three and six months ended June 30, 2016. We incurred net losses of $10.2 million and $16.0 million during the three and six months ended June 30, 2017 compared to $11.5 million and $23.6 million during the three and six months ended June 30, 2016.

We are an “emerging growth company,” as defined in the JOBS Act. We will cease to be an “emerging growth company” upon the earliest of (i) December 31, 2019, (ii) the last day of the first fiscal year in which our annual gross revenue is $1 billion or more, (iii) the date on which we have, during the previous rolling three-year period, issued more than $1 billion in nonconvertible debt securities or (iv) the date on which we qualify as a “large accelerated filer” with at least $700 million of equity securities held by non-affiliates.

Key Factors Affecting Our Performance

New customers. We employ a “land-and-expand” sales strategy that focuses on acquiring new customers through our direct sales model and building our relationships with existing customers over time. Acquiring new customers is a key component of our continued success in the marketplace, growth opportunity and future revenue. We have aggressively invested in and intend to continue to invest in our direct sales force.

Further penetration of existing customers. Our account management teams seek to generate additional revenue from our customers by adding seats to existing subscriptions and by signing new subscriptions for additional business solutions on our platform. We believe a significant opportunity exists for us to sell additional subscriptions to current customers as they become more familiar with our platform and adopt our solutions to address additional business use cases.

Investment in growth. We plan to continue to increase our headcount and develop software to both enhance our current offerings and build new features. As a result, we expect our total operating expenses to increase. In addition, we expect to continue to invest in our sales, marketing, professional services, and customer success organizations to drive additional revenue and support the growth of our customer base. Investments we make in our sales and marketing and research and development organizations will occur in advance of experiencing any benefits from such investments.

Seasonality. Our revenue from professional services has some degree of seasonality. Many of our customers employ our professional services just before they file their Form 10-K, often in the first calendar quarter. As our non-SEC offerings continue to grow, we expect our professional services revenue to continue to become less seasonal. Our sales and marketing expense also has some degree of seasonality. Sales and marketing expense is generally higher in the third quarter since we hold our annual user conference in September. In addition, we typically pay cash bonuses to employees in the first quarter, resulting in some seasonality in operating cash flow.

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Key Performance Indicators

	Three months ended June 30,		**Six months ended June 30,**	
	2017	**2016**	**2017**	**2016**
	(dollars in thousands)			
Financial metrics				
Total revenue	$ 49,391	$ 43,011	$ 101,295	$ 87,562
Percentage increase in total revenue	14.8 %	26.6 %	15.7 %	26.7 %
Subscription and support revenue	$ 40,980	$ 34,969	$ 80,520	$ 68,554
Percentage increase in subscription and support revenue	17.2 %	24.5 %	17.5 %	26.1 %

Subscription and support as a percent of total revenue	83.0 %	81.3 %	79.5 %	78.3 %

	As of June 30,	
	2017	**2016**
Operating metrics		
Number of customers	2,908	2,622
Subscription and support revenue retention rate	96.1 %	95.1 %
Subscription and support revenue retention rate including add-ons	106.0 %	110.2 %

Total customers. We believe total number of customers is a key indicator of our financial success and future revenue potential. We define a customer as an entity with an active subscription contract as of the measurement date. Our customer is typically a parent company or, in a few cases, a significant subsidiary that works with us directly. Companies with publicly listed securities account for a substantial majority of our customers.

Subscription and support revenue retention rate. We calculate our subscription and support revenue retention rate by annualizing the subscription and support revenue recorded in the first month of the measurement period for only those customers in place throughout the entire measurement period, thereby excluding any attrition. We divide the result by the annualized subscription and support revenue in the first month of the measurement period for all customers in place at the beginning of the measurement period. The measurement period is based on the trailing twelve months.

Our subscription and support revenue retention rate was 96.1% at the June 2017 measurement date, up from 95.1% as of June 2016. We believe that our success in maintaining a high rate of revenue retention is attributable primarily to our robust technology platform and strong customer service. Customers being acquired or ceasing to file SEC reports has been the largest contributing factor to our revenue attrition.

Subscription and support revenue retention rate including add-ons. Add-on revenue includes the change in both seats purchased and seat pricing for existing customers. We calculate our subscription and support revenue retention rate including add-ons by annualizing the subscription and support revenue recorded in the last month of the measurement period for only those customers in place throughout the entire measurement period. We divide the result by the annualized subscription and support revenue in the first month of the measurement period for all customers in place at the beginning of the measurement period. The measurement period is based on the trailing twelve months.

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Our subscription and support revenue retention rate including add-ons was 106.0% at the June 2017 measurement date, down from 110.2% as of June 2016. As we pursue larger opportunities, we are seeing lengthening and more complex sales cycles.

Components of Results of Operations

Revenue

We generate revenue through the sale of subscriptions to our cloud-based software and the delivery of professional services. We serve a wide range of customers in many industries, and our revenue is not concentrated with any single customer or small group of customers. For the six months ended June 30, 2017 and 2016, no single customer represented more than 1% of our revenue, and our largest ten customers accounted for less than 6% of our revenue in the aggregate.

We generate sales directly through our sales force and through our partners. We also identify some sales opportunities with existing customers through our customer success and professional services teams.

Our customer contracts typically range in length from three to 36 months. Our arrangements do not contain general rights of return. We typically invoice our customers for subscription fees in advance on a quarterly, annual, two-year or three-year basis, with payment due at the start of the subscription term. In 2015, we began to move toward a standard minimum subscription term of one year and plan to convert a majority of our remaining quarterly contracts to annual terms over the next eighteen months. In addition, we continue to offer limited incentives for customers to enter into contract terms of more than one year, typically for terms of two or three years. Unpaid invoice amounts for services starting in future periods are excluded from accounts receivable and deferred revenue. Invoiced amounts are reflected as accounts receivable once we have initiated services with an offset to deferred revenue or revenue depending on whether the revenue recognition criteria have been met.

Subscription and Support Revenue. We recognize the aggregate minimum subscription and support fees ratably on a straight-line basis over the subscription term, provided that an enforceable contract has been signed by both parties, access to our SaaS solutions has been granted to the customer, the fee for the subscription and support is fixed or determinable, and collection is reasonably assured.

Professional Services Revenue. We believe our professional services facilitate the sale of our subscription service to certain customers. To date, most of our professional services have consisted of document set up, XBRL tagging, and consulting with our customers on business processes and best practices for using Wdesk. Our professional services are not required for customers to utilize our solution. We recognize revenue for our professional services contracts when the services are performed.

Cost of Revenue

Cost of revenue consists primarily of personnel and related costs directly associated with our professional services, customer success teams and training personnel, including salaries, benefits, bonuses and stock-based compensation; the costs of contracted third-party vendors; the costs of server usage by our customers; information technology costs and facility costs. Costs of server usage are comprised primarily of fees paid to Google Cloud Platform and Amazon Web Services.

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Sales and Marketing Expenses

Sales and marketing expenses consist primarily of personnel and related costs, including salaries, benefits, bonuses, commissions, travel, and stock-based compensation. Other costs included in this expense are marketing and promotional events, our annual user conference, online marketing, product marketing, information technology costs and facility costs. We capitalize and amortize sales commissions that are directly attributable to a contract over the lesser of twelve months or the non-cancelable term of the customer contract based on the terms of our commission arrangements.

Research and Development Expenses

Research and development expenses consist primarily of personnel and related costs, including salaries, benefits, bonuses, and stock-based compensation; costs of server usage by our developers; information technology costs; and facility costs.

General and Administrative Expenses

General and administrative expenses consist primarily of personnel and related costs for our executive, finance and accounting, legal, human resources, and administrative personnel, including salaries, benefits, bonuses, and stock-based compensation; legal, accounting, and other professional service fees; other corporate expenses; information technology costs; and facility costs.

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Results of Operations

The following table sets forth selected consolidated statement of operations data for each of the periods indicated:

	Three months ended June 30,		Six months ended June 30,	
	2017	**2016**	**2017**	**2016**
	(in thousands)			
Revenue				
Subscription and support	$ 40,980	$ 34,969	$ 80,520	$ 68,554
Professional services	8,411	8,042	20,775	19,008
Total revenue	49,391	43,011	101,295	87,562
Cost of revenue				
Subscription and support(1)	7,758	7,039	15,395	13,957
Professional services(1)	6,528	5,538	13,109	11,726
Total cost of revenue	14,286	12,577	28,504	25,683

Gross profit	35,105	30,434	72,791	61,879
Operating expenses				
Research and development(1)	16,239	14,047	31,775	28,563
Sales and marketing(1)	19,787	19,828	38,500	39,916
General and administrative(1)	8,943	7,882	18,364	16,835
Total operating expenses	44,969	41,757	88,639	85,314
Loss from operations	(9,864)	(11,323)	(15,848)	(23,435)
Interest expense	(475)	(468)	(930)	(958)
Other income, net	176	278	788	854
Loss before provision for income taxes	(10,163)	(11,513)	(15,990)	(23,539)
Provision for income taxes	33	12	42	31
Net loss	$ (10,196)	$ (11,525)	$ (16,032)	$ (23,570)

(1) Stock-based compensation expense included in these line items was as follows:

	Three months ended June 30,			**Six months ended June 30,**
	2017	**2016**	**2017**	**2016**
	(in thousands)			
Cost of revenue				
Subscription and support	$ 178	$ 125	$ 318	$ 243
Professional services	100	93	200	215
Operating expenses				
Research and development	472	609	965	1,193
Sales and marketing	694	449	1,353	904
General and administrative	2,953	2,226	5,700	4,337
Total stock-based compensation expense	$ 4,397	$ 3,502	$ 8,536	$ 6,892

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The following table sets forth our consolidated statement of operations data as a percentage of revenue for each of the periods indicated:

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Revenue				
Subscription and support	83.0 %	81.3 %	79.5 %	78.3 %
Professional services	17.0	18.7	20.5	21.7
Total revenue	100.0	100.0	100.0	100.0
Cost of revenue				
Subscription and support	15.7	16.4	15.2	15.9
Professional services	13.2	12.9	12.9	13.4
Total cost of revenue	28.9	29.3	28.1	29.3
Gross profit	71.1	70.7	71.9	70.7
Operating expenses				
Research and development	32.9	32.7	31.4	32.6
Sales and marketing	40.1	46.1	38.0	45.6
General and administrative	18.1	18.3	18.1	19.2
Total operating expenses	91.1	97.1	87.5	97.4
Loss from operations	(20.0)	(26.4)	(15.6)	(26.7)
Interest expense	(1.0)	(1.1)	(0.9)	(1.1)
Other income, net	0.4	0.6	0.8	1.0
Loss before provision for income taxes	(20.6)	(26.9)	(15.7)	(26.8)
	0.1	—	—	—

Provision for income taxes				
Net loss	(20.7)%	(26.9)%	(15.7)%	(26.8)%

Comparison of Three and Six Months Ended June 30, 2017 and 2016

Revenue

	Three months ended June 30,			**Six months ended June 30,**		
	2017	**2016**	**% Change**	**2017**	**2016**	**% Change**
	(dollars in thousands)					
Revenue						
Subscription and support	$ 40,980	$ 34,969	17.2%	$ 80,520	$ 68,554	17.5%
Professional services	8,411	8,042	4.6%	20,775	19,008	9.3%
Total revenue	$ 49,391	$ 43,011	14.8%	$ 101,295	$ 87,562	15.7%

Total revenue increased $6.4 million for the three months ended June 30, 2017 compared to the same quarter a year ago due primarily to a $6.0 million increase in subscription and support revenue. Of the total gain in subscription and support revenue, 57.3% represented revenue from new customers acquired after June 30, 2016 and 42.7% represented revenue from existing customers at or prior to June 30, 2016. The total number of our customers expanded 10.9% from June 30, 2016 to June 30, 2017.

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Total revenue increased $13.7 million for the six months ended June 30, 2017 compared to the same period a year ago due primarily to a $12.0 million increase in subscription and support revenue. Of the total gain in subscription and support revenue, 47.1% represented revenue from new customers acquired after June 30, 2016 and 52.9% represented revenue from existing customers at or prior to June 30, 2016.

Cost of Revenue

	Three months ended June 30,			**Six months ended June 30,**		
	2017	**2016**	**% Change**	**2017**	**2016**	**% Change**
	(dollars in thousands)					
Cost of revenue						

Subscription and support	$	7,758	$	7,039	10.2%	$	15,395	$	13,957	10.3%
Professional services		6,528		5,538	17.9%		13,109		11,726	11.8%
Total cost of revenue	$	14,286	$	12,577	13.6%	$	28,504	$	25,683	11.0%

Cost of revenue increased $1.7 million during the three months ended June 30, 2017 versus the same quarter a year ago, attributable primarily to an aggregate increase in headcount, employee compensation, benefits, and travel costs of $1.7 million.

Cost of revenue increased $2.8 million during the six months ended June 30, 2017 compared to the same period a year ago due primarily to an aggregate increase in employee compensation, benefits and travel costs of $2.7 million. Subscription and support expense rose 10.3% in the six months ended June 30, 2017 compared to the same period a year ago due primarily to increases in headcount and employee compensation. Professional services expense increased 11.8% in the six months ended June 30, 2017 versus the same period a year ago due primarily to an increase in headcount, employee compensation and travel expense related to fulfilling our services.

Operating Expenses

	Three months ended June 30,				**% Change**	**Six months ended June 30,**				**% Change**
	2017		**2016**			**2017**		**2016**		
	(dollars in thousands)									
Operating expenses										
Research and development	$	16,239	$	14,047	15.6%	$	31,775	$	28,563	11.2%
Sales and marketing		19,787		19,828	(0.2)%		38,500		39,916	(3.5)%
General and administrative		8,943		7,882	13.5%		18,364		16,835	9.1%
Total operating expenses	$	44,969	$	41,757	7.7%	$	88,639	$	85,314	3.9%

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Research and Development

Research and development expenses increased $2.2 million in the three months ended June 30, 2017 compared to the same quarter a year ago due primarily to $1.4 million in higher cash-based compensation, benefits, and travel costs and a $0.6 million increase in professional services expense related to an increase in technology consultants.

Research and development expenses increased $3.2 million in the six months ended June 30, 2017 compared to the same period a year ago due primarily to $2.1 million in higher employee cash-based compensation, benefits, and travel costs and a $0.9 million increase in professional services. We continue to dedicate resources to developing the next generation of Wdesk, which has resulted in higher headcount and additional consultants in research and development.

Sales and Marketing

Despite revenue growth, sales and marketing expenses remained relatively flat during the three months ended June 30, 2017 compared to the three months ended June 30, 2016, due primarily to the simplification of the sales and marketing organization.

Sales and marketing expenses decreased $1.4 million during the six months ended June 30, 2017 compared to the same period a year ago. Of this decrease in expense, $0.8 million was due to reductions in headcount and an aggregate decrease in employee cash-based compensation, benefits and travel costs. In addition, a $0.5 million decrease in professional services was largely due to the simplification of the sales and marketing organization.

General and Administrative

General and administrative expenses increased $1.1 million during the three months ended June 30, 2017 compared to the same quarter a year ago, due principally to additional employee stock-based compensation of $0.7 million.

General and administrative expenses rose $1.5 million during the six months ended June 30, 2017 compared to the six months ended June 30, 2016 due primarily to additional employee stock-based compensation of $1.3 million. Higher stock-based compensation expense was driven primarily by restricted stock grants to executive officers in February 2015, January 2016, and January 2017 with a vesting term of three years, as well as stock option grants to executive officers in February 2016 and 2017 with a vesting term of three years.

Non-Operating Income (Expenses)

	Three months ended June 30,		**Six months ended June 30,**	
	2017	**2016**	**2017**	**2016**
	(dollars in thousands)			
Interest expense	$ (475)	$ (468)	$ (930)	$ (958)
Other income, net	176	278	788	854

Interest Expense and Other Income, Net

Both interest expense and other income, net remained relatively flat during the three and six months ended June 30, 2017 compared to the same period a year ago.

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Liquidity and Capital Resources

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
	(in thousands)			
Cash flow provided by (used in) operating activities	$ 3,982	$ (4,036)	$ 6,562	$ (23,114)
Cash flow (used in) provided by investing activities	(493)	946	(1,735)	5,272
Cash flow provided by (used in) financing activities	4,211	(291)	3,784	(1,017)
Net increase (decrease) in cash and cash equivalents, net of impact of exchange rates	$ 7,782	$ (3,341)	$ 8,705	$ (18,865)

As of June 30, 2017, our cash, cash equivalents and marketable securities totaled $72.9 million. To date, we have financed our operations primarily through the proceeds of our initial public offering, private placements of equity, debt that was settled in equity and cash from operating activities. We have generated significant operating losses and negative cash flows from operating activities as reflected in our accumulated deficit and consolidated statements of cash flows. We expect to continue to incur operating losses and may incur negative cash flows from operations in the future. As a result, we may require additional capital resources to continue to grow our business. We believe that current cash and cash equivalents, cash flows from operating activities, and availability under our existing credit facility will be sufficient to fund our operations for at least the next twelve months.

In August 2014, we entered into a $15.0 million credit facility with Silicon Valley Bank. Borrowing capacity is equal to the most recent month's subscription and support revenue multiplied by a percentage that adjusts based on the prior quarter's customer retention rate. The credit facility can be used to fund working capital and general business requirements. The credit facility is secured by all of our assets, has first priority over our other debt obligations, and requires us to maintain certain financial covenants, including the maintenance of at least $5.0 million of cash on hand or unused borrowing capacity. The credit facility contains certain restrictive covenants that limit our ability to transfer or dispose of assets, merge with other companies or consummate certain changes of control, acquire other companies, pay dividends, incur additional indebtedness and liens, effect changes in management and enter into new businesses. The credit facility has a variable interest rate equal to the bank's prime lending rate with interest payable monthly and the principal balance due at maturity. The credit facility matures in August 2018, and no amount was outstanding under the credit facility as of June 30, 2017.

Operating Activities

For the three months ended June 30, 2017, cash provided by operating activities was $4.0 million. The primary factors affecting our operating cash flows during the period were our net loss of $10.2 million, adjusted for non-cash charges of $0.9 million for depreciation and amortization of our property and equipment and intangible assets and $4.4 million of stock-based compensation. The primary drivers of the changes in operating assets and liabilities were a $14.4 million increase in deferred revenue and a $2.3 million increase in accrued expenses and other liabilities partially offset by a $3.2 million increase in accounts receivable, a $0.9 million increase in other receivables, a $2.8 million increase in prepaid expenses and a $0.7 million decrease in accounts payable. Short-term deferred revenue from subscription and support contracts increased $12.2 million from March 31, 2017 to June 30, 2017. Long-term deferred revenue from subscription and support contracts increased by $1.6 million from March 31, 2017 to

June 30, 2017. In addition, deferred revenue from professional services increased by $0.8 million from March 31, 2017 to June 30, 2017. New and existing customer sales along with contract renewals for longer terms accounted for most of the increase in deferred revenue. The conversion of quarterly contracts to annual terms positively impacts our operating cash flow. We expect the conversion of the majority of our remaining quarterly contracts to annual terms over the next eighteen months. The increase in accrued expenses and other liabilities was attributable to the timing of our payment of annual bonuses resulting in an increase of $2.5 million partially offset by a payment of sales tax of $0.4 million. The increase in accounts receivable and decrease in accounts payable were primarily attributable to the timing of our billings, cash collections, and cash payments. The increase in other receivables was primarily due to advance payments of sales taxes. The increase in prepaid expenses was attributable primarily to an upfront payment for our annual user conference.

For the three months ended June 30, 2016, cash used in operating activities was $4.0 million. The primary factors affecting our operating cash flows during the period were our net loss of $11.5 million, adjusted for non-cash charges of $1.0 million for depreciation and amortization of our property and equipment and intangible assets, and $3.5 million of stock-based compensation. The primary drivers of the changes in operating assets and liabilities were a $5.4 million increase in deferred revenue and a $0.8 million increase in accounts payable partially offset by a $1.8 million increase in accounts receivable and a $1.3 million increase in prepaid expenses. Short-term deferred revenue from subscription and support contracts increased $3.9 million from March 31, 2016 to June 30, 2016. Long-term deferred revenue from subscription and support contracts increased by $1.2 million from March 31, 2016 to June 30, 2016. In addition, short-term deferred revenue from professional services increased by $0.3 million from March 31, 2016 to June 30, 2016. The increase in accounts receivable and accounts payable was primarily attributable to the timing of our billings, cash collections, and cash payments. The increase in prepaid expenses was attributable primarily to an upfront payment for our annual user conference.

For the six months ended June 30, 2017, cash provided by operating activities was $6.6 million. The primary factors affecting our operating cash flows during the period were our net loss of $16.0 million, adjusted for non-cash charges of $1.8 million for depreciation and amortization of our property and equipment and intangible assets, $8.5 million of stock-based compensation, and $0.7 million for recognition of other income from government grants. The primary drivers of the changes in operating assets and liabilities were a $18.5 million increase in deferred revenue partially offset by a $0.5 million increase in accounts receivable, a $2.0 million increase in prepaid expenses and a $3.6

million decrease in accrued expenses and other liabilities. Short-term deferred revenue from subscription and support contracts increased $16.7 million from December 31, 2016 to June 30, 2017. Long-term deferred revenue from subscription and support contracts increased by $2.6 million from December 31, 2016 to June 30, 2017. Deferred revenue from professional services decreased by $0.5 million from December 31, 2016 to June 30, 2017. The increase in accounts receivable was attributable primarily to the timing of our billings and cash collections. The increase in prepaid expenses was attributable primarily to an upfront payment for our annual user conference. The decrease in accrued expenses and other liabilities was attributable primarily to the timing of our cash payments, including payment of annual bonuses.

For the six months ended June 30, 2016, cash used in operating activities was $23.1 million. The primary factors affecting our operating cash flows during the period were our net loss of $23.6 million, adjusted for non-cash charges of $2.0 million for depreciation and amortization of our property and equipment and intangible assets, $6.9 million of stock-based compensation, and $0.7 million for recognition of other income from government grants. The primary drivers of the changes in operating assets and liabilities were a $2.7 million increase in accounts receivable, a $1.5 million increase in prepaid expenses and a $5.4 million decrease in accrued expenses and other liabilities partially offset by a $2.2 million increase in deferred revenue. Short-term deferred revenue from subscription and support contracts increased $3.6 million from December 31, 2015 to June 30, 2016. Long-term deferred revenue

from subscription and support contracts increased by $0.7 million from December 31, 2015 to June 30, 2016. Short-term deferred revenue from professional services decreased by $2.1 million from December 31, 2015 to June 30, 2016. The increase in accounts receivable was attributable primarily to the timing of our billings and cash collections. The increase in prepaid expenses was attributable primarily to an upfront payment for our annual user conference. The decrease in accrued expenses and other liabilities was attributable primarily to the timing of our cash payments, including payment of annual bonuses.

Investing Activities

Cash used in investing activities of $0.5 million for the three months ended June 30, 2017 was due primarily to $2.3 million for the purchase of marketable securities partially offset by proceeds of $1.9 million from maturities of marketable securities.

Cash provided by investing activities of $0.9 million for the three months ended June 30, 2016 was due primarily to proceeds of $2.4 million from the sale of marketable securities, which was partially offset by $0.8 million of purchases of marketable securities and $0.6 million of capital expenditures. Our capital expenditures were associated primarily with leasehold improvements, computer equipment and furniture and fixtures in support of expanding our infrastructure and work force.

Cash used in investing activities of $1.7 million for the six months ended June 30, 2017 was due primarily to $6.4 million for the purchase of marketable securities partially offset by proceeds of $4.9 million from maturities of marketable securities.

Cash provided by investing activities of $5.3 million for the six months ended June 30, 2016 was due primarily to proceeds of $7.2 million from the sale of marketable securities, which was partially offset by $0.8 million of purchases of marketable securities and $1.0 million of capital expenditures. Our capital expenditures were associated primarily with leasehold improvements, computer equipment and furniture and fixtures in support of expanding our infrastructure and work force.

Financing Activities

Cash provided by financing activities of $4.2 million for the three months ended June 30, 2017 was due primarily to $4.7 million in proceeds from option exercises, partially offset by $0.5 million in payments on capital lease and financing obligations.

Cash used in financing activities of $0.3 million for the three months ended June 30, 2016 was due primarily to $0.5 million in repayments on long-term debt and payments on capital lease and financing obligations.

Cash provided by financing activities of $3.8 million for the six months ended June 30, 2017 was due primarily to $5.5 million in proceeds from option exercises, partially offset by $0.9 million in taxes paid related to the net share settlements of stock-based compensation awards and an aggregate $0.8 million in repayments on long-term debt and payments on capital lease and financing obligations.

Cash used in financing activities of $1.0 million for the six months ended June 30, 2016 was due primarily to $0.8 million in taxes paid related to the net share settlements of stock-based compensation awards and an aggregate $0.9 million in repayments on long-term debt and payments on capital lease and financing obligations, partially offset by $0.5 million in proceeds from option exercises.

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Contractual Obligations and Commitments

There were no material changes in our contractual obligations and commitments from those disclosed in the Annual Report on Form 10-K for the year ended December 31, 2016 filed with the SEC on February 23, 2017.

Off-Balance Sheet Arrangements

During all periods presented, we did not have any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities, which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. As a result, we are not exposed to any financing, liquidity, market or credit risk that could arise if we had engaged in those types of relationships.

Critical Accounting Policies and Estimates

Our condensed consolidated financial statements are prepared in accordance with U.S. GAAP. The preparation of these condensed consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, costs and expenses, income taxes and related disclosures. On an ongoing basis, we evaluate our estimates and assumptions. Our actual results may differ from these estimates under different assumptions or conditions.

During the six months ended June 30, 2017, there were no significant changes to our critical accounting policies and estimates as described in financial statements contained in the Annual Report on Form 10-K for the year ended December 31, 2016 filed with the SEC on February 23, 2017.

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Item 3. Quantitative and Qualitative Disclosures about Market Risk

For quantitative and qualitative disclosures about market risk, see “Item 7A., Quantitative and Qualitative Disclosures About Market Risk” of our Annual Report on Form 10-K for the year ended December 31, 2016. Our exposures to market risk have not changed materially since December 31, 2016.

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Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our principal executive officer and principal financial officer, our management conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, as of the end of the period covered by this report. Our disclosure controls and procedures are intended to provide assurance at a reasonable level that the information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures.

In designing and evaluating our disclosure controls and procedures, management recognizes that any disclosure controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply its judgment in evaluating the benefits of possible controls and procedures relative to their costs.

Based on management’s evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures are designed to, and are effective to, provide assurance at a reasonable level that the information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures.

Changes in Internal Control Over Financial Reporting

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of any changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during our most recently completed fiscal quarter. Based on that evaluation, our principal executive officer and principal financial officer concluded that there has not been any material change in our internal control over financial reporting during the quarter covered by this report that materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

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Part II. Other Information

Item 1. Legal Proceedings

From time to time we may become involved in legal proceedings or be subject to claims arising in the ordinary course of our business. We are not presently a party to any legal proceedings that in the opinion of our management, if determined adversely to us, would have a material adverse effect on our business, financial condition, operating results or cash flows. Regardless of the outcome, litigation can have an adverse impact on us because of defense and settlement costs, diversion of management resources and other factors.

Item 1A. Risk Factors

In addition to the other information set forth in this report, you should carefully consider the factors discussed in Part I, “Item 1A. Risk Factors” in our 2016 Annual Report on Form 10-K, which could materially affect our business, financial condition or future results. There have been no material changes during fiscal 2017 to the risk factors that were included in the Form 10-K.

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Item 2. Unregistered Sales of Securities and Use of Proceeds

Sales of Unregistered Securities

Not applicable.

Use of Proceeds from Public Offerings of Common Stock

There has been no material change in the planned use of proceeds from our initial public offering as described in our final prospectus filed with the SEC pursuant to Rule 424(b) under the Securities Act on December 12, 2014.

Item 6. Exhibits

See the Exhibit Index immediately following the signature page of this Quarterly Report on Form 10-Q.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on this 3rd day of August, 2017.

WORKIVA INC.

By:	/s/ Matthew M. Rizai, Ph.D.
Name:	Matthew M. Rizai, Ph.D.
Title:	Chairman and Chief Executive Officer
By:	/s/ J. Stuart Miller
Name:	J. Stuart Miller
Title:	Executive Vice President and Chief Financial Officer
By:	/s/ Jill Klindt
Name:	Jill Klindt
Title:	Senior Vice President, Treasurer and Chief Accounting Officer

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EXHIBIT INDEX

Exhibit Number	Description
10.1	

	Consent and Fifth Amendment to Loan and Security Agreement dated June 30, 2017 by and among Workiva Inc., Workiva International LLC and Silicon Valley Bank.
31.1	Certification of the Chief Executive Officer, pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of the Chief Financial Officer, pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of the Chief Executive Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of the Chief Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags

	are embedded within the Inline XBRL document.
101.SCH	XBRL Taxonomy Extension Schema Document.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.