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

FORM 8-K

CURRENT REPORT

**Pursuant to Section 13 or 15(d) of
the Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): May 2, 2018

Q2 HOLDINGS, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or Other Jurisdiction of
Incorporation)

001-36350
(Commission File Number)

20-2706637
(IRS Employer
Identification No.)

13785 Research Blvd, Suite 150
Austin, Texas 78750
(512) 275-0072
(Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrant's Principal Executive Offices)

Not Applicable
(Former name or former address, if changed since last report)

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2 below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 2.02. Results of Operations and Financial Condition.

On May 2, 2018, Q2 Holdings, Inc. (the “Company”) issued a press release regarding its financial results for the first quarter ended March 31, 2018. A copy of the Company’s press release is furnished herewith as Exhibit 99.1.

The information furnished in this Current Report under this Item 2.02 and the exhibit furnished herewith shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or incorporated by reference in any filing under the Securities Act of 1933, as amended, except as shall be expressly set forth by specific reference in such a filing.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits

Exhibit No.	Description
99.1	Press release dated May 2, 2018

SIGNATURES

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 hereunto duly authorized.

Q2 HOLDINGS, INC.

May 2, 2018

/s/ Jennifer N. Harris
Jennifer N. Harris
Chief Financial Officer

Exhibit Index

Exhibit No.	Description
99.1	Press release dated May 2, 2018

Q2 Holdings, Inc. Announces First Quarter 2018 Financial Results

Total first quarter revenue of \$54.8 million, up 23 percent year-over-year, and up 6 percent from the previous quarter

AUSTIN, Texas (May 2, 2018) - [Q2 Holdings, Inc.](#) (NYSE:QTWO), a leading provider of secure, experience-driven digital banking solutions, today announced results for its first quarter ending March 31, 2018.

First Quarter 2018 Results

Please note these results reflect the impact from the adoption of ASC 606, Contracts with Customers, effective Jan. 1, 2018.

- Revenue for the first quarter of \$54.8 million, up 23 percent year-over-year and up 6 percent from the previous quarter.
- GAAP gross margin for the first quarter of 50.8 percent, up from 48.9 percent one year ago. Non-GAAP gross margin for the first quarter of 54.3 percent, up from 52.5 percent one year ago.
- GAAP net loss for the first quarter of \$6.0 million, which compares to a GAAP net loss of \$7.0 million for the first quarter of 2017, and \$5.5 million for the fourth quarter of 2017. Adjusted EBITDA for the first quarter of positive \$5.0 million, an improvement from positive \$1.1 million one year ago and positive \$4.1 million for the fourth quarter of 2017.

“We had a strong start to 2018, sustaining our bookings momentum in what is typically a seasonally slower quarter,” said Matt Flake, CEO of Q2. “Having just wrapped up our annual client conference, I believe our customers are generally optimistic about their improving operating environments. When you combine this with three consecutive quarters of positive bookings momentum, I believe we are well positioned for solid growth in 2018.”

First Quarter 2018 Highlights

- Signed a Top 50 credit union and two Tier 1 banks in the first quarter, including a \$10 billion bank in the Southeast and a \$7 billion bank in the West.
- Exited the first quarter with approximately 10.9 million registered users on the Q2 platform, representing 22 percent year-over-year growth and up 5 percent sequentially.
- Continued Q2 Open momentum, signing MoneyLion, a savings and investment platform with two million customers.

Financial Outlook

Q2 Holdings is providing guidance for its second quarter 2018 as follows:

- Total revenue of \$57.9 million to \$58.5 million, which would represent year-over-year growth of 22 percent to 23 percent.
- Adjusted EBITDA of \$4.7 million to \$5.3 million. GAAP net loss is the most comparable GAAP measure to adjusted EBITDA. Adjusted EBITDA differs from GAAP net loss in that it excludes things such as depreciation and amortization, stock-based compensation, acquisition-related costs, interest, income taxes and unoccupied lease charges. Q2 Holdings is unable to predict with reasonable certainty the ultimate outcome of these exclusions without unreasonable effort. Therefore, Q2 Holdings has not provided guidance for GAAP net loss or a reconciliation of the foregoing forward-looking adjusted EBITDA guidance to GAAP net loss.

Q2 Holdings is providing guidance for the full-year 2018 as follows:

- Total revenue of \$236.5 million to \$238.5 million, which would represent year-over-year growth of 22 percent to 23 percent.
 - Adjusted EBITDA of \$21 million to \$23 million. Adjusted EBITDA differs from GAAP net loss in that it excludes things such as depreciation and amortization, stock-based compensation, acquisition-related costs, interest, income taxes and unoccupied lease charges. Q2 Holdings is unable to predict with reasonable certainty the ultimate outcome of these exclusions without unreasonable effort. Therefore, Q2 Holdings has not provided guidance for GAAP net loss or a reconciliation of the foregoing forward-looking adjusted EBITDA guidance to GAAP net loss.
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Conference Call Details

Date: May 3, 2018
Time: 8:30 a.m. EDT
Hosts: Matt Flake, CEO / Jennifer Harris, CFO
Dial in: US toll free: 1-833-241-4254
International: 1-647-689-4205
Conference ID: 2697347

Please join the conference call at least 10 minutes before start time to ensure the line is connected. A live webcast of the conference call will be accessible from the investor services section of the Q2 Holdings, Inc. website at <http://investors.q2ebanking.com/>.

A replay of the webcast will also be available at this website on a temporary basis shortly after the call.

About Q2 Holdings, Inc.

Q2 is a leading provider of secure, experience-driven digital banking solutions headquartered in Austin, Texas. We are driven by a mission to build stronger communities by strengthening their financial institutions. Q2 provides the industry's most comprehensive digital banking platform, enriched through actionable data insights, open development tools and an evolving fintech ecosystem. We help clients elevate the experience, drive efficiency and grow faster. To learn more about Q2, visit www.q2ebanking.com.

Use of Non-GAAP Measures

Q2 uses the following non-GAAP financial measures: adjusted EBITDA; non-GAAP gross margin; non-GAAP gross profit; non-GAAP sales and marketing expense; non-GAAP research and development expense; non-GAAP general and administrative expense; non-GAAP operating loss; and, non-GAAP net loss. Management believes that these non-GAAP financial measures are useful measures of operating performance because they exclude items that Q2 does not consider indicative of its core performance.

In the case of adjusted EBITDA, Q2 adjusts net loss for such things as interest, taxes, depreciation and amortization, stock-based compensation, acquisition-related costs, amortization of technology and intangibles, and unoccupied lease charges. In the case of non-GAAP gross margin and non-GAAP gross profit, Q2 adjusts gross profit and gross margin for stock-based compensation and amortization of acquired technology. In the case of non-GAAP sales and marketing expense, non-GAAP research and development expense, and non-GAAP general and administrative expense, Q2 adjusts the corresponding GAAP expense to exclude stock-based compensation. In the case of non-GAAP operating loss and non-GAAP net loss, Q2 adjusts operating loss and net loss, respectively, for stock-based compensation, acquisition related-costs, amortization of acquired technology, amortization of acquired intangibles, and unoccupied lease charges.

These non-GAAP measures should be considered in addition to, not as a substitute for or superior to, the closest GAAP measures, or other financial measures prepared in accordance with GAAP. A reconciliation to the closest GAAP measures of these non-GAAP measures is contained in tabular form on the attached unaudited condensed consolidated financial statements.

Q2's management uses these non-GAAP measures as measures of operating performance; to prepare Q2's annual operating budget; to allocate resources to enhance the financial performance of Q2's business; to evaluate the effectiveness of Q2's business strategies; to provide consistency and comparability with past financial performance; to facilitate a comparison of Q2's results with those of other companies, many of which use similar non-GAAP financial measures to supplement their GAAP results; and in communication with our board of directors concerning Q2's financial performance.

Forward-looking Statements

This press release contains forward-looking statements, including statements about positive sales and bookings momentum, increased activity in the bank market and the effects of the improved economic environment on banks' decision-making, optimism about our pipeline and Q2's performance in 2018, and Q2's quarterly and annual financial guidance. The forward-looking statements contained in this press release are based upon Q2's historical performance and its current plans, estimates and expectations and are not a representation that such plans, estimates or expectations will be achieved. Factors that could cause actual results to differ materially from those described herein include risks related to: (a) the risk of increased competition in its existing markets and as it enters new sections of the market with Tier 1 customers and new products and services; (b) the risk that the market for Q2's solutions does not grow as anticipated, in particular with respect to Tier 1 customers; (c) the risk that Q2's increased focus on selling to larger Tier 1 customers may result in greater uncertainty and variability in Q2's business and sales results; (d) the risk that changes in Q2's market, business or sales organization negatively impacts its ability to sell its products and services; (e) the challenges and costs associated with selling, implementing and supporting Q2's solutions, particularly for larger customers with more complex requirements and longer implementation processes; (f) the risk that errors, interruptions or delays in Q2's products or services or Web hosting negatively impacts Q2's business and sales; (g) risks associated with data breaches and breaches of security measures within Q2's products, systems and infrastructure and the resultant harm to Q2's business and its ability to sell its products and services; (h) the impact that a slowdown in the economy, financial markets, and credit markets has on Q2's customers and Q2's business sales cycles, prospects and customers' spending decisions and timing of implementation decisions, particularly in regions where a significant number of Q2's customers are concentrated; (i) the difficulties and risks associated with developing and selling complex new solutions and enhancements with the technical and regulatory specifications and functionality required by customers and governmental authorities; (j) the risks inherent in technology and implementation partnerships that could cause harm to Q2's business; (k) the difficulties and costs Q2 may encounter with complex implementations of its solutions and the resulting impact on reputation and the timing of its revenue from any delayed implementations; (l) the risk that Q2 will not be able to maintain historical contract terms such as pricing and duration; (m) the risks associated with managing growth and the challenges associated with improving operations and hiring, retaining and motivating employees to support such growth; (n) the risk that modifications or negotiations of contractual arrangements will be necessary during Q2's implementations of its solutions or the general risks associated with the complexity of Q2's customer arrangements; (o) the risks associated with integrating acquired companies and successfully selling and maintaining their solutions; (p) litigation related to intellectual property and other matters and any related claims, negotiations and settlements; and (q) the risks associated with further consolidation in the financial services industry.

Additional information relating to the uncertainty affecting the Q2 business are contained in Q2's filings with the Securities and Exchange Commission. These documents are available on the SEC Filings section of the Investor Services section of Q2's website at <http://investors.q2ebanking.com/>. These forward-looking statements represent Q2's expectations as of the date of this press release. Subsequent events may cause these expectations to change, and Q2 disclaims any obligations to update or alter these forward-looking statements in the future, whether as a result of new information, future events or otherwise.

Q2 Holdings, Inc.
Condensed Consolidated Balance Sheets
(in thousands)

	March 31, 2018	December 31, 2017
	(unaudited)	(unaudited)
Assets		
Current assets:		
Cash and cash equivalents	\$ 255,411	\$ 57,961
Restricted cash	2,315	2,315
Investments	38,704	41,685
Accounts receivable, net	16,897	13,203
Contract assets, current portion	336	—
Prepaid expenses and other current assets	4,699	3,115
Deferred solution and other costs, current portion	8,392	9,246
Deferred implementation costs, current portion	3,740	3,562
Total current assets	330,494	131,087
Property and equipment, net	36,592	34,544
Deferred solution and other costs, net of current portion	16,333	12,973
Deferred implementation costs, net of current portion	8,374	8,295
Intangible assets, net	10,556	12,034
Goodwill	12,876	12,876
Contract assets, net of current portion	5,539	—
Other long-term assets	1,090	1,006
Total assets	\$ 421,854	\$ 212,815
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 23,451	\$ 29,694
Deferred revenues, current portion	38,344	38,379
Total current liabilities	61,795	68,073
Convertible notes, net of current portion	175,170	—
Deferred revenues, net of current portion	20,599	28,289
Deferred rent, net of current portion	9,075	9,393
Other long-term liabilities	360	438
Total liabilities	266,999	106,193
Stockholders' equity:		
Common stock	4	4
Treasury stock	—	(855)
Additional paid-in capital	298,087	259,726
Accumulated other comprehensive loss	(163)	(139)
Accumulated deficit	(143,073)	(152,114)
Total stockholders' equity	154,855	106,622
Total liabilities and stockholders' equity	\$ 421,854	\$ 212,815

Q2 Holdings, Inc.
Condensed Consolidated Statements of Comprehensive Loss
(in thousands, except per share data)

	Three Months Ended March 31,	
	2018	2017
	(unaudited)	(unaudited)
Revenues	\$ 54,808	\$ 44,534
Cost of revenues ⁽¹⁾⁽²⁾	26,977	22,772
Gross profit	27,831	21,762
Operating expenses:		
Sales and marketing ⁽¹⁾	10,966	9,878
Research and development ⁽¹⁾	11,157	9,651
General and administrative ⁽¹⁾	10,296	8,452
Acquisition related costs	256	348
Amortization of acquired intangibles	368	371
Total operating expenses	33,043	28,700
Loss from operations	(5,212)	(6,938)
Other income (expense), net	(1,023)	34
Loss before income taxes	(6,235)	(6,904)
Benefit from (provision for) income taxes	187	(136)
Net Loss	<u>\$ (6,048)</u>	<u>\$ (7,040)</u>
Other comprehensive loss		
Unrealized loss on available-for-sale investments	(24)	(1)
Comprehensive loss	<u>\$ (6,072)</u>	<u>\$ (7,041)</u>
Net loss per common share:		
Net loss per common share, basic and diluted	<u>\$ (0.14)</u>	<u>\$ (0.17)</u>
Weighted average common shares outstanding, basic and diluted	<u>42,170</u>	<u>40,630</u>

⁽¹⁾ Includes stock-based compensation expenses as follows:

	Three Months Ended March 31,	
	2018	2017
Cost of revenues	\$ 1,015	\$ 724
Sales and marketing	1,226	631
Research and development	1,356	945
General and administrative	2,498	1,897
Total stock-based compensation expenses	<u>\$ 6,095</u>	<u>\$ 4,197</u>

⁽²⁾ Includes amortization of acquired technology of \$0.9 million for each of the three months ended March 31, 2018 and 2017 .

Q2 Holdings, Inc.
Condensed Consolidated Statements of Cash Flows
(in thousands)

	Three Months Ended March 31,	
	2018	2017
	(unaudited)	(unaudited)
Cash flows from operating activities:		
Net loss	\$ (6,048)	\$ (7,040)
Adjustments to reconcile net loss to net cash used in operating activities:		
Amortization of deferred implementation, solution and other costs	2,218	1,719
Depreciation and amortization	3,878	3,525
Amortization of debt issuance costs	123	24
Amortization of premiums on investments	56	69
Amortization of debt discount	1,099	—
Stock-based compensation expenses	6,095	4,197
Deferred income taxes	36	117
Other non-cash charges	22	(6)
Changes in operating assets and liabilities	(14,582)	(13,273)
Cash used in operating activities	(7,103)	(10,668)
Cash flows from investing activities:		
Net redemptions of investments	2,901	2,770
Purchases of property and equipment	(5,396)	(5,361)
Business combinations and asset acquisitions, net of cash acquired	(150)	(1,316)
Capitalization of software development costs	—	(532)
Cash used in investing activities	(2,645)	(4,439)
Cash flows from financing activities:		
Proceeds from issuance of convertible notes, net of issuance costs	223,675	—
Purchase of convertible notes bond hedge	(41,699)	—
Proceeds from issuance of warrants	22,379	—
Proceeds from issuance of common stock	2,843	2,990
Net cash provided by financing activities	207,198	2,990
Net increase (decrease) in cash and cash equivalents	197,450	(12,117)
Cash, cash equivalents, and restricted cash beginning of period	60,276	56,188
Cash, cash equivalents, and restricted cash end of period	\$ 257,726	\$ 44,071
Reconciliation of cash, cash equivalents, and restricted cash as shown in the statements of cash flows:		
Cash and cash equivalents	\$ 255,411	\$ 42,756
Restricted cash	2,315	1,315
Total cash, cash equivalents, and restricted cash	\$ 257,726	\$ 44,071

Q2 Holdings, Inc.
Reconciliation of GAAP to Non-GAAP Measures
(in thousands, except per share data)

	Three Months Ended March 31,	
	2018	2017
	(unaudited)	(unaudited)
GAAP gross profit	\$ 27,831	\$ 21,762
Stock-based compensation	1,015	724
Amortization of acquired technology	912	885
Non-GAAP gross profit	<u>\$ 29,758</u>	<u>\$ 23,371</u>
Non-GAAP gross margin:		
Non-GAAP gross profit	\$ 29,758	\$ 23,371
GAAP revenue	54,808	44,534
Non-GAAP gross margin	<u>54.3%</u>	<u>52.5%</u>
GAAP sales and marketing expense	\$ 10,966	\$ 9,878
Stock-based compensation	(1,226)	(631)
Non-GAAP sales and marketing expense	<u>\$ 9,740</u>	<u>\$ 9,247</u>
GAAP research and development expense	\$ 11,157	\$ 9,651
Stock-based compensation	(1,356)	(945)
Non-GAAP research and development expense	<u>\$ 9,801</u>	<u>\$ 8,706</u>
GAAP general and administrative expense	\$ 10,296	\$ 8,452
Stock-based compensation	(2,498)	(1,897)
Non-GAAP general and administrative expense	<u>\$ 7,798</u>	<u>\$ 6,555</u>
GAAP operating loss	\$ (5,212)	\$ (6,938)
Stock-based compensation	6,095	4,197
Acquisition related costs	256	348
Amortization of acquired technology	912	885
Amortization of acquired intangibles	368	371
Non-GAAP operating income (loss)	<u>\$ 2,419</u>	<u>\$ (1,137)</u>
GAAP net loss	\$ (6,048)	\$ (7,040)
Stock-based compensation	6,095	4,197
Acquisition related costs	256	348
Amortization of acquired technology	912	885
Amortization of acquired intangibles	368	371
Non-GAAP net income (loss)	<u>\$ 1,583</u>	<u>\$ (1,239)</u>
Reconciliation from diluted weighted-average number of common shares as reported to pro forma diluted weighted average number of common shares		
Diluted weighted-average number of common shares, as reported	42,170	40,630
Weighted-average effect of potentially dilutive shares	1,970	—
Pro forma diluted weighted-average number of common shares	<u>44,140</u>	<u>40,630</u>
Calculation of non-GAAP income (loss) per share:		
Non-GAAP net income (loss)	\$ 1,583	\$ (1,239)
Diluted weighted-average number of common shares (pro forma for three months ended March 31, 2018)	44,140	40,630
Non-GAAP net income (loss) per share	<u>\$ 0.04</u>	<u>\$ (0.03)</u>
Reconciliation of GAAP net loss to adjusted EBITDA:		
GAAP net loss	\$ (6,048)	\$ (7,040)
Depreciation and amortization	3,878	3,525
Stock-based compensation	6,095	4,197
(Benefit from) provision for income taxes	(187)	136
Interest (income) expense, net	1,023	(34)

Acquisition related costs
Adjusted EBITDA

	<u>256</u>	<u>348</u>
	<u>\$ 5,017</u>	<u>\$ 1,132</u>

MEDIA CONTACT:

Emma Chase

Red Fan Communications

O: (512) 551-9253 / C: (512) 917-4319

emma@redfancommunications.com

INVESTOR CONTACT:

Bob Gujavarty

Q2 Holdings, Inc.

O: (512) 439-3447

bobby.gujavarty@q2ebanking.com

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