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Amber Road, Inc.  
Form 10-Q  
August 10, 2015

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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FORM 10-Q

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

For the quarterly period ended June 30, 2015

or

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

For the Transition Period from                      to                      .

Commission file number 001-36360

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AMBER ROAD, INC.  
(Exact name of registrant as specified in its charter)

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Delaware  
(State or other jurisdiction of incorporation or  
organization)  
One Meadowlands Plaza, East Rutherford, NJ 07073  
(Address and zip code of principal executive offices)  
(201) 935-8588  
(Registrant's telephone number, including area code)

22-2590301  
(I.R.S. Employer Identification Number)

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

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

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

Large accelerated filer ☐ Accelerated filer ☐

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☒

On August 10, 2015, the registrant had outstanding 26,189,268 shares of common stock, \$0.001 par value per share.



AMBER ROAD, INC.

FORM 10-Q

For the Quarterly Period Ended June 30, 2015

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Amber Road, the Amber Road logo, Global Knowledge, Enterprise Technology Framework and other trademarks of Amber Road appearing in this report on Form 10-Q are the property of Amber Road. All other trademarks, service marks and trade names in this report on Form 10-Q are the property of their respective owners. We have omitted the ® and ™ designations, as applicable, for the trademarks used in this report on Form 10-Q.

#### CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act. These statements are often identified by the use of words such as “anticipate,” “believe,” “continue,” “could,” “estimate,” “expect,” “intend,” “may,” “plan,” “project,” “will,” “would” or the negative or plural of these similar expressions or variations. Such forward-looking statements are subject to a number of risks, uncertainties, assumptions and other factors that could cause actual results and the timing of certain events to differ materially from future results expressed or implied by the forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those identified herein, including those discussed in the section titled “Risk Factors”, set forth in Part II, Item 1A of this Quarterly Report on Form 10-Q and in our other SEC filings. You should not rely upon forward-looking statements as predictions of future events. Furthermore, such forward-looking statements speak only as of the date of this report. Except as required by law, we undertake no obligation to update any forward-looking statements to reflect events or circumstances after the date of such statements. As used in this report, the terms "Amber Road", "we", "us", and "our" mean Amber Road, Inc. and its subsidiaries unless the context indicates otherwise.

## PART I. FINANCIAL INFORMATION

## Item 1. Financial Statements

## AMBER ROAD, INC. AND SUBSIDIARIES

## Condensed Consolidated Balance Sheets

(Unaudited)

	June 30, 2015	December 31, 2014
Assets		
Current assets:		
Cash and cash equivalents	\$27,068,744	\$41,242,200
Accounts receivable, net	13,589,865	15,645,386
Unbilled receivables	431,934	254,243
Deferred commissions	3,447,920	3,322,553
Prepaid expenses and other current assets	2,690,852	1,445,964
Total current assets	47,229,315	61,910,346
Property and equipment, net	13,321,451	12,918,540
Goodwill	41,850,326	24,476,157
Other intangibles, net	8,575,566	1,011,526
Deferred commissions	6,165,676	6,906,165
Deposits and other assets	1,099,647	1,007,923
Total assets	\$118,241,981	\$108,230,657
Liabilities and Stockholders' Equity		
Current liabilities:		
Current installments of obligations under capital leases	\$1,473,075	\$1,321,610
Accounts payable	1,511,030	1,733,209
Accrued expenses	7,337,573	8,043,759
Deferred revenue	27,287,433	26,168,358
Current portion of term loan, net of discount	616,667	—
Total current liabilities	38,225,778	37,266,936
Capital lease obligations, less current portion	2,202,190	2,141,584
Deferred revenue, less current portion	1,793,928	1,753,886
Term loan, net of discount, less current portion	19,361,111	—
Other noncurrent liabilities	2,293,471	2,109,544
Total liabilities	63,876,478	43,271,950
Commitments and contingencies (Note 11)		
Stockholders' equity:		
Common stock, \$0.001 par value; 100,000,000 shares authorized; issued and outstanding 26,189,268 and 25,765,792 shares at June 30, 2015 and December 31, 2014, respectively	26,189	25,766
Additional paid-in-capital	178,416,979	173,665,585
Accumulated other comprehensive loss	(783,887 )	(607,492 )
Accumulated deficit	(123,293,778 )	(108,125,152 )
Total stockholders' equity	54,365,503	64,958,707
Total liabilities and stockholders' equity	\$118,241,981	\$108,230,657

See accompanying notes to condensed consolidated financial statements.

AMBER ROAD, INC. AND SUBSIDIARIES  
Condensed Consolidated Statements of Operations  
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Revenue:				
Subscription	\$11,704,722	\$10,630,709	\$22,046,072	\$21,140,478
Professional services	5,672,674	5,178,236	10,525,449	9,657,475
Total revenue	17,377,396	15,808,945	32,571,521	30,797,953
Cost of revenue (1):				
Cost of subscription revenue	4,920,945	3,651,853	9,309,185	6,996,581
Cost of professional services revenue	4,746,866	3,342,566	8,563,384	6,242,890
Total cost of revenue	9,667,811	6,994,419	17,872,569	13,239,471
Gross profit	7,709,585	8,814,526	14,698,952	17,558,482
Operating expenses (1):				
Sales and marketing	6,486,750	5,114,468	12,201,891	9,962,492
Research and development	3,986,639	2,379,144	7,612,358	4,567,618
General and administrative	5,078,434	3,299,735	9,461,857	8,051,871
Restricted stock expense	—	—	—	18,683,277
Total operating expenses	15,551,823	10,793,347	29,276,106	41,265,258
Loss from operations	(7,842,238 )	(1,978,821 )	(14,577,154 )	(23,706,776 )
Interest income	16,398	91	28,346	304
Interest expense	(266,694 )	(55,917 )	(391,627 )	(168,894 )
Loss before income taxes	(8,092,534 )	(2,034,647 )	(14,940,435 )	(23,875,366 )
Income tax expense	125,916	150,537	228,191	249,549
Net loss	(8,218,450 )	(2,185,184 )	(15,168,626 )	(24,124,915 )
Accretion of redeemable convertible preferred stock and puttable common stock	—	—	—	(2,416,505 )
Net loss attributable to common stockholders	\$(8,218,450 )	\$(2,185,184 )	\$(15,168,626 )	\$(26,541,420 )
Net loss per common share (Note 10):				
Basic and diluted	\$(0.32 )	\$(0.09 )	\$(0.58 )	\$(1.69 )
Weighted-average common shares outstanding (Note 10):				
Basic and diluted	26,079,695	25,212,460	26,019,846	15,741,835

(1) Includes stock-based compensation as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Cost of subscription revenue	\$193,804	\$15,188	\$388,356	\$35,513
Cost of professional services revenue	148,661	6,116	272,142	12,074
Sales and marketing	149,708	19,852	395,568	42,037
Research and development	186,509	29,250	493,203	59,846
General and administrative	1,169,740	95,384	2,016,452	189,854
	\$1,848,422	\$165,790	\$3,565,721	\$339,324

See accompanying notes to condensed consolidated financial statements.

AMBER ROAD, INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Comprehensive Loss

(Unaudited)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2015	2014	2015	2014
Net loss	\$ (8,218,450 )		\$ (15,168,626 )	
	\$ (2,185,184 )		\$ (24,124,915 )	
Other comprehensive loss:				
Foreign currency translation	(124,728 )	(222 )	(176,395 )	(47,835 )
Total other comprehensive loss	(124,728 )	(222 )	(176,395 )	(47,835 )
Comprehensive loss	\$ (8,343,178 )		\$ (15,345,021 )	
	\$ (2,185,406 )		\$ (24,172,750 )	

See accompanying notes to condensed consolidated financial statements.



AMBER ROAD, INC. AND SUBSIDIARIES  
Condensed Consolidated Statements of Cash Flows  
(Unaudited)

	Six Months Ended June 30,	
	2015	2014
Cash flows from operating activities:		
Net loss	\$(15,168,626)	\$(24,124,915)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	3,258,769	2,345,420
Bad debt expense	70,062	5,394
Stock-based compensation	3,565,721	339,324
Loss on asset impairment	—	11,964
Restricted stock non-cash compensation	—	18,683,277
Compensation related to puttable common stock	27,382	27,382
Changes in fair value of contingent consideration liability	(287,441)	) 97,423
Non-cash interest expense related to debt	247,144	—
Change in fair value of warrant liability	—	1,244,635
Amortization of debt financing costs and accretion of debt discount	22,764	—
Changes in operating assets and liabilities:		
Accounts receivable	3,876,071	(1,818,325)
Unbilled receivables	(177,444)	) (53,139)
Prepaid expenses and other assets	(322,687)	) (792,789)
Accounts payable	(250,437)	) (539,624)
Accrued expenses	(2,698,798)	) (958,316)
Other liabilities	471,368	(7,874)
Deferred revenue	578,699	(3,384,445)
Net cash used in operating activities	(6,787,453)	) (8,924,608)
Cash flows from investing activities:		
Capital expenditures	(626,376)	) (456,652)
Addition of capitalized software development costs	(940,485)	) (1,052,851)
Addition of intangible assets	(275,000)	) —
Acquisition, net of cash acquired of \$1,569,867	(25,593,426)	) —
Cash received (paid) for deposits	(5,566)	) 150,128
Decrease in restricted cash	—	56,409
Net cash used in investing activities	(27,440,853)	) (1,302,966)
Cash flows from financing activities:		
Payments on revolving line of credit	—	(6,978,525)
Proceeds from term loan	20,000,000	—
Debt discount and financing costs	(186,582)	) 35,953
Repayments on capital lease obligations	(736,892)	) (557,593)
Proceeds from the exercise of stock options	1,158,714	339,183
Proceeds from the exercise of common stock warrant	—	40,452
Payment of offering costs	—	(4,258,955)
Proceeds from initial public offering, net of underwriting discounts and commissions	—	57,824,899
Net cash provided by financing activities	20,235,240	46,445,414
Effect of exchange rate on cash and cash equivalents	(180,390)	) (59,243)
Net increase (decrease) in cash and cash equivalents	(14,173,456)	) 36,158,597
Cash and cash equivalents at beginning of period	41,242,200	5,147,735
Cash and cash equivalents at end of period	\$27,068,744	\$41,306,332

Supplemental disclosures of cash flow information:

Accretion of Series E Preferred Stock	\$—	\$2,289,793
Accretion of Series A, B, C, D and E issuance costs	—	91,065
Accretion of puttable common stock	—	35,647
Cash paid for interest	127,821	168,894
Non-cash property and equipment acquired under capital lease	948,963	1,013,728
Non-cash property and equipment and intangible asset purchases in accounts payable	314,662	33,159
Non-cash deferred offering costs in accounts payable and accrued expenses	—	7,500
Non-cash conversion of Series A, B, C, D and E preferred stock	—	77,139,408
Non-cash acquisition contingent consideration	713,000	—

See accompanying notes to condensed consolidated financial statements.

# AMBER ROAD, INC. AND SUBSIDIARIES

## Notes to Condensed Consolidated Financial Statements

(Unaudited)

### (1) Background

Amber Road, Inc. (we, our or us) is a leading provider of a cloud-based global trade management solution, including modules for logistics contract and rate management, supply chain visibility and event management, international trade compliance, and Global Knowledge trade content database to importers and exporters, nonvessel owning common carriers (resellers), and ocean carriers. Our solution is primarily delivered using an on-demand, cloud based, delivery model. During 2011, we changed our name from Management Dynamics Inc. to Amber Road, Inc. We are incorporated in the state of Delaware and our corporate headquarters are located in East Rutherford, New Jersey. We also have offices in McLean, Virginia, Cary, North Carolina, Munich, Germany, Bangalore, India, Hong Kong and Shanghai, China.

### (2) Summary of Significant Accounting Policies and Practices

#### (a) Basis of Presentation and Principles of Consolidation

The accompanying unaudited condensed consolidated financial statements and footnotes have been prepared in accordance with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles in the United States (GAAP) for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for the fair statement have been included. The accompanying condensed consolidated financial statements include our accounts and those of our wholly-owned subsidiaries located in India, China and the United Kingdom. All significant intercompany balances and transactions have been eliminated in consolidation. The results of operations for the three and six months ended June 30, 2015 are not necessarily indicative of the results to be expected for the year ending December 31, 2015 or for other interim periods or future years. The consolidated balance sheet as of December 31, 2014 is derived from the audited financial statements as of that date, but does not include all of the information and footnotes required by GAAP for complete financial statements. The accompanying condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and related notes included in our Form 10-K filed with the Securities and Exchange Commission (SEC) on March 13, 2015.

#### (b) Use of Estimates

The preparation of the condensed consolidated financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the amounts reported in the condensed consolidated financial statements and accompanying notes. Significant items subject to such estimates and assumptions include the carrying amount of intangibles and goodwill; valuation allowance for receivables and deferred income tax assets; revenue; capitalization of software costs; and valuation of share-based payments. Actual results could differ from those estimates.

#### (c) Cash and Cash Equivalents

We consider all highly liquid investments with original maturities of three months or less at the balance sheet date to be cash equivalents. Cash and cash equivalents at June 30, 2015 and December 31, 2014 consist of the following:

	June 30, 2015	December 31, 2014
Cash and cash equivalents	\$27,067,905	\$41,241,784
Money market accounts	839	416
	\$27,068,744	\$41,242,200

#### (d) Fair Value of Financial Instruments and Fair Value Measurements

Our financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable, and accrued expenses. Management believes that the carrying values of these instruments are representative of their fair value due to the relatively short-term nature of those instruments.

We follow FASB accounting guidance on fair value measurements for financial assets and liabilities measured on a recurring basis. ASC 820, Fair Value Measurements, among other things, defines fair value, establishes a framework for measuring fair value, and requires disclosure about such fair value measurements. Assets and liabilities measured

at fair value are based on one or more of three valuation techniques provided for in the standards.

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## AMBER ROAD, INC. AND SUBSIDIARIES

## Notes to Condensed Consolidated Financial Statements

(Unaudited)

The three value techniques are as follows:

Market Approach	—	Prices and other relevant information generated by market transactions involving identical or comparable assets and liabilities;
Income Approach	—	Techniques to convert future amounts to a single present amount based on market expectations (including present value techniques and option pricing models); and
Cost Approach	—	Amount that currently would be required to replace the service capacity of an asset (often referred to as replacement cost).

The standards clarify that fair value is an exit price, representing the amount that would be received to sell an asset, based on the highest and best use of the asset, or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for evaluating such assumptions, the standards establish a three-tier fair value hierarchy, which prioritizes the inputs in measuring fair value as follows:

Level 1 — Quoted prices in active markets for identical assets or liabilities;

Level 2 — Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly; or

Level 3 — Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions about what market participants would use in pricing the asset or liability.

The following tables provide the financial assets and liabilities carried at fair value measured on a recurring basis as of June 30, 2015 and December 31, 2014:

	Total Carrying Value June 30, 2015	Fair Value Measurements Using		
		Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Cash equivalents - money market accounts	\$839	\$839	\$—	\$—
Restricted cash - money market accounts	282,050	282,050	—	—
Total assets measured at fair value on a recurring basis	\$282,889	\$282,889	\$—	\$—
Liabilities:				
Acquisition contingent consideration liability	\$713,000	\$—	\$—	\$713,000
Total liabilities measured at fair value on a recurring basis	\$713,000	\$—	\$—	\$713,000

	Total Carrying Value December 31, 2014	Fair Value Measurements Using		
		Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Cash equivalents - money market accounts	\$416	\$416	\$—	\$—
Restricted cash - money market accounts	282,050	282,050	—	—
Total assets measured at fair value on a recurring basis	\$282,466	\$282,466	\$—	\$—
Liabilities:				

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Acquisition contingent consideration liability	\$ 287,441	\$—	\$—	\$ 287,441
Total liabilities measured at fair value on a recurring basis	\$ 287,441	\$—	\$—	\$ 287,441

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## AMBER ROAD, INC. AND SUBSIDIARIES

## Notes to Condensed Consolidated Financial Statements

(Unaudited)

Acquisition contingent consideration liability is measured at fair value and is based on significant inputs not observable in the market, which represents a Level 3 measurement within the fair value hierarchy. The valuation of contingent consideration uses assumptions we believe would be made by a market participant. The reconciliation of the acquisition contingent consideration liability measured at fair value on a recurring basis using unobservable inputs (Level 3) is as follows:

Balance at December 31, 2014	\$287,441
Acquisition (Note 3)	713,000
Mark to estimated fair value recorded as general and administrative expense	(287,441 )
Balance at June 30, 2015	\$713,000

## (e) Accounts Receivable and Allowance for Doubtful Accounts

Trade accounts receivable are recorded at the invoiced amount and do not bear interest. The allowance for doubtful accounts is our best estimate of the amount of probable credit losses in our existing accounts receivable. We determine the allowance based on historical write-off experience, the industry, and the economy. We review our allowance for doubtful accounts monthly. Past-due balances over 90 days and over a specified amount are reviewed individually for collectibility. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. We do not have any off-balance-sheet credit exposure related to our customers. We record unbilled receivables for contracts on which revenue has been recognized, but for which the customer has not yet been billed.

## (f) Major Customers and Concentrations of Credit Risk

Financial instruments that potentially subject us to concentrations of credit risk consist principally of cash and cash equivalents and trade receivables. We invest our excess cash with a large high-credit-quality financial institution. Our customer base is principally comprised of enterprise and mid-market companies within the global trade industry. We do not require collateral from our customers. For the three and six months ended June 30, 2015, no customer accounted for greater than 10% of our total revenue. For the three and six months ended June 30, 2014, one customer accounted for 11% and 10%, respectively, of our total revenue. As of June 30, 2015, one customer accounted for 25% of our total accounts receivable and as of December 31, 2014, a different customer accounted for 10% of our total accounts receivable.

## (g) Revenue

We primarily generate revenue from the sale of subscriptions and subscription-related professional services. In instances involving subscriptions, revenue is generated under customer contracts with multiple elements, which are comprised of (1) subscription fees that provide the customers with access to our on-demand application and content, unspecified solution and content upgrades, and customer support, (2) professional services associated with consulting services (primarily implementation services) and (3) transaction-related fees (including publishing services). Our initial customer contracts have contract terms from, typically, three to five years in length. Typically, the customer does not take possession of the software nor does the customer have the right to take possession of the software supporting the on-demand application service. However, in certain instances, we have customers that take possession of the software whereby the application is installed on the customer's premises. Our subscription service arrangements typically may only be terminated for cause and do not contain refund provisions.

We provide our software as a service and follow the provisions of ASC Topic 605, Revenue Recognition (ASC 605) and ASC Topic 985, Software (ASC 985). We commence revenue recognition when all of the following conditions are met:

- There is persuasive evidence of an arrangement;
- The service has been or is being provided to the customer;
- The collection of the fees is probable; and
- The amount of fees to be paid by the customer is fixed or determinable.

The subscription fees typically begin the first month following contract execution, whether or not we have completed the solution's implementation. In addition, typically, any services performed by us for our customers are not essential to the functionality of our products.



AMBER ROAD, INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

(Unaudited)

Subscription Revenue

Subscription revenue is recognized ratably over contract terms beginning on the commencement date of each contract, which is the date our service is made available to customers. Amounts that have been invoiced are recorded in accounts receivable and in deferred revenue or revenue, depending on whether the revenue recognition criteria have been met. Transaction-related revenue is recognized as the transactions occur.

Professional Services Revenue

The majority of professional services contracts are on a time and material basis. When these services are not combined with subscription revenue as a single unit of accounting, as discussed below, this revenue is recognized as the services are rendered for time and material contracts, and when the milestones are achieved and accepted by the customer for fixed price contracts.

Multiple-Deliverable Arrangements

We enter into arrangements with multiple deliverables that generally include subscription, professional services (primarily implementation) as well as transaction-related fees.

We allocate revenue to each element in an arrangement based on a selling price hierarchy. The selling price for a deliverable is based on its vendor specific objective evidence (VSOE), if available, third party evidence (TPE), if VSOE is not available, or estimated selling prices (ESP), if neither VSOE nor TPE is available. As we have been unable to establish VSOE or TPE for the elements of its arrangements, we establish the ESP for each element primarily by considering the weighted average of actual sales prices of professional services sold on a standalone basis and subscription including various add-on modules if and when sold together without professional services, and other factors such as gross margin objectives, pricing practice and growth strategy. We have established processes to determine ESP and allocate revenue in multiple-deliverable arrangements using ESP.

For those contracts in which the customer accesses our software via an on-demand application, we account for these contracts in accordance with ASC 605-25, Revenue Recognition—Multiple- Element Arrangements. The majority of these agreements represent multiple-element arrangements, and we evaluate each element to determine whether it represents a separate unit of accounting. The consideration allocated to subscription is recognized as revenue ratably over the contract period. The consideration allocated to professional services is recognized as the services are performed, which is typically over the first three to six months of an arrangement.

For those contracts in which the customer takes possession of the software, we account for such transactions in accordance with ASC 985, Software. We account for these contracts as subscriptions and recognize the entire arrangement fee (subscription and services) ratably over the term of the agreement. In addition, as we do not have VSOE for services, any add-on services entered into during the term of the subscription are recognized over the remaining term of the agreement.

Other Revenue Items

Sales tax collected from customers and remitted to governmental authorities is accounted for on a net basis and, therefore, is not included in revenue and cost of revenue in the condensed consolidated statements of operations. We classify customer reimbursements received for direct costs paid to third parties and related expenses as revenue, in accordance with ASC 605. The amounts included in professional services revenue and cost of professional services revenue for the three months ended June 30, 2015 and 2014 were \$139,418 and \$160,621, respectively, and were \$243,885 and \$293,737, for the six months ended June 30, 2015 and 2014, respectively.

(h) Cost of Revenue

Cost of subscription revenue. Cost of subscription revenue consists primarily of personnel and related costs of our hosting, support, and content teams, including salaries, benefits, bonuses, payroll taxes, stock-based compensation and allocated overhead, as well as software license fees, hosting costs, Internet connectivity, and depreciation expenses directly related to delivering solutions, as well as amortization of capitalized software development costs. As we add data center capacity and personnel in advance of anticipated growth, our cost of subscription revenue may increase.

Our cost of subscription revenue is generally expensed as the costs are incurred.

## AMBER ROAD, INC. AND SUBSIDIARIES

## Notes to Condensed Consolidated Financial Statements

(Unaudited)

Cost of professional services revenue. Cost of professional services revenue consists primarily of personnel and related costs, including salaries, benefits, bonuses, payroll taxes, stock-based compensation, the costs of contracted third-party vendors, reimbursable expenses and allocated overhead. As our personnel are employed on a full-time basis, our cost of professional services is largely fixed in the short term, while our professional services revenue may fluctuate, leading to fluctuations in professional services gross profit. Cost of professional services revenue is generally expensed as costs are incurred.

## (i) Deferred Commissions

We defer commission costs that are incremental and directly related to the acquisition of customer contracts. Commission costs are accrued and deferred upon execution of the sales contract by the customer. Payments to sales personnel are made shortly after the receipt of the related customer payment. Deferred commissions are amortized over the term of the related noncancelable customer contract and are recoverable through the related future revenue streams. Our commission costs deferred were \$396,601 and \$1,191,516 for the three months ended June 30, 2015 and 2014, respectively, and were \$1,068,367 and \$1,969,429, for the six months ended June 30, 2015 and 2014, respectively. Amortization of deferred commissions were \$941,534 and \$911,606 for the three months ended June 30, 2015 and 2014, respectively, and were \$1,683,489 and \$1,959,995, for the six months ended June 30, 2015 and 2014, respectively.

## (j) Stock-Based Compensation

We recognize stock-based compensation as an expense in the condensed consolidated financial statements and measure that cost based on the estimated grant-date fair value using the Black-Scholes option pricing model.

## (k) Geographic Information

Revenue by geographic area is as follows:

Country	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2015	2014	2015	2014
United States	\$13,527,804	\$13,702,940	\$25,983,954	\$26,850,532
International	3,849,592	2,106,005	6,587,567	3,947,421
Total revenue	\$17,377,396	\$15,808,945	\$32,571,521	\$30,797,953

Approximately 2% of long-lived assets are located outside of the United States.

## (l) Recent Accounting Pronouncements

In April 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2015-03, Simplifying the Presentation of Debt Issuance Costs. The accounting guidance requires that debt issuance costs related to a recognized debt liability be reported on the balance sheet as a direct deduction from the carrying amount of that debt liability. The guidance is effective for us beginning in the first quarter of fiscal 2016 and early adoption is permitted. The adoption of this accounting guidance is not expected to have a material impact on our condensed consolidated financial statements.

In May of 2014, the FASB issued a new revenue recognition standard entitled “Revenue from Contracts with Customers.” The objective of the standard is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows from a contract with a customer. The standard is effective for annual reporting periods beginning after December 15, 2017, which for us is January 1, 2018. Earlier application is not permitted. The standard allows for either “full retrospective” adoption, meaning the standard is applied to all periods presented, or “modified retrospective” adoption, meaning the standard is applied only to the most current period presented in the financial statements. We are currently assessing which method we will choose for adoption, and are evaluating the impact of the adoption on our condensed consolidated results of operations and financial position.

In July 2013, the FASB issued ASU 2013-11 Income Taxes (Topic 740): Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists. The new guidance was

## AMBER ROAD, INC. AND SUBSIDIARIES

## Notes to Condensed Consolidated Financial Statements

(Unaudited)

effective for fiscal years and interim periods after December 15, 2013. The adoption of ASU 2013-11 in 2014 did not have a material impact on our condensed consolidated financial statements.

## (3) Acquisitions

## ecVision Acquisition

On March 2, 2015, we acquired all of the outstanding capital stock of ecVision (International) Inc. (ecVision), a Cayman Islands company with U.S., Hong Kong and China subsidiaries. We paid a purchase price of \$26,398,400 before giving effect to adjustments that resulted in an upfront cost to us of \$27,163,293. We acquired ecVision for a net cash amount of approximately \$24,400,000, before giving effect to these expenses and adjustments, and net of ecVision's \$2,000,000 of target working capital. We will also make an earnout payment of up to \$5,176,000 on June 1, 2016 as follows: (i) \$3,500,000 if ecVision's products and services revenues under GAAP from April 1, 2015 through March 31, 2016 (the New Year Period) grow at an annual rate of 18% compared to the period from April 1, 2014 through March 31, 2015 (the Prior Year Period); (ii) the full \$5,176,000 if ecVision's products and services revenues under GAAP grow in the New Year Period at 20% or more compared to the Prior Year Period; or (iii) a proportional payment between \$3,500,000 and \$5,176,000 if ecVision's products and services revenues under GAAP grow in the New Year Period at more than 18% but less than 20% compared to the Prior Year Period.

In addition, on June 1, 2017, we will pay to ecVision's former equityholders \$3,675,000 if the founder of ecVision, has not been terminated by us for "Cause" and if he has not left us without "Good Reason," as such terms are defined in the merger agreement.

The acquisition of ecVision was accounted for under the purchase method of accounting. The operating results of ecVision are included in the accompanying condensed consolidated financial statements from the date of acquisition. The initial accounting for the ecVision acquisition may not be complete and adjustments to provisional amounts, or recognition of additional assets acquired or liabilities assumed, may occur as more detailed analyses are completed and additional information is obtained about the facts and circumstances that existed as of the acquisition date.

The following table summarizes the consideration paid for ecVision as well as the preliminary allocation of tangible and intangible assets acquired and liabilities assumed at the acquisition date:

## Consideration:

Cash	\$27,163,293
Contingent consideration	713,000
Fair value of total consideration transferred	\$27,876,293

## Assets acquired and liabilities assumed:

Cash	\$1,569,867
Accounts receivable	1,890,429
Prepaid expenses and other current assets	255,975
Fixed assets	549,276
Developed technology	4,814,000
Customer relationships	1,229,000
Contract backlog	944,000
Trademarks	587,000
Total identifiable assets acquired excluding goodwill	11,839,547
Accrued expenses	757,423
Deferred revenue	580,000
Total liabilities assumed	1,337,423

Net identifiable assets acquired excluding goodwill	10,502,124
Goodwill	17,374,169
Net assets acquired	\$27,876,293

## AMBER ROAD, INC. AND SUBSIDIARIES

## Notes to Condensed Consolidated Financial Statements

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The revenue and net loss of the combined entity as if the acquisition date had been January 1, 2014 are as follows:

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
Supplemental pro forma information (unaudited):	2015	2014	2015	2014
Revenue	\$17,377,396	\$18,952,913	\$34,521,683	\$36,722,507
Net loss	(8,218,450 )	(1,921,378 )	(16,604,312 )	(24,332,461 )

For accounting purposes, the fair value of the contingent earnout consideration is classified within current liabilities in the condensed consolidated balance sheet and when the accounting for the acquisition is final, it will be marked-to-market at each reporting date through June 1, 2016, which is the end of the earnout period. At June 30, 2015, the fair value of this contingent consideration was \$713,000.

## EasyCargo Acquisition

On September 3, 2013, we acquired 100% of the issued and outstanding shares of Sunrise International Ltd., a Barbados company which owns 100% of the issued and outstanding shares of EasyCargo (Shanghai) Co., Ltd. (EasyCargo), a software as a service company focused on a subset of global trade management called China Trade Management, or CTM.

We acquired EasyCargo for a payment of \$2,000,000 in cash and up to 296,547 shares of common stock. In addition, we will make additional earnout payments of up to \$2,500,000 in cash or shares of our common stock (at our option) by March 15, 2016 if certain CTM revenue targets are achieved for the periods ending December 31, 2015.

The 296,547 shares of common stock are comprised of the following:

• 197,914 shares of common stock issued at closing;

• 66,077 shares of common stock that are contingently issuable based upon the achievement of CTM revenue targets through 2015; and

• 32,556 shares of common stock that are contingently issuable based upon our continued employment of EasyCargo's founder.

For accounting purposes, subsequent to our IPO on March 26, 2014, the 197,914 common shares issued as part of the consideration paid were included as common stock.

As it relates to the contingently issuable equity consideration, the shareholders of EasyCargo will retain the 66,077 shares if the CTM revenue targets are met in 2014, 2015 or for the cumulative period from January 1, 2013 through December 31, 2015. For accounting purposes, the fair value of these shares is classified within current liabilities in the consolidated balance sheet and is being marked-to-market at each reporting date until issued or forfeited. At June 30, 2015 and December 31, 2014, the fair value of these shares was \$0 and \$287,051, respectively.

The shareholders of EasyCargo will retain the remaining 32,556 contingently issuable shares in the event that EasyCargo's founder maintains employment with the EasyCargo subsidiary through December 31, 2015. For accounting purposes, a portion of the value of these shares held by the founder of EasyCargo is being recorded as compensation expense over the required employment term. As of June 30, 2015, 19,518 shares have been issued and 13,038 are considered contingently issuable shares.

The arrangement requires us to pay additional earnout consideration of 50% of CTM revenues in excess of \$7,700,000 for the period from January 1, 2013 through December 31, 2015, subject to a maximum earnout payment of \$2,500,000. We have the option to pay any amounts due related to this contingency in cash or shares of our common stock. For accounting purposes, the fair value of this contingent consideration is classified within current liabilities in the condensed consolidated balance sheet and is being marked-to-market at each reporting date through December 31, 2015, which is the end of the earnout period. At June 30, 2015 and December 31, 2014, the fair value of this contingent consideration was \$0 and \$390, respectively.





## AMBER ROAD, INC. AND SUBSIDIARIES

## Notes to Condensed Consolidated Financial Statements

(Unaudited)

## (4) Consolidated Balance Sheet Components

Components of property and equipment, accrued expenses, deferred revenue and other noncurrent liabilities consisted of the following:

## (a) Property and Equipment

	June 30, 2015	December 31, 2014
Computer software and equipment	\$15,726,776	\$12,115,113
Software development costs	13,879,550	12,939,065
Furniture and fixtures	2,160,631	1,986,607
Leasehold improvements	3,240,105	2,671,037
Total property and equipment	35,007,062	29,711,822
Less: accumulated depreciation and amortization	(21,685,611 )	(16,793,282 )
Total property and equipment, net	\$13,321,451	\$12,918,540

Depreciation and amortization expense was \$1,392,208 and \$1,168,551 for the three months ended June 30, 2015 and 2014, respectively, and was \$2,698,809 and \$2,250,666 for the six months ended June 30, 2015 and 2014, respectively.

During the years ended December 31, 2011 and 2012, we received tenant improvement allowances of \$1,116,775 and \$258,063, respectively, related to rental agreements for two of our office leases. We did not receive any tenant improvement allowances during the year ended December 31, 2014 or during the six months ended June 30, 2015. In accordance with the provisions of ASC Topic 840, Leases (ASC 840), leasehold improvements purchased with funds from the tenant allowance are being depreciated over the remaining term of the lease.

We also recorded deferred rent in the amount of \$1,887,478 related to the tenant improvement allowances and are amortizing the amount in accordance with the provisions of ASC 840. Current and long-term deferred rent in the amounts of \$206,335 and \$1,749,027 as of June 30, 2015 and \$195,681 and \$1,822,061 as of December 31, 2014 are included in accrued expenses and other long-term liabilities in the condensed consolidated balance sheet.

Certain development costs of our software solution are capitalized in accordance with ASC Topic 350-40, Internal Use Software, which outlines the stages of computer software development and specifies when capitalization of costs is required. Projects that are determined to be in the development stage are capitalized and amortized over their useful lives of five years. Projects that are determined to be within the preliminary stage are expensed as incurred.

Capitalized software costs were \$685,730 and \$487,197 for the three months ended June 30, 2015 and 2014, respectively, and were \$940,485 and \$1,052,851 for the six months ended June 30, 2015 and 2014, respectively.

Amortization expense was \$504,548 and \$487,614 for the three months ended June 30, 2015 and 2014, respectively, and was \$1,060,695 and \$937,014 for the six months ended June 30, 2015 and 2014, respectively, and is included in cost of subscription revenue on the accompanying condensed consolidated statements of operations. As of June 30, 2015 and December 31, 2014, capitalized software costs not yet subject to amortization were \$750,082 and \$933,400, respectively.

## (b) Accrued Expenses

Accrued expenses at June 30, 2015 and December 31, 2014 consisted of the following:

	June 30, 2015	December 31, 2014
Accrued bonus	\$1,500,912	\$2,999,209
Accrued commission	1,273,323	2,332,910
Deferred rent	206,335	195,681
Accrued severance	196,195	845,810
Accrued professional fees	406,258	252,005

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Accrued taxes	1,163,568	410,813
Other accrued expenses	2,590,982	1,007,331
Total	\$7,337,573	\$8,043,759

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## AMBER ROAD, INC. AND SUBSIDIARIES

## Notes to Condensed Consolidated Financial Statements

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## (c) Deferred revenue

Deferred revenue at June 30, 2015 and December 31, 2014 consisted of the following:

	June 30, 2015	December 31, 2014
Current:		
Subscription revenue	\$23,487,936	\$20,907,087
Professional services revenue	1,645,070	1,603,757
Other	2,154,427	3,657,514
Total current	27,287,433	26,168,358
Noncurrent:		
Subscription revenue	134,275	387,965
Professional services revenue	1,659,653	1,055,282
Other	—	310,639
Total noncurrent	1,793,928	1,753,886
Total deferred revenue	\$29,081,361	\$27,922,244

Deferred revenue from subscriptions represents amounts collected from (or invoiced to) customers in advance of earning subscription revenue. Typically, we bill our annual subscription fees in advance of providing the service. Deferred revenue from professional services represents revenue that is being deferred and amortized over the remaining term of the related subscription contract related to customers who have taken possession of the software. See note 2(i).

Other deferred revenue is related to one customer with which we signed an agreement during 2008. The agreement provided for significant customization and modification of the software which subjected the arrangement to contract accounting. Additionally, this subscription agreement provided for unspecified future software modules. Since we could not separate the subscription element from the contract accounting element, the arrangement was a single unit of accounting. Accordingly, we accounted for the arrangement on the zero gross profit approach of applying percentage of completion accounting until the project was completed in May 2012. As of May 2012, the deferred revenue balance related to this contract was \$10,525,434 which is being recognized ratably over the remaining term of the contract, to January 2016. For the three months ended June 30, 2015 and 2014, we recorded revenue of \$911,873 and \$911,873, respectively, and \$1,813,726 and \$1,813,726 for the six months ended June 30, 2015 and 2014, respectively, related to this arrangement.

## (d) Other Noncurrent Liabilities

Other noncurrent liabilities at June 30, 2015 and December 31, 2014 consisted of the following:

	June 30, 2015	December 31, 2014
Deferred rent	\$1,749,027	\$1,822,061
Acquisition contingent consideration liability	—	287,441
Other	544,444	42
Total	\$2,293,471	\$2,109,544

## (5) Leases

We have several noncancelable operating leases that expire through 2022. These leases generally contain renewal options for periods ranging from three to five years and require us to pay all executory costs such as maintenance and insurance. Rental expense for operating leases for the three months ended June 30, 2015 and 2014 was approximately \$955,000 and \$645,000, respectively, and was \$1,703,000 and \$1,322,000, for the six months ended June 30, 2015 and 2014, respectively, and is allocated to various line items in the condensed consolidated statements of operations.



## AMBER ROAD, INC. AND SUBSIDIARIES

## Notes to Condensed Consolidated Financial Statements

(Unaudited)

The carrying value of assets recorded under capital leases was approximately \$3,325,058 and \$3,282,825 as of June 30, 2015 and December 31, 2014, respectively, which includes accumulated amortization of \$3,133,045 and \$2,253,066, respectively. Amortization of assets held under capital leases is allocated to various line items in the condensed consolidated statements of operations.

Future minimum lease payments under noncancelable operating leases (with initial or remaining lease terms in excess of one year) and future minimum capital lease payments as of June 30, 2015 are as follows:

	Capital Leases	Operating Leases
Remainder of 2015	\$839,058	\$2,222,914
2016	1,550,911	4,311,282
2017	991,797	3,352,570
2018	396,973	2,214,174
2019	169,708	2,206,865
2020 and thereafter	11,332	3,123,667
Total minimum lease payments	3,959,779	\$17,431,472
Less amount representing interest	(284,514 )	
Present value of net minimum capital lease payments	3,675,265	
Less current installments of obligations under capital leases	(1,473,075 )	
Obligations under capital leases excluding current installments	\$2,202,190	

## (6) Debt

## Credit Agreement

In connection with the ecVision acquisition (Note 3), on March 4, 2015, we entered into a credit agreement (the Credit Agreement) with a financial institution providing for an aggregate of \$25,000,000 of financing comprised of (i) a senior secured revolving credit facility of \$5,000,000 (the Revolving Facility), which includes a \$2,000,000 sublimit for the issuance of letters of credit and (ii) a senior secured term loan facility of \$20,000,000 (the Term Loan and together with the Revolving Facility, the Senior Facilities). The Term Loan was fully funded on March 4, 2015 in order to fund a portion of the acquisition consideration. The Revolving Facility was not drawn down and the maturity date for obligations under the Senior Facilities is March 4, 2018 (the Maturity Date).

The interest rate on the outstanding balance of the Senior Facilities is based upon, at our option, either (i) the "LIBOR" rate plus 3.5% or (ii) the "Base Rate" plus 1.5%, as such terms are defined in the Credit Agreement. For the period ended June 30, 2015, the LIBOR interest rate used was 3.77%. The Term Loan will amortize in quarterly installments as follows: (i) 2.5% in the first year; (ii) 2.5% in the second year; and (iii) 5% in the third year, with the balance payable on the Maturity Date.

Our obligations under the Senior Facilities, subject to certain exceptions, are guaranteed by our subsidiaries and are secured by our equity interests in our subsidiaries. In addition, subject to certain exceptions, we and each of the guarantors granted the lender (i) a first priority lien on and a security interest in substantially all of their respective real and personal properties and (ii) a negative pledge of their respective intellectual property.

The Credit Agreement contains customary affirmative and negative covenants for financings of its type that are subject to customary exceptions. As of June 30, 2015, we were in compliance with all the reporting and financial covenants.

As of June 30, 2015, the outstanding balance of the Term Loan was \$19,977,778, net of unaccreted discount of \$22,222 and we have no outstanding balance under the Revolving Facility.



## AMBER ROAD, INC. AND SUBSIDIARIES

## Notes to Condensed Consolidated Financial Statements

(Unaudited)

The following table reflects the schedule of principal payments on the Term Loan as of June 30, 2015:

	Principal Payments
Remainder of 2015	\$375,000
2016	500,000
2017	875,000
2018	18,250,000
	\$20,000,000

On March 4, 2015, in connection with the ecVision acquisition and the entry into the Credit Agreement, we terminated our previously existing revolving credit facility. No amounts were outstanding under such agreement immediately prior to its termination.

## (7) Stockholders' Equity

## (a) Common Stock

The following table presents our activity for common stock during the six months ended June 30, 2015:

	Shares	Amount
Balance, December 31, 2014	25,765,792	\$25,766
Exercise of common stock options	416,970	417
Common stock issued in partial consideration of contingent consideration	6,506	6
Balance, June 30, 2015	26,189,268	\$26,189

## (b) Puttable Common Stock

In connection with the EasyCargo acquisition (Note 3), up to 296,547 shares of common stock, whether issued or contingently issuable were puttable by the shareholders of EasyCargo to us at a price of \$10.10 per share if we did not complete an IPO by September 3, 2014. Subsequent to our IPO, which closed on March 26, 2014, the 296,547 issued or contingently issuable shares of common stock are no longer puttable to us by the shareholders of EasyCargo. Of the 296,547 shares, 217,432 shares are considered issued and 79,115 are considered contingently issuable shares at June 30, 2015.

## (8) Stock-based Compensation

In 2002, we adopted a stock option plan (the 2002 Plan) whereby options to purchase shares of common stock are issued to employees at an exercise price not less than the fair market value of our common stock on the date of grant. As of June 30, 2015, we had authorized 4,939,270 shares to be issued under the 2002 Plan. The term, not to exceed ten years, and exercise period of each stock option awarded under the 2002 Plan are determined by our board of directors. These options generally vest over a four-year period. As of June 30, 2015, 918,060 options were outstanding under the 2002 Plan. The 2002 Plan expired in 2012 and we are making no further grants under it.

In October 2012, we adopted the Amber Road, Inc. 2012 Omnibus Incentive Compensation Plan (the 2012 Plan). The 2012 Plan covers the grant of awards to our employees (including officers), non-employee consultants and non-employee directors and those of our affiliates. As of June 30, 2015, we had authorized 5,146,696 shares to be issued under the 2012 Plan. The term, not to exceed ten years, and exercise period of each stock option awarded under the 2012 Plan are determined by our board of directors. These options generally vest over a four-year period. As of June 30, 2015, 3,831,553 options were outstanding under the 2012 Plan.





# AMBER ROAD, INC. AND SUBSIDIARIES

## Notes to Condensed Consolidated Financial Statements

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### Stock Options

Under the 2002 Plan and the 2012 Plan, the fair value of option grants is estimated using the Black-Scholes option pricing model with the following weighted average assumptions:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Risk-free interest rate	*	1.92%	1.71 - 1.72%	1.92%
Expected volatility	*	60.00%	37.41 - 39.32%	60.00%
Expected dividend yield	*	—	—	—
Expected life in years	*	6.25	6.25	6.25
Weighted average fair value of options granted	*	\$7.24	\$3.35	\$7.24

\* There were no options granted during the three months ended June 30, 2015

The computation of expected volatility for each period is based on historical volatility of comparable public companies. The volatility percentage represents the mean volatility of these companies. The computation of expected life for each period was determined based on the simplified method. The risk-free interest rate is based on U.S. Treasury yields for zero-coupon bonds with a term consistent with the expected life of the options. Information relative to the 2002 Plan and the 2012 Plan is as follows:

	Options Outstanding	Exercise Price Per Share	Weighted Average Exercise Price
Balance at December 31, 2014	4,449,973	\$0.84 - \$15.90	\$9.00
Granted	990,850	\$8.08 - \$9.06	8.20
Exercised	(416,970 )	\$0.84 - \$6.14	2.78
Canceled	(274,240 )	\$2.31 - \$13.00	10.04
Balance at June 30, 2015	4,749,613	\$1.75 - \$15.90	9.32

The total intrinsic value of options exercised during the six months ended June 30, 2015 was \$2,607,958.

Information with respect to the options outstanding and exercisable under the 2002 Plan and the 2012 Plan at June 30, 2015 is as follows:

	Options Outstanding			Options Exercisable		
		Weighted Average Remaining			Weighted Average Remaining	
Exercise Price Per Share	Options Outstanding	Contractual Life	Intrinsic Value	Options Exercisable	Contractual Life	Intrinsic Value
\$1.75 - \$2.68	889,690	4.2 years	\$4,202,103	800,135	4.0 years	\$3,801,925
\$2.74 - \$5.57	419,588	5.2 years	935,422	294,338	4.0 years	753,810
\$6.14 - \$12.62	1,141,339	9.4 years	117,568	97,695	8.1 years	58,784
\$13.00 - \$15.90	2,298,996	9.1 years	—	—	—	—
	4,749,613		\$5,255,093	1,192,168		\$4,614,519

The weighted average exercise price and weighted average remaining term of fully vested options as of June 30, 2015 is \$3.18 and 4.3 years, respectively.

As of June 30, 2015 and December 31, 2014, options and other equity awards available for future grant under the 2012 Plan were 672,983 and 1,951,959, respectively. As of June 30, 2015 and December 31, 2014, there was \$14,636,977 and \$14,666,554, respectively, of total unrecognized compensation expense related to non-vested stock options. That cost is expected to be recognized over a weighted average period of 3.1 years. Common stock issued

upon exercise of stock options is reflected as newly issued shares of common stock in the stockholders' equity section of the condensed consolidated balance sheet.

## AMBER ROAD, INC. AND SUBSIDIARIES

## Notes to Condensed Consolidated Financial Statements

(Unaudited)

## Restricted Stock Units

The following table is a summary of our RSU activity for the six months ended June 30, 2015:

	Number of RSUs Outstanding	Weighted Average Grant Date Fair Value
Balance at December 31, 2014	109,309	\$15.27
Granted	454,852	8.21
Vested	(18,784 )	9.06
Canceled	(25,938 )	8.08
Balance at June 30, 2015	519,439	9.67

In April 2015, we granted 31,329 restricted stock units to former EasyCargo option holders under the 2012 Plan. We are amortizing the fair value of these restricted stock units of \$283,841 over the vesting period. The restricted stock units will be fully vested in December 2015. We recognized \$198,245 of stock-based compensation expense related to these restricted stock units during the three and six months ended June 30, 2015.

During the three months ended March 31, 2015, we awarded 341,546 performance-based restricted stock units which entitle recipients to shares of our common stock if certain revenue metrics are met in a future period. The performance-based restricted stock units entitle the recipients to shares of common stock equal to 0% up to 120% of the number of units granted at the date of vest depending on the level of achievement of the specified conditions. Unvested RSUs at June 30, 2015 have a weighted-average grant date fair value of \$9.67 per share. Unrecognized stock-based compensation with respect to non-vested RSUs was \$3,129,796 as of June 30, 2015 and was expected to be recognized over a weighted-average period of 2.1 years.

## (9) Income Taxes

Our income tax provision for the three and six months ended June 30, 2015 and 2014 reflects our estimate of the effective tax rates expected to be applicable for the full fiscal years, adjusted for any discrete events that are recorded in the period in which they occur. The estimates are re-evaluated each quarter based on our estimated tax expense for the full fiscal year. The tax provision for the three and six months ended June 30, 2015 is exclusively related to foreign income taxes.

We have historically incurred operating losses and, given our cumulative losses and no history of profits, we have recorded a full valuation allowance against our deferred tax assets at June 30, 2015 and December 31, 2014.

We have a federal net operating loss (NOL) carryforward of approximately \$78,300,000 and \$70,000,000 as of June 30, 2015 and December 31, 2014, respectively. The federal NOL carryforward will begin to expire in 2019. For state income tax purposes, we have net operating loss carryforwards in a number of jurisdictions in varying amounts and with varying expiration dates from 2015 through 2034.

The Internal Revenue Code contains provisions that limit the yearly utilization of net operating loss carryforwards if there has been an ownership change, as defined. Such an ownership change, as described in Section 382 of the Internal Revenue Code, may limit our ability to utilize our net operating loss carryforwards on a yearly basis. As a result, to the extent that any single-year limitation is not utilized to the full amount of the limitation, such unused amounts are carried over to subsequent years until the earlier of its utilization or the expiration of the relevant carryforward period. We have not yet made a determination regarding the potential impact of these amounts.

We believe that we have not taken an uncertain tax position on prior tax filings and therefore have not recorded a liability for unrecognized tax benefits.

We file income tax returns in the U.S. federal jurisdiction and various state jurisdictions. Tax years 2011 and forward remain open for examination for federal tax purposes and for our more significant state tax jurisdictions. To the extent utilized in future years tax returns, net operating loss carryforwards at December 31, 2014 will remain subject to

examination until the respective tax year is closed. We are currently being audited by the Internal Revenue Service for the 2012 tax year. There are no proposed adjustments at this time.

## AMBER ROAD, INC. AND SUBSIDIARIES

## Notes to Condensed Consolidated Financial Statements

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## (10) Net Loss Per Share

The following table sets forth the computation of basic and diluted net loss per share attributable to common stockholders:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Basic and diluted net loss per share:				
Numerator:				
Net loss attributable to common stockholders	\$(8,218,450 )	\$(2,185,184 )	\$(15,168,626 )	\$(26,541,420 )
Denominator:				
Weighted average shares used in computing net loss attributable to common stockholders	26,079,695	25,212,460	26,019,846	15,741,835
Basic and diluted net loss per share	\$(0.32 )	\$(0.09 )	\$(0.58 )	\$(1.69 )
Diluted net loss per share does not include the effect of the following antidilutive common equivalent shares:				
	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Stock options outstanding	4,749,613	2,670,865	4,749,613	2,670,865
Restricted stock units	519,439	—	519,439	—
	5,269,052	2,670,865	5,269,052	2,670,865

## (11) Commitments and Contingencies

## (a) Legal Proceedings

We are involved in various claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on our financial position, results of operations, or liquidity.

## (b) Other

Under the indemnification clauses of our standard customer agreements, we guarantee to defend and indemnify the customer against any claim based upon any failure to satisfy the warranty set forth in the contract associated with infringements of any patent, copyright, trade secret, or other intellectual property right. We do not expect to incur any infringement liability as a result of the customer indemnification clauses.

## 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 operations and cash flows should be read in conjunction with (1) the unaudited condensed consolidated financial statements and the related notes thereto included elsewhere in this Quarterly Report on Form 10-Q, and (2) the audited consolidated financial statements and notes thereto and management's discussion and analysis of financial condition and results of operations for the year ended December 31, 2014 included in our Annual Report on Form 10-K filed with the Securities and Exchange Commission (SEC) on March 13, 2015. As discussed in the section titled "Cautionary Note Regarding Forward-Looking Statements," the following discussion and analysis contains forward-looking statements that involve risks and uncertainties, as well as assumptions that, if they never materialize or prove incorrect, could cause our results to differ materially from those expressed or implied by such forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those identified below, and those discussed in the section titled "Risk Factors" included under Part II, Item 1A below.

### Overview

We are a leading provider of a cloud-based global trade management (GTM) solution which automates import and export processes to enable goods to flow across international borders in the most efficient, compliant and profitable way. Our solution combines enterprise-class software, trade content sourced from government agencies and transportation providers in 145 countries, and a global supply chain network connecting our customers with their trading partners, including suppliers, freight forwarders, customs brokers and transportation carriers. As a result, our solution reduces transportation costs, optimizes logistics, leverages trade agreements, provides shipment tracking, and ensures compliance with import and export regulations. By automating more GTM processes, we enable our customers to enjoy significantly lower supply chain costs compared to legacy systems. We deliver our GTM solution using a Software-as-a-Service (SaaS) model and leverage a highly flexible technology framework to quickly and efficiently meet our customers' unique requirements around the world.

Our solution can be delivered in individual modules or as a suite, depending on our customers' needs, utilizing a highly flexible technology framework. This cloud-based suite addresses the growing complexity of the global trade landscape by automating GTM functions to minimize import and export costs, optimize transportation, track shipments within a supply chain, and automate compliance with regulations and free trade agreements. Without this delivery in the cloud, it would be difficult to effectively enable collaboration among the large number of trading partners involved in a global supply chain.

Our solution integrates Global Knowledge, a vast library of regulations and other content that we transform into a proprietary knowledgebase that enables our customers to automate GTM functions. Global Knowledge includes import and export regulations, shipping documents, preferential duties and taxes, specifications for free trade agreements, transportation rates, sailing schedules, embargoed country and restricted party lists, and harmonized tariff codes that identify goods based on standardized classifications, all sourced directly from government agencies and transportation carriers.

Our GTM solution drives value to our customers through faster and more predictable delivery times, less labor, reduced in-transit inventories, and reduced international trading costs such as brokerage fees, logistics fees, transportation costs and customs duties. We sell our GTM solution to many of the largest enterprises in the world, representing diversified industry verticals including Chemical/Pharmaceutical, High Technology/Electronics, Industrial/Manufacturing, Logistics, Oil & Gas, and Retail/Apparel.

Customers pay us subscription fees and implementation service fees for the use of our solutions under agreements that typically have an initial term of three to five years, with an average initial term of approximately 3.9 and 3.5 years for enterprise and mid-market customers, respectively.

As we invest in our growth, we expect our cost of revenue and operating expenses to continue to increase in absolute dollars in future periods. We expect sales and marketing expenses to increase as we continue to expand our sales teams, increase our marketing activities and grow our international operations. We also expect research and development expenses to increase in absolute dollars as we enhance our existing solution modules and develop new ones. We also plan to invest in maintaining a high quality of professional services and customer support, and plan to continue investing in our data center infrastructure in order to support continued customer growth. Considering all of these plans for investment, we cannot assure you that we will be profitable in the near term.

ecVision Acquisition

On March 2, 2015, we entered into and completed the acquisition of ecVision (International) Inc. (ecVision), a Cayman

Islands company with U.S., Hong Kong and China subsidiaries pursuant to a merger transaction whereby ecVision became our wholly-owned subsidiary. ecVision is a cloud-based provider of global sourcing and collaborative supply chain solutions for brand-focused companies. We paid a purchase price of \$26.4 million before giving effect to certain expenses and adjustments that resulted in an upfront cost to us of approximately \$27.1 million. We acquired ecVision for a net cash amount of approximately \$24.4 million, before giving effect to these expenses and adjustments, and net of ecVision's \$2.0 million of target working capital. We will also make an earn out payment of up to \$5.2 million on June 1, 2016 as follows: (i) \$3.5 million if ecVision's products and services revenues under U.S. Generally Accepted Accounting Principles (GAAP) from April 1, 2015 through March 31, 2016 (the New Year Period) grow at an annual rate of 18% compared to the period from April 1, 2014 through March 31, 2015 (the Prior Year Period); (ii) the full \$5.2 million if ecVision's products and services revenues under GAAP grow in the New Year Period at 20% or more compared to the Prior Year Period; or (iii) a proportional payment between \$3.5 million and \$5.2 million if ecVision's products and services revenues under GAAP grow in the New Year Period at more than 18% but less than 20% compared to the Prior Year Period. In addition, on June 1, 2017, we will pay to ecVision's former equity-holders \$3.7 million based upon the employment retention of ecVision's founder.

We financed the ecVision acquisition with a combination of cash on hand and a new term loan pursuant to a new credit agreement entered into on March 4, 2015. The new financing is comprised of two credit facilities: (i) a senior secured revolving credit facility of \$5.0 million, which includes a \$2.0 million sublimit for the issuance of letters of credit, and (ii) a senior secured term loan facility of \$20.0 million. The maturity date for obligations under the new credit facilities is March 4, 2018.

#### Key Metrics

We regularly review the following key metrics to evaluate our business, measure our performance, identify trends in our business, prepare financial projections and make strategic decisions.

**Annualized Recurring Revenue Retention.** We believe our annualized recurring revenue retention rate is an important metric to measure the long-term value of customer agreements with regard to revenue and billings visibility. We calculate our annualized recurring revenue retention rate by comparing, for a given quarter, subscription revenue for all customers in the corresponding quarter of the prior year to the subscription revenue from those same customers in the given quarter and calculating the average of the four quarters for the stated year. The annualized recurring revenue retention rate for the quarters ended June 30, 2015 and 2014 was 99% and 102%, respectively.

**Adjusted EBITDA.** EBITDA consists of net income (loss) plus depreciation and amortization, interest expense (income) and income tax expense (benefit). Adjusted EBITDA consists of EBITDA plus our non-cash stock-based compensation expense, as well as the change in fair value of our warrant liability and contingent consideration liability, puttable stock compensation, compensation expense related to loan forgiveness for certain executives, acquisition compensation costs, purchase accounting adjustment to deferred revenue and acquisition related costs. We use adjusted EBITDA as a measure of operating performance because it assists us in comparing performance on a consistent basis across reporting periods, as it removes from our operating results the impact of our capital structure. We believe adjusted EBITDA is useful to an investor in evaluating our operating performance because it is widely used to measure a company's operating performance without regard to items such as depreciation and amortization, which can vary depending upon accounting methods and the book value of assets, and to present a meaningful measure of performance exclusive of our capital structure and the method by which assets were acquired.

Adjusted EBITDA is a financial measure that is not calculated in accordance with generally accepted accounting principles, or GAAP. We have provided below a reconciliation of adjusted EBITDA to net loss, the most directly comparable GAAP financial measure. Our use of adjusted EBITDA has limitations as an analytical tool, and you should not consider it in isolation or as a substitute for analysis of our results as reported under GAAP. Some of these limitations are:

- although depreciation and amortization are non-cash charges, the assets being depreciated and amortized may have to be replaced in the future, and adjusted EBITDA does not reflect cash capital expenditure requirements for such replacements or for new capital expenditure requirements;
- adjusted EBITDA does not reflect changes in, or cash requirements for, our working capital needs;
- adjusted EBITDA does not reflect the potentially dilutive impact of equity-based compensation;
- adjusted EBITDA does not reflect interest or tax payments that may represent a reduction in cash available to us; and





other companies, including companies in our industry, may calculate adjusted EBITDA differently, which reduces its usefulness as a comparative measure.

Because of these and other limitations, you should consider adjusted EBITDA together with other GAAP-based financial performance measures, including various cash flow metrics, net loss and our other GAAP results.

The following table provides a reconciliation of net loss to adjusted EBITDA:

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2015	2014	2015	2014
Net loss	\$(8,218,450 )	\$(2,185,184 )	\$(15,168,626 )	\$(24,124,915 )
Depreciation and amortization	1,701,813	1,215,928	3,258,769	2,345,420
Interest expense	266,694	55,917	391,627	168,894
Interest income	(16,398 )	(91 )	(28,346 )	(304 )
Income tax expense	125,916	150,537	228,191	249,549
EBITDA	(6,140,425 )	(762,893 )	(11,318,385 )	(21,361,356 )
Stock-based compensation	1,848,422	165,790	3,565,721	339,324
Restricted stock expense	—	—	—	18,683,277
Compensation expense related to loan forgiveness	—	—	—	927,093
Puttable stock compensation	13,691	13,691	27,382	27,382
Change in fair value of contingent consideration liability	—	15,859	(287,441 )	97,423
Warrant expense	—	—	—	1,244,635
Purchase accounting deferred revenue adjustment	511,825	—	773,093	—
Acquisition compensation costs	407,533	—	544,444	—
Acquisition related costs	416,738	—	1,148,221	—
Adjusted EBITDA	\$(2,942,216 )	\$(567,553 )	\$(5,546,965 )	\$(42,222 )

#### Components of Operating Results

##### Revenue

Revenue. We primarily generate revenue from the sale of subscriptions and subscription-related professional services. Our subscriptions are multi-year arrangements for software and content, and in certain instances include a transactional component. We derive professional services revenue from implementation, integration and other elements associated with solution and content subscriptions.

We typically invoice subscription customers in advance on an annual basis, with payment due upon receipt of the invoice. We reflect invoiced amounts on our balance sheet as accounts receivable or as cash when collected, and as deferred revenue until earned and recognized as revenue ratably over the performance period. Accordingly, deferred revenue represents the amount billed to customers that has not yet been earned or recognized as revenue, pursuant to agreements executed during current and prior periods, and does not reflect that portion of a contract to be invoiced to customers on a periodic basis for which payment is not yet due.

Subscription Revenue. We derive our subscription revenue from fees paid to us by our customers for access to our solution. We recognize the revenue associated with subscription agreements ratably on a straight-line basis over the term of the agreement, provided all criteria required for revenue recognition have been met.

Professional Services Revenue. Professional services revenue consists primarily of fees charged for implementation, integration, training and other services associated with the subscription agreements entered into with our customers. Generally, we charge for professional services to implement our solution on a time and materials basis.

##### Cost of Revenue

Cost of Subscription Revenue. Cost of subscription revenue consists primarily of personnel and related costs of our hosting, support, and content teams, including salaries, benefits, bonuses, payroll taxes, stock-based compensation and allocated overhead, software license fees, hosting costs, Internet connectivity, depreciation expenses directly related to

delivering our solution, as well as amortization of capitalized software development costs. As we continue to add datacenter capacity and personnel, as well as develop our trade content and support teams in advance of anticipated growth, our cost of subscription revenue may increase. We generally expense our cost of subscription revenue as we incur the costs.

**Cost of Professional Services Revenue.** Cost of professional services revenue consists primarily of personnel and related costs of our professional services team, including salaries, benefits, bonuses, payroll taxes, stock-based compensation, the costs of contracted third-party vendors, reimbursable expenses and depreciation, amortization and other allocated costs. As our personnel are employed on a full-time basis, our cost of professional services is largely fixed in the short-term, while our professional services revenue may fluctuate, leading to fluctuations in professional services gross profit. We expense our cost of professional services revenue as we incur the costs.

#### **Operating Expenses**

Our operating expenses are classified into three categories: sales and marketing, research and development, and general and administrative.

**Sales and Marketing.** Sales and marketing expenses primarily consist of personnel and related costs for our sales and marketing staff, including salaries, benefits, commissions, bonuses, payroll taxes, stock-based compensation and costs of promotional events, corporate communications, online marketing, solution marketing and other brand-building activities, in addition to depreciation, amortization and other allocated costs. When the initial customer contract is signed and upon any renewal, we capitalize and amortize commission costs as an expense ratably over the term of the related customer contract in proportion to the recognition of the subscription revenue. If a subscription agreement is terminated, we recognize the unamortized portion of any deferred commission cost as an expense immediately upon such termination. We expect that sales and marketing expenses will continue to increase in absolute dollars as we continue to expand our business.

**Research and Development.** Research and development expenses primarily consist of personnel and related costs of our research and development staff, including salaries, benefits, bonuses, payroll taxes, stock-based compensation and costs of certain third-party contractors, as well as depreciation, amortization and other allocated costs. We capitalize research and development costs related to the development of our solution modules and amortize them over their useful life. We have devoted our solution modules development efforts primarily to enhancing the functionality and expanding the capabilities of our solution. We expect that our research and development expenses will continue to increase in absolute dollars as we increase our research and development headcount to further strengthen and enhance our solution.

**General and Administrative.** General and administrative expenses primarily consist of personnel and related costs for our executive, administrative, finance, information technology, legal, accounting and human resource staffs, including salaries, benefits, bonuses, payroll taxes and stock-based compensation, professional fees, other corporate expenses and depreciation, amortization and other allocated costs. We have recently incurred, and expect to continue to incur additional expenses as we grow our operations and operate as a public company, including higher legal, corporate insurance, accounting and auditing expenses, and the additional costs of enhancing and maintaining our internal control environment through the adoption of new corporate policies. We expect that general and administrative expenses will continue to increase in absolute dollars as we expand our operations, including internationally.

#### **Interest and Other Income (Expense)**

Interest and other income (expense) consists primarily of interest income on our cash balances, and interest expense on outstanding debt and capital lease obligations.

#### **Income Tax Expense (Benefit)**

Because we have generated net losses in all periods to date and recorded a full valuation allowance against our deferred tax assets, we have historically not recorded a provision for federal or state income taxes. The tax provision for the three and six months ended June 30, 2015 is exclusively related to foreign income taxes and is a result of the cost-plus transfer pricing agreements we have in place with our foreign subsidiaries. Realization of any of our deferred tax assets depends upon future earnings, the timing and amount of which are uncertain. Utilization of our net operating losses may be subject to annual limitations due to the ownership change rules under the Internal Revenue Code of 1986, as amended, and similar state provisions. We have not yet made a determination regarding the potential impact of these limitations. Moreover, in the event we have future changes in ownership, the availability of net

operating losses could be further limited.

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#### Critical Accounting Policies

We prepare our condensed consolidated financial statements in accordance with generally accepted accounting principles in the United States. The preparation of condensed consolidated financial statements also requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, costs and expenses and related disclosures. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. Actual results could differ significantly from the estimates made by our management. To the extent that there are differences between our estimates and actual results, our future financial statement presentation, financial condition, results of operations and cash flows will be affected. We believe that the estimates and judgments used for revenue recognition, deferred revenue, stock-based compensation, goodwill, capitalized software costs, and income taxes have the greatest potential impact on our condensed consolidated financial statements, and consider these to be our critical accounting policies and estimates.

During the six months ended June 30, 2015, there were no material changes to our critical accounting policies and estimates as compared to the critical accounting policies and estimates described in our Annual Report of Form 10-K that we filed with the SEC on March 13, 2015.

#### Recent Accounting Pronouncements

For detailed information regarding recently issued accounting pronouncements and the expected impact on our condensed consolidated financial statements, see Note 2, "Summary of Significant Accounting Policies" in the accompanying Notes to Condensed Consolidated Financial Statements included in Item 1. of this Form 10-Q.

## Results of Operations

The following tables summarize key components of our results of operations for the periods indicated, both in dollars and as a percentage of revenue. The period-to-period comparison of financial results is not necessarily indicative of financial results to be achieved in future periods.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Revenue:				
Subscription	\$ 11,704,722	\$ 10,630,709	\$ 22,046,072	\$ 21,140,478
Professional services	5,672,674	5,178,236	10,525,449	9,657,475
Total revenue	17,377,396	15,808,945	32,571,521	30,797,953
Cost of revenue:				
Cost of subscription revenue	4,920,945	3,651,853	9,309,185	6,996,581
Cost of professional services revenue	4,746,866	3,342,566	8,563,384	6,242,890
Total cost of revenue	9,667,811	6,994,419	17,872,569	13,239,471
Gross profit	7,709,585	8,814,526	14,698,952	17,558,482
Operating expenses:				
Sales and marketing	6,486,750	5,114,468	12,201,891	9,962,492
Research and development	3,986,639	2,379,144	7,612,358	4,567,618
General and administrative	5,078,434	3,299,735	9,461,857	8,051,871
Restricted stock expense	—	—	—	18,683,277
Total operating expenses	15,551,823	10,793,347	29,276,106	41,265,258
Loss from operations	(7,842,238 )	(1,978,821 )	(14,577,154 )	(23,706,776 )
Interest income	16,398	91	28,346	304
Interest expense	(266,694 )	(55,917 )	(391,627 )	(168,894 )
Loss before income taxes	(8,092,534 )	(2,034,647 )	(14,940,435 )	(23,875,366 )
Income tax expense	125,916	150,537	228,191	249,549
Net loss	\$(8,218,450 )	\$(2,185,184 )	\$(15,168,626 )	\$(24,124,915 )

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Revenue:				
Subscription	67	% 67	% 68	% 69
Professional services	33	33	32	31
Total revenue	100	100	100	100
Cost of revenue:				
Cost of subscription revenue (1)	42	34	42	33
Cost of professional services revenue (1)	84	65	81	65
Total cost of revenue	56	44	55	43
Gross profit	44	56	45	57
Operating expenses:				
Sales and marketing	37	32	37	32
Research and development	23	15	23	15
General and administrative	29	21	29	26
Restricted stock expense	—	—	—	61

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Total operating expenses	89	68	89	134
Loss from operations	(45 )	(12 )	(44 )	(77 )
Interest income	—	—	—	—
Interest expense	(2 )	—	(1 )	(1 )
Loss before income taxes	(47 )	(12 )	(45 )	(78 )
Income tax expense	1	1	1	1
Net loss	(48 )%	(13 )%	(46 )%	(79 )%

(1) The table shows cost of revenue as a percentage of each component of revenue.

## Three Months Ended June 30, 2015 Compared to the Three Months Ended June 30, 2014

## Revenue:

	Three Months Ended June 30,		Change		
	2015	2014	\$	%	
Subscription	\$11,704,722	\$10,630,709	\$1,074,013	10.1	%
Professional services	5,672,674	5,178,236	494,438	9.5	%
Total revenue	\$17,377,396	\$15,808,945	\$1,568,451	9.9	%

**Subscription Revenue.** The increase was primarily related to an increase in both enterprise and mid-market customers for the three months ended June 30, 2015 compared to the three months ended June 30, 2014 and the acquisition of ecVision in March 2015. We have increased our customer count through our increased sales and marketing efforts. The increase was offset by the non-renewal of a large customer at December 31, 2014, which had a negative effect on our subscription revenue for the three months ended June 30, 2015 when compared to the three months ended June 30, 2014.

**Professional Services Revenue.** The increase is primarily attributable to our acquisition of ecVision in March 2015, which accounted for a \$1.4 million increase in professional services revenue. This was offset by a \$0.9 million decrease in professional services revenue when compared to the three months ended June 30, 2014 due to less demand for our professional services from existing customers.

**Total Revenue.** Revenue from international customers accounted for 22% and 13% of total revenue for the three months ended June 30, 2015 and 2014, respectively. For the three months ended June 30, 2015, no customer accounted for more than 10% of total revenue and for the three months ended June 30, 2014, one customer accounted for 11% of total revenue.

## Cost of Revenue:

	Three Months Ended June 30,		Change		
	2015	2014	\$	%	
Cost of subscription revenue	\$4,920,945	\$3,651,853	\$1,269,092	34.8	%
Cost of professional services revenue	4,746,866	3,342,566	1,404,300	42.0	%
Total cost of revenue	\$9,667,811	\$6,994,419	\$2,673,392	38.2	%

**Cost of Subscription Revenue.** The increase in dollar amount was primarily the result of higher employee costs that included a \$0.6 million increase for the cost of new employees hired and a \$0.2 million increase for stock-based compensation costs. Also, there was a \$0.4 million increase in depreciation, amortization and other allocated costs and an increase of \$0.1 million for software maintenance costs.

**Cost of Professional Services Revenue.** The increase in dollar amount was primarily the result of higher employee costs that included a \$1.0 million increase for the cost of new employees hired and a \$0.1 million increase for stock-based compensation costs. Also, there was an increase of \$0.2 million for depreciation, amortization and other allocated costs and an increase of \$0.1 million for outside service costs.

## Operating Expenses:

	Three Months Ended June 30,		Change		
	2015	2014	\$	%	
Sales and marketing	\$6,486,750	\$5,114,468	\$1,372,282	26.8	%
Research and development	3,986,639	2,379,144	1,607,495	67.6	%
General and administrative	5,078,434	3,299,735	1,778,699	53.9	%
Total operating expenses	\$15,551,823	\$10,793,347	\$4,758,476	44.1	%

**Sales and Marketing Expenses.** The increase in dollar amount was primarily the result of higher employee costs that included a \$0.8 million increase for the cost of new employees hired, a \$0.1 million increase for stock-based compensation costs and a \$0.1 million increase in commission expense. Also, there were increases of \$0.1 million for travel costs and an increase of \$0.3 million in other marketing event costs primarily for European marketing events.

**Research and Development Expenses.** The increase in dollar amount was primarily the result of higher employee costs that included a \$1.4 million increase for the cost of new employees hired and a \$0.2 million increase for stock-based compensation costs offset by a \$0.2 million decrease for higher employee costs capitalized in the three months ended June





30, 2015 compared to 2014. Also, there was an increase of \$0.1 million in depreciation, amortization and other allocated costs and a \$0.1 million increase in travel costs.

General and Administrative Expenses. The increase in dollar amount was primarily the result of higher employee costs of \$1.1 million for stock-based compensation costs. Also, we had an increase of \$0.3 million in rent, a \$0.4 million increase in taxes, a \$0.2 million increase in professional fees and a \$0.3 million increase in miscellaneous costs. This was offset by decreases in travel costs of \$0.1 million, software maintenance costs of \$0.1 million and \$0.3 million in depreciation, amortization and other allocated costs.

#### Income Tax Expense:

	Three Months Ended June 30,		Change		
	2015	2014	\$	%	
Income tax expense	\$125,916	\$150,537	(24,621)	(16.4)	)%

Income Tax Expense. Income tax expense is primarily related to our foreign operations.

#### Six Months Ended June 30, 2015 Compared to the Six Months Ended June 30, 2014

##### Revenue:

	Six Months Ended June 30,		Change		
	2015	2014	\$	%	
Subscription	\$22,046,072	\$21,140,478	\$905,594	4.3	%
Professional services	10,525,449	9,657,475	867,974	9.0	%
Total revenue	\$32,571,521	\$30,797,953	\$1,773,568	5.8	%

Subscription Revenue. The increase was primarily related to increases in both enterprise and mid-market customers for the six months ended June 30, 2015 when compared to the six months ended June 30, 2014 and the acquisition of ecVision in March 2015. We have increased our customer count through our increased sales and marketing efforts. The increase was offset by the non-renewal of a large customer at December 31, 2014, which had a negative effect on our subscription revenue for the six months ended June 30, 2015 when compared to the six months ended June 30, 2014.

Professional Services Revenue. The increase is primarily attributable to our acquisition of ecVision in March 2015, which accounted for a \$1.9 million increase in professional services revenue. This was offset by a \$1.0 million decrease in professional services revenue when compared to 2014 due to less demand for our professional services from existing customers.

Total Revenue. Revenue from international customers accounted for 20% and 13% of total revenue for the six months ended June 30, 2015 and 2014, respectively. For the six months ended June 30, 2015, no customer accounted for more than 10% of total revenue and for the six months ended June 30, 2014, one customer accounted for 10% of total revenue.

##### Cost of Revenue:

	Six Months Ended June 30,		Change		
	2015	2014	\$	%	
Cost of subscription revenue	\$9,309,185	\$6,996,581	\$2,312,604	33.1	%
Cost of professional services revenue	8,563,384	6,242,890	2,320,494	37.2	%
Total cost of revenue	\$17,872,569	\$13,239,471	\$4,633,098	35.0	%

Cost of Subscription Revenue. The increase in dollar amount was primarily the result of higher employee costs that included a \$1.0 million increase for the cost of new employees hired and a \$0.3 million increase for stock-based compensation costs. Also, there was a \$0.7 million increase in depreciation, amortization, and other allocated costs, a \$0.1 million increase in travel costs and a \$0.2 million increase in software maintenance costs.

Cost of Professional Services Revenue. The increase in dollar amount was primarily the result of higher employee costs that included a \$1.6 million increase for the cost of new employees hired and a \$0.2 million increase for stock-based compensation costs. Also, there was an increase of \$0.3 million for depreciation, amortization and other allocated costs, a \$0.1 million increase in travel costs and an increase of \$0.1 million for outside service costs.



## Operating Expenses:

	Six Months Ended June 30,		Change		
	2015	2014	\$	%	
Sales and marketing	\$ 12,201,891	\$ 9,962,492	\$ 2,239,399	22.5	%
Research and development	7,612,358	4,567,618	3,044,740	66.7	%
General and administrative	9,461,857	8,051,871	1,409,986	17.5	%
Total operating expenses	\$ 29,276,106	\$ 22,581,981	\$ 6,694,125	29.6	%

**Sales and Marketing Expenses.** The increase in dollar amount was primarily the result of higher employee costs that included a \$0.9 million increase for the cost of new employees hired and a \$0.4 million increase for stock-based compensation costs, which was offset by a decrease of \$0.2 million in commission expense. Also, there were increases of \$0.2 million for travel costs, \$0.1 million for depreciation, amortization and other allocated costs, and an increase of \$0.8 million in other marketing event costs primarily for both North American and European marketing events.

**Research and Development Expenses.** The increase in dollar amount was primarily the result of higher employee costs that included a \$1.6 million increase for the cost of new employees hired, \$0.5 million for acquisition compensation costs, \$0.4 million for stock-based compensation costs and a \$0.1 million increase for lower employee costs capitalized in the six months ended June 30, 2015 compared to 2014. Also, there was an increase of \$0.3 million in depreciation, amortization and other allocated costs and a \$0.1 million increase in travel costs.

**General and Administrative Expenses.** The increase in dollar amount was primarily related to higher employee costs of \$0.4 million for the cost of new employees hired and \$1.8 million for stock-based compensation costs, offset by a decrease of \$1.2 million in incentive compensation. Also, we had increases of \$0.5 million in rent, \$0.6 million in taxes, \$1.0 million in professional fees, \$0.1 million in outside services and a \$0.4 million increase in miscellaneous costs. This was offset by a \$1.6 million decrease as we no longer have fair value mark-to-market costs related to warrants that were converted in 2014. Also, there were decreases in travel costs of \$0.1 million, \$0.1 million in recruiting costs and \$0.4 million in depreciation, amortization and other allocated costs.

## Income Tax Expense:

	Six Months Ended June 30,		Change		
	2015	2014	\$	%	
Income tax expense	\$ 228,191	\$ 249,549	(21,358)	(8.6)	)%

**Income Tax Expense.** Income tax expense is primarily related to our foreign operations.

## Liquidity and Capital Resources

	Six Months Ended	
	June 30, 2015	June 30, 2014
Cash provided by (used in):		
Operating activities	\$(6,787,453)	\$(8,924,608)
Investing activities	(27,440,853)	(1,302,966)
Financing activities	20,235,240	46,445,414
	June 30, 2015	December 31, 2014
Cash and cash equivalents	\$27,068,744	\$41,242,200

On March 26, 2014, we closed our IPO and received proceeds of \$57.8 million, net of underwriting discounts and commissions, but before offering expenses of \$4.7 million.

At June 30, 2015, our principal sources of liquidity were cash and cash equivalents totaling \$27.1 million, accounts receivable, net of allowance for doubtful accounts of \$13.6 million and our term loan, net of discount of \$20.0 million, compared to cash and cash equivalents of \$41.2 million and accounts receivable, net of allowance for doubtful accounts of \$15.6 million at December 31, 2014. We bill our customers in advance for annual subscriptions, while professional services are typically billed on a monthly basis as services are performed. As a result, the amount of our accounts receivable at the end of a period is driven significantly by our annual subscription and professional services billings for the last month of the



period, and our cash flows from operations are affected by our collection of amounts due from customers for subscription and professional services billings that resulted in the recognition of revenue in a prior period.

#### Net Cash Flows from Operating Activities

For the six months ended June 30, 2015, net cash used in operating activities was \$6.8 million, which reflects our net loss of \$15.2 million, adjusted for non-cash charges of \$6.9 million consisting primarily of \$3.6 million for stock-based compensation and \$3.3 million for depreciation and amortization. Additionally, we had a \$1.5 million increase in our working capital accounts consisting primarily of a decrease of \$3.9 million in accounts receivable offset by a decrease of \$2.7 million in accrued expenses.

For the six months ended June 30, 2014, net cash used in operating activities was \$8.9 million, which reflects our net loss of \$24.1 million, adjusted for non-cash charges of \$22.8 million consisting primarily of \$18.7 million for restricted stock compensation, \$1.2 million for the change in the valuation of warrants and \$2.3 million for depreciation and amortization. Additionally, we had a \$7.6 million decrease in our working capital accounts consisting primarily of an increase of \$1.8 million in accounts receivable, a decrease in accrued expenses of \$1.0 million and a decrease of \$3.4 million in deferred revenue.

Our deferred revenue was \$29.1 million at June 30, 2015 and \$27.9 million at December 31, 2014. The increase in deferred revenue reflects the timing of invoicing to new and existing customers offset by amortization of previously billed subscription agreements. Customers are invoiced annually in advance for their annual subscription fee and the invoices are recorded in accounts receivable and deferred revenue, which is then recognized ratably over the term of the subscription agreement. With respect to professional services fees, customers are invoiced as the services are performed, and the invoices are recorded in accounts receivable. Where appropriate based on revenue recognition criteria, professional services invoices are initially recorded in deferred revenue, which are then recognized ratably over the remaining term of the subscription agreement.

#### Net Cash Flows from Investing Activities

For the six months ended June 30, 2015, net cash used in investing activities was \$27.4 million, of which \$25.6 million is related to the acquisition of ecVision. Investing activities also consist of various capital expenditures of \$0.6 million and capitalization of \$0.9 million of software development costs. In general, our capital expenditures are for our network infrastructure to support our increasing customer base and growth in new business and for internal use, such as equipment for our increasing employee headcount.

For the six months ended June 30, 2014, net cash used in investing activities was \$1.3 million, consisting of various capital expenditures of \$0.5 million and capitalization of \$1.1 million of software development costs.

#### Net Cash Flows from Financing Activities

For the six months ended June 30, 2015, net cash provided by financing activities was \$20.2 million and consists of proceeds from our term loan of \$20.0 million and \$1.2 million in proceeds from the exercise of stock options. This was offset for capital lease repayments of \$0.7 million and costs of \$0.2 million related to the term loan.

For the six months ended June 30, 2014, net cash provided by financing activities was \$46.4 million and consists of proceeds from the sale of common stock in our IPO of \$57.8 million offset by the repayment of \$7.0 million on our revolving line of credit and \$4.3 million paid in offering costs for our IPO.

#### Credit Agreement

In connection with our acquisition of ecVision on March 4, 2015, we entered into a credit agreement (the Credit Agreement) with a financial institution providing for an aggregate of \$25.0 million of financing comprised of two credit facilities: (i) a senior secured revolving credit facility of \$5.0 million (the Revolving Facility), which includes a \$2.0 million sublimit for the issuance of letters of credit and (ii) a senior secured term loan facility of \$20.0 million (the Term Loan and together with the Revolving Facility, the Senior Facilities). The Term Loan was fully funded on March 4, 2015 in order to fund a portion of the acquisition consideration. The Revolving Facility has not been drawn down and the maturity date for obligations under the Senior Facilities is March 4, 2018 (the Maturity Date).

The interest rate on the outstanding balance from time to time of the Senior Facilities is based upon, at our option, either (i) the “LIBOR” rate plus 3.5% or (ii) the “Base Rate” plus 1.5%, as such terms are defined in the Credit Agreement. For the period ended June 30, 2015, the LIBOR interest rate used was 3.77%. The Term Loan will amortize in quarterly installments as follows: (i) 2.5% in the first year; (ii) 2.5% in the second year; and (iii) 5% in the third year, with the with balance payable on the Maturity Date.

Our obligations under the Senior Facilities, subject to certain exceptions, are guaranteed by our subsidiaries and are secured by our equity interests in our subsidiaries. In addition, subject to certain exceptions, we and each of the guarantors granted the Lender (i) a first priority lien on and a security interest in substantially all of their respective real and personal properties and (ii) a negative pledge of their respective intellectual property.

The Credit Agreement contain customary affirmative and negative covenants for financings of its type that are subject to customary exceptions. As of June 30, 2015, we were in compliance with all the reporting and financial covenants. On March 4, 2015, in connection with the ecVision acquisition and the entry into the Credit Agreement, we terminated our previously existing revolving credit facility. No amounts were outstanding under such agreement immediately prior to its termination.

#### Off-Balance Sheet Arrangements

As of June 30, 2015, 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. Other than our operating leases for office space, we do not engage in off-balance sheet financing arrangements. Our operating lease arrangements do not and are not reasonably likely to have a material current or future effect on our financial condition, results of operations, liquidity, capital resources and capital expenditures. In addition, we do not engage in trading activities involving non-exchange traded contracts. As such, we are not materially exposed to any financing, liquidity, market or credit risk that could arise if we had engaged in these relationships.

#### Capital Resources

Our future capital requirements may vary materially from those now planned and will depend on many factors, including the costs to develop and implement new solution modules and services, the sales and marketing resources needed to further penetrate our targeted markets and gain acceptance of new modules we develop, the expansion of our operations in the United States and internationally and the response of competitors to our solution and services. Historically, we have experienced increases in our expenditures consistent with the growth in our operations and personnel, and we anticipate that our expenditures will continue to increase as we grow our business. In the future, we may also acquire complementary businesses, solutions or technologies. For example, on March 2, 2015, we acquired ecVision, a cloud-based provider of global sourcing and collaborative supply chain solutions for brand-focused companies. We have no definitive agreements or commitments with respect to any acquisitions at this time.

We believe our existing cash and cash equivalents, together with the available borrowing capacity under our new line of credit that we entered into on March 4, 2015 and cash flows from our operations will be sufficient to meet our working capital and capital expenditure requirements for at least the next 12 months. During the last three years, inflation and changing prices have not had a material effect on our business, and we do not expect that inflation or changing prices will materially affect our business in the foreseeable future.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

**Foreign Currency Exchange Risk.** We bill our customers predominately in U.S. dollars and receive payment predominately in U.S. dollars. However, because most of our international sales are denominated in the currency of the country where the purchaser is located, as we continue to expand our direct sales presence in international regions, the portion of our accounts receivable denominated in foreign currencies may continue to increase. Historically, our greatest accounts receivable foreign currency exposure has been related to revenue denominated in Euros. In addition, we incur significant costs related to our operations in India in Rupees and our operations in China in Renminbi and Hong Kong dollars. With the acquisition of ecVision, the amount of payments received and made in Hong Kong dollars and Renminbi has increased slightly while remaining an immaterial portion of our business. As a result of these factors, our results of operations and cash flows are and will increasingly be subject to fluctuations due to changes in foreign currency exchange rates.

**Interest Rate Sensitivity.** Interest income and expense are sensitive to changes in the general level of U.S. interest rates. However, based on the nature and current level of our investments, which are primarily cash and cash equivalents, and our debt obligations, we believe there is no material risk of exposure.

Item 4. Controls and Procedures

**Evaluation of Disclosure Controls and Procedures**

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our reports under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the rules and forms, and that such information is accumulated and communicated to us, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating our disclosure controls and procedures, we recognize that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, as ours are designed to do, and we necessarily were required to apply our judgment in evaluating whether the benefits of the controls and procedures that we adopt outweigh their costs.

As required by Rule 13a-15(b) of the Securities Exchange Act of 1934, as amended, an evaluation as of June 30, 2015 was conducted under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act). Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures, as of June 30, 2015, were effective for the purposes stated above.

**Changes in Internal Control over Financial Reporting**

There was no change in our internal control over financial reporting identified in connection with the evaluation required by Rules 13a-15(d) and 15d-15(d) of the Exchange Act that occurred during the period covered by this Quarterly Report on Form 10-Q that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.



## PART II. OTHER INFORMATION

### Item 1. Legal Proceedings

We are involved in various claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on our financial position, results of operations, or liquidity.

### Item 1A. Risk Factors

There have been no material changes to the Risk Factors we previously disclosed in our annual report on Form 10-K for the year ended December 31, 2014, which was filed with the Securities and Exchange Commission on March 13, 2015.

### Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

#### Unregistered Sales of Equity Securities

During the three months ended June 30, 2015, we issued 6,506 shares of common stock in partial satisfaction of provisions of the EasyCargo purchase agreement. The issuance of such shares of common stock was exempt from the registration requirement of the Securities Act pursuant to Section 4(a)(2) thereof.

#### Use of Proceeds

On March 26, 2014, we closed our IPO of 8,500,299 shares of common stock, including 1,108,734 shares sold pursuant to the underwriters' option to purchase additional shares. Of the total shares sold, 3,717,429 shares were sold by selling stockholders, and we did not receive any of the proceeds of such sales. The public offering price of the shares sold in our IPO was \$13.00 per share. All outstanding shares of redeemable convertible preferred stock were automatically converted into 13,993,566 shares of common stock immediately prior to the closing of the IPO. All of the shares issued and sold in our IPO were registered under the Securities Act pursuant to a registration statement on Form S-1 (File No. 333-193858), which was declared effective by the SEC on March 20, 2014. The offering did not terminate until after the sale of all of the shares registered on the registration statement. Stifel, Nicolaus & Company, Incorporated served as the sole book-running manager of the offering, Pacific Crest Securities LLC served as co-lead manager and Canaccord Genuity Inc., Needham & Company, LLC and Raymond James & Associates, Inc. served as co-managers.

We received proceeds from our IPO of \$57.8 million, net of underwriting discounts and commissions of \$4.4 million, but before offering expenses of \$4.7 million. No offering expenses were paid directly or indirectly to any of our directors or officers (or their associates) or persons owning 10% or more of any class of our equity securities or to any other affiliates. As of June 30, 2015, we have used a portion of the proceeds for the repayment of debt and general corporate purposes including the purchase price for the acquisition of ecVision. Pending their use, we plan to invest the net proceeds in a variety of capital preservation investments, including short-term, investment-grade and interest-bearing instruments.

There has been no material change in the planned use of proceeds from our IPO as described in our final prospectus filed with the SEC pursuant to rule 424(b) under the Securities Act on March 24, 2014.

### Item 3. Defaults Upon Senior Securities

None.

### Item 4. Mine Safety Disclosures

Not applicable.

### Item 5. Other Information

None.

### Item 6. Exhibits

See exhibits listed under the Exhibit Index below.

SIGNATURE

Pursuant to the requirements 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.

AMBER ROAD, INC.

Date: August 10, 2015

By: /s/ THOMAS E. CONWAY  
Thomas E. Conway  
Chief Financial Officer  
(Principal Financial and Accounting Officer)

## EXHIBIT INDEX

Exhibit Number	Description
31.1*	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended
31.2*	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended
32.1**	Certification of Chief Executive Officer pursuant to 18 U.S.C. 1350
32.2**	Certification of Chief Financial Officer pursuant to 18 U.S.C. 1350
101.INS†	XBRL Instance Document
101.SCH†	XBRL Taxonomy Extension Schema Linkbase Document
101.CAL†	XBRL Taxonomy Calculation Linkbase Document
101.DEF†	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB†	XBRL Taxonomy Label Linkbase Document
101.PRE†	XBRL Taxonomy Presentation Linkbase Document

\* Filed herewith

\*\* Furnished herewith

† In accordance with Rule 406T of Regulation S-T, the XBRL-related information in Exhibit 101 to this Quarterly Report on Form 10-Q is deemed not filed or part of a registration statement or prospectus for purposes of sections 11 or 12 of the Securities Act, is deemed not filed for purposes of section 18 of the Exchange Act, and otherwise is not subject to liability under these sections.