

REALPAGE INC
Form S-1
November 17, 2010

Table of Contents

As filed with the Securities and Exchange Commission on November 17, 2010
Registration No. 333-

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

Form S-1
REGISTRATION STATEMENT
Under
The Securities Act of 1933

RealPage, Inc.

(Exact name of Registrant as specified in its charter)

Delaware

*(State or other jurisdiction of
incorporation or organization)*

7372

*(Primary Standard Industrial
Classification Code Number)*

75-2788861

*(I.R.S. Employer
Identification Number)*

4000 International Parkway
Carrollton, Texas 75007
Tel: (972) 820-3000

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

Timothy J. Barker

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Approximate date of commencement of proposed sale to the public: As soon as practicable after the effective date of this Registration Statement.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box.

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

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

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

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

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

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered	Proposed Maximum Offering Price Per Share	Proposed Maximum Aggregate Offering Price(1)(2)	Amount of Registration Fee
Common Stock, \$0.001 par value	10,350,000	\$27.79	\$287,626,500	\$20,507.77

(1) Estimated solely for the purpose of computing the amount of the registration fee pursuant to Rule 457(c) under the Securities Act of 1933, as amended, and is based upon the average of the high and low sales prices of our common stock as reported on the NASDAQ Global Select Market on November 16, 2010.

(2) Includes the aggregate offering price of additional shares that the underwriters have the option to purchase.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of

1933 or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

Table of Contents

The information in this prospectus is not complete and may be changed. Neither we nor the selling stockholders may sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and neither we nor the selling stockholders are soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED NOVEMBER 17, 2010

9,000,000 Shares

RealPage, Inc.

Common Stock

We are selling 4,000,000 shares of common stock and the selling stockholders identified in this prospectus are selling 5,000,000 shares of common stock. We will not receive any proceeds from the sale of shares of common stock by the selling stockholders.

Our common stock is listed on the NASDAQ Global Select Market under the symbol RP. The closing price of our common stock on the NASDAQ Global Select Market on November 16, 2010 was \$27.08 per share.

The underwriters have an option to purchase a maximum of 1,350,000 additional shares from certain of the selling stockholders to cover over-allotments.

After this offering, Stephen T. Winn, our Chief Executive Officer and Chairman of the Board, and entities beneficially owned by Mr. Winn, will own approximately 41.6% of our common stock.

Investing in our common stock involves risks. See Risk Factors on page 11.

	Price to Public	Underwriting Discounts and Commissions	Proceeds to RealPage	Proceeds to Selling Stockholders
Per share	\$	\$	\$	\$
Total	\$	\$	\$	\$

Delivery of the shares of common stock will be made on or about _____, 2010.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

Credit Suisse

Deutsche Bank Securities

William Blair & Company

RBC Capital Markets

JMP Securities

Pacific Crest Securities

Wells Fargo Securities

Lazard Capital Markets

The date of this prospectus is _____, 2010.

TABLE OF CONTENTS

	Page
<u>Prospectus Summary</u>	1
<u>Risk Factors</u>	11
<u>Special Note Regarding Forward-Looking Statements and Industry Data</u>	36
<u>Use of Proceeds</u>	37
<u>Market Price of Common Stock</u>	37
<u>Dividend Policy</u>	37
<u>Capitalization</u>	38
<u>Selected Consolidated Financial Data</u>	39
<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	44
<u>Business</u>	79
<u>Management</u>	97
<u>Executive Compensation</u>	106
<u>Certain Relationships and Related Party Transactions</u>	130
<u>Principal and Selling Stockholders</u>	135
<u>Description of Capital Stock</u>	139
<u>Shares Eligible for Future Sale</u>	144
<u>Material U.S. Federal Income Tax and Estate Tax Consequences to Non-U.S. Holders</u>	147
<u>Underwriting</u>	151
<u>Notice to Canadian Residents</u>	157
<u>Legal Matters</u>	158
<u>Experts</u>	158
<u>Where You Can Find Additional Information</u>	158
<u>Index to Consolidated Financial Statements</u>	F-1
<u>EX-21.1</u>	
<u>EX-23.1</u>	
<u>EX-23.2</u>	

You should rely only on the information contained in this document or to which we have referred you. We have not authorized anyone to provide you with information that is different. This document may only be used where it is legal to sell these securities. The information in this document may only be accurate on the date of this document.

Table of Contents

PROSPECTUS SUMMARY

This summary highlights information contained elsewhere in this prospectus and does not contain all of the information you should consider in making your investment decision. You should read this entire prospectus carefully, especially the risks of investing in our common stock discussed under Risk Factors and the consolidated financial statements and related notes included elsewhere in this prospectus, before making an investment decision.

Company Overview

We are a leading provider of on demand software solutions for the rental housing industry. Our broad range of property management solutions enables owners and managers of single-family and a wide variety of multi-family rental property types to manage their marketing, pricing, screening, leasing, accounting, purchasing and other property operations. Our on demand software solutions are delivered through an integrated software platform that provides a single point of access and a shared repository of prospect, resident and property data. By integrating and streamlining a wide range of complex processes and interactions among the rental housing ecosystem of owners, managers, prospects, residents and service providers, our platform optimizes the property management process and improves the experience for all of these constituents.

Our solutions enable property owners and managers to increase revenues and reduce operating costs through higher occupancy, improved pricing methodologies, new sources of revenue from ancillary services, improved collections and more integrated and centralized processes. As of September 30, 2010, over 6,500 customers used one or more of our on demand software solutions to help manage the operations of approximately 5.6 million rental housing units. As of September 30, 2010, our customers include nine of the ten largest multi-family property management companies in the United States, ranked as of January 1, 2010 by the National Multi Housing Council, based on number of units managed.

We sell our solutions through our direct sales organization. Our total revenues were approximately \$83.6 million, \$112.6 million, \$140.9 million and \$134.2 million in 2007, 2008, 2009 and the nine months ended September 30, 2010, respectively. In the same periods, we had operating (loss) income of approximately (\$1.6 million), (\$0.4 million), \$6.9 million and \$5.2 million, respectively, and net (loss) income of approximately (\$3.1 million), (\$3.2 million), \$28.4 million and \$0.3 million, respectively. Net income for 2009 included a discrete tax benefit of approximately \$26.0 million as a result of a reduction of our net deferred tax assets valuation allowance.

Our Adjusted EBITDA in 2007, 2008, 2009 and the nine months ended September 30, 2010 was approximately \$6.0 million, \$13.1 million, \$25.6 million and \$24.3 million, respectively. We believe Adjusted EBITDA is useful to investors in evaluating our operating performance. Our management uses Adjusted EBITDA in conjunction with accounting principles generally accepted in the United States, or GAAP, operating performance measures as part of its overall assessment of our performance for planning purposes, including the preparation of our annual operating budget, to evaluate the effectiveness of our business strategies and to communicate with our board of directors concerning our financial performance. Adjusted EBITDA should not be considered as an alternative financial measure to net (loss) income, which is the most directly comparable financial measure calculated in accordance with GAAP, or any other measure of financial

Table of Contents

performance calculated in accordance with GAAP. The following table presents a reconciliation of net (loss) income to Adjusted EBITDA:

	Year Ended December 31,			Nine Months Ended September 30, 2010 (unaudited)
	2007	2008	2009	
	(in thousands)			
Net (loss) income	\$ (3,143)	\$ (3,209)	\$ 28,429	\$ 253
Depreciation and asset impairment	4,854	9,847	9,231	7,657
Amortization of intangible assets	2,273	2,095	5,784	7,256
Interest expense, net	1,510	2,152	4,528	4,759
Income tax expense (benefit)		703	(26,028)	164
Stock-based compensation expense	490	1,476	2,805	3,745
Acquisition-related expense			844	453
Adjusted EBITDA	\$ 5,984	\$ 13,064	\$ 25,593	\$ 24,287

For further discussion regarding Adjusted EBITDA, see footnote 6 to the table in Selected Consolidated Financial Data.

Industry Overview

The rental housing market is large and characterized by challenging and location-specific operating requirements, diverse industry participants, significant mobility among residents and a variety of property types, including single-family and a wide range of multi-family property types, including conventional, affordable, privatized military, student and senior housing. According to the U.S. Census Bureau American Housing Survey for the United States: 2009, there were 39.7 million rental housing units in the United States in 2009. Based on U.S. Census Bureau data and our own estimates, we believe that the overall size of the U.S. rental housing market, including rent, utilities and insurance, exceeds \$300 billion annually. We estimate that the total addressable market for our current on demand software solutions is approximately \$5.6 billion per year. This estimate assumes that each of the 39.7 million rental units in the United States has the potential to generate annually a range of approximately \$100 in revenue per unit for single-family units to approximately \$240 in revenue per unit for conventional multi-family units. We base this potential revenue assumption on our review of the purchasing patterns of our existing customers with respect to our on demand software solutions, the on demand software solutions currently utilized by our existing customers, the number of units our customers manage with these solutions and our current pricing for our on demand software solutions.

Rental property management spans both the resident lifecycle and the operations of a property. The resident lifecycle can be separated into four key stages: prospect, applicant, residency and post-residency. Each stage of the lifecycle has unique requirements, such as identifying and capturing quality prospects, processing applications, assessing applicants credit risk, processing payments to and from residents and service providers and managing resident turnover. In addition to managing the resident lifecycle, property owners and managers must also manage the operations of their properties, including material and service provider procurement, insurance and risk mitigation, utility and energy management, information technology and telecommunications management, accounting, expense tracking and management, document management, security, staff hiring and training, staff performance measurement and

management and marketing. A property owner's or manager's ability to effectively address these requirements can significantly impact their revenue and profitability.

A variety of software applications have been developed to automate many of these functions. However, these applications often require property owners and managers to implement a myriad of third-party and/or internally developed point solutions. These solutions can be expensive to implement and maintain and are often ineffective at helping property owners and managers increase rental revenue and reduce costs.

Table of Contents

The RealPage Solution

We provide a platform of on demand software solutions that integrate and streamline rental property management business functions. Our solutions enable owners and managers of single-family and a wide variety of multi-family rental property types, including conventional, affordable, privatized military, student and senior housing, to manage their marketing, pricing, screening, leasing, accounting, purchasing and other property operations. These functions have traditionally been addressed by individual, disparate applications. Our solutions enable property owners and managers to increase revenues and reduce operating costs through higher occupancy, improved pricing methodologies, new sources of revenue from ancillary services, improved collections and more integrated and centralized business processes. Our solutions contribute to a more efficient property management process and an improved experience for all of the constituents involved in the rental housing ecosystem, including owners, managers, prospects, residents and service providers.

We believe the benefits of our solutions for our customers include the following:

Increased revenues. Our solutions help our customers improve sales and marketing effectiveness, optimize pricing and occupancy and improve collection of rental payments, utility expenses, late fees and other charges.

Reduced operating costs. Our solutions help our customers streamline and automate many ongoing property management functions, centralize certain property operations, control purchasing by on-site personnel and eliminate the need to own and support property management applications and associated hardware infrastructure.

Improved quality of service for residents and prospects. Our solutions expedite the processing of a variety of recurring transactions and increase the frequency and quality of communication with residents and prospects, providing higher resident satisfaction and increased differentiation from competing properties that do not use our solutions.

Streamlined and simplified property management business processes. Our solutions share data and automate the workflow of certain business processes, thereby eliminating redundant data entry and simplifying many recurring tasks.

Ability to integrate third-party products and services. Our open architecture and application framework facilitate the integration of third-party applications and services into our solutions.

Increased visibility into property performance. Our integrated platform and common data repository enable owners and managers to gain a comprehensive view of the operational and financial performance of each of their properties.

Simple implementation and support. Our solutions include pre-configured extensions that meet the specific needs of a variety of property types and can be easily tailored by our customers to meet the specific needs of their properties or business processes.

Improved scalability. Our application infrastructure is designed to evolve with our customers' needs.

The competitive strengths of our solutions are as follows:

Integrated on demand software platform based on a common data repository. Our solutions are delivered through an integrated on demand software platform that provides a single point of access via the Internet to all

of our products and a common repository of prospect, resident and property data.

Large and growing ecosystem of property owners, managers, prospects, residents and service providers. Our solutions automate and streamline many of the recurring transactions and interactions among a large and expanding rental housing ecosystem of property owners and managers, prospects, residents and service providers.

Comprehensive platform of on demand software solutions for property management. We provide what we believe to be the broadest range of on demand capabilities for managing the resident lifecycle and core operational processes for residential property management.

Table of Contents

Deep rental housing industry expertise. We design our solutions based on our extensive rental housing industry expertise, insight into industry trends and developments and best practices.

Open cloud computing architecture. Our cloud computing architecture enables our solutions to interface with many of our customers' existing systems and allows our customers to outsource the management of third-party business applications.

Our Strategy

We intend to leverage the breadth of our solutions and industry presence to solidify our position as a leading provider of on demand software solutions to the rental housing industry. The key elements of our strategy to accomplish this objective are as follows:

acquire new customers;

increase the adoption of additional solutions within our existing customer base;

add new solutions to our platform; and

pursue acquisitions of complementary businesses, products and technologies.

Recent Developments

In November 2010, we acquired certain of the assets of Level One, LLC and L1 Technology, LLC, or Level One, subsidiaries of IAS Holdings, LLC. Level One is a leading on demand apartment leasing center in the United States and services property management companies by providing centralized lead capture services designed to enable owners to lease more apartments, reduce overall marketing spend and free up on-site leasing staff. We plan to integrate Level One with our CrossFire product family and to continue the Level One brand. The purchase price of Level One was approximately \$62.0 million, which included a cash payment of \$54.0 million and a deferred payment of up to approximately \$8.0 million, payable in cash or the issuance of our common stock eighteen months after the acquisition date. To facilitate the acquisition, we borrowed \$30.0 million under our delayed draw term loans and utilized \$24.0 million of the net proceeds from our initial public offering.

Risks Affecting Us

Our business is subject to a number of risks that you should understand before making an investment decision. These risks are discussed more fully in **Risk Factors** following this prospectus summary. Some of these risks are:

our quarterly operating results have fluctuated in the past and may fluctuate in the future, which could cause our stock price to decline;

we have a history of operating losses and may not maintain profitability in the future;

if we are unable to manage the growth of our diverse and complex operations, our financial performance may suffer;

our business depends substantially on customers renewing and expanding their subscriptions for our solutions and any increase in customer cancellations or decline in customer renewals and expansions would harm our

future operating results;

we face intense competitive pressures and our failure to compete successfully could harm our operating results;

we integrate some of our solutions with competitive property management systems and if our competitors alter their applications in ways that inhibit or restrict integration in the future, our business could be harmed;

Table of Contents

we may not be able to continue to add new customers, which could adversely affect our operating results; and if we are not able to integrate past or future acquisitions successfully, our operating results and prospects could be harmed.

Risks Related to this Offering and Ownership of Our Common Stock

There are risks related to this offering and the ownership of our common stock that you should understand before making an investment decision. These risks are discussed more fully in Risk Factors following this prospectus summary. One of these risks is that, upon completion of this offering, the concentration of our capital stock owned by insiders, including Stephen T. Winn, our Chief Executive Officer and Chairman of the Board, and entities beneficially owned by Mr. Winn, will limit your ability to influence corporate matters.

Company Information

We were incorporated in the State of Delaware in December 2003 through a merger with our predecessor entity, RealPage, Inc., a Texas corporation, which was originally incorporated in November 1998 as Seren Capital Acquisition Corp. Our principal executive offices are located at 4000 International Parkway, Carrollton, Texas 75007, and our telephone number is (972) 820-3000. Our website address is www.realpage.com. The information on, or that can be accessed through, our website is not part of this prospectus.

RealPage®, OneSite®, OneSite Leasing and Rents®, OneSite Facilities®, OneSite Purchasing®, OneSite Accounting™, OneSite Budgeting®, Propertyware®, HUDManager®, RentRoll®, i-CAM®, Tenant Pro®, Spectra®, CrossFire®, CrossFire Contact Center®, CrossFire Leasing Portal®, CrossFire Resident Portal®, CrossFire Studio®, M/PF Research®, YieldStar®, YieldStar Price Optimizer®, LeasingDesk®, LeasingDesk Screening®, LeasingDesk Insurance Services™, eRenterPlan®, Credit Optimizer®, Velocity®, OpsTechnology®, OpsMarket®, OpsAdvantage®, OpsBuyer®, OpsBid®, Domi®-8, Lead2Lease®, PropertyLinkOnline®, Level One and L1 Technology® are our trademarks and registered trademarks appearing in this prospectus. All other trademarks and trade names appearing in this prospectus are the property of their respective owners.

Table of Contents

The Offering

Common stock offered by us	4,000,000 shares
Common stock offered by the selling stockholders	5,000,000 shares
Total common stock offered	9,000,000 shares
Common stock to be outstanding after this offering	67,156,549 shares
Use of proceeds	We intend to use the net proceeds from this offering for general corporate purposes, including working capital. We also may use a portion of the net proceeds to acquire complementary businesses or technologies. We will not receive any proceeds from the sale of shares by the selling stockholders. See Use of Proceeds.
Risk factors	You should read the Risk Factors section of this prospectus for a discussion of factors that you should consider carefully before deciding to invest in shares of our common stock.
NASDAQ Global Select Market symbol	RP

The number of shares of common stock that will be outstanding after this offering is based on 63,156,549 shares of our common stock outstanding as of September 30, 2010 and excludes:

9,335,857 shares of common stock issuable upon the exercise of options outstanding as of September 30, 2010 (including shares of our common stock that we expect to be sold in this offering by certain selling stockholders upon the exercise of vested options at the closing of this offering), with a weighted average exercise price of \$5.15 per share;

824,800 shares of our common stock issued pursuant to restricted stock awards after September 30, 2010 under our 2010 Equity Incentive Plan; and

3,203,433 shares of common stock reserved for future issuance under our 2010 Equity Incentive Plan.

Unless otherwise indicated, the information in this prospectus assumes:

no exercise of options outstanding as of September 30, 2010; and

no exercise by the underwriters of their right to purchase up to 1,350,000 shares of common stock to cover over-allotments.

Table of Contents**Summary Consolidated Financial Data**

The following tables present summary consolidated financial data for the years ended December 31, 2007, 2008 and 2009 and the nine months ended September 30, 2010 and summary consolidated balance sheet data as of December 31, 2007, 2008 and 2009 and September 30, 2010. We have derived the consolidated statement of operations data for the years ended December 31, 2007, 2008, and 2009 and the consolidated balance sheet data as of December 31, 2008 and 2009 from our audited consolidated financial statements, which appear elsewhere in this prospectus. We have derived the consolidated balance sheet data as of December 31, 2007 from our audited consolidated financial statements that are not included in this prospectus. We have derived the consolidated statement of operations data for the nine months ended September 30, 2009 and 2010 and the consolidated balance sheet data as of September 30, 2010 from our unaudited consolidated financial statements included elsewhere in this prospectus. You should read this information in conjunction with our consolidated financial statements, the related notes to these financial statements and the information in Management's Discussion and Analysis of Financial Condition and Results of Operations included elsewhere in this prospectus.

	Year Ended December 31,			Nine Months Ended September 30,	
	2007	2008	2009	2009 (unaudited)	2010 (unaudited)
	(in thousands, except per share data)				
Revenue:					
On demand	\$ 62,592	\$ 95,192	\$ 128,377	\$ 93,185	\$ 120,393
On premise	11,560	7,582	3,860	3,346	6,419
Professional and other	9,429	9,794	8,665	6,234	7,403
Total revenue	83,581	112,568	140,902	102,765	134,215
Cost of revenue	35,703	46,058	58,513	42,804	56,595
Gross profit	47,878	66,510	82,389	59,961	77,620
Operating expenses:					
Product development	21,708	28,806	27,446	20,273	