

PROS Holdings, Inc.
Form 10-K
February 27, 2012
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-K

(MARK ONE)

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

For the year ended December 31, 2011

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 001-33554

PROS HOLDINGS, INC.

(Exact Name of Registrant as Specified in Its Charter)

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Delaware
(State or Other Jurisdiction of

76-0168604
(I.R.S. Employer

Incorporation or Organization)

Identification No.)

3100 Main Street, Suite 900, Houston, Texas
(Address of Principal Executive Offices)

77002
(Zip code)

Registrant's telephone number, including area code: (713) 335-5151

Securities Registered Pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, par value \$0.001 per share	New York Stock Exchange

Securities Registered Pursuant to Section 12(g) of the Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act.

Yes No

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 website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§323.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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 definition of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer Accelerated Filer

Non-Accelerated Filer (do not check if a smaller reporting company) Smaller Reporting Company

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

The aggregate market value of voting and non-voting common equity held by non-affiliates of the registrant was approximately \$379.5 million as of June 30, 2011 based upon the closing price for the registrant's of the common stock on the New York Stock Exchange. This determination of affiliate status was based on publicly filed documents and is not necessarily a conclusive determination for other purposes.

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As of February 21, 2012, there were outstanding 27,115,265 shares of common stock, par value \$0.001, of the registrant.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Proxy Statement relating to its 2012 Annual Stockholders Meeting, to be filed within 120 days of the end of the fiscal year ended December 31, 2012, are incorporated by reference into Part III of this Annual Report on Form 10-K.

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PROS Holdings, Inc.

Annual Report on Form 10-K

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For the Year Ended December 31, 2011

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SIGNIFICANT RELATIONSHIPS REFERENCED IN THIS ANNUAL REPORT

The terms we, us, and our refers to PROS Holdings, Inc., a Delaware corporation, and all of its subsidiaries that are consolidated in conformity with the accounting principles generally accepted in the United States of America, (GAAP).

CAUTIONARY STATEMENT REGARDING FORWARD LOOKING STATEMENTS

This Annual Report on Form 10-K contains certain statements that may be deemed to be forward-looking statements that anticipate results based on our estimates, assumptions and plans that are subject to uncertainty. These statements are made subject to the safe-harbor provisions of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended (the Securities Act), and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act). All statements in this report not dealing with historical results or current facts are forward-looking and are based on estimates, assumptions and projections. Statements which include the words believes, seeks, expects, may, should, intends, likely, targets, plans, anticipates, estimates, or the negative version of those words and similar statements or forward-looking nature identify forward-looking statements. The forward-looking statements made herein are only made as of the date hereof and we will undertake no obligation to publicly update such forward-looking statements whether as a result of new information, future events or otherwise.

Numerous important factors, risks and uncertainties affect our operating results, including, without limitation, those contained in this Report, and could cause our actual results to differ materially, from the results implied by these or any other forward-looking statements made by us or on our behalf. There can be no assurance that future results will meet expectations. You should pay particular attention to the important risk factors and cautionary statements described in the section of this Report entitled Risk Factors. You should also carefully review the cautionary statements described in the other documents we file from time to time with the Securities and Exchange Commission, (SEC), specifically all Quarterly Reports on Form 10-Q and Current Reports on Form 8-K. Information contained on our website is not part of this report.

Part I

Item 1. Business

Overview

We are a leading provider of prescriptive pricing and revenue management software, an emerging category of business applications designed to allow companies to substantially improve financial performance, defend and grow market share and improve business agility. By using our software products, our customers can quickly gain insight into their pricing performance for products, customers, and transactions; rapidly identify opportunities for pricing improvements; efficiently automate and streamline complex processes for mass list price updates, deal price recommendations, and deal approvals; and effectively implement and enforce global pricing policies. Our software products incorporate advanced pricing optimization science, which includes operations research, forecasting and statistics. Our innovative software products analyze, execute and optimize pricing strategies using data from traditional enterprise applications, while augmenting it with real-time and historical data. We also provide professional services to integrate and configure our software products to meet the specific needs of each customer. Since inception, we have completed over 500 implementations of our solutions across a range of industries in more than 50 countries.

We were incorporated in Texas in 1985. We reincorporated as a Delaware corporation in 1998. In 2002, we reorganized as a Delaware holding company. Our principal executive offices are located at 3100 Main Street, Suite 900, Houston, Texas 77002. Our telephone number is (713) 335-5151. Our website is www.prospricing.com. Our internet website and the information contained therein or connected thereto are not intended to be incorporated into this Annual Report on Form 10-K.

Our industry

Pricing is an important driver of business performance. Companies in the manufacturing, distribution, services, and travel industries often have similar pricing and revenue management needs, including visibility into price performance, anticipating market changes, rapidly updating prices in volatile markets, objective metrics to guide sales decisions, and optimizing perishable inventory. We believe market forces are accelerating the need for

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better pricing. These forces include increasingly complex markets and business models, uncertain demand for products and services, volatile costs, greater sophistication of purchasers, proliferation of competitive alternatives, and exponentially increasing enterprise and market data. Compounding the need for better pricing is that businesses often have limited or no visibility into transactional profitability at the time of setting prices because of the complexity of discounts, promotions, rebates and allowances associated with the transaction. Similarly, companies commonly lack uniform pricing and goals across their enterprise, have no complete, relevant and timely data, and instead rely on an unscientific, ad-hoc approach to pricing. We believe the market for pricing and revenue management software is a large and emerging opportunity that spans most major industries.

Our solutions

We believe our solutions transform our customer's pricing and revenue management practices into a strategic advantage. By using our solutions our customers gain greater confidence and agility in their pricing strategies through data-driven insights into transaction profitability, demand forecasting, optimal pricing for each product and deal, and pricing process streamlining with enhanced controls and compliance. The pricing and revenue optimization science embedded in our solutions allows our customers to analyze, optimize and execute optimal pricing strategies by providing inventory, pricing and revenue projections to help enhance future performance.

Our high performance software architecture supports real-time, high volume transaction processing and allows us to handle the processing and database requirements of the most sophisticated and largest customers, including customers with sub-second electronic response requirements. We provide standardized configurations of our software based on the industries we serve and offer professional services to configure these solutions to meet the specific needs of each customer. Our software solutions have both a single code base and a single integrated database and currently operate in some of the largest, most complex and demanding information technology environments.

Our software solutions help businesses improve their financial performance through:

Better decisions: With enhanced insights into historic transaction performance as well as predictive price modeling and forecasting, our software solutions help our customers make more informed decisions about how to sell, market and price their products and services, resulting in greater confidence in go-to-market strategies.

Better prices: By applying a science-based approach to pricing, our solutions help our customers more accurately and confidently set prices that support their customer, product and business strategies. Our software solutions include a variety of advanced pricing analytics, forecasting and optimization engines that incorporate our pricing expertise and support both published pricing as well as real-time, high volume, individually priced transactions.

Better processes: Our software solutions enhance business agility by enabling our customers to improve and automate their pricing processes, including analyzing price performance, setting and publishing mass list price updates, communicating price changes across global organizations, automating deal quoting processes and enforcing pricing controls. Better pricing processes can result in stronger controls and an improved customer experience.

We license our solutions under both perpetual and term license models for customers. For perpetual licenses, our customers receive the perpetual right to use our software. Our customers generally purchase the related maintenance and support services on an annual basis. Our license agreements provide customers with the right to use licensed solutions within a specific license scope, including but not limited to revenue, geography, and business unit.

In 2011, we introduced certain software-as-a-service (SaaS) or cloud market solutions. These offerings provide customers with solutions through a hosted service rather than a traditional license and allow our customers to reduce infrastructure and installation requirements, leading to faster deployment and lower total cost of ownership. These offerings are sold via multi-year subscriptions with pricing generally based on the number of users.

Our license and implementation revenue comprised 65%, 59% and 64% of our total revenue in fiscal 2011, 2010 and 2009, respectively. Through fiscal 2011, SaaS revenue has not been significant to our consolidated financial results. For a discussion of our revenue recognition policies and the impact of our licensing models on revenue, see Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, and Note 1 of the Notes to the Consolidated Financial Statements.

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PROS Pricing Solution Suite

PROS Pricing Solution Suite is a set of integrated software solutions that enable enterprises in the manufacturing, distribution and services industries to apply pricing and revenue management science to analyze, optimize and execute optimal pricing strategies. Our solution architecture allows our customers to deploy all of these solutions either simultaneously or sequentially.

These solutions provide businesses with tools and processes to:

Make more informed decisions through system generated specific price targets, price floors and profitability guidelines.

Establish pricing strategies that optimize product and customer price points based on revenue, margin and/or market share goals.

Evaluate transaction scenarios and allow comparisons to previous transactions and peer group benchmarks based on relevant metrics, including willingness to pay.

Identify and understand real-time pricing trends to allow timely corrective action.

Analyze key margin drivers, including price, cost, volume, product mix and exchange rates.

Benchmark pricing performance and market conditions against performance goals.

Create and manage pricing and discounting policies aligned with corporate strategies.

Automate pricing approval workflow to ensure consistency in the pricing process and maintain transaction histories. PROS Pricing Solution Suite consists of three solutions, Scientific Analytics , Price Optimizer , and Deal Optimizer :

Scientific Analytics helps companies gain insight into their pricing performance, allowing them to take action to correct poor performance and take advantage of time-sensitive opportunities.

Price Optimizer streamlines pricing processes and creates pricing policy controls to support corporate business goals. It allows organizations to create multiple segment-specific rules-based price lists and quickly modify prices or guidelines in response to market volatility or changes in business strategy.

Deal Optimizer recommends optimized prices and products on a transaction specific basis for sales representatives in negotiated transaction environments, tailored to the unique characteristics of the customer. Deal optimizer provides insight into customer buying behavior, enabling sales reps to better match offers to each customer's unique perception of value.

PROS Revenue Management Solution Suite

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PROS Revenue Management Solution Suite is a set of integrated software solutions that enable enterprises in the travel industry, including the airline, hotel and cruise industries, to drive revenue and profit-maximizing business strategies through the application of advanced forecasting and optimization technologies and decision-support capabilities. These solutions provide businesses the tools and processes to:

Maximize revenue and profitability.

Quickly adapt to changing market conditions and business objectives.

Differentiate customers by market and sales channel.

Effectively conduct real-time negotiations.

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Monitor pricing and revenue management performance.

Increase customer loyalty by providing the right products and services to the right customer at the right time.

The PROS Revenue Management Solution Suite includes the following solutions:

PROS Analytics for Airlines identifies hidden revenue leaks and opportunities.

PROS Revenue Management manages passenger demand with either leg- or segment-based revenue management.

PROS O&D manages passenger demand with passenger name record, or PNR, based revenue management.

PROS Real-Time Dynamic Pricing determines optimal prices based on real-time evaluations.

PROS Group Revenue Management manages revenues related to group requests and bookings.

PROS Network Revenue Planning delivers network-oriented fare class segmentation.

PROS Cruise Pricing and Revenue Management allows customers to understand their consumers price sensitivities, track competitor behavior, and quickly set prices and availability.

PROS Hotel Revenue Management helps customers simplify, accelerate, and improve pricing decision making.

Technology

Software architecture. Our software architecture is based on open standards such as Java, Flex, XML and HTTP. We have created a component-based design in a service-oriented architecture to develop a flexible, layered framework. This framework supports parallel and independent evolution and innovation in technologies and product features.

Service-Oriented Architecture. A comprehensive web services interface is at the heart of our architecture. This enables extension onto other platforms and the creation of rich integrated solutions. This is also the foundation of our PROS Everywhere initiative to bring our solutions to the software (Microsoft Excel and Microsoft SharePoint) and hardware (Apple Inc.'s iPhone® and iPad®, RIM's BlackBerry®, and Android phones) tools that many businesses are already using.

Embedded Science. Our robust science-based capabilities, such as forecasting, optimization, segmentation and price guidance, allow us to leverage the deep expertise and research of our science and research group in our solutions. These capabilities are industry-independent and are validated using our proprietary verification and testing processes.

Configuration vs. Custom Coding. Our solutions can be configured to meet each customer's business needs through configuration rather than custom code. The configuration capabilities define both a business layer (including definition of user workflows, executive dashboards, analytics views, approval processes and alerts), as well as a data layer that permits configuration of data structures, including hierarchical dimensions, pricing levels and measures. Much of the business layer configuration can be performed by a business user without information technology personnel involvement. The data layer requires professional services to configure and implement our software solutions. We preserve the configurations as part of an upgrade, allowing our customers to more easily upgrade to new versions of our solutions, when available.

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Scalability. The scalability of our technology has been tested at leading third-party vendor benchmark performance centers. These tests have validated the ability of our software solutions to scale to large data volumes and high user request rates.

Data integration. The data needed to execute pricing and revenue management functionality typically resides in a company's enterprise resource planning (ERP), supply chain management (SCM), customer relationship management (CRM), reservations and inventory systems, and/or industry-specific

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transaction systems. In addition, productivity tools such as spreadsheets and external market data sources are common. Our data integration capabilities utilize web services and file-based data interfacing to import data from disparate sources into a single cohesive database.

User interface. Our technology provides a rich, browser-based interface that supports both local and remote users. This interface supports a wide variety of interactive charts and other data views, and provides a comprehensive data security model based on user role and scope of responsibility. We also offer natively-developed capabilities for multiple mobile devices, CRM systems and Microsoft-based client applications.

Platform support. Our software solutions run on most standard information technology platforms including Microsoft SQL Server and Oracle databases, 32-bit and 64-bit processors from HP, SUN, Intel, AMD and IBM, and the HP-UX, Solaris, Linux, Windows and AIX operating systems.

Services

Professional services

Our software solution implementations are different from most information technology projects. We have a standardized and tested implementation process developed through years of experience implementing our software solutions in global enterprises across multiple industries.

Our professional services team works closely with our customers to develop an integrated project plan to help them accelerate time to value. Pursuant to these plans, we provide technical deployment, integration, deployment support, and configuration services related to our solutions. In addition, we also assist customers in loading and validating pricing data and supporting organizational activities to assist our customers transition from awareness of their pricing challenges to adoption of pricing excellence best practices.

Our strategic consulting services include discovery and insight consulting to analyze a customer's current pricing processes and data, identifying and prioritizing specific high-value pricing opportunities, recommending pricing best practices and strategic pricing services.

Maintenance and customer support

We offer ongoing support and maintenance services for our software solutions. Maintenance and support enrollment entitles a customer to solution support through a web-based interface which allows the customer to submit and track issues, access our online knowledge base and receive unspecified upgrades, maintenance releases and bug fixes during the term of the support period on a when-and-if-available basis. In addition, our customer support personnel responds to customer issues promptly using an escalation process that prioritizes reported issues based on a defined set of severity levels, as well as assist customers in deploying our standard releases for each software solution by providing release web seminars and documentation. Maintenance and customer support service fees are an important source of recurring revenue and we invest significant resources in providing maintenance and support services. Revenue from maintenance and support services comprised 35%, 41% and 36% of our total revenue in 2011, 2010 and 2009, respectively.

Customers

We sell our software solutions to customers in the manufacturing, distribution, services, and travel industries. Our customers are generally large global enterprises, although we have customers that are smaller in scope of operations. In 2011, 2010 and 2009, we had no single customer that accounted for 10% or more of revenue.

Backlog

Our backlog is derived from agreements that we believe to be firm commitments to provide software solutions and related services in the future. Our backlog can vary significantly from period to period depending on a number of factors including the timing of our sales and the nature of the agreements we enter into with our customers. We generally do not recognize license and implementation revenue upon signing a new contract with a customer; and we do not seek to accelerate our sales processes around any reporting period.

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Our backlog is also significantly based on estimates and judgments that we make regarding total contract values. For example, we may have agreements that include non-standard provisions which require us to exercise judgment over the extent to which to include these agreements in our backlog. However, based on our history of successfully implementing our software solutions we generally include the full estimated value of these agreements in backlog.

We make significant estimates and judgments regarding maintenance renewals and changes to existing maintenance agreements. Backlog includes committed maintenance amounts and amounts payable to us under maintenance agreements that we reasonably expect to renew. Backlog also includes annualized monthly maintenance reduced by our historical average maintenance non-renewal rate and committed maintenance amounts on contracts for which maintenance has yet to commence.

We compute our backlog as of a specific date, and we update our backlog to reflect changes in our estimates and judgments or subsequent additions, delays, terminations or reductions in our agreements. We also have agreements denominated in foreign currencies, and variation in currency exchange rates can influence our calculation of backlog. We compute backlog using then-existing currency exchange rates and we update backlog to reflect changes in these rates.

For these and other reasons, we do not believe that our backlog is a meaningful indicator of future revenue to be recognized in any particular period, and there can be no assurance that our backlog at any point in time will translate into revenue in any subsequent period.

We had backlog of \$124.1 million as of December 31, 2011 as compared to backlog of \$107.0 million as of December 31, 2010. The portion of our backlog as of December 31, 2011 not reasonably expected to be recognized as revenue within the next twelve months is estimated to be \$38.3 million.

Sales and marketing

We sell and market our software solutions primarily through our direct global sales force and indirectly through our partner ecosystem of resellers, alliance partners and system integrators. Our sales force is organized by our target markets of manufacturing, distribution, services and travel and are responsible for the worldwide sale of our solutions to new and existing customers. Our sales force works in concert with our pricing solutions personnel for selling and solution demonstrations to new customers.

Our marketing activities consist of a variety of programs designed to generate sales leads and build awareness of our pricing and revenue management software solutions. We host conferences for pricing and revenue management professionals, host informational web seminars and we participate in and sponsor other industry and trade conferences and organizations.

International Operations

We are a global company that conducts sales, sales support, professional services, product development and support and marketing around the world. Our headquarters is located in Houston, TX and we have an office in London, UK, we also conduct development activities in the United States, India and Bolivia. We plan to expand our operations in international locations to meet the strategic objectives of our business.

Approximately 64%, 60%, and 59% of our total revenue came from customers outside the United States for the years ended December 31, 2011, 2010 and 2009, respectively. Our business, financial condition and results of operations could be adversely impacted by currency fluctuations or regulatory, political, social and economic developments or instability in the foreign jurisdiction in which we operate. For additional financial information about geographic areas, see Note 10 of the Notes to the Consolidated Financial Statements.

Competition

The market for pricing and revenue management solutions is competitive, fragmented and rapidly evolving. We believe our customers consider the following factors when evaluating us against our competition:

Large and referenceable global customer base.

Industry domain expertise.

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Pricing best practices expertise and delivery.

Ability for users to configure the solution to their needs.

Depth of expertise in pricing science.

Proven benefits of return on investment, total cost of ownership, and time-to-value.

Organizational change management expertise.

Product architecture, functionality, performance, reliability and scalability.

Ability to offer integrated high-value solutions.

Breadth and depth of product and service offerings.

Services and customer support quality.

Size and quality of partner ecosystem.

Existing customer relationships.

Vendor viability.

We compete with a number of larger and smaller companies. In the future, we believe our competition will increase as more companies come into our market segment. We believe we are able to compete successfully due to our long history of providing prescriptive pricing and revenue management software solutions, the scope of our offerings, the size and strength of our install base, the flexibility and scalability of our architecture, and our commitment to solution innovation and customer success.

Several large enterprise application providers, such as JDA Software, Oracle and SAP, have also developed offerings that include limited pricing and revenue management functionality. JDA Software and Oracle entered the market primarily through their acquisitions of Manugistics and Siebel Systems, respectively, and SAP resells products of one of our competitors. We believe these vendors do not provide all of the pricing and revenue management functionality needed to support a pricing excellence-focused organization. These vendors may seek to compete on price and by bundling their pricing and revenue management applications with other enterprise applications. We distinguish ourselves from these vendors through the breadth and depth of the functionality we offer, the robust integration and configuration capabilities of our solutions, and our proven ability to provide high-value pricing and revenue science-based optimization software to our global customer base across multiple industries.

In addition, a number of other vendors provide pricing and revenue management software for specific industries. In the hotel industry, we compete with IDEaS a SAS Company and Easy RMS among others. In the airline industry, we compete with Sabre Airline Solutions and Lufthansa Systems among others. We do not compete in the retail industry, where vendors include IBM, JDA Software, Oracle and SAP. Oracle, SAP and IBM entered the retail market through their acquisitions of ProfitLogic, Khimetrics and DemandTec, respectively.

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Our solutions also compete with solutions developed internally by businesses. These businesses rely on a combination of manual processes, external consultants, spreadsheets and internally-developed software tools to conduct pricing activities.

Intellectual property and other proprietary rights

Our success and ability to compete is dependent in part on our ability to develop and maintain the proprietary aspects of our technology and operate without infringing upon the proprietary rights of others. We rely primarily on a combination of patents, trademarks, copyright, trade secret, confidentiality procedures, contractual provisions and other similar measures to protect our proprietary information. As of the date of this filing, we have five issued U.S. patents and three pending U.S. patent applications. In addition, we have two

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registered trademarks. We have not pursued patent protection in any foreign countries. Due to the rapidly changing nature of applicable technologies, we believe that the improvement of existing solutions, reliance upon trade secrets and unpatented proprietary know-how and development of new solutions are generally more advantageous than patent and trademark protection.

Research and development

We believe our innovation with respect to our software solutions is a foundation of our business and have made substantial investments in research and development as a part of this commitment. We also believe that our long-term investment in the scientific analysis of pricing differentiates us from our competitors. We are committed to developing high-value, science-based pricing and revenue management software solutions as is evident by our continued investment in research and development. In fiscal 2011, 2010 and 2009, we invested \$25.7 million, \$20.7 million and \$20.1 million, respectively, in research and development to enhance our existing portfolio of solutions and services and to develop new solutions and services. Our research and development expenses include costs associated with our product management, product development and science and research groups. We conduct research and development activities in Houston, TX, India and Bolivia.

We employ scientists, many of whom are PhDs, and all of whom are engaged to the advancement of pricing and revenue management technology and its implementation in our software solutions. These scientists have specialties including, but not limited to, operations research, management science, statistics, econometrics and computational methods. Our scientists regularly interact with our customers, product development, sales, marketing and professional services staff to keep our science efforts relevant to real-world demands.

Employees

As of December 31, 2011, we had 541 full time personnel which include 403 employees and 138 outsourced personnel, an increase of 26% from December 31, 2010. None of our employees are represented by a labor union or covered by a collective bargaining agreement. We have not experienced any work stoppages and consider our employee relations to be good.

Website

We maintain a website at www.prospricing.com. No information on our website is incorporated by reference herein. We make available, free of charge through our website, our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, including exhibits thereto, and any amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act, as soon as reasonably practicable after the reports are electronically filed with or furnished to the SEC. Our reports that are filed with, or furnished to, the SEC are also available at the SEC's website at www.sec.gov. You may also obtain copies of any of our reports filed with, or furnished to, the SEC, free of charge, at the SEC's public reference room at 100 F Street, N.E., Washington, DC 20549. You may obtain information on the operation of the public reference room by calling the SEC at 1-800-SEC-0330.

Annual CEO Certification

Pursuant to Section 303A.12(a) of the New York Stock Exchange (NYSE) Listed Company Manual, we submitted to the NYSE an annual certification signed by our Chief Executive Officer certifying that he was not aware of any violation by us of NYSE corporate governance listing standards on June 10, 2011.

Item 1A. Risk Factors

We operate in a dynamic environment that involves numerous risks and uncertainties. The following section describes some of the risks that may adversely affect our business, financial condition or results of operations, and the trading price of our common stock; these are not necessarily listed in terms of their importance or level of risk.

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Risks relating to our business and industry:

The deterioration of general U.S. and global economic conditions could adversely affect our sales and operating results.

We are a global company with customers around the world. As widely reported, global financial markets have experienced extreme disruption, including, among other things, extreme volatility in security prices, limited ability to raise capital in public and private financial markets, severely diminished liquidity, credit unavailability and company rating downgrades. These conditions have a negative impact on our prospects and customers' ability to raise capital and operate their businesses.

The implementation of our software solutions, which is often accompanied by third party hardware purchases and other capital commitments, involves significant capital expenditure by our customers. Customers may reduce or defer their spending on technology. In addition, the weak and uncertain U.S. and global economic conditions could impair our customers' ability to pay for our products or services. Any of these factors could delay our revenue recognition or otherwise adversely impact our business, quarterly or annual operating results and financial condition.

Periodic fluctuations in the U.S. Dollar and other currencies, corporate profits, lower spending, the availability of credit, the impact of conflicts throughout the world, terrorist acts, natural disasters, volatile energy costs, the outbreak of diseases and other geopolitical factors have had, and may continue to have, a negative impact on the U.S. and global economies. Our customers and prospects may experience consolidation or bankruptcies in their industries which may result in project delays or cancellations. We are unable to predict the strength or duration of current market conditions or effects of consolidation. Uncertainties in anticipated spending levels or further consolidation may adversely affect our business, financial condition and results of operations.

A significant or prolonged economic downturn in industries in which we focus may result in our customers or prospects reducing or postponing spending on the solutions we offer.

There are a number of factors, other than our performance, that could affect the size, frequency and renewal rates of our customer contracts. For instance, if economic conditions weaken in any industry in which we focus, our customers or prospects may reduce or postpone their spending significantly which may, in turn, lower the demand for our solutions and negatively affect our revenue and profitability. As a way of dealing with a challenging economic environment, customers may be changing their purchasing strategies, including, in some instances, requesting term licenses or SaaS agreements as opposed to perpetual license agreements, increased negotiation of price, deciding to license one solution rather than multiple solutions or licensing solutions for portions of their business. Customers could also terminate or delay their implementations or maintenance contracts. Change in license terms or the loss of, or any significant decline in business from, one or more of our customers may lead to a significant decline in our revenue and operating margins, particularly if we are unable to make corresponding reductions in our expenses in the event of any such loss or decline. Moreover, a significant change in the liquidity or financial position of any of these customers could have a material adverse effect on the collectability of our accounts receivable, liquidity and future operating results.

A weakening economy and changing business conditions could result in substantial defaults or slowing of payments by our customers on our accounts receivable which could have a significant negative impact on our business, results of operations, financial condition or liquidity.

A significant portion of our working capital consists of accounts receivable from customers. If customers responsible for a significant amount of accounts receivable were to become insolvent or otherwise unable to pay for solutions and services, or were to become unwilling or unable to make payments in a timely manner, our business, results of operations, financial condition or liquidity could be adversely affected.

Our global growth is subject to economic and political risks.

We are a global company with customers around the world. In 2011, approximately 64% of our revenues were attributable to activities outside the United States. Our operations are subject to the effects of global competition. They are also affected by local economic environments, including inflation, recession and currency volatility. Political changes, some of which may be disruptive, may interfere with our customers and our activities in a particular location.

We are subject to a lengthy sales cycle and delays or failures to complete sales may harm our business and cause our revenue and operating income to decline in the future.

Our sales cycle may take several months to over a year. To sell our solutions successfully and obtain an executed contract, we generally have to educate our potential customers about the use and benefits of our solutions, which can require significant time and expense without the ability to realize any revenue. During this sales cycle, we expend substantial resources with no assurance that a sale will ultimately result. The length of a

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customer's sales cycle depends on a number of factors, many of which we may not be able to control. These factors include the customer's product and technical requirements and the level of competition we face for that customer's business. Any unexpected lengthening of the sales cycle or failure to secure anticipated orders would negatively affect our revenue. Furthermore, a delay in our ability to obtain a signed agreement or to complete certain contract requirements in a particular quarter could reduce our revenue in that quarter. Any significant failure to generate revenue or delays in recognizing revenue after incurring costs related to our sales or services process could have a material adverse effect on our business, financial condition and results of operations.

We focus exclusively on the pricing and revenue management software market, and if this market develops more slowly than we expect, our business will be harmed.

We derive, and expect to continue to derive, all of our revenue from providing pricing and revenue management software solutions, implementation services and ongoing customer support. The pricing and revenue management software market is relatively new and still evolving, and it is uncertain whether this software will achieve and sustain high levels of demand and market acceptance. Our success will depend on the willingness of businesses in the manufacturing, distribution, services, and travel industries to use pricing and revenue management software.

Some businesses may be reluctant or unwilling to implement pricing and revenue management software for a number of reasons, including failure to understand the potential returns of improving their pricing processes and lack of knowledge about the potential benefits that such software may provide. Even if businesses recognize the need for improved pricing processes, they may not select our pricing and revenue management software solutions because they previously have made investments in internally developed pricing and revenue management solutions. Some businesses may elect to improve their pricing processes through solutions obtained from their existing enterprise software providers, whose solutions are designed principally to address one or more functional areas other than pricing. These enterprise solutions may appeal to customers that wish to limit the number of software vendors on which they rely and the number of different types of solutions used to run their businesses.

If businesses do not embrace the benefits of pricing and revenue management software, the pricing and revenue management software market may not continue to develop or may develop more slowly than we expect, either of which would significantly and adversely affect our revenue and operating results. Because the pricing and revenue management software market is developing and the manner of its development is difficult to predict, we may make errors in predicting and reacting to relevant business trends, which could harm our operating results.

Any downturn in sales to our target markets of manufacturing, distribution, services, and travel would adversely affect our operating results.

Our success is highly dependent upon our ability to sell our software solutions to customers in the manufacturing, distribution, services, and travel industries. If we are unable to market and sell our software solutions effectively to customers in these industries, we may not be able to grow our business. It is uncertain whether our software solutions will achieve and sustain the levels of demand and market acceptance that we anticipate. Such uncertainty is attributable to, among other factors, the following:

it may be more difficult than we currently anticipate to implement our software solutions in our target industries;

it may be more difficult than we currently anticipate to increase our customer base in our target industries; and

it may take more time than we currently anticipate to train our personnel in the implementation of our software solutions in our target industries.

our limited experience implementing our software solutions in certain of our target industries.

Our revenue growth has been derived principally from customers in the manufacturing, distribution, services, and travel industries. Our revenue growth is highly dependent upon continued growth of market acceptance in these industries, and there can be no assurance our solutions will achieve or sustain widespread acceptance among customers in these industries. Failure to expand market acceptance of our solutions in the manufacturing, distribution, services industries or to maintain sales in the manufacturing, distribution, services, and travel industries would adversely affect our operating results and financial condition.

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Our software solutions require implementation projects that are subject to significant risks and delays, which if any occurred could negatively impact the effectiveness of our software, resulting in harm to our reputation, business and financial performance.

The implementation of our software solutions can involve complex, large-scale projects that require substantial support operations, significant resources and reliance on factors that are beyond our control. For example, the success of our implementation projects is heavily dependent upon the quality of data used by our software solutions, the commitment of customers' resources and personnel to the projects and the stability, functionality and scalability of the customer's information technology infrastructure. We may not be able to correct or compensate for weaknesses or problems in infrastructure or data, or our customers' commitment and investment in personnel and resources. In addition, implementation of our software solutions can be highly complex and require substantial efforts and cooperation on the part of our customers. If we are unable to successfully manage the implementation of our software solutions such that those products do not meet customer needs or expectations, we may become involved in disputes with our customers and our business, reputation and financial performance may be significantly harmed. For projects accounted for under percentage-of-completion, we recognize our license and implementation revenues as implementation services are performed. Any delays in an implementation project or changes in the scope or timing of an implementation project would delay or alter the corresponding revenue recognition and could adversely affect our operating results. In addition, any delays or changes in scope could result in estimated project costs exceeding contracted revenue of which a loss reserve would need to be established which would have an adverse effect on our operating results. If an implementation project for a large customer or a number of customers is substantially delayed or cancelled, our ability to recognize the associated revenue and our operating results would be adversely affected.

Competition from vendors of pricing solutions and enterprise applications as well as from companies internally developing their own solutions could adversely affect our ability to sell our software solutions and could result in pressure to price our software solutions in a manner that reduces our margins and harms our operating results.

The pricing and revenue management software market is competitive, fragmented and rapidly evolving. Our software solutions compete with both solutions developed internally by businesses as well as those solutions offered by competitors. Our principal competition consists of:

pricing and revenue management software vendors, including a number of vendors that provide pricing and revenue management software for specific industries; and

large enterprise application providers that have developed offerings that include pricing and revenue management functionality.

We expect additional competition from other established and emerging companies to the extent the pricing and revenue management software market continues to develop and expand. We also expect competition to increase as a result of the entrance of new competitors in the market and industry consolidation, including through a merger or partnership of two or more of our competitors or the acquisition of a competitor by a larger company. A number of our current and potential competitors have larger installed bases of users, longer operating histories and greater name recognition than we have. In addition, many of these companies have significantly greater financial, technical, marketing, service and other resources than we have. As a result, these companies may be able to respond more quickly to new or emerging technologies and changes in customer demands and devote greater resources to the development, promotion and sale of their products.

Competition could seriously impede our ability to sell additional software solutions and related services on terms favorable to us. We do not know how our competition will set prices for their products. Businesses may internally develop solutions, rather than investing in commercially-available solutions. Our current and potential competitors may develop and market new technologies that render our existing or future solutions obsolete, unmarketable or less competitive. In addition, if these competitors develop solutions with similar or superior functionality to our solutions, or if they offer solutions with similar functionality at a substantially lower price than our solutions, we may need to decrease the prices for our solutions in order to remain competitive. If we are unable to maintain our current solution, services and maintenance pricing due to competitive pressures, our margins will be reduced and our operating results will be adversely affected. We cannot provide assurance that we will be able to compete successfully against current or future competitors or that competitive pressures will not materially and adversely affect our business, financial condition and operating results.

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Our revenue recognition is primarily based upon our ability to estimate the efforts required to complete our implementation projects, which may be difficult to estimate.

We generally recognize revenue from our software licenses and implementation services over the period during which such services are performed using the percentage-of-completion method. The length of this period depends on the number of licensed software solutions and the scope and complexity of the customer's deployment requirements. Under the percentage-of-completion method, the revenue we recognize during a reporting period is based on the resources expended during the reporting period as compared to the estimated total resources required to implement our software solutions. If we are unable to accurately estimate the overall total man-days required to implement our software solutions, such inaccuracies could have a material effect on the timing of our revenue. Any change in the timing of revenue recognition as a result of inaccurate estimates could adversely impact our quarterly or annual operating results.

Failure to sustain our historical maintenance and support renewal rates and pricing would adversely affect our operating results.

Maintenance and support agreements are typically for a term of one to two years. Historically, maintenance and support revenue has represented a significant portion of our total revenue, including approximately 35%, 41% and 36% of our total revenue for the years ended December 31, 2011, 2010 and 2009, respectively. If our customers choose not to renew their maintenance and support agreements with us on favorable terms or at all, our business, operating results and financial condition could be harmed.

We might not generate increased business from our current customers, which could limit our revenue in the future.

We sell our software solutions to both new customers and existing customers. Many of our existing customers initially purchase our software solutions for a specific business segment or a specific geographic location within their organization and later purchase additional software solutions for the same or other business segments and geographic locations within their organization. These customers might not choose to make additional purchases of our software solutions or to expand their existing software solutions to other business segments. In addition, as we deploy new applications and features for our software solutions or introduce new software solutions, our current customers could choose not to purchase these new offerings. If we fail to generate additional business from our existing customers, our revenue could grow at a slower rate or even decrease.

If our cost estimates for fixed-fee arrangements do not accurately anticipate the cost and complexity of implementing our software solutions, our profitability could be reduced and we could experience losses on these arrangements.

A material portion of our license and implementation arrangements are priced on a fixed-fee basis. If we underestimate the amount of effort required to implement our software solutions, our profitability could be reduced. Moreover, if the actual costs of completing the implementation exceed the agreed upon fixed price, we would incur a loss on the arrangement.

Our revenue recognition policy may cause any decreases in sales not to be reflected in our revenue immediately.

The period over which we recognize license and implementation revenue for an implementation depends on the number of licensed software solutions and the scope and complexity of the customer's deployment requirements which may range from six months to several years. As a result, a significant majority of our revenue is recognized on arrangements that were executed in previous periods. Any shortfall in new sales of our software solutions may not be reflected in our revenue for several quarters, and as such the adverse impact on our business may not be readily apparent.

We may enter into acquisitions that may be difficult to integrate, fail