MARIN SOFTWARE INC
Form 10-K
February 20, 2015
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

x **Annual Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the fiscal year ended December 31, 2014

OR

¨ **Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
Commission File Number: 001-35838

Marin Software Incorporated

(Exact name of registrant as specified in its charter)

Delaware	**20-4647180**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification Number)**

123 Mission Street, 25th Floor

San Francisco, CA 94105

(415) 399-2580

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

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:

Not applicable

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ¨ No x

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of Act. Yes ¨ No x

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 x No ¨

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files). Yes x No ¨

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) 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. x

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 x
Non-accelerated filer ¨	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 x

Based on the closing price of the Registrant s Common Stock on the New York Stock Exchange of $11.77 on the last business day of the Registrant s most recently completed second fiscal quarter, which was June 30, 2014, the aggregate market value of its shares held by non-affiliates was approximately $229 million. Shares of the Registrant s Common Stock held by each executive officer and director and by each entity or person that owned 5 percent or more of the Registrant s outstanding Common Stock were excluded in that such persons may be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

As of January 31, 2015, there were approximately 35.4 million shares of the Registrant s Common Stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant s definitive proxy statement for its 2015 Annual Meeting of Stockholders (the Proxy Statement), to be filed within 120 days of the Registrant s fiscal year ended December 31, 2014, are incorporated by reference in Part III of this Report on Form 10-K. Except with respect to information specifically incorporated by reference in this Form 10-K, the Proxy Statement is not deemed to be filed as part of this Form 10-K.

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MARIN SOFTWARE INCORPORATED

FORM 10-K

For the Fiscal Year Ended December 31, 2014

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K, including the Management s Discussion and Analysis of Financial Condition and Results of Operations, contains forward-looking statements regarding future events and our future results that are subject to the safe harbors created under the Securities Act of 1933 and the Securities Exchange Act of 1934. All statements contained in this Annual Report on Form 10-K other than statements of historical fact, including statements regarding our future results of operations and financial position, our business strategy and plans, and our objectives for future operations, are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. The words believe, may, potentially, will, estimate, continue, anticipate, intend, could, wo expect, seek, and similar expressions are intended to identify forward-looking statements. We have based these forward-looking statements largely on our current expectations, estimates and projections about future events and trends that we believe may affect our financial condition, results of operations, business strategy, short-term and long-term business operations and objectives, and financial needs. These statements reflect our beliefs and certain assumptions based upon information available to us at the time we file this Annual Report on Form 10-K or the time of the documents incorporated by reference. Such forward-looking statements are only predictions, which may differ materially from actual results or future events. Although we believe that our expectations, estimates and projections reflected in the forward-looking statements are reasonable, we cannot be sure that they will be achieved. These forward-looking statements are subject to a number of risks, uncertainties and assumptions, including those described in the Risk Factors section. Moreover, we operate in a very competitive and rapidly changing environment. New risks emerge from time to time. It is not possible for our management to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. In light of these risks, uncertainties and assumptions, the future events and trends discussed in this report may not occur and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements. We undertake no obligation to revise or publicly release the results of any revision to these forward-looking statements, except as required by law. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements.

As used in this report, the terms Marin, Registrant, we, us, our, and the Company mean Marin Software Incor and its subsidiaries unless the context indicates otherwise.

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PART I

ITEM 1. BUSINESS

We provide a leading cross-channel advertising cloud platform that enables digital marketers to improve performance of their online advertising campaigns, realize efficiencies and time savings, and make better business decisions.

Our integrated platform is a software-as-a-service (SaaS) analytics, workflow and optimization solution for marketing professionals, allowing them to effectively manage their digital advertising spend across search, display, social and mobile advertising channels. Our software solution is designed to help our customers:

- measure the effectiveness of their advertising campaigns through our proprietary reporting and analytics capabilities;
- manage and execute campaigns through our intuitive user interface and underlying technology that streamlines and automates key functions, such as ad creation and bidding, across multiple publishers and channels; and
- optimize campaigns across multiple publishers and channels in real time based on market and business data to achieve desired revenue outcomes using our predictive bid management technology.

Advertisers use our platform to create, target and convert precise audiences based on recent buying signals from users search, social and display interactions. Our platform is integrated with leading publishers such as Baidu, Bing, Facebook, Google, Twitter, Yandex, Yahoo! and Yahoo! Japan. Additionally, we have integrations with more than 45 leading web analytics and ad-serving solutions and key enterprise applications, enabling our customers to more accurately measure the return on investment of their marketing programs.

Our software platform serves as an integration point for advertising performance, sales and revenue data, allowing advertisers to connect the dots between advertising spend and revenue outcomes. Through an intuitive interface, we enable our customers to simultaneously run large-scale digital advertising campaigns across multiple publishers and channels, making it easy for marketers to create, publish, modify and optimize campaigns in real time.

Our predictive bid management and optimization technology also allows advertisers to forecast outcomes and optimize campaigns across multiple publishers and channels to achieve their business goals. Our optimization technology can help advertisers increase ad spend on those campaigns, publishers and channels that are performing well while reducing investment in those that are not. This category of solutions, which we refer to as cross-channel bid and campaign optimization, helps businesses intelligently and efficiently measure, manage, and optimize their digital advertising spend to achieve desired business results.

We completed our acquisition of NowSpots, Inc., which conducted business as Perfect Audience (Perfect Audience), in June 2014 to complement our offered solutions. Perfect Audience offers advertisers a SaaS demand-side platform to purchase display impressions and retarget audiences across the web, Facebook and Twitter. With the acquisition, we expanded our cross-channel capabilities by adding new programmatic display and social advertising functions while expanding our audience retargeting tools. This acquisition is more fully described in Note 3 to the Consolidated

Financial Statements. In February 2015 we completed the acquisition of SocialMoov, a Paris-based company, which is a social advertising software platform for Facebook and Twitter advertisers. SocialMoov offers advertisers and agencies novel social advertising tools designed to increase engagement and return on investment. This acquisition will provide us with innovative social advertising technologies, including Facebook video advertising, Twitter application program interface (API) integration and television synchronization, which will augment our current social offering.

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Headquartered in San Francisco, we were founded in 2006. The mailing address of our headquarters is 123 Mission Street, 25th Floor, San Francisco, California 94105 and our telephone number at that location is (415) 399-2580. As of December 31, 2014, our customers collectively managed more than $7.2 billion in annualized ad spend on our platform, which we believe makes us the largest offeror of independent advertising cloud solutions.

Offered Solutions

Our cloud-based platform helps our customers to measure, manage and optimize their digital marketing campaigns to improve performance of their online advertising campaigns, realize efficiencies and time savings, and make better business decisions. We currently offer two editions of our search platform that leverage the same underlying technology.

Enterprise Edition. Targeting large advertisers and agencies, *Marin Enterprise* is designed to provide digital advertisers with the power, scale and flexibility required to manage large-scale advertising campaigns.

Professional Edition. Targeting mid-market advertisers and agencies, *Marin Professional* is designed for rapid deployment and offers customers a complete workflow, analysis and optimization solution for managing digital advertising.

Our software platform is comprised of the following modules:

Optimization. Our *Optimization* functionalities help advertisers manage bids across publishers to meet revenue goals and identify opportunities for campaign improvements leading to improved financial performance and efficiencies.

Reporting and Analytics. Our *Reporting and Analytics* module enables advertisers to report results at a business level and analyze cross-channel performance trends, leading to improved visibility and significant time savings.

Campaign Management. Our *Campaign Management* module provides the digital advertiser with a unified interface to create, manage and optimize campaigns across a broad range of publishers, leading to greater efficiencies and increased flexibility.

Connect. Our *Connect* family of products enables advertisers automate and streamline their ability to capture revenue, cost and audience data from a range of sources such as ad servers, analytics systems, CRM platforms, publishers and third party databases. Through integrations across multiple data sources, our *Connect* module can assist advertisers in having a holistic picture of their digital advertising campaigns.

Technology & Supporting Platform

We designed our cloud-based platform to support large global advertisers. The majority of our software is written in Java. Our hardware consists of industry-standard servers and network infrastructure. Our standard operating system is

Linux. Our software platform is character-set, language, currency, and time-zone independent. Our technology platform has the following key benefits:

Scalability. Our software platform is designed to handle billions of ad units across thousands of advertisers, while delivering a responsive browsing and editing experience. As the number of advertisers and resulting computing and storage requirements grow, we can add hardware to our platform to accommodate growing demand.

Availability. Our customers are highly dependent on the availability of our platform, which is designed to be available 24x7, 365 days a year. We operate our own hardware and use third-party data centers that offer server redundancy, back-up communications and power and physical security.

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Security. Our software platform manages a large quantity of customer data. We employ technologies, policies and procedures to protect customer data. Our primary third-party data center has SSAE 16 attestations.

Customers

We market and sell our solutions to advertisers directly and through advertising agencies that use our platform on behalf of their customers. Advertisers that we serve through our relationships with agencies have historically represented about half our revenues. There were no customers that accounted for greater than 10% of our revenues in 2014, 2013 or 2012.

Competition

The digital advertising platform market is highly competitive, fragmented, and subject to changes in both technology and customer behavior. We face significant competition today and expect competition to intensify in the future. To maintain and improve our competitive position, we must keep pace with the evolving needs of our customers and continue to develop and introduce new modules, features and services in a timely and efficient manner. We currently compete with large, well-established companies, such as Adobe Systems Incorporated and Google Inc. (through its wholly-owned subsidiary DoubleClick), and privately-held companies, such as Kenshoo Ltd. We also compete with in-house proprietary tools, tools from publishers and custom solutions, including spreadsheets. We believe the principal competitive factors in our market include the following:

- solution quality, breadth, flexibility and functionality;
- tangible platform benefits;
- level of customer satisfaction and our ability to respond to customer needs rapidly;
- breadth and quality of advertiser and agency relationships;
- ability to innovate and develop new or improved products and modules;
- ability to respond to changes in publishers APIs;
- brand awareness and reputation; and
- size of customer base.

Apart from cross-channel platform competitors, we also compete with channel solutions in display and social. Competitors in display include public companies such as Criteo S.A. and Rocket Fuel Inc., as well as privately-held companies such as AdRoll Inc. and MediaMath Inc., while in social we compete with public companies such as

Salesforce.com (through its wholly-owned subsidiary Social.com), and privately-held companies such as Nanigans, Inc.

Our ability to remain competitive will largely depend on our ongoing performance in the areas of our solution breadth and depth as well as customer support.

Sales and Marketing

We sell our solutions directly to advertisers and to agencies in a wide range of industries through our global sales team. Our sales cycle can vary substantially by advertiser and agency, but typically is one to nine months. We have a number of account executive sales teams organized by geography and market segments. We also have Customer Success professionals who are responsible for long-term customer satisfaction and retention, renewal, and driving an increase in the volume of media managed by customers on our platform.

Our marketing team is focused on driving awareness and demand generation across major markets. This team provides thought leadership in the form of white papers, benchmarking reports, bylines, presenting at industry conferences and speaking to the press. In addition, they are responsible for the creation of field enablement assets such as case studies, blog posts and corporate and product collateral.

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Research and Development

Our research and development team is responsible for the design, development, and maintenance of our platform. Our research and development process emphasizes frequent, iterative and incremental development cycles. Within our research and development organizations, we have several project teams that focus on platform and feature development for our integrated vertical offerings as part of our Ad Cloud solutions. Each of these project teams includes engineers, quality engineers and product managers, as needed, responsible for the initial and ongoing development for their projects. Total research and development expense was $28.8 million, $20.7 million and $14.0 million and for the years ended December 31, 2014, 2013 and 2012.

Employees

As of December 31, 2014, we had a total of 571 regular full-time employees, including 170 employees located outside the United States. 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 we consider our relations with our employees to be good.

Intellectual Property

Our intellectual property rights are a key component of our success. We rely on a combination of patent, trademark, copyright, unfair competition and trade secret laws, as well as confidentiality procedures and contractual restrictions, to establish, maintain and protect our proprietary rights.

As of December 31, 2014, we had two issued patents and five patent applications pending in the United States.

We own and use trademarks on or in connection with our products and services, including one trademark registered with the European Union and Australia and unregistered common law marks and pending trademark applications in the United States, China, Japan and Singapore. We have also registered numerous Internet domain names.

Available Information

The mailing address of our headquarters is 123 Mission Street, 25th Floor, San Francisco, California 94105 and our telephone number at that location is (415) 399-2580. Our website is www.marinsoftware.com. Through a link on the Investor Center section of our website, we make available the following filings as soon as reasonably practicable after they are electronically filed with or furnished to the Securities and Exchange Commission (the SEC): our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and any amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934. All such filings are free of charge. The information posted to our website is not incorporated into this Annual Report on Form 10-K. The public may read and copy any materials that we file with the SEC at the SEC s Public Reference Room at 100 F Street, NE, Washington, DC 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC also maintains an internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC at www.sec.gov.

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ITEM 1A. RISK FACTORS

Our operations and financial results are subject to various risks and uncertainties, including those described below, which could adversely affect our business, results of operations, cash flows, financial conditions, and the trading price of our common stock.

Risks Related to Our Business

We have a history of losses and we may not achieve or sustain profitability in the future.

We have incurred significant losses in each fiscal year since our incorporation in 2006. We experienced net losses of $33.2 million during 2014. As of December 31, 2014, we had an accumulated deficit of $146.4 million. The losses and accumulated deficit were due to the substantial investments we made to grow our business and acquire customers. We anticipate that our cost of revenues and operating expenses will increase in the foreseeable future as we continue to invest to grow our business and acquire customers and develop our platform and new functionality. These efforts may prove more expensive than we currently anticipate, and we may not succeed in increasing our revenues sufficiently to offset these higher expenses. Many of our efforts to generate revenues from our business are new and unproven, and any failure to increase our revenues or generate revenues from new solutions could prevent us from attaining or increasing profitability. Furthermore, to the extent we are successful in increasing our customer base, we also could incur increased losses because costs associated with entering into customer contracts are generally incurred up front, while customers are billed over the term of the contract generally through our usage-based pricing model. We do not expect to be profitable in 2015 on the basis of generally accepted accounting principles in the United States (GAAP) and we cannot be certain that we will be able to attain profitability on a quarterly or annual basis, or if we do, that we will sustain profitability.

Our limited operating history makes it difficult to evaluate our current business and future prospects.

Although we began our operations in March 2006, we did not begin generating substantial revenues until 2009. Our limited operating history may make it difficult to evaluate our current business and our future prospects. We have encountered and will continue to encounter risks and difficulties frequently experienced by growing companies in rapidly developing and changing industries, including challenges in forecasting accuracy, hiring and retaining qualified employees, determining appropriate investments of our limited resources, market acceptance of our existing and future solutions, competition from established companies with greater financial and technical resources, acquiring and retaining customers, managing customer deployments and developing new solutions. Our current operations infrastructure may require changes in order for us to achieve profitability and scale our operations efficiently. For example, we may need to automate portions of our solution to decrease our costs, ensure our marketing infrastructure is designed to drive highly qualified leads cost effectively and implement changes in our sales model to improve the predictability of our sales and reduce our sales cycle. If we fail to implement these changes on a timely basis or are unable to implement them due to factors beyond our control, our business may suffer, our revenue may decline and we may not be able to achieve further growth or profitability. We cannot assure you that we will be successful in addressing these and other challenges we may face in the future.

Our usage-based pricing model makes it difficult to forecast revenues from our current customers and future prospects.

We primarily have a usage-based pricing model in which most of our fees are calculated as a percentage of customers advertising spend managed on our platforms. This pricing model makes it difficult to accurately forecast revenues because our customers advertising spend managed by our platforms may vary from month to month based on the variety of industries in which our advertisers operate, the seasonality of those industries and fluctuations in our

customers advertising budgets or other factors. Our contracts with our direct advertiser customers generally contain a minimum monthly fee, which is generally greater than one-half of our estimated monthly revenues from the customer at the time the contract is signed, and, as a result, the monthly minimum

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may not be a good indicator of our revenues from that customer. In addition, advertisers that use our platform through our agency customers typically do not have a minimum monthly spend amount or a minimum term during which they must use our platform and, as a result, the ability to forecast revenues from these advertisers is difficult. If we incorrectly forecast revenues for these advertisers and the amount of revenue is less than projections we provide to investors, the price of our common stock could decline substantially. Additionally, if we overestimate usage, we may incur additional expenses in adding infrastructure, without a commensurate increase in revenues, which would harm our gross margins and other operating results.

The market for advertising cloud solutions is relatively new and dependent on growth in various digital advertising channels. If this market develops more slowly or differently than we expect, our business, growth prospects and financial condition would be adversely affected.

The market for advertising cloud solutions such as ours is relatively new and these solutions may not achieve or sustain high levels of demand and market acceptance. While search and display advertising has been used successfully for several years, marketing via new cloud-based advertising channels such as mobile and social media is not as well established. The future growth of our business could be constrained by the level of acceptance and expansion of emerging cloud-based advertising channels, as well as the continued use and growth of existing channels, such as search and display advertising. Even if these channels become widely adopted, advertisers and agencies may not make significant investments in solutions such as ours that help them manage their digital advertising spend across publisher platforms and advertising channels. It is difficult to predict customer adoption rates, customer demand for our platform, the future growth rate and size of the advertising cloud solutions market or the entry of competitive solutions. Any expansion of the market for advertising cloud solutions depends on a number of factors, including the growth of the cloud-based advertising market, the growth of social and mobile as advertising channels and the cost, performance and perceived value associated with advertising cloud solutions. If advertising cloud solutions do not achieve widespread adoption, or there is a reduction in demand for digital advertising caused by weakening economic conditions, decreases in corporate spending or otherwise, it could result in reduced usage, which could decrease revenues or otherwise adversely affect our business.

If we are unable to maintain our relationships with, and access to, publishers, advertising exchange platforms and other platforms that aggregate the supply of advertising inventory, our business will suffer.

We currently depend on relationships with various publishers, including Baidu, Bing, Facebook, Google, Twitter, Yandex, Yahoo! and Yahoo! Japan, as well as advertising exchange platforms and aggregators of advertising inventory, including Google s DoubleClick Ad Exchange, Yahoo! s Right Media, Facebook s Exchange, Microsoft s Ad Exchange, Twitter s MoPub and AppNexus. Our subscription services interface with these publishers platforms through APIs, such as the Google AdWords API or Facebook API. We are subject to the respective platforms standard API terms and conditions, which govern the use and distribution of data from these platforms. Our business significantly depends on having access to these APIs, particularly the Google AdWords API, which the substantial majority of our customers use, on commercially reasonable terms and our business would be harmed if any of these publishers, advertising exchanges or aggregators of advertising inventory discontinues or limits access to their platforms, modifies their terms of use or other policies or place additional restrictions on us as API users, or charges API license fees for API access. Moreover, some of these publishers, such as Google, market competitive solutions for their platforms. Because the advertising inventory suppliers control their APIs, they may develop competitive offerings that are not subject to the limits imposed on us through the API terms and conditions. Currently, restrictions in these API agreements limit our ability to implement certain functionality, require us to implement functionality in a particular manner or require us to implement certain required minimum functionality, causing us to devote development resources to implement certain functionality that we would not otherwise include in our subscription services and to incur costs for personnel to provide services to implement functionality that we are prohibited from

automating. Publishers, advertising exchanges and advertising inventory aggregators update their API terms of use from time to time and new versions of these terms could impose additional restrictions on us. In addition, publishers, advertising

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exchanges and advertising inventory aggregators continually update their APIs and may update or modify functionality, which requires us to modify our software to accommodate these changes and to devote technical resources and personnel to these efforts which could otherwise be used to focus on other priorities. Any of these outcomes could cause demand for our products to decrease, our research and development costs to increase, and our results of operations and financial condition to be harmed.

Our growth depends in part on the success of our relationships with advertising agencies.

Our future growth will depend, in part, on our ability to enter into successful relationships with advertising agencies. Identifying agencies and negotiating and documenting relationships with them requires significant time and resources. These relationships may not result in additional customers or enable us to generate significant revenues. Our contracts for these relationships are typically non-exclusive and do not prohibit the agency from working with our competitors or from offering competing services. Frequently, these agencies do in fact work with our competitors and compete with us. In addition, we often work with, or seek to work with, high-profile brands directly. This may not be possible where, for example, those brands obtain advertising services exclusively or primarily from advertising agencies.

We generally bill agencies for their customers use of our platforms, but in most cases the agency s customer has no direct contractual commitment to make payment to us. Furthermore, some of these agency contracts include provisions whereby the agency is not liable for making payment to us for our subscription services if the agency does not receive a corresponding payment from its client on whose behalf the subscription services were rendered. These provisions may result in longer collections periods or our inability to collect payment for some of our subscription services. If we are unsuccessful in establishing or maintaining our relationships with these agencies on commercially reasonable terms, or if these relationships are not profitable for us, our ability to compete in the marketplace or to grow our revenues could be impaired and our operating results would suffer.

We may not be able to compete successfully against current and future competitors.

The overall market for advertising cloud solutions is rapidly evolving, highly competitive, complex, fragmented, and subject to changing technology and shifting customer needs. We face significant competition in this market and we expect competition to intensify in the future. We currently compete with large, well-established companies, such as Adobe Systems Incorporated and Google Inc. (through its wholly-owned subsidiary DoubleClick), and privately-held companies, such as Kenshoo Ltd. We also compete with channel-specific offerings, in-house proprietary tools, tools from publishers and custom solutions, including spreadsheets. Increased competition may result in reduced pricing for our solutions, longer sales cycles or a decrease of our market share, any of which could negatively affect our revenues and future operating results and our ability to grow our business.

A number of competitive factors could cause us to lose potential sales or to sell our solutions at lower prices or at reduced margins, including, among others:

- potential customers may choose to develop or continue to use internal solutions rather than paying for our solutions or may choose to use a competitor s solution that has different or additional technical capabilities;

- companies may enter our market by expanding their platforms or acquiring a competitor;

some of our competitors, such as Adobe and Google, have greater financial, marketing and technical resources than we do, allowing them to leverage a larger installed customer base, adopt more aggressive pricing policies, and devote greater resources to the development, promotion and sale of their products and services than we can;

companies marketing search, social, display, mobile or web analytics services could bundle advertising cloud solutions or offer such products at a lower price as part of a larger product sale;

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channel-specific competitors, such as AdRoll Inc, Criteo S.A., MediaMath Inc., Nanigans, Inc., Rocket Fuel Inc. and Salesforce.com (through its wholly-owned subsidiary Social.com), may devote greater resources to the development, promotion and sale of their channel-specific products and services than we can; and

publishers generally offer their tools for free, or at a reduced price, as their primary compensation is via the sale of advertising on their own or syndicated websites.

We cannot assure you that we will be able to compete successfully against current and future competitors. If we cannot compete successfully, our business, results of operations and financial condition could be negatively impacted.

Our business depends on our customers continued willingness to manage advertising spend on our platforms.

In order for us to improve our operating results, it is important that our customers continue to manage their advertising spend on our platforms, increase their usage and also purchase additional solutions from us. In the case of our direct advertiser customers, we offer our solutions primarily through subscription contracts and generally bill customers over the related subscription period, which is generally one year or longer. During the term of their contracts, our direct advertiser customers generally have no obligation to maintain or increase their advertising spend on our platform beyond a specified minimum monthly fee, which is typically set at the time the contract is signed and is generally greater than half of the monthly amount we anticipate the customer will spend. Our direct advertiser customers generally have no renewal obligation after the initial or then-current renewal subscription period expires, and even if customers renew contracts, they may decrease the level of their digital advertising spend managed through our platform, resulting in lower revenues from that customer. Advertisers that we serve through our arrangements with our advertising agencies generally do not have any contractual commitment to use our platform. Our customers usage may decline or fluctuate as a result of a number of factors, including, but not limited to, their satisfaction with our platforms and our customer support, the frequency and severity of outages, the pricing of our, or competing, solutions, the effects of global economic conditions and reductions in spending levels or changes in our customers strategies regarding digital advertising. Due to our limited historical experience, we may not be able to accurately predict future usage trends. If our customers renew on less favorable terms or reduce their advertising spend on our platforms, our revenues may grow more slowly than expected or decline.

We incur upfront costs associated with onboarding advertisers to our platform and may not recoup our investment if we do not maintain the advertiser relationship over time.

Our operating results may be negatively affected if we are unable to recoup our upfront costs for onboarding new advertisers to our platform. Upfront costs when adding new advertisers generally include sales commissions for our sales force, expenses associated with entering customer data into our platform and other implementation-related costs. Because our customers, including direct advertisers and agencies, are billed over the term of the contract, if new customers sign contracts with short initial subscription periods and do not renew their subscriptions, or otherwise do not continue to use our platform to a level that generates revenues in excess of our upfront expenses, our operating results could be negatively impacted. In cases in which the implementation process is particularly complex, the revenues resulting from the customer under our contract may not cover the upfront investment, so if a significant number of these customers do not renew their contracts, it could negatively affect our operating results.

Because we generally bill our customers over the term of the contract, near term decline in new or renewed subscriptions may not be reflected immediately in our operating results.

Most of our revenues in each quarter are derived from contracts entered into with our customers during previous quarters. Consequently, a decline in new or renewed subscriptions in any one quarter may not be fully reflected in our

revenues for that quarter. Such declines, however, would negatively affect our revenues in future periods and the effect of significant downturns in sales and market acceptance of our solutions, and potential

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changes in our rate of renewals or renewal terms, may not be fully reflected in our results of operations until future periods. In addition, we may be unable to adjust our cost structure rapidly, or at all, to take account of reduced revenues. Our subscription model also makes it difficult for us to rapidly increase our total revenues through additional sales in any period, as revenues from new customers must be earned over the applicable subscription term based on the value of their monthly advertising spend.

We have been dependent on our customers use of search advertising. Any decrease in the use of search advertising or our inability to further penetrate social and display advertising channels would harm our business, growth prospects, operating results and financial condition.

Historically, our customers have primarily used our solutions for managing their search advertising, including mobile search advertising, and the substantial majority of our revenues are derived from advertisers that use our platform to manage their search advertising. We expect that search advertising will continue to be the primary channel used by our customers for the foreseeable future. Should our customers lose confidence in the value or effectiveness of search advertising, the demand for our solutions may decline. In addition, our failure to achieve market acceptance of our solution for the management of social and display advertising spend would harm our growth prospects, operating results and financial condition.

Our sales cycle can be long and unpredictable and require considerable time and expense, which may cause our operating results to fluctuate.

The sales cycle for our solutions, from initial contact with a potential lead to contract execution and implementation, varies widely by customer, but is typically one to nine months. Some of our customers undertake a significant evaluation process that frequently involves not only our solutions but also those of our competitors, which has in the past resulted in extended sales cycles. Our sales efforts involve educating our customers about the use, technical capabilities and benefits of our platform. In addition, under certain circumstances, we sometimes offer an initial term, typically of a few months in duration, to new customers who may terminate their subscription at any time during this initial period before the fixed term contract commences. We have no assurance that the substantial time and money spent on our sales efforts will produce any sales. If our sales efforts result in a new customer subscription, the customer may terminate its subscription during the initial period, after we have incurred the expenses associated with entering the customer s data in our platform and related training and support. If sales expected from a customer are not realized in the time period expected or not realized at all, or if a customer terminates during the initial period, our business, operating results and financial condition could be adversely affected.

Our ability to generate revenue depends on our collection of significant amounts of data from various sources.

Our ability to optimize the delivery of internet advertisements for our customers depends on our ability to successfully leverage data, including data that we collect from our customers as well as data provided by publishers and from third parties. Using cookies and similar tracking technologies, we collect information about the interaction of users with our advertisers and publishers websites. Our ability to successfully leverage such data is dependent upon our continued ability to access and utilize such data. Our ability to access and use such data could be restricted by a number of factors, including consumer choice, restrictions imposed by advertisers and publishers, changes in technology, and new developments in laws, regulations, and industry standards.

If consumer resistance to the collection and sharing of the data used to deliver targeted advertising, increased visibility of consent / Do Not Track mechanisms as a result of industry regulatory and/or legal developments, and/or the development and deployment of new technologies result in a material impact on our ability to collect data, this will materially impair the results of our operations.

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Material defects or errors in our software platform could harm our reputation, result in significant costs to us and impair our ability to sell our subscription services.

The software applications underlying our subscription services are inherently complex and may contain material defects or errors, which may cause disruptions in availability, misallocation of advertising spend or other performance problems. Any such errors, defects, disruptions in service or other performance problems with our software platform could negatively impact our customers businesses or the success of their advertising campaigns and cause harm to our reputation. If we have any errors, defects, disruptions in service or other performance problems with our software platform, customers could elect not to renew or reduce their usage or delay or withhold payment to us, which could result in an increase in our provision for doubtful accounts or an increase in the length of collection cycles for accounts receivable. Errors, defects, disruptions in service or other performance problems could also result in customers making warranty or other claims against us, our giving credits to our customers toward future advertising spend or costly litigation. As a result, material defects or errors in our platform could have a material adverse impact on our business and financial performance.

The costs incurred in correcting any material defects or errors in our software platform may be substantial and could adversely affect our operating results. After the release of new versions of our software, defects or errors may be identified from time to time by our internal team and by our customers. We implement bug fixes and upgrades as part of our regularly scheduled system maintenance. If we do not complete this maintenance according to schedule or if customers are otherwise dissatisfied with the frequency and/or duration of our maintenance services, customers could elect not to renew, or delay or withhold payment to us, or cause us to issue credits, make refunds or pay penalties.

We primarily derive our revenues from a single software platform and any factor adversely affecting subscriptions to our platform could harm our business and operating results.

We primarily derive our revenues from sales of a single software platform. As such, any factor adversely affecting subscriptions to our platform, including product release cycles, market acceptance, product competition, performance and reliability, reputation, price competition, and economic and market conditions, could harm our business and operating results.

If mobile connected devices, their operating systems or content distribution channels, including those controlled by our competitors, develop in ways that prevent our advertising campaigns from being delivered to their users, our ability to grow our business will be impaired.

Our success in the mobile channel depends upon the ability of our technology platform to integrate with mobile inventory suppliers and provide advertising for most mobile connected devices, as well as the major operating systems that run on them and the applications that are downloaded onto them. The design of mobile devices and operating systems is controlled by third parties with whom we do not have any formal relationships. These parties frequently introduce new devices, and from time to time they may introduce new operating systems or modify existing ones. Network carriers may also impact the ability to access specified content on mobile devices. If our solution were unable to work on these devices or operating systems, either because of technological constraints or because an operating system or app developer, device maker or carrier wished to impair our ability to purchase inventory and provide advertisements, our ability to generate revenue could be significantly harmed.

We primarily use a single third-party data center to deliver our services. Any disruption of service at this facility could harm our business.

While we utilize two third-party data centers in total, we manage a significant portion of our services and serve substantially all of our customers from only a single third-party data center facility. While we control the actual computer, network and storage systems upon which our platform runs, and deploy them to the data center facility, we do not control the operation of the facility. The owner of the facility has no obligation to renew the

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agreement with us on commercially reasonable terms, or at all. If we are unable to renew the agreement on commercially reasonable terms, we may be required to transfer to a new facility or facilities, and we may incur significant costs and possible service interruption in connection with doing so.

The facility is vulnerable to damage or service interruption resulting from human error, intentional bad acts, earthquakes, hurricanes, floods, fires, war, terrorist attacks, power losses, hardware failures, systems failures, telecommunications failures and similar events. Moreover, while we have a disaster recovery plan in place, we do not maintain a hot failover instance of our software platform permitting us to immediately switch over in the event of damage or service interruption at our data center. The occurrence of a natural disaster or an act of terrorism, any outages or vandalism or other misconduct, or a decision to close the facility without adequate notice or other unanticipated problems could result in lengthy interruptions in our services.

Any changes in service levels at the facility or any errors, defects, disruptions or other performance problems at or related to the facility that affect our services could harm our reputation and may damage our customers businesses. Interruptions in our services might reduce our revenues, subject us to potential liability, or result in reduced usage of our platform. In addition, some of our customer contracts require us to issue credits for downtime in excess of certain levels and in some instances give our customers the ability to terminate their subscriptions.

We also depend on third-party Internet-hosting providers and continuous and uninterrupted access to the Internet through third-party bandwidth providers to operate our business. If we lose the services of one or more of our Internet-hosting or bandwidth providers for any reason or if their services are disrupted, for example due to viruses or denial-of-service or other attacks on their systems, or due to human error, intentional bad acts, power loss, hardware failures, telecommunications failures, fires, wars, terrorist attacks, floods, earthquakes, hurricanes, tornadoes or similar events, we could experience disruption in our ability to offer our solutions or we could be required to retain the services of replacement providers, which could increase our operating costs and harm our business and reputation.

If we cannot efficiently implement our solutions for customers, we may lose customers.

Our customers have a variety of different data formats, enterprise applications and infrastructure and our platform must support our customers data formats and integrate with complex enterprise applications and infrastructures. If our platform does not currently support a customer s required data format or appropriately integrate with a customer s applications and infrastructure, then we may choose to configure our platform to do so, which would increase our expenses. Additionally, we do not control our customers implementation schedules. As a result, as we have experienced in the past, if our customers do not allocate internal resources necessary to meet their implementation responsibilities or if we face unanticipated implementation difficulties, the implementation may be delayed. Further, in the past, our implementation capacity has at times constrained our ability to successfully implement our solutions for our customers in a timely manner, particularly during periods of high demand. If the customer implementation process is not executed successfully or if execution is delayed, we could incur significant costs, customers could become dissatisfied and decide not to increase usage of our platform, not to use our platform beyond an initial period prior to their term commitment and revenue recognition could be delayed. In addition, competitors with more efficient operating models with lower implementation costs could penetrate our customer relationships.

Additionally, large customers may request or require specific features or functions unique to their particular business processes, which increase our upfront investment in sales and deployment efforts and the revenues resulting from the customers under our typical contract length may not cover the upfront investments. If prospective large customers require specific features or functions that we do not offer, then the market for our solution will be more limited and our business could suffer. In addition, supporting large customers could require us to devote significant development services and support personnel and strain our personnel resources and infrastructure. If we are unable to address the

needs of these customers in a timely fashion or further develop and

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enhance our solution, these customers may not renew their subscriptions, seek to terminate their relationship with us, renew on less favorable terms, or reduce their advertising spend on our platform. If any of these were to occur, our revenues may decline and our operating results could be adversely affected.

If we are unable to maintain or expand our sales and marketing capabilities, we may not be able to generate anticipated revenues.

Increasing our customer base and achieving broader market acceptance of our software platform will depend to a significant extent on our ability to expand our sales and marketing operations and activities. We expect to be substantially dependent on our sales force to obtain new customers. We are expanding our sales team in order to increase revenues from new and existing customers and to further penetrate our existing markets and expand into new markets, but may not be able to attract and hire qualified sales personnel quickly enough or at all. Our solutions require a sophisticated sales force with specific sales skills and technical knowledge. Competition for qualified sales personnel is intense, and we may not be able to retain our existing sales personnel or attract, integrate or retain sufficient highly qualified sales personnel.

Our ability to achieve revenue growth in the future will depend, in large part, on our success in recruiting, training and retaining sufficient numbers of sales personnel. These new employees require significant training and experience before they achieve full productivity. As a result, the cost of hiring and carrying new representatives cannot be offset by the revenues they produce for a significant period of time. Our recent hires and planned hires may not become productive as quickly as we would like, and we may not be able to hire or retain sufficient numbers of qualified individuals in the markets where we do business. Our business will be seriously harmed if these expansion efforts do not work as planned or generate a corresponding significant increase in revenues.

Any failure to offer high-quality technical support services may adversely affect our relationships with our customers and harm our financial results.

Our customers depend on our support organization to resolve any technical issues relating to our solutions. In addition, our sales process is highly dependent on the quality of our solutions, our business reputation and on strong recommendations from our existing customers. Any failure to maintain high-quality technical support, or a market perception that we do not maintain high-quality support, could harm our reputation, adversely affect our ability to sell our solutions to existing and prospective customers, and harm our business, operating results and financial condition.

We offer technical support services with our solutions and may be unable to respond quickly enough to accommodate short-term increases in customer demand for support services. We also may be unable to modify the format of our support services to compete with changes in support services provided by competitors. It is difficult to predict customer demand for technical support services and if customer demand increases significantly, we may be unable to provide satisfactory support services to our customers. Additionally, increased customer demand for these services, without corresponding revenues, could increase costs and adversely affect our operating results.

If our security measures are breached or unauthorized access to customer data or our data is otherwise obtained, our solutions may be perceived as not being secure, customers may reduce the use of or stop using our solutions and we may incur significant liabilities.

In the ordinary course of our business, we maintain sensitive data on our networks, including our intellectual property and proprietary or confidential business information relating to our business and that of our customers and business partners. The secure maintenance of this information is critical to our business and reputation. We believe that companies have been increasingly subject to a wide variety of security incidents, cyber-attacks and other attempts to

gain unauthorized access. These threats can come from a variety of sources, ranging in

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sophistication from an individual hacker to a state-sponsored attack. Cyber threats may be generic, or they may be custom-crafted against our information systems. Over the past year, cyber-attacks have become more prevalent and much harder to detect and defend against. Our network and storage applications may be subject to unauthorized access by hackers or breached due to operator error, malfeasance or other system disruptions. It is often difficult to anticipate or immediately detect such incidents and the damage caused by such incidents. These data breaches and any unauthorized access or disclosure of our information or intellectual property could result in the loss of information, litigation, indemnity obligations and other liability. While we have security measures in place, our systems and networks are subject to ongoing threats and therefore these security measures may be breached as a result of third-party action, including cyber-attacks or other intentional misconduct by computer hackers, employee error, malfeasance or otherwise. This could result in one or more third parties obtaining unauthorized access to our customers data or our data, including intellectual property and other confidential business information. Because techniques used to obtain unauthorized access or to sabotage systems change frequently and generally are not recognized until launched against a target, we may be unable to anticipate these techniques or to implement adequate preventative measures. Third parties may also attempt to fraudulently induce employees or customers into disclosing sensitive information such as user names, passwords or other information in order to gain access to our customers data or our data, including intellectual property and other confidential business information. If an actual or perceived breach of our security occurs, the market perception of the effectiveness of our security measures could be harmed, we could lose potential sales and existing customers or we could incur other liabilities, which could adversely affect our business.

We must develop and introduce enhancements and new features that achieve market acceptance or that keep pace with technological developments to remain competitive in our evolving industry.

We operate in a dynamic market characterized by rapidly changing technologies and industry and legal standards. The introduction of new advertising cloud solutions by our competitors, the market acceptance of solutions based on new or alternative technologies, or the emergence of new industry standards could render our platform obsolete. Our ability to compete successfully, attract new customers and increase revenues from existing customers depends in large part on our ability to enhance and improve our existing cross-channel performance advertising cloud platform and to continually introduce or acquire new features that are in demand by the market we serve. We also must update our software to reflect changes in publishers APIs and terms of use. The success of any enhancement or new solution depends on several factors, including timely completion, adequate quality testing, appropriate introduction and market acceptance. Any new platform or feature that we develop or acquire may not be introduced in a timely or cost-effective manner, may contain defects or may not achieve the broad market acceptance necessary to generate significant revenues. If we are unable to anticipate or timely and successfully develop or acquire new offerings or features or enhance our existing platform to meet customer requirements, our business and operating results will be adversely affected.

Our growth depends in part on the success of our strategic relationships with third parties.

Our future growth will depend on our ability to enter into successful strategic relationships with third parties. For example, we are seeking to establish relationships with third parties to develop integrations with complementary technology and content. These relationships may not result in additional customers or enable us to generate significant revenues. Identifying partners and negotiating and documenting relationships with them require significant time and resources. Our contracts for these relationships are typically non-exclusive and do not prohibit the other party from working with our competitors or from offering competing services. If we are unsuccessful in establishing or maintaining our relationships with these third parties, our ability to compete in the marketplace or to grow our revenues could be impaired and our operating results would suffer.

As a result of our customers increased usage of our software platform, we will need to continually improve our hosting infrastructure to avoid service interruptions or slower system performance.

We have experienced continued growth in the number of advertisers, transactions and data that our hosting infrastructure supports. We seek to maintain sufficient excess capacity in our infrastructure to meet the needs of

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all of our customers. We also seek to maintain excess capacity to facilitate the rapid provision of new customer deployments and the expansion of existing customer deployments. For example, if we secure a large customer or a group of customers that require significant amounts of bandwidth or storage, we may need to increase bandwidth, storage, power or other elements of our application architecture and our infrastructure, and our existing systems may not be able to scale in a manner satisfactory to our existing or prospective customers.

The amount of infrastructure needed to support our customers is based on our estimates of anticipated usage. If we were to experience unforeseen increases in usage, we could be required to increase our infrastructure investments resulting in increased costs or reduced gross margins, and if we do not accurately predict our infrastructure capacity requirements, our customers could experience service outages that may subject us to financial penalties and liabilities and result in customer losses. If our hosting infrastructure capacity fails to keep pace with increased sales, customers may experience service interruptions or slower system performance as we seek to obtain additional capacity, which could harm our reputation and adversely affect our revenue growth. As use of our software platform grows and as customers use it for more complicated tasks, we will need to devote additional resources to improving our application architecture and our infrastructure in order to maintain the performance of our software platform. We may need to incur additional costs to upgrade or expand our computer systems and architecture in order to accommodate increased demand if our systems cannot handle current or higher volumes of usage. In addition, increasing our systems and infrastructure in advance of new customers would cause us to have increased cost of revenues, which can adversely affect our gross margins until we increase revenues that are spread over the increased costs.

Any failure to protect our intellectual property rights could impair our ability to protect our proprietary technology and our brand.

Our success and ability to compete depends in part upon our intellectual property. We primarily rely on a combination of copyright, trade secret and trademark laws, as well as confidentiality procedures and contractual restrictions with our employees, customers, partners and others to establish and protect our intellectual property rights. However, the steps we take to protect our intellectual property rights may be inadequate or we may be unable to secure intellectual property protection for all of our solutions. In particular, we have two issued U.S. patents.

If we are unable to protect our intellectual property, our competitors could use our intellectual property to market products and services similar to ours and our ability to compete effectively would be impaired. Moreover, others may independently develop technologies that are competitive to ours or infringe our intellectual property. The enforcement of our intellectual property rights depends on our legal actions against these infringers being successful, but we cannot be sure these actions will be successful, even when our rights have been infringed. In addition, defending our intellectual property rights might entail significant expense and diversion of management resources. Any of our intellectual property rights may be challenged by others or invalidated through administrative processes or litigation. Any patents issued in the future may not provide us with competitive advantages or may be successfully challenged by third parties.

Furthermore, legal standards relating to the validity, enforceability and scope of protection of intellectual property rights are uncertain. Effective protection of our intellectual property may not be available to us in every country in which our solutions are available. The laws of some foreign countries may not be as protective of intellectual property rights as those in the United States, and mechanisms for enforcement of intellectual property rights may be inadequate. Accordingly, despite our efforts, we may be unable to prevent third parties from infringing upon or misappropriating our intellectual property.

We might be required to spend significant resources to monitor and protect our intellectual property rights, and our efforts to enforce our intellectual property rights may be met with defenses, counterclaims and countersuits attacking

the validity and enforceability of our intellectual property rights. Litigation to protect and

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enforce our intellectual property rights could be costly, time-consuming and distracting to management, whether or not it is resolved in our favor, and could ultimately result in the impairment or loss of portions of our intellectual property.

We could incur substantial costs as a result of any claim of infringement of another party s intellectual property rights.

In recent years, there has been significant litigation in the United States involving patents and other intellectual property rights. Companies in the Internet and technology industries are increasingly bringing and becoming subject to suits alleging infringement of proprietary rights, particularly patent rights, and our competitors may hold patents or have pending patent applications, which could be related to our business. These risks have been amplified by the increase in third parties, which we refer to as non-practicing entities, whose sole primary business is to assert such claims. We have received in the past, and expect to receive in the future, notices that claim we or our customers using our solutions have misappropriated or misused other parties intellectual property rights. If we are sued by a third party that claims that our technology infringes its rights, the litigation could be expensive and could divert our management resources. We do not currently have an extensive patent portfolio of our own, which may limit the defenses available to us in any such litigation.

In addition, in most instances, we have agreed to indemnify our customers against certain claims that our subscription services infringe the intellectual property rights of third parties. Our business could be adversely affected by any significant disputes between us and our customers as to the applicability or scope of our indemnification obligations to them. The results of any intellectual property litigation to which we might become a party, or for which we are required to provide indemnification, may require us to do one or more of the following:

- cease offering or using technologies that incorporate the challenged intellectual property;
- make substantial payments for legal fees, settlement payments or other costs or damages;
- obtain a license, which may not be available on reasonable terms, to sell or use the relevant technology; or
- redesign technology to avoid infringement.

If we are required to make substantial payments or undertake any of the other actions noted above as a result of any intellectual property infringement claims against us or any obligation to indemnify our customers for such claims, such payments or costs could have a material adverse effect upon our business and financial results.

Our use of open source technology could impose limitations on our ability to commercialize our software platform.

We use open source software in our platform. Some open source software licenses require users who distribute open source software as part of their software to publicly disclose all or part of the source code to such software and/or make available any derivative works of the open source code on unfavorable terms or at no cost. The terms of various open source licenses have not been interpreted by the U.S. courts, and there is a risk that such licenses could be construed in a manner that imposes unanticipated conditions or restrictions on our ability to market our software platform. While we monitor our use of open source software and try to ensure that none is used in a manner that

would require us to disclose our source code or that would otherwise breach the terms of an open source agreement, such use could inadvertently occur and we may be required to release our proprietary source code, pay damages for breach of contract, re-engineer our applications, discontinue sales in the event re-engineering cannot be accomplished on a timely basis or take other remedial action that may divert resources away from our development efforts, any of which could cause us to breach customer contracts, harm our reputation, result in customer losses or claims, increase our costs or otherwise adversely affect our business and operating results.

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If the market for cloud-based software develops more slowly than we expect or declines, our business could be harmed.

The cloud computing market is not as mature as the market for on-premise software, and it is uncertain whether cloud computing will achieve and sustain high levels of customer demand and market acceptance. If other cloud computing providers experience security incidents, loss of customer data, disruptions in delivery or other problems, the market for cloud computing as a whole, including our solution, may be negatively affected. If cloud computing does not achieve widespread adoption, or there is a reduction in demand for cloud computing caused by a lack of customer acceptance, technological challenges, weakening economic conditions, security or privacy concerns, competing technologies and products, decreases in corporate spending or otherwise, it could result in decreased revenues or increased expenses from development of alternative on-premise solutions and our business could be adversely affected.

Because our long-term success depends, in part, on our ability to expand our sales to customers outside the United States, our business will be susceptible to risks associated with international operations.

We currently maintain offices and/or have sales personnel in Australia, China, England, France, Germany, Ireland, Japan and Singapore, as well as the United States. As we continue to expand our customer base outside the United States, our business will be increasingly susceptible to risks associated with international operations. However, we have a limited operating history outside the United States, and our ability to manage our business and conduct our operations internationally requires considerable management attention and resources and is subject to particular challenges of supporting a rapidly growing business in an environment of diverse cultures, languages, customs, tax laws, legal systems, alternate dispute systems and regulatory systems. The risks and challenges associated with international expansion include:

- the need to support and integrate with local publishers and partners;
- continued localization of our platform, including translation into foreign languages and associated expenses;
- competition with companies that have greater experience in the local markets than we do or who have pre-existing relationships with potential customers in those markets;
- compliance with multiple, potentially conflicting and changing governmental laws and regulations, including employment, tax, privacy and data protection laws and regulations;
- compliance with anti-bribery laws, including compliance with the Foreign Corrupt Practices Act;
- difficulties in invoicing and collecting in foreign currencies and associated foreign currency exposure;

- difficulties in staffing and managing foreign operations and the increased travel, infrastructure and legal compliance costs associated with international operations;
- different or lesser protection of our intellectual property rights;
- difficulties in enforcing contracts and collecting accounts receivable, longer payment cycles and other collection difficulties;
- restrictions on repatriation of earnings; and
- regional economic and political conditions.

We have limited experience in marketing, selling and supporting our subscription services internationally, which increases the risk that any potential future expansion efforts that we may undertake will not be successful.

Fluctuations in the exchange rate of foreign currencies could result in currency transactions losses.

We currently have foreign sales denominated in Australian dollars, British pound sterling, Canadian dollars, Chinese yuan, euros, Japanese yen and Singapore dollars. In addition, we incur a portion of our operating

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expenses in the currencies of the countries where we have offices. We face exposure to adverse movements in currency exchange rates, which may cause our revenues and operating results to differ materially from expectations. If the U.S. dollar strengthens relative to foreign currencies, our non-U.S. revenues would be adversely affected. Conversely, a decline in the U.S. dollar relative to foreign currencies would increase our non-U.S. revenues when translated into U.S. dollars. Our operating results could be negatively impacted depending on the amount of expense denominated in foreign currencies. As exchange rates vary, revenues, cost of revenues, operating expenses and other operating results, when translated, may differ materially from expectations. In addition, our revenues and operating results are subject to fluctuation if our mix of U.S. and foreign currency denominated transactions or expenses changes in the future because we do not currently hedge our foreign currency exposure. Even if we were to implement hedging strategies to mitigate foreign currency risk, these strategies might not eliminate our exposure to foreign exchange rate fluctuations and would involve costs and risks of their own, such as ongoing management time and expertise, external costs to implement the strategies and potential accounting implications.

If we fail to develop widespread brand awareness cost-effectively, our business may suffer.

We believe that developing and maintaining widespread awareness of our brand in a cost-effective manner is critical to achieving widespread acceptance of our solution and attracting new customers. We expect sales and marketing expenses to increase as a result of our marketing and brand promotion activities. We may not generate customer awareness or increase revenues enough to offset the increased expenses we incur in building our brand. If we fail to successfully promote and maintain our brand, or incur substantial marketing and sales expenses, which are not offset by increased revenues, we may fail to attract or retain customers necessary to realize a sufficient return on our brand-building efforts, or to achieve the widespread brand awareness that is essential for broad customer adoption of our solution.

Unfavorable conditions in the market for digital advertising or the global economy or reductions in digital advertising spend could limit our ability to grow our business and negatively affect our operating results.

Revenue growth and potential profitability of our business depends on digital advertising spend by advertisers in the markets we serve. Our operating results may vary based on changes in the market for digital advertising or the global economy. To the extent that weak economic conditions cause our customers and potential customers to freeze or reduce their advertising budgets, particularly digital advertising, demand for our solution may be negatively affected.

Historically, economic downturns have resulted in overall reductions in advertising spend. If economic conditions deteriorate or the rise of geopolitical instability and military hostilities causes economic uncertainty, our customers and potential customers may elect to decrease their advertising budgets or defer or reconsider software and service purchases, which would limit our ability to grow our business and negatively affect our operating results.

Our business depends on retaining and attracting qualified personnel, and turnover may result in operational inefficiencies that could negatively affect our business.

Our success depends upon the continued service of our talented management, operational and key technical employees, as well as our ability to continue to attract additional highly qualified talent. Turnover amongst our employees could result in operational and administrative inefficiencies and added costs, which could adversely impact our results of operations, stock price and customer relationships. In addition, we must successfully integrate any new personnel that we hire within our organization in order to achieve our operating objectives, and changes in other key positions may temporarily affect our financial performance and results of operations as new employees become familiar with our business.

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We do not maintain key person life insurance policies on any of our employees. Each of our executive officers, key technical personnel and other employees could terminate his or her relationship with us at any time. Our business also requires skilled technical, sales and other personnel, who are in high demand and are often subject to competing offers. As we expand into additional geographic markets, we will require personnel with expertise in these new areas. Competition for qualified employees is intense in our industry and particularly in San Francisco, California, where most of our employees are based. An inability to retain, attract, relocate and motivate employees required for our business, including the planned expansion of our business, could delay or prevent the achievement of our business objectives and could materially harm our business and our customer relationships.

Our business and operations have experienced rapid growth in recent periods, which has placed, and may continue to place, significant demands on our management and infrastructure. If we fail to manage our growth effectively, we may be unable to execute our business plan, maintain high levels of service or address competitive challenges adequately.

We increased our number of full-time employees from 285 as of December 31, 2011 to 571 as of December 31, 2014. Our growth has placed, and may continue to place, a significant strain on our managerial, administrative, operational, financial and other resources. We intend to further expand our overall headcount and operations both domestically and internationally, with no assurance that we will be able to meet our hiring plans or that our business or revenues will continue to grow. Creating a global organization and managing a geographically dispersed workforce will require substantial management effort, the allocation of valuable management resources and significant additional investment in our infrastructure. We will be required to continue to improve our operational, financial and management controls and our reporting procedures and we may not be able to do so effectively. Further, to accommodate our expected growth we must continually improve and maintain our technology, systems and network infrastructure. As such, we may be unable to manage our expenses effectively in the future, which may negatively impact our gross margins or operating expenses in any particular quarter. If we fail to manage our anticipated growth or change in a manner that does not preserve the key aspects of our corporate culture, the quality of our solutions may suffer, which could negatively affect our brand and reputation and harm our ability to retain and attract customers.

Domestic and foreign government regulation and enforcement of data practices and data tracking technologies is expansive, not clearly defined and rapidly evolving. Such regulation could directly restrict portions of our business or indirectly affect our business by constraining our customers use of our platform or limiting the growth of our markets.

Federal, state, municipal and/or foreign governments and agencies have adopted and could in the future adopt, modify, apply or enforce laws, policies, and regulations covering user privacy, data security, technologies such as cookies that are used to collect, store and/or process data, the taxation of products and services, unfair and deceptive practices, and/or the collection, use, processing, transfer, storage and/or disclosure of data associated with a unique individual. The categories of data regulated under these laws vary widely and are often ill-defined and subject to new applications or interpretation by regulators. Our subscription services enable our customers to collect, manage and store data regarding the measurement and valuation of their digital advertising and marketing campaigns, which may include data that is directly or indirectly obtained or derived through the activities of online or mobile visitors. The uncertainty and inconsistency among these laws, coupled with a lack of guidance as to how these laws will be applied to current and emerging Internet and mobile analytics technologies, creates a risk that regulators, lawmakers or other third parties, such as potential plaintiffs, may assert claims, pursue investigations or audits, or engage in civil or criminal enforcement. These actions could limit the market for our subscription services or impose burdensome requirements on our services and/or customers use of our services, thereby rendering our business unprofitable.

Some features of our subscription services use cookies, which trigger the data protection requirements of certain foreign jurisdictions, such as the EU Cookie Directive. In addition, although our subscription services do not involve the collection or use of personally identifiable information from visitors, our services collect

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anonymous data about visitors interactions with our advertiser clients that may be subject to regulation under current or future laws or regulations. If our privacy or data security measures fail to comply with these current or future laws and regulations in any of the jurisdictions in which we collect information, we may be subject to litigation, regulatory investigations, civil or criminal enforcement, audits or other liabilities in such jurisdictions, or our advertisers may terminate their relationships with us.

This area of the law is currently under intense government scrutiny and many governments, including the U.S. government, are considering a variety of proposed regulations that would restrict or impact the conditions under which data obtained from or through the activities of visitors could be collected, processed or stored. In addition, regulators such as the Federal Trade Commission and the California Attorney General are continually proposing new regulations and interpreting and applying existing regulations in new ways. Changes to existing laws or new laws regulating the solicitation, collection or processing of personal and consumer information, truth-in-advertising and consumer protection could affect our customers utilization of digital advertising and marketing, potentially reducing demand for our subscription services, or impose restrictions that make it more difficult or expensive for us to provide our services.

If legislation dampens the growth in web and mobile usage or access to the Internet, our results of operations could be harmed.

Legislation enacted in the future could dampen the growth in web and mobile usage and decrease its acceptance as a medium of communications and commerce or result in increased adoption of new modes of communication and commerce that may not be serviced by our products. In addition, government agencies or private organizations may begin to impose taxes, fees or other charges for accessing the Internet, which could result in slower growth or a decrease in ecommerce, use of social media and/or use of mobile devices. Any of these outcomes could cause demand for our platform to decrease, our costs to increase, and our results of operations and financial condition to be harmed.

If our customers fail to abide by applicable privacy laws or to provide adequate notice and/or obtain consent from end users, we could be subject to litigation or enforcement action or reduced demand for our services. Industry self-regulatory standards may be implemented in the future that could affect demand for our platform and our ability to access data we use to provide our platform.

Our customers utilize our services to support and measure their direct interactions with visitors and we must rely on our customers to implement and administer any notice or choice mechanisms required under applicable laws. If customers fail to abide by these laws, it could result in litigation or regulatory or enforcement action against our customers or against us directly.

In addition, self-regulatory organizations (such as the Network Advertising Initiative) to which our customers may belong may impose opt-in or opt-out requirements on our customers, which may in the future require our customers to provide various mechanisms for users to opt-in or opt-out of the collection of any data, including anonymous data, with respect to such users web or mobile activities. The online and/or mobile industries may adopt technical or industry standards, or federal, state, local or foreign laws may be enacted that allow users to opt-in or opt-out of data that is necessary to our business. In particular, some government regulators and standard-setting organizations have suggested- a Do Not Track standard that allows users to express a preference, independent of cookie settings in their browser, not to have website browsing recorded. All the major internet browsers have implemented some version of a Do Not Track setting. Furthermore, publishers may implement alternative tracking technologies that make it more difficult to access the data necessary to our business or make it more difficult for us to compete with the publisher s own advertising management solutions. If any of these events were to occur in the future, it could have a material effect on our ability to provide services and for our customers to collect the data that is necessary to use our services.

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Our revenues may be adversely affected if we are required to charge sales taxes in additional jurisdictions or other taxes for our solutions.

We collect or have imposed upon us sales or other taxes related to the solutions we sell in certain states and other jurisdictions. Additional states, countries or other jurisdictions may seek to impose sales or other tax collection obligations on us in the future, or states or jurisdictions in which we already pay tax may increase the amount of taxes we are required to pay. A successful assertion by any state, country or other jurisdiction in which we do business that we should be collecting sales or other taxes on the sale of our products and services could, among other things, create significant administrative burdens for us, result in substantial tax liabilities for past sales, discourage clients from purchasing solutions from us or otherwise substantially harm our business and results of operations.

We may experience quarterly fluctuations in our operating results due to a number of factors which make our future results difficult to predict and could cause our operating results to fall below expectations or our guidance.

Our quarterly operating results may fluctuate due to a variety of factors, many of which are outside of our control. As a result, comparing our operating results on a period-to-period basis may not be meaningful. You should not rely on our past results as indicative of our future performance. If our revenues or operating results fall below the expectations of investors or securities analysts, or below any guidance we may provide to the market, the price of our common stock could decline substantially.

In addition to other risk factors listed in this section, factors that may affect our quarterly operating results include the following:

- the level of advertising spend managed through our platform for a particular quarter;
- customer renewal rates, and the pricing and usage of our platform in any renewal term;
- demand for our platform and the size and timing of our sales;
- customers delaying purchasing decisions in anticipation of new releases by us or of new products by our competitors;
- network outages or security breaches and any associated expenses;
- changes in the competitive dynamics of our industry, including consolidation among competitors or customers;
- market acceptance of our current and future solutions;

changes in spending on digital advertising or information technology and software by our current and/or prospective customers;

budgeting cycles of our customers;

our potentially lengthy sales cycle;

our ability to control costs, including our operating expenses;

the amount and timing of infrastructure costs and operating expenses related to the maintenance and expansion of our business, operations and infrastructure;

foreign currency exchange rate fluctuations; and

general economic and political conditions in our domestic and international markets.

Based upon all of the factors described above, we have a limited ability to forecast our future revenues, costs and expenses, and as a result, our operating results may from time to time fall below our estimates or the expectations of public market analysts and investors.

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We might require additional capital to support business growth, and this capital might not be available on acceptable terms, if at all.

We intend to continue to make investments to support our business growth and may require additional funds to respond to business challenges, including the need to develop new features or enhance our existing platform, improve our operating infrastructure or acquire complementary businesses and technologies. Accordingly, we may need to engage in equity or debt financings to secure additional funds. If we raise additional funds through further issuances of equity or convertible debt securities, our existing stockholders could suffer significant dilution, and any new equity securities we issue could have rights, preferences and privileges superior to those of holders of our common stock. Any debt financing secured by us in the future could involve restrictive covenants relating to our capital raising activities and other financial and operational matters, which may make it more difficult for us to obtain additional capital and to pursue business opportunities, including potential acquisitions. In addition, we may not be able to obtain additional financing on terms favorable to us, if at all. If we are unable to obtain adequate financing or financing on terms satisfactory to us, when we require it, our ability to continue to support our business growth and to respond to business challenges could be significantly impaired.

Future acquisitions, strategic investments, partnerships or alliances could be difficult to integrate, divert the attention of key management personnel, disrupt our business, dilute shareholder value and adversely affect our results of operations and financial condition.

We recently acquired NowSpots, Inc., doing business as Perfect Audience (Perfect Audience) in June 2014 and SocialMoov, a Paris-based company, in February 2015 and may seek to acquire additional businesses, products or technologies in the future. However, we have limited experience in acquiring and integrating businesses, products and technologies. If we identify an appropriate acquisition candidate, we may not be successful in negotiating the terms and/or financing of the acquisition, and our due diligence may fail to identify all of the problems, liabilities or other shortcomings or challenges of an acquired business, product or technology, including issues related to intellectual property, product quality or architecture, regulatory compliance practices, revenue recognition or other accounting practices or employee or client issues.

Any acquisition or investment may require us to use significant amounts of cash, issue potentially dilutive equity securities or incur debt. In addition, acquisitions, including our recent acquisitions of Perfect Audience and SocialMoov, involve numerous risks, any of which could harm our business, including:

- regulatory and commercial risks relating to retargeting of online advertising and social advertising, the primary businesses of Perfect Audience and SocialMoov, respectively;
- difficulties in integrating the operations, technologies, services and personnel of acquired businesses, especially if those businesses operate outside of our core competency;
- cultural challenges associated with integrating employees from the acquired company into our organization;
- reputation and perception risks associated with the acquired product or technology by the general public;

ineffectiveness or incompatibility of acquired technologies or services;

potential loss of key employees of acquired businesses;

inability to maintain the key business relationships and the reputations of acquired businesses;

diversion of management s attention from other business concerns;

litigation for activities of the acquired company, including claims from terminated employees, clients, former shareholders or other third parties;

failure to identify all of the problems, liabilities or other shortcomings or challenges of an acquired company, technology, or solution, including issues related to intellectual property, solution quality or

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architecture, regulatory compliance practices, revenue recognition or other accounting practices or employee or client issues;

in the case of foreign acquisitions such as SocialMoov, the need to integrate operations across different cultures and languages and to address the particular economic, currency, political and regulatory risks associated with specific countries; costs necessary to establish and maintain effective internal controls for acquired businesses;

failure to successfully further develop the acquired technology in order to recoup our investment; and

increased fixed costs.

If we are unable to successfully integrate Perfect Audience and SocialMoov, or any future business, product or technology we acquire, our business and results of operations may suffer.

In addition, a significant portion of the purchase price of companies we acquire may be allocated to acquired goodwill and other intangible assets, which must be assessed for impairment at least annually. If our acquisitions do not yield expected returns, we may be required to take charges to our operating results based on this impairment assessment process, which could adversely affect our results of operations.

Acquisitions could also result in dilutive issuances of equity securities or the incurrence of debt, which could adversely affect our operating results. For instance, in connection with our acquisition of Perfect Audience, we issued 1.7 million shares of our common stock, and the SocialMoov acquisition in February 2015 would require us to issue up to 1.6 million shares of our common stock.

If we are unable to implement and maintain effective internal control over financial reporting in the future, investors may lose confidence in the accuracy and completeness of our financial reports and the market price of our common stock may be negatively affected.

As a public company, we are required to maintain internal control over financial reporting and to report any material weaknesses in such internal control. Section 404 of the Sarbanes-Oxley Act of 2002 (the Sarbanes-Oxley Act) requires that we evaluate and determine the effectiveness of our internal control over financial reporting and provide a management report on the internal control over financial reporting and a report by our independent registered public accounting firm to the extent we decide not to avail ourselves of the exemption provided to an emerging growth company, as defined by The Jumpstart Our Business Act of 2012. If we have a material weakness in our internal control over financial reporting, we may not detect errors on a timely basis and our financial statements may be materially misstated. In addition, in the future if we identify material weaknesses in our internal control over financial reporting, if we are unable to comply with the requirements of Section 404 in a timely manner, if we are unable to assert that our internal control over financial reporting is effective or if our independent registered public accounting firm is unable to express an opinion as to the effectiveness of our internal control over financial reporting, investors may lose confidence in the accuracy and completeness of our financial reports and the market price of our common stock could be negatively affected, and we could become subject to investigations by the stock exchange on which our securities are listed, the SEC, or other regulatory authorities, which could require additional financial and management resources.

We are an emerging growth company, and we cannot be certain if the reduced disclosure requirements applicable to emerging growth companies will make our common stock less attractive to investors.

For as long as we continue to be an emerging growth company, we intend to take advantage of certain exemptions from various reporting requirements that are applicable to other public companies including, but not limited to, the exemption from the requirement of a report on our internal control over financial reporting by our independent registered public accounting firm, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not

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previously approved. We cannot predict if investors will find our common stock less attractive because we will rely on these exemptions. If some investors find our common stock less attractive as a result, there may be a less active trading market for our common stock and our stock price may be more volatile.

We will remain an emerging growth company until the earliest of (i) the end of the fiscal year in which the market value of our common stock that is held by non-affiliates exceeds $700 million as of June 30, (ii) the end of the fiscal year in which we have total annual gross revenues of $1 billion or more during such fiscal year, (iii) the date on which we issue more than $1 billion in non-convertible debt in a three-year period or (iv) March 21, 2018.

We may not be able to utilize a significant portion of our net operating loss or research tax credit carryforwards, which could adversely affect our profitability.

As of December 31, 2014, we had federal and state net operating loss carryforwards due to prior period losses, which if not utilized will begin to expire in 2026 and 2016 for federal and state purposes, respectively. We also have federal research tax credit carryforwards, which if not utilized will begin to expire in 2026. These net operating loss and research tax credit carryforwards could expire unused and be unavailable to offset future income tax liabilities, which could adversely affect our profitability.

In addition, under Section 382 of the Internal Revenue Code of 1986, as amended (the Code), our ability to utilize net operating loss carryforwards or other tax attributes, such as research tax credits, in any taxable year may be limited if we experience an ownership change. A Section 382 ownership change generally occurs if one or more stockholders or groups of stockholders who own at least 5% of our stock increase their ownership by more than 50 percentage points over their lowest ownership percentage within a rolling three-year period. Similar rules may apply under state tax laws.

Future issuances of our stock could cause an ownership change. It is possible that any future ownership change could have a material effect on the use of our net operating loss carryforwards or other tax attributes, which could adversely affect our profitability.

Our reported financial results may be adversely affected by changes in accounting principles generally accepted in the United States.

Generally accepted accounting principles in the United States are subject to interpretation by the Financial Accounting Standards Board (FASB), the SEC, and various bodies formed to promulgate and interpret appropriate accounting principles. A change in these principles or interpretations could have a significant effect on our reported financial results, and could affect the reporting of transactions completed before the announcement of a change.

Risks Related to the Ownership of Our Common Stock

The trading prices of the securities of technology companies have been highly volatile. Accordingly, the market price of our common stock has been, and is likely to continue to be, subject to wide fluctuations and could subject us to litigation.

Factors affecting the market price of our common stock include:

variations in our revenue, billings, gross margin, operating results, free cash flow, loss per share, number of active advertisers, revenue retention rates, annualized advertising spend on our platform, adjusted EBITDA and how these results compare to analyst expectations;

forward looking guidance on billings, revenue, gross margin, operating results, free cash flow, and loss per share;

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announcements of technological innovations, new products or services, strategic alliances, acquisitions or significant agreements by us or by our competitors;

disruptions in our cloud-based operations or services or disruptions of other prominent cloud-based operations or services;

the economy as a whole, market conditions in our industry, and the industries of our customers; and

any other factors discussed herein.

In addition, the stock market in general has experienced substantial price and volume volatility that is often seemingly unrelated to the operating results of any particular companies. Moreover, if the market for technology stocks, especially advertising cloud and cloud computing-related stocks, or the stock market in general experiences uneven investor confidence, the market price of our common stock could decline for reasons unrelated to our business, operating results or financial condition. The market price for our stock might also decline in reaction to events that affect other companies within, or outside, our industry, even if these events do not directly affect us. Some companies that have experienced volatility in the trading price of their stock have been subject of securities litigation. If we are the subject of such litigation, it could result in substantial costs and a diversion of management s attention and resources.

We do not intend to pay dividends for the foreseeable future.

We have never declared nor paid cash dividends on our capital stock. We currently intend to retain any future earnings to finance the operation and expansion of our business, and we do not expect to declare or pay any dividends in the foreseeable future. Consequently, stockholders must rely on sales of their common stock after price appreciation, which may never occur, as the only way to realize any future gains on their investment.

Our directors, officers and their respective affiliates own a significant percentage of our stock and will be able to exert significant control over matters subject to stockholder approval.

As of December 31, 2014, our directors, officers and their respective affiliates, beneficially owned approximately 21.0% of our outstanding voting stock. Therefore, these stockholders will continue to have the ability to influence us through this ownership position. These stockholders may be able to determine all matters requiring stockholder approval. For example, these stockholders could be able to control elections of directors, amendments of our organizational documents, or approval of any merger, sale of assets, or other major corporate transaction. This may prevent or discourage unsolicited acquisition proposals or offers for our common stock that you may feel are in your best interest as one of our stockholders.

If there are substantial sales of shares of our common stock, the price of our common stock could decline.

Sales of a substantial number of shares of our common stock in the public market, or the perception that these sales might occur could depress the market price of our common stock and may make it more difficult for you to sell your common stock at a time and price that you deem appropriate. We are unable to predict the effect that sales may have on the prevailing market price of our common stock. We have a currently effective Registration Statement on Form S-3 registering for sale approximately 1.7 million shares of our common stock in connection with our acquisition of Perfect Audience. In addition, in connection with our acquisition of SocialMoov, we are required to prepare and file a

Registration Statement on Form S-3 registering up to 1.6 million shares of our common stock for sale (some of which are subject to contractual restrictions for a period of nine months from the closing of the acquisition and some of which will not be issued, if at all, until the one and two year anniversaries of the closing of the acquisition). After our initial public offering (IPO) in March 2013, the holders of an aggregate of 18.8 million shares of our common stock had rights, subject to some conditions, to require us to file registration statements covering their shares or to include their shares in registration statements that we may file for ourselves or our stockholders. To the extent the holders of such shares have not sold the shares otherwise, such holders may continue to have registration rights. Registration of these shares under the

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Securities Act would result in the shares becoming freely tradable without restriction under the Securities Act. Any sales of securities by existing stockholders could adversely affect the trading price of our common stock.

Delaware law and provisions in our restated certificate of incorporation and restated bylaws could make a merger, tender offer, or proxy contest difficult, thereby depressing the trading price of our common stock.

Our status as a Delaware corporation and the anti-takeover provisions of the Delaware General Corporation Law may discourage, delay, or prevent a change in control by prohibiting us from engaging in a business combination with an interested stockholder for a period of three years after the person becomes an interested stockholder, even if a change of control would be beneficial to our existing stockholders. In addition, our restated certificate of incorporation and restated bylaws contain provisions that may make the acquisition of our Company more difficult, including the following:

- our board of directors are classified into three classes of directors with staggered three-year terms and directors can only be removed from office for cause;
- only our board of directors has the right to fill a vacancy created by the expansion of our board of directors or the resignation, death or removal of a director, which prevents stockholders from being able to fill vacancies on our board of directors;
- only our chairman of the board, our lead independent director, our chief executive officer, our president, or a majority of our board of directors is authorized to call a special meeting of stockholders;
- certain litigation against us can only be brought in Delaware;
- our restated certificate of incorporation authorizes undesignated preferred stock, the terms of which may be established, and shares of which may be issued, without the approval of the holders of common stock; and
- advance notice procedures apply for stockholders to nominate candidates for election as directors or to bring matters before an annual meeting of stockholders.

If securities or industry analysts do not publish research or publish inaccurate or unfavorable research about our business, our stock price and trading volume could decline.

The trading market for our common stock depends in part on the research and reports that securities or industry analysts publish about us or our business. If one or more of the analysts who cover us downgrade our common stock or publish inaccurate or unfavorable research about our business, our common stock price would likely decline. If one or more of these analysts cease coverage of us or fail to publish reports on us regularly, demand for our common stock could decrease, which might cause our common stock price and trading volume to decline.

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ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Our corporate headquarters are located in San Francisco, California, where we occupy facilities totaling approximately 43,000 square feet under a lease which expires in July 2022. We use these facilities for administration, sales and marketing, research and development, engineering, customer support and professional services. We also lease office space in Austin, Chicago and New York in the United States, and Australia, England, France, Germany, Ireland, Japan, and Singapore, which we use principally for sales and marketing, administration, customer support and to deliver professional services locally. We also lease office space in Portland, Oregon and Shanghai, China, which we use principally for engineering. We operate two data centers at third-party facilities located in the United States and Ireland.

We believe our facilities are in good condition and adequate for our current needs and for the foreseeable future. See Note 15 to the Consolidated Financial Statements and Management s Discussion and Analysis of Financial Condition and Results of Operations Contractual Obligations and Commitments for information regarding our lease obligations.

ITEM 3. LEGAL PROCEEDINGS

From time to time, we may become involved in legal proceedings arising in the ordinary course of our business. We are not presently a party to any legal proceedings that, if determined adversely to us, would individually or taken together have a material adverse effect on our business, operating results, financial condition or cash flows.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Price of Our Common Stock

Our common stock has traded on the New York Stock Exchange (NYSE) since March 22, 2013, under the symbol MRIN. Prior to this date, there was no public market for our common stock. The following tables set forth, for the periods indicated, the high and low sales price of our common shares as reported by the NYSE.

	High	Low
Year Ended December 31, 2014		
First Quarter	$ 12.57	$ 9.17

Second Quarter	$ 12.65	$ 8.41
Third Quarter	$ 12.14	$ 7.30
Fourth Quarter	$ 9.68	$ 7.79

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	High	Low
Year Ended December 31, 2013		
First Quarter (from March 22, 2013)	$ 19.95	$ 15.15
Second Quarter	$ 16.43	$ 8.75
Third Quarter	$ 14.37	$ 10.22
Fourth Quarter	$ 12.84	$ 8.50

Holders of our Common Shares

As of January 31, 2015, there were 114 stockholders of record. The actual number of stockholders is greater than the number of record holders, and includes stockholders who are beneficial owners, but whose shares are held in street name by brokers and other nominees. The number of holders of record also does not include stockholders whose shares may be held in trust by other entities.

Dividend Policy

We have never declared or paid any cash dividends on our common stock. We currently intend to retain any future earnings and do not expect to pay any cash dividends on our common stock for the foreseeable future. Any determination to pay dividends in the future will be at the discretion of our board of directors and will be dependent on a number of factors, including our earnings, capital requirements and overall financial conditions. In addition, the terms of our equipment loan agreement with Silicon Valley Bank currently restrict our ability to pay dividends.

Securities Authorized for Issuance under Equity Compensation Plans

The information required by this item will be set forth under the heading Equity Compensation Plan Information in the definitive Proxy Statement for our 2015 Annual Meeting of Stockholders (the Proxy Statement and is incorporated into this report by reference.

Unregistered Sales of Equity Securities

We made no sales of unregistered securities during the quarter ended December 31, 2014.

Use of Proceeds from Public Offering of Common Stock

There have been no material changes in our use of the proceeds from our initial public offering in March 2013.

Recent Issuer Purchases of Equity Securities

The table below provides information with respect to recent repurchases of unvested shares of our common stock.

Period	Total Number of Shares Purchased (1)	Weighted Average Price Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or	Maximum Number of Shares that May Yet be Purchased Under the Plans or Programs

				Programs
October 1 2014	October 31,	555	$ 2.58	
November 1 2014	November 30,	1,320	$ 7.55	
December 1 2014	December 31,	0	N/A	

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(1) Certain of our shares of our common stock held by employees and service providers are subject to vesting. Unvested shares are subject to a right of repurchase by us in the event the holder of such shares is no longer employed by or providing services for us. All shares in the above table were shares repurchased as a result of our exercising this right and not pursuant to a publicly announced plan or program.

Stock Performance Graph

The following shall not be deemed filed for purposes of Section 18 of the Exchange Act, or incorporated by reference into any of our other filings under the Exchange Act or the Securities Act of 1933, as amended, except to the extent we specifically incorporate it by reference into such filing.

The following graph shows a comparison from March 22, 2013 (the date our common stock commenced trading on the NYSE) through December 31, 2014, of the cumulative total return for our common stock, the NYSE Composite Index, and the S&P 1500 Data Processing & Outsourced Services Index. The graph assumes an investment of $100 on March 22, 2013 and reinvestment of any dividends. The comparisons in the graph below are required by the Securities and Exchange Commission and are not intended to forecast or be indicative of possible future performance of our common shares.

Company / Index	3/22/13	3/31/13	6/30/13	9/30/13	12/31/13	3/31/14	6/30/14	9/30/14	12/31/14
Marin Software Inc.	100	117.36	73.14	89.64	73.14	75.50	84.07	61.43	60.43
NYSE Composite Index	100	100.51	101.83	107.58	116.92	119.07	125.00	122.55	124.81
S&P 1500 Data Processing & Outsourced Services	100	103.82	109.57	121.07	141.48	135.24	136.28	137.51	159.17

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ITEM 6. SELECTED CONSOLIDATED FINANCIAL DATA

The following tables present selected historical financial data for our business. You should read this information together with Management s Discussion and Analysis of Financial Condition and Results of Operations and the consolidated financial statements, related notes and other financial information included elsewhere in this Annual Report on Form 10-K. The selected consolidated financial data in this section are not intended to replace the consolidated financial statements and are qualified in their entirety by the consolidated financial statements and related notes included elsewhere in this Annual Report on Form 10-K.

We derived the consolidated statements of operations data for the years ended December 31, 2014, 2013 and 2012, and the consolidated balance sheet data as of December 31, 2014 and 2013 from our audited consolidated financial statements included elsewhere in this report. We derived the consolidated statements of operations data for the years ended December 31, 2011 and 2010 and the consolidated balance sheet data as of December 31, 2012, 2011 and 2010 from our audited financial statements not included in this report. Our historical results are not necessarily indicative of the results to be expected in the future.

	Years Ended December 31,				
	2014	2013	2012	2011	2010
	(in thousands, except per share data)				
Revenues, net	$ 99,354	$ 77,315	$ 59,558	$ 36,121	$ 19,005
Cost of revenues (1)(2)	35,614	31,109	24,764	18,691	11,040
Gross profit	63,740	46,206	34,794	17,430	7,965
Operating expenses					
Sales and marketing (1)(2)	47,716	42,799	32,633	20,357	8,884
Research and development (1)(2)	28,751	20,715	14,014	7,071	4,568
General and administrative (1)(2)	21,257	17,028	13,432	6,679	5,195
Total operating expenses	97,724	80,542	60,079	34,107	18,647
Loss from operations	(33,984)	(34,336)	(25,285)	(16,677)	(10,682)
Interest expense, net	(177)	(453)	(520)	(378)	(230)
Other (expenses) income, net	(466)	(571)	(456)	(229)	78
Loss before benefit from (provision for) income taxes	(34,627)	(35,360)	(26,261)	(17,284)	(10,834)
Benefit from (provision for) income taxes	1,456	(492)	(221)	(139)	(23)
Net loss	(33,171)	(35,852)	(26,482)	(17,423)	(10,857)
Redemption of preferred stock in connection with the Series D financing and deemed dividend					(1,033)
Net loss available to common stockholders	$ (33,171)	$ (35,852)	$ (26,482)	$ (17,423)	$ (11,890)
Net loss per share available to common stockholders, basic and diluted (3)	$ (0.97)	$ (1.36)	$ (6.00)	$ (4.29)	$ (3.27)

Weighted-average shares used to compute net loss per share available to common stockholders, basic and diluted (3)	34,210	26,312	4,417	4,058	3,639

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(1) Stock-based compensation included in the consolidated statements of operations data above was allocated as follows:

	Years Ended December 31,				
	2014	2013	2012	2011	2010
	(in thousands)				
Cost of revenues	$ 765	$ 887	$ 439	$ 165	$ 90
Sales and marketing	1,895	1,304	1,005	226	66
Research and development	3,785	1,346	831	163	58
General and administrative	2,797	1,681	2,673	143	1,172
	$ 9,242	$ 5,218	$ 4,948	$ 697	$ 1,386

(2) Amortization of intangible assets included in the consolidated statements of operations data above was allocated as follows:

	Years Ended December 31,				
	2014	2013	2012	2011	2010
	(in thousands)				
Cost of revenues	$ 399	$	$	$	$
Sales and marketing	261				
Research and development	397				
General and administrative	74				
	$ 1,131	$	$	$	$

(3) See Note 13 of the consolidated financial statements for an explanation of the calculations of basic and diluted net loss per share available to common stockholders.

	As of December 31,				
	2014	2013	2012	2011	2010
	(in thousands)				
Consolidated Balance Sheet Data					
Cash and cash equivalents	$ 68,253	$ 104,407	$ 31,540	$ 1,719	$ 1,172
Property and equipment, net	16,274	14,417	9,224	4,909	3,113
Total assets	128,217	137,377	57,224	18,297	10,653
Debt, current and long-term	3,208	6,215	10,815	6,629	3,195
Convertible preferred stock, net of issuance costs			105,710	51,514	35,580
	106,117	115,344	(72,706)	(48,408)	(32,578)

Total stockholders equity (deficit)	

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ITEM 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and related notes included elsewhere in this Annual Report on Form 10-K. This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those forward-looking statements below. Factors that could cause or contribute to those differences include, but are not limited to, those identified below and those discussed in the section entitled Risk Factors included elsewhere in this Annual Report on Form 10-K. This Annual Report on Form 10-K contains forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act). These statements are often identified by the use of words such as believe, may, potentially, will, estimate, continue, anticipate, intend, could, would, project, plan, expect, seek, and similar expressions or variations. Such forward-looking statements are subject to risks, uncertainties and other factors that could cause actual results and the timing of certain events to differ materially from future results expressed or implied by such forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those identified herein, and those discussed in the section titled Risk Factors , set forth in Part I, Item 1A of this Annual Report on Form 10-K. Except as required by law, we disclaim any obligation to update any forward-looking statements to reflect events or circumstances after the date of such statements.

Overview

We provide a leading cross-channel advertising cloud platform that enables digital marketers to improve performance of their online advertising campaigns, realize efficiencies and time savings, and make better business decisions. Our integrated platform is a software-as-a-service (SaaS) analytics, workflow, and optimization solution for marketing professionals, allowing them to effectively manage their digital advertising spend across search, display, social and mobile advertising channels. Our software solution is designed to help our customers:

- measure the effectiveness of their advertising campaigns through our proprietary reporting and analytics capabilities;
- manage and execute campaigns through our intuitive user interface and underlying technology that streamlines and automates key functions, such as ad creation and bidding, across multiple publishers and channels; and
- optimize campaigns across multiple publishers and channels in real time based on market and business data to achieve desired revenue outcomes using our predictive bid management technology.

In December 2014, our customers collectively managed more than $7.2 billion in annualized advertising spend on our platform and for the quarter ended December 31, 2014, we had 818 active advertisers using our solution globally across a wide range of industries. We market and sell our solutions to advertisers directly and through leading advertising agencies. For 2014, 2013 and 2012, our revenues were $99.4 million, $77.3 million and $59.6 million, representing period-over-period growth of 29%, 30% and 65%, respectively. We had net losses of $33.2 million in 2014, $35.9 million in 2013, and $26.5 million in 2012.

We earn revenues principally from subscription contracts under which we provide advertisers with access to our search, social and display advertising management platforms, either directly or through the advertiser s relationship with an agency that has a contract with us. In accordance with the subscription contracts, we charge fees generally based upon the amount of advertising spend that our customers manage through our platform. Our contracts are generally one year or longer in length. Under our subscription contracts with most of our direct advertisers and some of our agency customers, customers are contractually committed to a monthly minimum fee, which is payable on a monthly basis over the duration of the contract and is generally greater than one-half of our estimated monthly revenues from these customers, at the time the contract is signed. However, most of our

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subscription contracts with our advertising agency customers do not include a committed monthly minimum fee. Our contractual arrangement is with the advertising agency and the advertiser is not a party to the terms of the contract. Accordingly, most advertisers through our agency customers do not have a commitment to use our services and the advertisers may be added or removed from our platform at the discretion of the respective agency. We invoice the advertising agency for the amounts due under the contract. Historically, approximately half of our revenues have been earned from advertising agency customers. Our subscription fee under most contracts is variable based upon the value of advertising spend that our customers manage through our platform. Our deferred revenues consist of the unearned portion of billed subscription fees.

Our subscription contracts indicate the date at which we begin invoicing our customers, which is generally the first day of the month following the execution of the contract. We generally invoice the greater of the minimum fee or the percentage of advertising spend on our platform. The implementation process for new advertisers is typically four to six weeks; however, we generally do not charge a separate implementation fee under our subscription contracts.

Our implementation and customer support personnel, as well as costs associated with our operating infrastructure, are included in our cost of revenues. Our cost of revenues and operating expenses have increased in absolute dollars due to our need to increase our headcount to grow our business and to increase data center capacity to support customer revenue growth on our platform. We expect that our cost of revenues will continue to increase in absolute dollars as we continue to invest in our growth.

In order to grow revenues, we need to invest in (1) sales and marketing activities by adding sales and customer success representatives globally to target new advertisers and agencies and (2) research and development to further expand our platform and support for additional publishers. These activities will require us to make investments, particularly in research and development and sales and marketing, and if these investments do not generate additional customers or additional advertising spend managed by our platform, our future operating results could be harmed.

The majority of our revenues are derived from our advertisers in the United States. We believe the markets outside of the United States offer an opportunity for growth, and we intend to make additional investments in sales and marketing to expand in these markets. Advertisers from outside of the United States represented 34%, 32% and 27% of total revenues for 2014, 2013 and 2012, respectively.

We were incorporated in 2006 and initially focused on building the core elements of our cloud-based platform, which we currently use to service our customers. In September 2007, we launched Marin Enterprise, which targets large advertisers and agencies. We released Marin Professional Edition in March 2011, which targets mid-market advertisers and agencies. We have an iterative development process and we typically release new features every one to two months. Additionally, we have continued to expand internationally, opening our London office in 2009, our Paris, Hamburg, Singapore and Sydney offices in 2011, our Dublin and Tokyo offices in 2012 and our Shanghai office in 2013.

We completed our acquisition of NowSpots, Inc., which conducted business as Perfect Audience (Perfect Audience) in June 2014 to complement our product offerings, which is more fully described in Note 3 to our accompanying Consolidated Financial Statements. In February 2015, we completed our acquisition of SocialMoov to provide us with innovative social advertising technologies that will augment our current social offering, which is further described in Note 18 to our accompanying Consolidated Financial Statements.

Key Metrics

We regularly review a number of metrics to evaluate growth trends, measure our performance, establish budgets and make strategic decisions. Our selected key metrics include revenue, gross margin, operating expenses, active advertisers, annualized advertising spend on our platform and revenue retention rate. We discuss revenue, gross margin and operating expenses below under Components of Results of Operations. We monitor our key metrics to measure our success. Our revenues are generally based on the amount of advertising

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spend our customers manage on our platform in a period. As a result, revenues are an important metric to understanding the overall health of our business, and we use revenue trends to formulate financial projections and make strategic business decisions.

Number of Active Advertisers

We define an active advertiser as an advertiser from whom we recognized revenues in excess of $2,000 in at least one month in a period. We believe the $2,000 threshold best identifies advertisers who are actively using our platform. We focus on revenues in at least one month in a period to account for seasonality in advertising spend by our customers, some of whom may not run digital advertising campaigns in every month of a year but still represent an active advertiser on our platform. We count organizations within the same corporate structure as one advertiser, even if they have signed separate contracts with us for different brands or divisions, whether they are a direct advertiser or an advertiser through an agency. When our subscription contract is with an advertising agency, we include each advertiser whose advertising spend is managed by the agency through our platform as a different advertiser. Advertisers who have advertising spend managed by multiple agencies on our platform are counted as one advertiser. We believe that our ability to increase the number of active advertisers using our platform is a leading indicator of our ability to grow revenues. We had 818, 673 and 531 active advertisers in the quarters ending December 31, 2014, 2013 and 2012, respectively. While our active advertiser count has increased over time, this metric can also fluctuate from quarter to quarter due to seasonality and timing and amount of revenue contributed from new active advertisers and therefore, there is not necessarily a direct correlation between the amount of increased revenues and the change in active advertisers in a particular period.

Revenue Retention Rate

We believe our ability to retain and grow revenues from our existing advertisers is an indicator of the stability of our revenue base and the long-term value of our advertiser relationships. We assess our ability to retain and grow subscription revenues using a metric we refer to as revenue retention rate. We calculate our revenue retention rate metric by dividing retained revenues by retention base revenues. We define retention base revenues as revenues from all advertisers in the corresponding prior period, and we define retained revenues as revenues from all advertisers from the prior period that remain advertisers in the current period. This metric is calculated on a quarterly basis, and for annual periods, we use an average of the quarterly metrics. Although we have lost individual advertisers over time, advertisers who have remained on our platform have generally, in the aggregate, increased their advertising spend on our platform. At the same time, advertising spend on our platform may vary quarter to quarter, and as a result, quarterly revenue retention rates may fluctuate quarter to quarter. Our annual revenue retention rates were 97%, 97% and 114% in 2014, 2013 and 2012, respectively.

Annualized Advertising Spend on our Platform

We calculate annualized advertising spend as advertising spend in the last month of a period multiplied by 12. We believe that increases in annualized advertising spend generally lead to increases in revenues over time. However, we believe that other factors related to the terms of customer agreements and seasonality can make it difficult to directly correlate annual advertising spend to changes in revenues in a particular period. Our customers collectively managed $7.2 billion, $6.0 billion and $4.7 billion in annualized advertising spend on our platform in December 2014, 2013 and 2012, respectively.

Components of Results of Operations

Revenues

We generate revenues principally from subscription contracts under which we provide advertisers with access to our search, social and display advertising management platform, either directly or through the advertiser s relationship with an agency with whom we have a contract. Under our subscription contracts with most direct advertisers and some of our agency customers, customers contractually commit to a monthly minimum fee, which is generally greater than one-half of our estimated monthly revenues from these customers, at the time the

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contract is signed. However, most of our subscription contracts with our advertising agency customers do not include a committed monthly minimum fee. Additionally, advertisers we serve through our arrangements with our advertising agencies generally do not have a minimum commitment to continue using our services. Our subscription fee under most contracts is variable based upon the value of advertising spend that our customers manage through our platform, although some customers pay a flat monthly rate over the term of their subscription contract. Our deferred revenues consist of the unearned portion of billed subscription fees.

Cost of Revenues

Cost of revenues primarily includes personnel costs, consisting of salaries, benefits, bonuses and stock-based compensation, for employees associated with our cloud infrastructure and global services for implementation and ongoing customer service organizations. Other costs of revenues include fees paid to contractors who supplement our support and data center personnel, expenses related to the use of a third-party data center, depreciation of data center equipment, amortization of capitalized internal-use software development costs, amortization of intangible assets and allocated overhead.

We intend to continue to invest additional resources in our global services teams and in the capacity of our hosting service infrastructure. As we continue to invest in technology innovation through our research and development organization, we expect to have increased amortization of capitalized internal-use software development costs. We expect that this investment in technology should not only expand the breadth and depth of our cross-channel performance advertising cloud platform but also increase the efficiency of how we deliver these solutions, enabling us to improve our gross margin over time. The level and timing of investment in these areas could affect our cost of revenues in the future.

Sales and Marketing Expenses

Sales and marketing expenses include personnel costs, sales commissions and other costs including travel and entertainment, marketing and promotional events, public relations, marketing activities, professional fees and allocated overhead. All of these costs are expensed as incurred, including sales commissions. Our commission plans provide that payment of commissions to our sales representatives are paid based on the actual amounts we invoice customers over a period that is generally up to five months following the execution of the applicable customer contract.

We plan to continue investing in sales and marketing by increasing the number of sales and account management employees, expanding our domestic and international sales and marketing activities, building brand awareness and sponsoring additional marketing events, which we believe will enable us to add new customers and increase penetration within our existing customer base. We expect that, in the future, sales and marketing expenses will increase in absolute dollars and continue to be our largest operating expense category.

Research and Development Expenses

Research and development expenses consist primarily of personnel costs for our product development and engineering employees and executives, including salaries, benefits, stock-based compensation expense and bonuses. Also included are non-personnel costs such as professional fees payable to third-party development resources, amortization of intangible assets and allocated overhead.

Our research and development efforts are focused on enhancing our software architecture, adding new features and functionality to our platform and improving the efficiency with which we deliver these services to our customers. We

expect that, in the future, research and development expenses will increase in absolute dollars, partially offset by the capitalization of internal-use software development costs. We believe that these investments are necessary to maintain and improve our competitive position.

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General and Administrative Expenses

General and administrative expenses consist primarily of personnel costs, including salaries, benefits, stock-based compensation expense and bonuses, for our administrative, legal, human resources, finance and accounting employees and executives. Also included are non-personnel costs, such as travel-related expenses, audit fees, tax services and legal fees, as well as professional fees, insurance and other corporate expenses, along with amortization of intangible assets and allocated overhead.

We expect to incur incremental costs associated with supporting the growth of our business, both in terms of size and geographic expansion, and to meet the increased compliance requirements associated with our continued operation as a public company. Such costs include increases in our accounting and legal personnel, additional consulting, legal and audit fees, insurance costs, board of directors compensation and the costs of achieving and maintaining compliance with the Sarbanes-Oxley Act of 2002. As a result, we expect our general and administrative expenses to increase in absolute dollars in future periods but to decrease as a percentage of revenues over time.

Other Expenses, Net and Interest Expenses, Net

Other expenses, net primarily consists of foreign currency transaction gains and losses. Interest expense, net, consists primarily of interest income earned on our cash equivalents offset by the interest expense for our capital lease payments and borrowings under our equipment advances and revolving line of credit.

Benefit from (Provision for) Income Taxes

The benefit from (provision for) income taxes consists of federal, state and foreign income taxes. Due to recent losses, we maintain a valuation allowance against our deferred tax assets as of December 31, 2014. We consider all available evidence, both positive and negative, in assessing the extent to which a valuation allowance should be applied against our deferred tax assets.

Results of Operations

The following table is a summary of our consolidated statements of operations. The period-to-period comparisons of results are not necessarily indicative of results for future periods.

	Years Ended December 31,		
	2014	2013	2012
	(in thousands)		
Revenues, net	$ 99,354	$ 77,315	$ 59,558
Cost of revenues (1)(2)	35,614	31,109	24,764
Gross profit	63,740	46,206	34,794
Operating expenses			
Sales and marketing (1)(2)	47,716	42,799	32,633
Research and development (1)(2)	28,751	20,715	14,014
General and administrative (1)(2)	21,257	17,028	13,432

Total operating expenses	97,724	80,542	60,079
Loss from operations	(33,984)	(34,336)	(25,285)
Interest expense, net	(177)	(453)	(520)
Other expenses, net	(466)	(571)	(456)
Loss before benefit from (provision for) income taxes	(34,627)	(35,360)	(26,261)
Benefit from (provision for) income taxes	1,456	(492)	(221)
Net loss	$ (33,171)	$ (35,852)	$ (26,482)

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(1) Stock-based compensation included in the consolidated statements of operations data above was as follows:

	Years Ended December 31,		
	2014	2013	2012
	(in thousands)		
Cost of revenues	$ 765	$ 887	$ 439
Sales and marketing	1,895	1,304	1,005
Research and development	3,785	1,346	831
General and administrative	2,797	1,681	2,673
	$ 9,242	$ 5,218	$ 4,948

(2) Amortization of intangible assets included in the consolidated statements of operations data above was as follows:

	Years Ended December 31,		
	2014	2013	2012
	(in thousands)		
Cost of revenues	$ 399	$	$
Sales and marketing	261		
Research and development	397		
General and administrative	74		
	$ 1,131	$	$

The following table sets forth our consolidated results of operations for the specified periods as a percentage of our revenues for those periods. Percent of revenue figures are rounded and therefore may not subtotal exactly.

	Years Ended December 31,		
	2014	2013	2012
Revenues, net	100%	100%	100%
Cost of revenues	36	40	42
Gross profit	64	60	58
Operating expenses			
Sales and marketing	48	55	55
Research and development	29	27	24
General and administrative	21	22	23
Total operating expenses	98	104	101

Loss from operations	(34)	(44)	(42)
Interest expense		(1)	(1)
Other expenses, net		(1)	(1)
Loss before benefit from (provision for) income taxes	(35)	(46)	(44)
Benefit from (provision for) income taxes	1	(1)	
Net loss	(33)%	(46)%	(44)%

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The following tables set forth our consolidated revenues by geographic area:

	Years Ended December 31,		
	2014	2013	2012
	(in thousands)		
Revenues, net by geography			
United States of America	$ 65,745	$ 52,725	$ 43,429
International	33,609	24,590	16,129
Total revenues, net	$ 99,354	$ 77,315	$ 59,558

	Years Ended December 31,		
	2014	2013	2012
Revenues, net by geography			
United States of America	66%	68%	73%
International	34	32	27
Total revenues, net	100%	100%	100%

Adjusted EBITDA

Adjusted EBITDA is a financial measure that is not calculated in accordance with generally accepted accounting principles in the United States (GAAP). We define Adjusted EBITDA as net loss, adjusted for stock-based compensation expense, depreciation, the amortization of internally developed software, the amortization of intangible assets, the capitalization of internally developed software, interest expense, net, the benefit from or provision for income taxes, other income or expenses, net, and the non-recurring costs associated with acquisitions. Adjusted EBITDA is a financial measure that is not calculated in accordance with GAAP. We believe Adjusted EBITDA is useful to investors in evaluating our operating performance for the following reasons:

Adjusted EBITDA is widely used by investors and securities analysts to measure a company s operating performance without regard to items, such as stock-based compensation expense, depreciation and amortization, capitalized software development costs, interest expense, net, benefit from or provision for income taxes, other income or expenses, net and non-recurring costs associated with acquisitions, that can vary substantially from company to company depending upon their financing, capital structures and the method by which assets were acquired;

Our management uses Adjusted EBITDA in conjunction with GAAP financial measures for planning purposes, including the preparation of our annual operating budget, as a measure of operating performance and the effectiveness of our business strategies and in communications with our board of directors concerning our financial performance; and

Adjusted EBITDA provides consistency and comparability with our past financial performance, facilitates period-to-period comparisons of operations and also facilitates comparisons with other peer companies, many of which use similar non-GAAP financial measures to supplement their GAAP results.

We understand that, although Adjusted EBITDA is frequently used by investors and securities analysts in their evaluations of companies, Adjusted EBITDA has limitations as an analytical tool, and you should not consider it in isolation or as a substitute for analysis of our results of operations as reported under GAAP. These limitations include:

Depreciation and amortization are non-cash charges, and the assets being depreciated or amortized will often have to be replaced in the future; Adjusted EBITDA does not reflect any cash requirements for these replacements;

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Adjusted EBITDA does not reflect changes in, or cash requirements for, our working capital needs or contractual commitments;

Adjusted EBITDA does not reflect cash requirements for income taxes and the cash impact of other income or expense; and

Other companies may calculate Adjusted EBITDA differently than we do, limiting its usefulness as a comparative measure.

The following table presents a reconciliation of net loss, the most comparable GAAP measure, to Adjusted EBITDA for each of the periods indicated:

	Years Ended December 31,		
	2014	2013	2012
	(in thousands)		
Net loss	$ (33,171)	$ (35,852)	$ (26,482)
Depreciation	5,669	4,722	2,642
Amortization of internally developed software	1,905	1,156	525
Amortization of intangible assets	1,131		
Interest expense, net	177	453	520
(Benefit from) provision for income taxes	(1,456)	492	221
EBITDA	(25,745)	(29,029)	(22,574)
Stock-based compensation expense	9,242	5,218	4,948
Capitalization of internally developed software	(3,146)	(3,216)	(1,743)
Acquisition related expenses	351		
Other expenses, net	466	571	456
Adjusted EBITDA	$ (18,832)	$ (26,456)	$ (18,913)

Comparison of the Years Ended December 31, 2014 and 2013

Revenues

	Years Ended December 31,		Change	
	2014	2013	$	%
	(dollars in thousands)			
Total revenues, net	$ 99,354	$ 77,315	$ 22,039	29%

Revenues increased $22.0 million, or 29%, for 2014 as compared to 2013. This increase was driven primarily by growth in revenues from both new and existing advertisers in all geographies as our ongoing investment in sales and marketing resources resulted in increased demand for our platform worldwide. During the year, we also began to generate revenues from advertisers who utilized our newly acquired display re-targeting functionalities. During 2014, we generated $13.4 million of revenue from new advertisers, and $8.6 million of additional revenue from our existing

advertisers. We define a new advertiser as an advertiser from whom we earned revenue during the current fiscal period and from whom we did not earn any revenue during the immediately prior fiscal period. There were no customers that accounted for greater than 10% of our revenues in 2014 or 2013.

Revenues in 2014 from the United States, United Kingdom and other international locations represented 66%, 10% and 24%, respectively, of revenues, and in 2013, revenues from the United States, United Kingdom and other international locations represented 68%, 9% and 23%, respectively, of revenues.

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Cost of Revenues and Gross Margin

	Years Ended December 31,		Change	
	2014	2013	$	%
	(dollars in thousands)			
Cost of revenues	$ 35,614	$ 31,109	$ 4,505	14%
Gross profit	63,740	46,206	17,534	38
Gross margin	64%	60%		

Cost of revenues increased $4.5 million, or 14%, as compared to 2013. This primarily results from increases of $1.5 million in depreciation and amortization expense (related to internally developed software) and $1.2 million in hosting costs to support the increased use of our hosted platform, as well as an increase of $0.9 million in compensation and benefits expenses and $0.4 million of allocated overhead, resulting from an increase in the average number of global services and platform infrastructure personnel during 2014. Amortization of intangible assets acquired as part of the acquisition of Perfect Audience in June 2014 amounted to $0.4 million for the year ended December 31, 2014.

Our gross margin increased to 64% during 2014 from 60% during 2013. This increase was due to the achievement of greater operational efficiency from personnel dedicated to our cloud infrastructure and global services precipitated by upgraded functionality and capabilities delivered by our engineering team.

Sales and Marketing

	Years Ended December 31,		Change	
	2014	2013	$	%
	(dollars in thousands)			
Sales and marketing	$ 47,716	$ 42,799	$ 4,917	11%
Percent of revenues, net	48%	55%		

Sales and marketing expenses increased $4.9 million, or 11%, as compared to 2013. The increases were primarily due to an increase our average global sales and marketing headcount during 2014, contributing to an increase of $3.9 million in personnel-related costs, consisting primarily of increased employee compensation, benefits and travel costs associated with our sales force. The remaining $1.0 million increase during 2014 is primarily the result of an increase in allocated overhead of $0.6 million due to the growth in headcount relative to the rest of our company, and amortization expense of $0.3 million related to intangible assets acquired as part of the acquisition of Perfect Audience in June 2014.

Research and Development

	Years Ended December 31,		Change	
	2014	2013	$	%
	(dollars in thousands)			
Research and development	$ 28,751	$ 20,715	$ 8,036	39%
Percent of revenues, net	29%	27%		

Research and development expenses increased $8.0 million, or 39%, as compared to 2013. This primarily reflected an increase in average research and development headcount during 2014, resulting in an increase of $6.9 million in compensation expense. During 2014, allocated overhead increased $0.6 million due to the increase in headcount, and amortization of intangible assets acquired as part of the acquisition of Perfect Audience in June 2014 amounted to $0.4 million.

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General and Administrative

	Years Ended December 31,		Change	
	2014	2013	$	%
	(dollars in thousands)			
General and administrative	$ 21,257	$ 17,028	$ 4,229	25%
Percent of revenues, net	21%	22%		

General and administrative expenses increased $4.2 million, or 25%, respectively, as compared to 2013. Compensation, benefits and other employee-related expenses exclusive of stock-based compensation increased by $2.3 million, as we added employees to support the growth of our business. Professional fees and insurance expenses increased $1.0 million to support our global expansion and the acquisition of Perfect Audience in June 2014. Bad debt expense increased $0.5 million, which was relatively in line with the corresponding increase in sales from 2013 to 2014. We also incurred $0.3 million in costs directly related to the acquisition of Perfect Audience in June 2014.

Other Expenses, Net and Interest Expense, Net

	Years Ended December 31,		Change	
	2014	2013	$	%
	(dollars in thousands)			
Other expenses, net and interest expense, net	$ (643)	$ (1,024)	$ (381)	(37)%

Other expenses, net primarily consists of foreign currency transaction gains and losses. The decrease of $0.4 million, or 37%, in other expenses, net, and interest expense, net, during 2014 was primarily due to a decrease of $0.3 million in interest expense as we continued to pay down our long-term debt, partially offset by an increase of $0.2 million in foreign exchange losses due to the growth of our international operations and fluctuations in foreign currency exchange rates. Other expenses, net, during 2014 also excluded $0.2 million in losses resulting from the change in the fair value of freestanding preferred stock warrants incurred during 2013. Upon the consummation of the Company s initial public offering (IPO), those warrants converted into warrants to purchase common stock and were reclassified from liabilities to additional paid-in capital. As a result, changes in their fair value are no longer recorded on the consolidated statement of comprehensive loss.

Benefit from (Provision for) Income Taxes

	Years Ended December 31,		Change	
	2014	2013	$	%
	(dollars in thousands)			
Benefit from (provision for) income taxes	$ 1,456	$ (492)	$ 1,948	(396)%

Benefit from income taxes for 2014 increased $1.9 million primarily due to a decrease in our valuation allowances of $2.3 million as a result of deferred tax liabilities recorded as part of our acquisition of Perfect Audience in June 2014. This increased benefit was partially offset by additional provision for income taxes due to increased profits generated in foreign jurisdictions by our wholly-owned subsidiaries.

Comparison of the Years Ended December 31, 2013 and 2012

Revenues

	Years Ended December 31,		Change	
	2013	2012	$	%
	(dollars in thousands)			
Revenues	$ 77,315	$ 59,558	$ 17,757	30%

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Revenues increased $17.8 million, or 30%, for 2013 as compared to 2012. This increase was driven by growth in revenues from both new and existing advertisers in all geographies as our ongoing investment in sales and marketing resources resulted in increased demand for our platform worldwide. During 2013, we generated $11.1 million of revenue from new advertisers and $6.7 million of additional revenue from our existing advertisers. We define a new advertiser as an advertiser from whom we earned revenue during the current fiscal period and from whom we did not earn any revenue during the previous corresponding period. There were no customers that accounted for greater than 10% of our revenues in 2013 or 2012.

Revenues in 2013 from the United States and international locations represented 68% and 32%, respectively, of revenues, and in 2012, revenues from the United States and international locations represented 73% and 27%, respectively, of revenues.

Cost of Revenues and Gross Margin

	Years Ended December 31,		Change	
	2013	2012	$	%
	(dollars in thousands)			
Cost of revenues	$ 31,109	$ 24,764	$ 6,345	26%
Gross profit	46,206	34,794	11,412	33
Gross margin	60%	58%		

Cost of revenues increased $6.3 million, or 26%, as compared to 2012. This reflected an increase in the average number of global services and platform infrastructure personnel from 118 employees during 2012 to 135 employees during 2013, resulting in an increase of $2.7 million in compensation and benefits expenses and $0.1 million of allocated overhead. During 2013, we also experienced increases of $2.2 million in depreciation and amortization expense, $0.9 million in hosting costs, $0.3 million of equipment-related expenses, and $0.2 million of professional fees to support the increased use of our hosted platform.

Our gross margin increased to 60% during 2013 from 58% during 2012. This increase was due to the achievement of greater operational efficiency from personnel dedicated to our cloud infrastructure and global services precipitated by upgraded functionality and capabilities delivered by our engineering team. Compensation for these personnel was 23% of revenues during 2013, as compared to 25% during 2012.

Sales and Marketing

	Years Ended December 31,		Change	
	2013	2012	$	%
	(dollars in thousands)			
Sales and marketing	$ 42,799	$ 32,633	$ 10,166	31%
Percent of revenues, net	55%	55%		

Sales and marketing expenses increased $10.2 million, or 31%, as compared to 2012. The increases were primarily due to an increase our average global sales and marketing headcount from 123 employees during 2012 to 161 employees during 2013, contributing to an increase of $8.2 million in personnel-related costs, consisting primarily of increased employee compensation, benefits and travel costs associated with our sales force. Stock-based compensation

during 2013 did not include $0.4 million in stock-based compensation incurred in 2012 directly attributable to the redemption of common shares from an employee for an amount above the fair value at the time of the redemption. Allocated overhead increased $0.8 million and recruiting fees increased $0.1 million, also due to the growth in headcount relative to the rest of our company. Marketing event and technology costs increased $0.7 million due to our continued marketing efforts and professional fees also increased $0.3 million during 2013.

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Research and Development

	Years Ended December 31,		Change	
	2013	2012	$	%
	(dollars in thousands)			
Research and development	$ 20,715	$ 14,014	$ 6,701	48%
Percent of revenues, net	27%	24%		

Research and development expenses increased $6.7 million, or 48%, as compared to 2012. This reflected an increase in average research and development headcount from 88 employees during 2012 to 130 employees during 2013, resulting in an increase of $4.9 million in compensation expense. Stock-based compensation for 2013 did not include $0.3 million in stock-based compensation incurred in 2012 directly attributable to the redemption of common shares from two employees for an amount above the fair value at the time of the redemption. Allocated overhead also increased $1.1 million due to the increase in headcount. Professional fees increased $0.3 million to supplement our employees efforts to enhance our software architecture. Recruiting, equipment, and travel expenses increased $0.3 million in total to support the opening of our new office in Shanghai.

General and Administrative

	Years Ended December 31,		Change	
	2013	2012	$	%
	(dollars in thousands)			
General and administrative	$ 17,028	$ 13,432	$ 3,596	27%
Percent of revenues	22%	23%		

General and administrative expenses increased $3.6 million, or 27%, respectively, as compared to 2012. Included in this balance during 2012 is $1.9 million in stock-based compensation directly associated with the redemption of common shares from two employees for an amount above the fair value at the time of the redemption. As a result, stock-based compensation for general and administrative employees decreased $1.0 million during 2013. Excluding stock-based compensation, general and administrative expenses increased $4.6 million. Compensation, benefits and other employee-related expenses exclusive of stock-based compensation increased by $2.3 million, as we added employees to support the growth of our business and as we became a public company. Professional fees and insurance expenses increased $0.6 million and $0.4 million, respectively, to support our global expansion and as we completed our IPO and became a public company during the March 2013. Allocated overhead and recruiting fees increased $0.4 million and $0.2 million, respectively, to support our growth in headcount. Expenses for non-income based taxes increased $0.2 million as we became a public company. Banking fees also increased $0.2 million as we continued our international expansion.

Other Expenses, Net

	Years Ended December 31,	Change

	2013	2012	$	%
	(dollars in thousands)			
Other expenses, net	($ 1,024)	($ 976)	($ 48)	5%

Other expenses, net primarily consists of foreign currency transaction gains and losses and interest expense. Interest expense decreased $0.1 million in 2013, as we paid off the balance on our revolving line of credit. Foreign currency transaction losses increased $0.1 million due to the growth of our international operations.

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Provision for Income Taxes

	Years Ended December 31,		Change	
	2013	2012	$	%
	(dollars in thousands)			
Provision for income taxes	$ 492	$ 221	$ 271	123%

Provision for income increased $0.3 million as a result of increased profits generated in foreign jurisdictions by our wholly-owned subsidiaries.

Quarterly Results of Operations

The following table sets forth our unaudited quarterly consolidated statements of operations data for each of the eight quarters in the period ended December 31, 2014. We have prepared the quarterly data on a basis consistent with our audited annual financial statements, including, in the opinion of management, all normal recurring adjustments necessary for the fair statement of the financial information contained in these statements. The historical results are not necessarily indicative of future results and should be read in conjunction with our consolidated financial statements and the related notes included elsewhere in this Annual Report on Form 10-K.

	Three Months Ended							
	December 31, 2014	September 30, 2014	June 30, 2014	March 31, 2014	December 31, 2013	September 30, 2013	June 30, 2013	March 31, 2013
	(in thousands)							
Revenues, net	$ 27,002	$ 25,684	$ 23,853	$ 22,815	$ 21,829	$ 20,113	$ 18,218	$ 17,155
Cost of revenues (1)(2)	9,323	9,145	8,763	8,383	8,097	7,944	7,696	7,372
Gross profit	17,679	16,539	15,090	14,432	13,732	12,169	10,522	9,783
Operating expenses								
Sales and marketing (1)(2)	11,563	12,186	11,978	11,989	11,709	10,281	10,350	10,459
Research and development (1)(2)	8,217	7,824	6,627	6,083	5,660	5,072	4,904	5,079
General and administrative (1)(2)	5,791	5,682	5,368	4,416	4,273	4,681	4,026	4,048
Total operating expenses	25,571	25,692	23,973	22,488	21,642	20,034	19,280	19,586
Loss from operations	(7,892)	(9,153)	(8,883)	(8,056)	(7,910)	(7,865)	(8,758)	(9,803)
Interest expense, net	(16)	(33)	(62)	(66)	(78)	(82)	(109)	(184)
	(385)	201	(286)	4	(66)	(16)	(81)	(408)

Other (expenses) income, net								
Loss before (provision for) benefit from income taxes	(8,293)	(8,985)	(9,231)	(8,118)	(8,054)	(7,963)	(8,948)	(10,395)
(Provision for) benefit from income taxes	(537)	(259)	2,440	(188)	(7)	(230)	(149)	(106)
Net loss	$ (8,830)	$ (9,244)	$ (6,791)	$ (8,306)	$ (8,061)	$ (8,193)	$ (9,097)	$ (10,501)
Net loss per share available to common stockholders, basic and diluted	$ (0.25)	$ (0.27)	$ (0.20)	$ (0.25)	$ (0.25)	$ (0.25)	$ (0.28)	$ (1.43)

(1) Stock-based compensation included in the consolidated statements of operations data above was as follows:

	Three Months Ended							
	December 31, 2014	September 30, 2014	June 30, 2014	March 31, 2014	December 31, 2013	September 30, 2013	June 30, 2013	March 31, 2013
	(in thousands)							
Cost of revenues	$ 189	$ 173	$ 192	$ 211	$ 198	$ 239	$ 245	$ 205
Sales and marketing	513	530	449	403	301	349	361	293
Research and development	1,337	1,362	649	437	356	379	303	308
General and administrative	849	851	651	446	411	451	400	419
Total stock-based compensation	$ 2,888	$ 2,916	$ 1,941	$ 1,497	$ 1,266	$ 1,418	$ 1,309	$ 1,225

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(2) Amortization of intangible assets included in the consolidated statements of operations data above was as follows:

	Three Months Ended							
	December 31, 2014	September 30, 2014	June 30, 2014	March 31, 2014	December 31, 2013	September 30, 2013	June 30, 2013	March 31, 2013
	(in thousands)							
Cost of revenues	$ 171	$ 171	$ 57	$	$	$	$	$
Sales and marketing	112	112	37					
Research and development	170	170	57					
General and administrative	32	32	10					
Total amortization of intangible assets	$ 485	$ 485	$ 161	$	$	$	$	$

The following table sets forth our consolidated results of operations for the specified periods as a percentage of our revenues for those periods. Percent of revenue figures are rounded and therefore may not subtotal exactly.

	Three Months Ended							
	December 31, 2014	September 30, 2014	June 30, 2014	March 31, 2014	December 31, 2013	September 30, 2013	June 30, 2013	March 31, 2013
	(as a % of revenues, net)							
Revenues, net	100%	100%	100%	100%	100%	100%	100%	100%
Cost of revenues	35	36	37	37	37	39	42	43
Gross profit	65	64	63	63	63	61	58	57
Operating expenses								
Sales and marketing	43	48	50	53	54	51	57	61
Research and development	30	30	28	27	26	25	27	30
General and administrative	21	22	23	19	20	23	22	24
Total operating expenses	95	100	101	99	100	99	106	115
Loss from operations	(29)	(36)	(38)	(36)	(36)	(38)	(48)	(58)
Interest expense, net							(1)	(1)
Other (expenses) income, net	(1)	1	(1)					(2)
Loss before (provision for) benefit from income taxes	(31)	(35)	(39)	(36)	(37)	(38)	(49)	(61)
(Provision for) benefit from income taxes	(2)	(1)	10	(1)		(1)	(1)	(1)
Net loss	(33)%	(36)%	(29)%	(37)%	(37)%	(39)%	(50)%	(62)%

Liquidity and Capital Resources

Since our incorporation in March 2006, we have relied primarily on sales of our capital stock to fund our operating activities. From incorporation until our IPO, we raised $105.7 million, net of related issuance costs, in funding through private placements of our preferred stock. In March and April 2013, we raised net proceeds of $109.3 million in our IPO. From time to time, we have also utilized equipment lines to fund capital purchases. As of December 31, 2014, our principal sources of liquidity were our cash and cash equivalents of $68.3 million, access to borrowing under our fully available $15.0 million revolving credit facility and our capital lease arrangement. The approximate weighted average interest rate on our outstanding borrowings as of December 31, 2014, was 3.2%. Our primary operating cash requirements include the payment of compensation and related costs, as well as costs for our facilities and information technology infrastructure. We also have an outstanding irrevocable letter of credit for $1.3 million related to the non-cancelable lease for our corporate headquarters in San Francisco, California.

We presently maintain minimal cash balances in our foreign subsidiaries. As of December 31, 2014, we had $68.3 million of cash and cash equivalents, of which only $7.4 million was held by our foreign subsidiaries. In

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the future, we plan to increase the invoicing and remittance of proceeds from our international operations in our foreign subsidiaries bank accounts. We plan to re-invest the cash earned by our foreign subsidiaries to finance the growth of our foreign operations.

Based on our current level of operations and anticipated growth, we believe that our existing cash and cash equivalents will be sufficient to fund our operations for at least the next 12 months. Our future capital requirements will depend on many factors, including our rate of revenue growth, the expansion of our sales and marketing activities, and the timing and extent of spending to support product development efforts and expansion into new territories and the timing of introductions of new features and enhancements to our platform. Although we are not currently a party to any agreement or letter of intent with respect to potential investments in, or acquisitions of complementary businesses, services or technologies, we may enter into these types of arrangements in the future, which could also require us to seek additional equity financing or use our cash resources. We have no present understandings, commitments or agreements to enter into any such acquisitions. To the extent that existing cash and cash equivalents are insufficient to fund our future activities, we may need to raise additional funds through public or private equity or debt financing.

Summary of Cash Flows

The following table sets forth a summary of our cash flows for the periods indicated:

	Years Ended December 31,		
	2014	**2013**	**2012**
		(in thousands)	
Net cash used in operating activities	$ (24,390)	$ (23,397)	$ (19,095)
Net cash used in investing activities	(12,614)	(8,239)	(7,250)
Net cash provided by financing activities	850	104,503	56,166
Net (decrease) increase in cash and cash equivalents	$ (36,154)	$ 72,867	$ 29,821

Operating Activities

Cash used in operating activities is primarily influenced by the amount of cash we invest in personnel and infrastructure to support the anticipated growth of our business and the increase in the number of advertisers using our platform. Cash used in operating activities has typically been affected by net losses and further increased by changes in our operating assets and liabilities, particularly in the areas of accounts receivable, prepaid expenses and other current assets, deferred revenue, accounts payable and accrued expenses and other current liabilities, adjusted for non-cash expense items such as depreciation, amortization, stock-based compensation expense and deferred income tax benefits.

Cash used in operating activities in 2014 of $24.4 million was primarily the result of a net loss of $33.2 million; a $7.7 million net change in working capital items (exclusive of changes due to net liabilities assumed from the acquisition of Perfect Audience in June 2014), most notably an increase in accounts receivable of $4.6 million due to the increase in sales and the timing of related collections; an increase in prepaid expenses and other current assets, and other (noncurrent) assets, of $2.5 million related to the growth of our operations and timing of related disbursements; a decrease in deferred revenues of $0.5 million related to the timing of the collection of minimum fees at the start of our subscription agreements; and a net decrease in accounts payable and accrued expenses and other current and

noncurrent liabilities of $0.1 million due to the timing of related disbursements and customer advances. This was partially offset by non-cash expenses of $16.5 million, which included depreciation, amortization, stock-based compensation expense and deferred income tax benefits, which increased primarily due to capital expenses and headcount growth, primarily related to continued investment in our business, as well as the acquisition of Perfect Audience.

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Cash used in operating activities in 2013 of $23.4 million was the result of a net loss of $35.9 million, partially offset by non-cash expenses of $12.0 million, which included depreciation, amortization and stock-based compensation expense. These non-cash expenses increased due to capital expenses and headcount growth, primarily related to continued investment in our business. These uses of funds were offset by a $0.5 million net change in working capital items, most notably an increase in deferred revenue of $1.9 million due to our efforts to invoice the total minimum fees due under the term of our subscription agreements at the start of the agreement, and an increase in accrued liabilities of $2.2 million, related to the growth of our operations and timing of related disbursements. These working capital changes were partially offset by a $0.9 million increase in prepaid expenses and other current assets and a $2.4 million increase in accounts receivable, also related to the growth of our operations and timing of related disbursements.

Cash used in operating activities in 2012 of $19.1 million was the result of a net loss of $26.5 million, offset by non-cash expenses of $9.1 million, which included depreciation, amortization and stock-based compensation expense. These non-cash expenses increased due to capital expenses and headcount growth, primarily related to continued investment in our business. The remaining use of funds of $1.7 million was from the net change in working capital items, most notably an increase in accounts receivable of $3.7 million resulting from our revenue growth and an increase in prepaid expenses and other current assets of $0.6 million primarily related to the timing of payments for insurance premiums and software subscriptions. These were partially offset by an increase in accounts payable and accrued liabilities of $2.6 million, related to the growth of our operations and timing of related disbursements.

Investing Activities

During 2014, 2013 and 2012, investing activities consisted of purchases of property and equipment, including technology hardware and software to support our growth as well as capitalized internally developed software costs. Purchases of property and equipment may vary from period-to-period due to the timing of the expansion of our operations and the development cycles of our internally developed hosted software platform. We expect to continue to invest in property and equipment and developing our software platform for the foreseeable future. Investing activities during 2014 are also inclusive of cash paid for the acquisition of Perfect Audience of $5.3 million, net of cash acquired of $1.1 million.

Financing Activities

Cash provided by financing activities in 2014 was $0.9 million. This was primarily related to $3.9 million of proceeds from the exercise of stock options and contributions to our employee stock purchase plan, partially offset by $3.1 million in net repayments under our credit facility and capital lease arrangement.

Cash provided by financing activities in 2013 was $104.5 million. This consisted of proceeds from our IPO, net of paid offering costs, of $109.4 million as well as $3.0 million of proceeds from the exercise of stock options and contributions to our employee stock purchase plan. These amounts were partially offset by $8.0 million in net repayments under our credit facility and capital lease arrangement.

Cash provided by financing activities in 2012 was $56.2 million. This consisted of $54.2 million of net proceeds from the issuance of our Series F and F-1 preferred stock, net borrowings under our credit facility of $4.3 million during this period, and $2.1 million of proceeds from the exercise of stock options and issuance of common stock. These inflows were partially offset by $4.5 million paid to redeem common stock during the period and $0.1 million paid for direct costs associated with our IPO.

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Contractual Obligations and Commitments

Our principal commitments consist of obligations under operating leases for office space and our data center as well as debt obligations under our credit facilities with Silicon Valley Bank. As of December 31, 2014, the future minimum payments under these commitments, as well as obligations under our credit facilities, were as follows:

	Payments Due By Period				
	Total	Less Than 1 Year	1-3 Years	3-5 Years	More Than 5 Years
			(in thousands)		
Debt obligations	$ 3,239	$ 2,587	$ 652	$	$
Interest expense payments	34	33	1		
Operating leases	35,796	6,278	17,824	9,862	1,832
Total	$ 39,033	$ 8,898	$ 18,478	$ 9,862	$ 1,832

The amounts in the table above are associated with agreements that are enforceable and legally binding, which specify significant terms including payment terms, related services and the approximate timing of the transaction. Purchase obligations under contracts that we can cancel without a significant penalty are not included in the table.

During the ordinary course of business, we include indemnification provisions within certain of our contracts. Pursuant to these arrangements, we may be obligated to indemnify, hold harmless and agree to reimburse the indemnified party for losses suffered or incurred by the indemnified party, generally parties with which we have commercial relations, in connection with certain intellectual property infringement claims by any third party with respect to our software. To date, there have not been any costs incurred in connection with such indemnification arrangements and therefore, there is no accrual for such amounts as of December 31, 2014.

In addition to the obligations in the table above, we have approximately $0.1 million of unrecognized tax benefits that have been recorded as liabilities as of December 31, 2014. It is uncertain as to if or when such amounts may be settled.

Off-Balance Sheet Arrangements

During the periods presented, we did not have, nor do we currently have, any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities, which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. We are therefore not exposed to any financing, liquidity, market or credit risk that could arise if we had engaged in those types of relationships.

We have no obligations that meet the definition of an off-balance sheet arrangement as of December 31, 2014, other than operating leases and a standby letter of credit, as described in the Notes to the Consolidated Financial Statements.

Critical Accounting Policies and Significant Judgments and Estimates

Our management s discussion and analysis of financial condition and results of operations is based on our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the

United States. The preparation of these consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, as well as the reported revenues and expenses during the reporting periods. These items are monitored and analyzed by us for changes in facts and circumstances, and material changes in these estimates could occur in the future.

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We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities. If actual results or events differ materially from those contemplated by us in making these estimates, our reported financial condition and results of operations for future periods could be materially affected. See Risk Factors for certain matters that may affect these estimates or our future financial condition or results of operations. An accounting policy is deemed to be critical if it requires an accounting estimate to be made based on assumptions about matters that are uncertain at the time the estimate is made, if different estimates reasonably could have been used, or if the changes in estimate that are reasonably likely to occur could materially impact the financial statements.

Our significant accounting policies are described in Note 2 to the Consolidated Financial Statements included in this Annual Report on Form 10-K, and we believe that the accounting policies discussed below involve the greatest degree of complexity and exercise of judgment by our management. The methods, estimates and judgments that we use in applying our accounting policies have a significant impact on our results of operations and, accordingly, we believe the policies described below are the most critical for understanding and evaluating our financial condition and results of operations.

Revenue Recognition

We generate revenues principally from subscriptions either directly with advertisers or with advertising agencies to our platform for the management of search, display and social advertising. Our subscription agreements are generally one year or longer in length. The subscription fee under most contracts is variable based on the value of the advertising spend that our advertisers manage through our platform and is generally invoiced on a monthly basis. Contracts with direct advertisers and certain contracts with advertising agencies also include a minimum monthly fee that is payable over the duration of the contract. Our customers do not have the right to take possession of the software supporting the application service at any time, nor do the arrangements contain general rights of return. We commence revenue recognition for both direct advertisers and advertising agencies when all of the following conditions are met:

- persuasive evidence of an arrangement exists;
- our platform is made available to the customer;
- the fee is fixed or determinable, and;
- collection is reasonably assured.

We recognize the total minimum fee for both direct advertisers and advertising agencies, where applicable, over the duration of the contract, commencing on the date that our platform is made available to the customer, provided revenues recognized do not exceed amounts that are invoiced and due. The variable fee, which is based on a percentage of the value of the advertising spend managed through our platform, is recognized once the amount is fixed or determinable, which is generally on a monthly basis concurrent with the issuance of the customer invoice. Signed contracts are used as evidence of an arrangement. We assess collectability based on a number of factors such as past collection history with the customer and creditworthiness of the customer. Certain agreements with advertising agencies also contain sequential liability provisions, which provide that the agency has no obligation to pay us until the agency receives payment from its customers. In these circumstances, we evaluate the credit worthiness of the

agency s customers, in addition to the agency itself, to conclude whether or not collectability is reasonably assured. If we determine collectability is not reasonably assured, we defer the revenue recognition until collectability becomes reasonably assured.

In October 2009, the Financial Accounting Standards Board (FASB) ratified authoritative accounting guidance regarding revenue recognition for arrangements with multiple deliverables effective for fiscal periods beginning on or after June 15, 2010. We adopted the new guidance on a prospective basis for fiscal 2011.

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Professional services and training, when sold with our platform subscription services, are accounted for separately when those services have standalone value. In determining whether professional services and training services can be accounted for separately from subscription services, we consider the following factors: availability of the services from other vendors; the nature of the services; the dependence of the subscription services on the customer s decision to buy the professional services; and whether we sell the subscription services without professional services. If the deliverables have stand-alone value, we account for each deliverable separately and revenues are recognized for the respective deliverables as they are delivered. If one or more of the deliverables do not have stand-alone value, the deliverables that do not have stand-alone value are combined with the final deliverables within the arrangement and treated as a single unit of accounting. Revenues for arrangements treated as a single unit of accounting are recognized over the period of the contract commencing upon delivery of the final deliverable. As of December 31, 2014, we did not have stand-alone value for the professional services and training services. This is because we include professional services and training services with our subscription services and those services are not available from other vendors.

Stock-Based Compensation

We measure and recognize expense for stock-based compensation based on the grant date fair value of the award and generally recognize the expense, net of estimated forfeitures, on a straight-line basis over the requisite service period.

Prior to our IPO, we estimated the fair value of our common stock for purposes of determining the fair value of our option awards. Subsequent to the IPO, we use the closing stock price on the date of grant. Determining the fair value of stock-based awards at the grant date requires judgment. We use the Black-Scholes option pricing model to determine the fair value of our stock option awards. The determination of the grant date fair value of our stock option awards using an option pricing model is affected by the estimated fair value per share of the common stock underlying those options as well as assumptions regarding a number of other complex and subjective variables. These variables include our expected stock price volatility over the expected term of the options, stock option exercise and cancellation behaviors, risk-free interest rates and expected dividends, which are estimated as follows:

Expected Volatility. As our common stock has been publicly traded less than two years, there is a lack of Company-specific historical and implied volatility data. Accordingly, we have estimated the expected stock price volatility for our common stock by taking the average historic price volatility for industry peers based on daily price observations over a period equivalent to the expected term of the stock option grants. Industry peers consist of public companies in the technology industry, primarily in the subscription software business. We intend to continue to consistently apply this process using the same or similar public companies until a sufficient amount of historical information regarding the volatility of our own common stock share price becomes available, or unless circumstances change such that the identified companies are no longer similar to us, in which case, more suitable companies whose share prices are publicly available would be utilized in the calculation.

Risk-Free Interest Rate. The risk-free interest rate assumption used is based on observed market interest rates appropriate for the expected term of employee options.

Expected Term. We estimated the expected term for a plain vanilla option using the simplified method allowed under current guidance, which uses the midpoint between the graded vesting period and the contractual termination date since we do not have sufficient historical exercise data to provide a reasonable

basis upon which to estimate the expected term.

Dividend Yield. We have never declared or paid any cash dividends and do not presently plan to pay cash dividends in the foreseeable future. Consequently, we used an expected dividend yield of zero.

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We used the following assumptions in our application of the Black-Scholes option pricing model for the periods presented in the table below:

	Years Ended December 31,		
	2014	2013	2012
Dividend yield	0%	0%	0%
Expected volatility	51%	55%	57%
Risk-free interest rate	1.89%	1.27%	0.95%
Expected term (in years)	6.25	6.25	6.25

In addition, stock-based compensation guidance requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. We apply an estimated forfeiture rate based on our historical forfeiture experience.

Future expense amounts for any particular period could be affected by changes in our assumptions or changes in market conditions.

Stock-based compensation expense included in the consolidated financial statement line items is as follows:

	Years Ended December 31,		
	2014	2013	2012
	(in thousands)		
Cost of revenues	$ 765	$ 887	$ 439
Sales and marketing	1,895	1,304	1,005
Research and development	3,785	1,346	831
General and administrative	2,797	1,681	2,673
	$ 9,242	$ 5,218	$ 4,948

Costs for equity instruments issued in exchange for the receipt of goods or services from non-employees are measured at the fair market value of the consideration received or the fair value of the equity instruments issued, whichever is more reliably measurable. The value of equity instruments issued for consideration other than employee services is determined on the earlier of the date on which there first exists a firm commitment for performance by the provider of goods or services or on the date performance is complete, using the Black-Scholes option pricing model.

Prior to our IPO, we were required to estimate the fair value of the common stock underlying our share-based awards when performing the fair value calculations with the Black-Scholes option-pricing model. The fair value of the common stock underlying our share-based awards was determined by our board of directors, with input from management and contemporaneous third-party valuations. Our board of directors determined the fair value of our common stock on the date of grant based on a number of factors including:

- our performance, growth rate and financial condition at the approximate time of the option grant;

the value of companies that we consider peers based on a number of factors including, but not limited to, similarity to us with respect to industry, business model, stage of growth, financial risk or other factors;

changes in our business and our prospects since the last time the board approved option grants and made a determination of fair value;

amounts recently paid by investors for our convertible preferred stock in arm s-length transactions;

the rights, preferences and privileges of preferred stock relative to those of our common stock;

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future financial projections; and

valuation analyses.

In valuing our common stock, our board of directors determined the equity value of our business generally using the income approach and market comparable approach valuation methods. When applicable, due to a recent preferred stock offering, the prior sale of company stock method was also utilized. The income approach estimates value based on the expectation of future cash flows that a company will generate, such as cash earnings, cost savings, tax deductions and the proceeds from a disposition. These future cash flows are discounted to their present values using a discount rate derived from an analysis of the cost of capital of comparable publicly traded companies in our industry or similar lines of business as of each valuation date and is adjusted to reflect the risks inherent in our cash flows. In addition, we also considered an appropriate discount adjustment to recognize the lack of marketability due to being a closely held entity.

The market comparable approach estimates value based on a comparison of the subject company to comparable public companies in a similar line of business. From the comparable companies, a representative market value multiple is determined and then applied to the subject company s operating results to estimate the value of the subject company. In our valuations, the multiple of the comparable companies was determined using a ratio of the market value of invested capital less cash to each of the last twelve month revenues and the forecasted future twelve month revenues. The estimated value was then discounted by a non-marketability factor due to the fact that stockholders of private companies do not have access to trading markets similar to those enjoyed by stockholders of public companies which impacts liquidity. To determine our peer group of companies, we considered public enterprise cloud-based application providers and selected those that are similar to us in size, stage of life cycle and financial leverage.

The prior sales of company stock method estimates value by considering any prior arm s length sales of the subject company s equity. When considering prior sales of the company s equity, the valuation considers the size of the equity sale, the relationship of the parties involved in the transaction, the timing of the equity sale, and the financial condition of the company at the time of the sale.

Income Taxes

As a result of our current net operating loss position in the United States, income tax expense consists primarily of corporate income taxes resulting from profits generated in foreign jurisdictions by wholly-owned subsidiaries, along with state income taxes payable in the United States. As we have incurred operating losses in all periods to date and recorded a full valuation allowance against our deferred tax assets (except for deferred tax assets associated with our subsidiary in the United Kingdom), we have not historically recorded a provision for federal income taxes. Realization of any of our deferred tax assets depends upon future earnings, the timing and amount of which are uncertain. We consider all available evidence, both positive and negative, in assessing the extent to which a valuation allowance should be applied against our deferred tax assets.

Utilization of our net operating losses may be subject to substantial annual limitation due to the ownership change limitations provided by the Code and similar state provisions. An analysis was conducted through December 31, 2014, to determine whether an ownership change had occurred since inception. The analysis indicated that because an ownership change occurred in a prior year, $0.2 million of each of our federal and state net operating losses were significantly limited pursuant to IRC Section 382. In the event we have subsequent changes in ownership or profitability is delayed, net operating losses and research and development credit carryovers could be further limited and may expire unutilized.

Allowance for Doubtful Accounts

We assess collectability based on a number of factors, including credit worthiness of the customer along with past transaction history; in addition, we perform periodic evaluations of our customers financial condition.

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Certain contracts with advertising agencies contain sequential liability provisions, where the agency does not have an obligation to pay until payment is received from the agency s customers. In these circumstances, we evaluate the credit worthiness of the agency s customers, in addition to the agency itself. Credit losses historically have not been material, which is directly attributable to our subscription-based services model, enabling us to immediately discontinue the availability of the services in question in the event of non-payment. Through December 31, 2014, we have not experienced any significant credit losses.

Business Combinations

In accordance with authoritative business combination accounting guidance, we allocate the fair value of purchase consideration to the tangible assets acquired, liabilities assumed and intangible assets acquired based on their estimated fair values. The excess of the fair value of purchase consideration over the fair values of these identifiable assets acquired and liabilities assumed is recorded as goodwill. While we use our best estimates and assumptions to accurately value assets acquired and liabilities assumed at the acquisition date as well as contingent consideration, where applicable, our estimates are inherently uncertain and subject to refinement. As a result, during the measurement period, which may be up to one year from the acquisition date, we may record adjustments to the assets acquired and liabilities assumed with the corresponding offset to goodwill. Upon the conclusion of the measurement period or final determination of the values of assets acquired or liabilities assumed, whichever comes first, any subsequent adjustments are recorded to our consolidated statements of comprehensive loss.

Accounting for business combinations requires our management to make significant estimates and assumptions, especially at the acquisition date, particularly our estimates for intangible assets, contractual obligations assumed, restructuring liabilities, pre-acquisition contingencies and contingent consideration, where applicable. Although we believe the assumptions and estimates we have made in the past have been reasonable and appropriate, they are based in part on historical experience and information obtained from the management of the acquired company and are inherently uncertain.

Examples of critical estimates in valuing certain of the intangible assets we have acquired include but are not limited to:

- future expected cash flows from customer relationships and developed technology;
- the acquired company s brand and competitive position, as well as assumptions about the period of time the acquired brand will continue to be used in the combined company s product portfolio; and
- discount rates;

Unanticipated events and circumstances may occur that may affect the accuracy or validity of such assumptions, estimates or actual results.

For a given acquisition, we may identify certain pre-acquisition contingencies as of the acquisition date and may extend our review and evaluation of these pre-acquisition contingencies throughout the measurement period in order to obtain sufficient information to assess whether we include these contingencies as a part of the fair value estimates of assets acquired and liabilities assumed and, if so, to determine their estimated amounts.

If we cannot reasonably determine the fair value of a pre-acquisition contingency (non-income tax related) by the end of the measurement period, which is generally the case given the nature of such matters, we will recognize an asset or a liability for such pre-acquisition contingency if: (i) it is probable that an asset existed or a liability had been incurred at the acquisition date and (ii) the amount of the asset or liability can be reasonably estimated. Subsequent to the measurement period, changes in our estimates of such contingencies will affect earnings and could have a material effect on our results of operations and financial position.

In addition, uncertain tax positions and tax related valuation allowances assumed in connection with a business combination are initially estimated as of the acquisition date. We reevaluate these items quarterly based

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upon facts and circumstances that existed as of the acquisition date with any adjustments to our preliminary estimates being recorded to goodwill if identified within the measurement period. Subsequent to the measurement period or our final determination of the tax allowance s or contingency s estimated value, whichever comes first, changes to these uncertain tax positions and tax related valuation allowances will affect our provision for income taxes in our consolidated statements of comprehensive loss and could have a material impact on our results of operations and financial position.

Goodwill, Intangible Assets and Other Long-Lived Assets Impairment Assessments

We review goodwill for impairment annually and whenever events or changes in circumstances indicate its carrying value may not be recoverable in accordance with authoritative accounting guidance. For the purposes of impairment testing, we have determined that we have one reporting unit. We perform the two-step impairment test, whereby we compare the fair value of each reporting unit to its carrying value. If the fair value of the reporting unit exceeds the carrying value of the net assets assigned to that unit, goodwill is not considered impaired and we are not required to perform further testing. If the carrying value of the net assets assigned to the reporting unit exceeds the fair value of the reporting unit, then we must perform the second step of the impairment test in order to determine the implied fair value of the reporting unit s goodwill. If the carrying value of a reporting unit s goodwill exceeds its implied fair value, then we would record an impairment loss equal to the difference. No impairment has been noted to date.

We periodically review the carrying amounts of intangible assets and other long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of these assets may not be recoverable. We measure the recoverability of these assets by comparing the carrying amount of such assets (or asset group) to the future undiscounted cash flow we expect the assets (or asset group) to generate. If we consider any of these assets to be impaired, the impairment to be recognized equals the amount by which the carrying value of the assets exceeds its fair value. We make judgments about the recoverability of purchased intangible assets whenever events or changes in circumstances indicate that an impairment may exist.

Each period we evaluate the estimated remaining useful lives of intangible assets and other long-lived assets to assess whether a revision to the remaining periods of amortization is required. Assumptions and estimates about remaining useful lives of our intangible and other long-lived assets are subjective. They can be affected by a variety of factors, including external factors such as industry and economic trends and internal factors such as changes in our business strategy. Although we believe the historical assumptions and estimates we have made are reasonable and appropriate, different assumptions and estimates could materially impact our reported financial results. We did not recognize any intangible asset impairment charges to date.

Recent Accounting Pronouncements

See Note 2 Summary of Significant Accounting Policies to the consolidated financial statements included in this Annual Report on Form 10-K, regarding the impact of certain recent accounting pronouncements on our consolidated financial statements.

ITEM 7A. Quantitative and Qualitative Disclosures About Market Risk.

We have operations both within the United States and internationally and we are exposed to market risks in the ordinary course of our business. These risks primarily include interest rate, foreign exchange and inflation risks, as well as risks relating to changes in the general economic conditions in the countries where we conduct business. To reduce certain of these risks, we monitor the financial condition of our large customers and limit credit exposure by

setting credit limits as we deem appropriate. In addition, our investment strategy has been to invest in financial instruments that are highly liquid and readily convertible into cash, with maturity dates within three months from the date of purchase. To date, we have not used derivative instruments to mitigate the impact of our market risk exposures. We have also not used, nor do we intend to use, derivatives for trading or speculative purposes.

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Interest Rate Risk

We are exposed to market risk related to changes in interest rates. Our investments are considered cash equivalents and primarily consist of money market funds. As of December 31, 2014, we had cash and cash equivalents of $68.3 million. The carrying amount of our cash and cash equivalents reasonably approximates fair value, due to the short maturities of these investments. The primary objectives of our investment activities are the preservation of capital, the fulfillment of liquidity needs and the fiduciary control of cash and investments. We do not enter into investments for trading or speculative purposes. Our investments are exposed to market risk due to a fluctuation in interest rates, which may affect our interest income and the fair market value of our investments. Due to the short-term nature of our investment portfolio, we believe only dramatic fluctuations in interest rates would have a material effect on our investments. As such we do not expect our operating results or cash flows to be materially affected by a sudden change in market interest rates.

As of December 31, 2014 we had borrowings outstanding in the aggregate of $3.2 million. Our outstanding long-term borrowings consist of fixed and variable interest rate financial instruments. The interest rates of our borrowings range from 3.0% to 6.0%. A hypothetical 10% increase or decrease in interest rates relative to our current interest rates would not have a material impact on the fair values of all of our outstanding borrowings. Changes in interest rates would, however, affect operating results and cash flows, because of the variable rate nature of our borrowings. A hypothetical 10% increase or decrease in interest rates relative to interest rates as of December 31, 2014 would result in an insignificant impact to interest expense for 2015.

Foreign Currency Exchange Risk

We have foreign currency risks related to our revenues and operating expenses denominated in currencies other than the U.S. dollar, primarily the euro, British pound sterling, Canadian dollar, Singapore dollar, Japanese yen, Chinese yuan, and Australian dollar. Revenues outside of the United States as a percentage of consolidated revenues were 34%, 32% and 27% during 2014, 2013 and 2012, respectively. Changes in exchange rates may negatively affect our revenues and other operating results as expressed in U.S. dollars.

Aggregate foreign currency losses included in determining net loss were $0.5 million, $0.3 million and $0.1 million during 2014, 2013 and 2012, respectively. Transaction gains and losses are included in other expenses, net.

As our international operations grow, our risks associated with fluctuation in currency rates will become greater, and we will continue to reassess our approach to managing this risk. In addition, currency fluctuations or a weakening U.S. dollar can increase the costs of our international expansion, while a strengthening U.S. dollar can negatively impact our international revenues. To date, we have not entered into any foreign currency hedging contracts, since exchange rate fluctuations have not had a material impact on our operating results and cash flows. Based on our current international structure, we do not plan on engaging in hedging activities in the near future.

Inflation Risk

We do not believe that inflation has had a material effect on our business, financial condition or results of operations. Nonetheless, if our costs were to become subject to significant inflationary pressures, we may not be able to fully offset such higher costs through price increases. Our inability or failure to do so could harm our business, financial condition and results of operations.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The information in response to this item is included in our consolidated financial statements, together with the report thereon of PricewaterhouseCoopers LLP, beginning on page F-1 of this Annual Report on Form 10-K, and in Item 7 under the heading Management s Discussion and Analysis of Financial Condition and Results of Operations.

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ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Regulations under the Securities Exchange Act of 1934 (Exchange Act) require public companies, including us, to maintain disclosure controls and procedures, which are defined in Rule 13a-15(e) and Rule 15d-15(e) to mean a company s controls and other procedures that are designed to ensure that information required to be disclosed in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in our reports filed under the Exchange Act is accumulated and communicated to management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required or necessary disclosures.

In designing and evaluating our disclosure controls and procedures, management recognizes that disclosure controls and procedures, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the disclosure controls and procedures are met. Additionally, in designing disclosure controls and procedures, our management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible disclosure controls and procedures. Our principal executive officer and principal financial officer have concluded, based on the evaluation of the effectiveness of the disclosure controls and procedures by our management as of December 31, 2014, that our disclosure controls and procedures were effective at the reasonable assurance level for this purpose.

Management s Annual Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f) and 15(d)-15(f). The Company s internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of the financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company s assets that could have a material effect on the financial statements.

Internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements prepared for external purposes in accordance with generally accepted accounting principles. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our management, with the participation of our principal executive officer and principal financial officer, conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in *Internal*

Control Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our evaluation under the framework in *Internal Control Integrated Framework*, management concluded that our internal control over financial reporting was effective as of December 31, 2014.

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Changes in Internal Control over Financial Reporting

There was no change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the quarterly period ended December 31, 2014, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by this item concerning our directors, executive officers, Section 16 compliance and corporate governance matters will be set forth under the headings Directors and Executive Officers and Section 16(a) Beneficial Ownership Compliance in the Proxy Statement and is incorporated into this report by reference.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this item regarding executive compensation will be set forth under the headings Executive Compensation in the Proxy Statement and is incorporated into this report by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by this item regarding security ownership of certain beneficial owners and management and related stockholder matters will be set forth under the headings Security Ownership of Certain Beneficial Owners and Management in the Proxy Statement and is incorporated into this report by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by this item regarding related party transactions and director independence will be set forth under the headings Board of Directors and Committees of the Board, Related Party Transactions in the Proxy Statement and is incorporated into this report by reference.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information required by this item regarding principal accounting fees and services will be set forth under the headings Ratification of Appointment of Independent Registered Public Accounting Firm in the Proxy Statement and is incorporated into this report by reference.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a)

(1) Financial Statements

The list of consolidated financial statements and schedules set forth in the accompanying Index to the Consolidated Financial Statements at page F-1 of this annual report is incorporated herein by reference. Such consolidated financial statements and schedules are filed as part of this annual report.

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(2) Financial Statement Schedules

The schedule required by this item is included in Note 2 to the Consolidated Financial Statements. All other financial statement schedules are not required or are inapplicable and therefore have been omitted.

(b)

(3) Exhibits

The exhibits listed on the accompanying Index to Exhibits in Item 15(b) below are filed or incorporated by reference as part of this Annual Report on Form 10-K. See Exhibit Index immediately following the Signature Pages.

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INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of

Marin Software Incorporated

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of comprehensive loss, convertible preferred stock and stockholders (deficit) equity and cash flows present fairly, in all material respects, the financial position of Marin Software Incorporated at December 31, 2014 and 2013, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2014 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

/s/ PricewaterhouseCoopers LLP

San Jose, California

February 20, 2015

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Marin Software Incorporated

Consolidated Balance Sheets

(dollars and share numbers in thousands, except per share data)

	December 31, 2014	2013
Assets		
Current assets		
Cash and cash equivalents	$ 68,253	$ 104,407
Accounts receivable, net	18,726	14,921
Prepaid expenses and other current assets	4,751	2,695
Total current assets	91,730	122,023
Property and equipment, net	16,274	14,417
Goodwill	11,527	
Intangible assets, net	7,399	
Other noncurrent assets	1,287	937
Total assets	$ 128,217	$ 137,377
Liabilities and Stockholders Equity		
Current liabilities		
Accounts payable	$ 3,737	$ 1,018
Accrued expenses and other current liabilities	12,053	10,950
Deferred revenues	2,052	2,566
Current portion of long-term debt	2,587	3,253
Total current liabilities	20,429	17,787
Long-term debt, less current portion	621	2,962
Other long-term liabilities	1,050	1,284
Total liabilities	22,100	22,033
Commitments and contingencies (Note 15)		
Stockholders equity		
Common stock, $0.001 par value 500,000 and 36,000 shares authorized, 35,846 and 33,133 shares issued, 35,181, and 32,953 outstanding at December 31, 2014 and December 31, 2013, respectively	35	33
Additional paid-in capital	253,221	228,512
Accumulated deficit	(146,392)	(113,201)
Accumulated other comprehensive loss	(747)	
Total stockholders equity	106,117	115,344

Total liabilities and stockholders equity	$ 128,217	$ 137,377

The accompanying notes are an integral part of these consolidated financial statements.

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Marin Software Incorporated

Consolidated Statements of Comprehensive Loss

(dollars and share numbers in thousands, except per share data)

	Years Ended December 31,		
	2014	2013	2012
Revenues, net	$ 99,354	$ 77,315	$ 59,558
Cost of revenues	35,614	31,109	24,764
Gross profit	63,740	46,206	34,794
Operating expenses			
Sales and marketing	47,716	42,799	32,633
Research and development	28,751	20,715	14,014
General and administrative	21,257	17,028	13,432
Total operating expenses	97,724	80,542	60,079
Loss from operations	(33,984)	(34,336)	(25,285)
Interest expense, net	(177)	(453)	(520)
Other expenses, net	(466)	(571)	(456)
Loss before benefit from (provision for) income taxes	(34,627)	(35,360)	(26,261)
Benefit from (provision for) income taxes	1,456	(492)	(221)
Net loss	(33,171)	(35,852)	(26,482)
Foreign currency translation adjustments	(747)		
Comprehensive loss	$ (33,918)	$ (35,852)	$ (26,482)
Net loss per share available to common stockholders, basic and diluted	$ (0.97)	$ (1.36)	$ (6.00)
Weighted-average shares used to compute net loss per share available to common stockholders, basic and diluted	34,210	26,312	4,417
Stock-based compensation is allocated as follows (Note 11):			
Cost of revenues	$ 765	$ 887	$ 439
Sales and marketing	1,895	1,304	1,005
Research and development	3,785	1,346	831
General and administrative	2,797	1,681	2,673
Amortization of intangible assets is allocated as follows (Note 5):			
Cost of revenues	$ 399	$	$
Sales and marketing	261		
Research and development	397		

General and administrative	74

The accompanying notes are an integral part of these consolidated financial statements.

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Marin Software Incorporated

Consolidated Statements of Convertible Preferred Stock and Stockholders (Deficit) Equity

(dollars and share numbers in thousands, except per share data)

	Convertible Preferred Stock		Common Stock					
	Shares	Amount	Shares	Amount	Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Compre-hensive Loss	Total Stockholders (Deficit) Equity
Balances at December 31, 2011	14,470	$ 51,514	4,439	$ 5	$ 2,454	$ (50,867)	$	$ (48,408)
Issuance of Series F preferred stock for cash, net of issuance costs of $194	2,805	34,294						
Issuance of Series F-1 preferred stock for cash, net of issuance costs of $98	1,478	19,902						
Issuance of common stock from exercise of vested stock options and vesting of options subject to repurchase			500		759			759
Issuance of common stock from stock purchase agreements			84		500			500
Redemption of common stock			(365)		(4,488)			(4,488)
Stock-based compensation expense					4,948			4,948
Compensation expense from issuance of warrants					60			60
Issuance of warrants in connection with debt agreement					213			213
Stock-based compensation tax benefits					192			192
Net loss						(26,482)		(26,482)
	18,753	105,710	4,658	5	4,638	(77,349)		(72,706)

Balances at December 31, 2012							
Issuance of common stock in connection with initial public offering, net of issuance costs of $11,451			8,625	8	109,299		109,307
Conversion of convertible preferred stock into common stock	(18,753)	(105,710)	18,753	19	105,691		105,710
Conversion of warrant to purchase convertible preferred stock into warrant to purchase common stock					745		745
Issuance of common stock from exercise of vested stock options and vesting of options subject to repurchase			725	1	1,648		1,649
Issuance of common stock from cashless exercise of warrants			68				
Issuance of common stock under employee stock purchase plan			146		1,231		1,231
Stock-based compensation expense					5,218		5,218
Repurchase of unvested shares			(22)		(77)		(77)
Stock-based compensation tax benefits					119		119
Net loss						(35,852)	(35,852)
Balances at December 31, 2013			32,953	33	228,512	(113,201)	115,344
Issuance of common stock from exercise of vested stock options and vesting of options and shares subject to repurchase			938		2,841		2,841
Issuance of common stock under employee stock purchase plan			178		1,402		1,402
			1,119	2	11,193		11,195

Issuance of unrestricted common stock in connection with acquisition of NowSpots Inc.						
Transaction costs incurred in connection with acquisition of NowSpots Inc.			(52)			(52)
Stock-based compensation expense			9,242			9,242
Repurchase of unvested shares	(7)		(20)			(20)
Stock-based compensation tax benefits			126			126
Net loss				(33,171)		(33,171)
Foreign currency translation adjustments and other, net			(23)	(20)	(747)	(790)
Balances at December 31, 2014	$ 35,181	$ 35	$ 253,221	$ (146,392)	$ (747)	$ 106,117

The accompanying notes are an integral part of these consolidated financial statements.

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Marin Software Incorporated

Consolidated Statements of Cash Flows

(dollars in thousands)

	Years Ended December 31,		
	2014	2013	2012
Operating activities			
Net loss	$ (33,171)	$ (35,852)	$ (26,482)
Adjustments to reconcile net loss to net cash used in operating activities			
Depreciation	5,669	4,722	2,642
Amortization of internally developed software	1,905	1,156	525
Amortization of intangible assets	1,131		
Loss (gain) on disposal of property and equipment	16	10	(7)
Noncash interest expense related to warrants issued in connection with debt	124	251	159
Noncash expense related to warrants issued in connection with service agreement			60
Change in the valuation of outstanding preferred stock warrants		238	362
Stock-based compensation related to equity awards and restricted stock	9,242	5,218	2,358
Stock-based compensation related to preferred stock financing			2,590
Provision for bad debt	821	359	296
Deferred income tax benefits	(2,258)	(91)	(108)
Excess tax benefits from stock-based award activities	(126)	(119)	(192)
Changes in operating assets and liabilities, net of effect of acquisition			
Accounts receivable	(4,561)	(2,147)	(3,382)
Prepaid expenses and other current assets	(2,009)	(881)	(550)
Other assets	(497)	(524)	(55)
Accounts payable	1,387	75	(208)
Deferred revenues	(540)	1,948	445
Accrued expenses and other current liabilities	(1,523)	2,240	2,452
Net cash used in operating activities	(24,390)	(23,397)	(19,095)
Investing activities			
Purchases of property and equipment	(5,317)	(5,023)	(5,507)
Capitalization of internally developed software	(3,146)	(3,216)	(1,743)
Acquisition of business, net of cash acquired	(4,151)		
Net cash used in investing activities	(12,614)	(8,239)	(7,250)
Financing activities			
Proceeds from issuance of common stock in initial public offering, net of issuance costs		109,414	(107)
Proceeds from issuance of note payable, net of issuance costs		1,667	8,631
Repayment of note payable	(3,130)	(9,660)	(4,334)

Redemption of common stock			(4,488)
Repurchase of unvested shares	(20)	(77)	(48)
Proceeds from issuance of convertible, preferred stock, net of issuance costs			54,196
Proceeds from common stock purchase agreements			500
Proceeds from exercise of common stock options	2,472	1,541	1,624
Proceeds from employee stock purchase plan	1,402	1,499	
Excess tax benefits from stock-based award activities	126	119	192
Net cash provided by financing activities	850	104,503	56,166
Net (decrease) increase in cash and cash equivalents	(36,154)	72,867	29,821
Cash and cash equivalents			
Beginning of year	104,407	31,540	1,719
End of year	$ 68,253	$ 104,407	$ 31,540
Supplemental disclosures of other cash flow information			
Cash paid for interest	$ 106	$ 201	$ 453
Cash paid for income taxes	221	276	176
Supplemental disclosure of noncash investing and financing activities			
Conversion of convertible preferred stock to common stock	$	$ 105,710	$
Acquisition of equipment through capital lease		3,167	
Conversion of warrant to purchase convertible preferred stock to common stock warrant		745	
Purchases of property and equipment recorded in accounts payable and accrued expenses	1,364	208	533
Issuance of common stock under employee stock purchase plan	1,402	1,231	
Issuance of common stock in connection with business acquisition	11,195		
Accrued but unpaid debt issuance costs		38	57
Unpaid deferred initial public offering costs			944
Other receivables for stock option exercises			49

The accompanying notes are an integral part of these consolidated financial statements.

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Marin Software Incorporated

Notes to Consolidated Financial Statements

(dollars and share numbers in thousands, except per share data)

1. Background

Marin Software Incorporated (the Company) was incorporated in Delaware in March 2006. The Company provides a leading cross-channel performance advertising cloud, offering an integrated software-as-a-service, or SaaS, platform for search, display, and social advertising channels. The Company s platform enables digital marketers to improve financial performance, realize efficiencies and time savings, and make better business decisions. The Company s corporate headquarters are located in San Francisco, California, and the Company has additional offices in the following locations: New York, Chicago, Austin, Portland, London, Dublin, Hamburg, Paris, Tokyo, Singapore, Sydney and Shanghai.

On March 27, 2013, the Company closed its initial public offering (IPO) of 7,500 shares of its common stock sold by the Company. The public offering price of the shares sold in the IPO was $14.00 per share. The total gross proceeds from the IPO to the Company were $105,000. After deducting underwriting discounts and commissions and IPO expenses payable by the Company, the aggregate net proceeds totaled $94,659. On April 11, 2013, the underwriters of the IPO fully exercised the over-allotment option granted to them. As a result, the Company issued an additional 1,125 shares for net proceeds of $14,648.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All intercompany accounts and transactions have been eliminated upon consolidation.

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States (GAAP) requires management to make certain estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. The Company is subject to uncertainties such as the impact of future events, economic and political factors and changes in the Company s business environment; therefore, actual results could differ from these estimates. Accordingly, the accounting estimates used in the preparation of the Company s financial statements will change as new events occur, as more experience is acquired, as additional information is obtained and as the Company s operating environment changes. Changes in estimates are made when circumstances warrant. Such changes in estimates and refinements in estimation methodologies are reflected in reported results of operations and if material, the effects of changes in estimates are disclosed in the notes to the consolidated financial

statements. Significant estimates and assumptions by management affect the allowances for doubtful accounts and customer credits, the carrying value of long-lived assets (including goodwill and intangible assets), the useful lives of long-lived assets, the provision for income taxes and related deferred taxes, and stock-based compensation.

Certain Significant Risks and Uncertainties

The Company operates in a rapidly changing environment that involves a number of risks, some of which are beyond the Company s control that could have a material adverse effect on the Company s business, operating results, and financial condition. These risks include, among others, the Company s: history of losses

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Marin Software Incorporated

Notes to Consolidated Financial Statements

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and ability to achieve profitability in the future; highly competitive environment; ability to maintain and increase usage rate of the Company s platform; and ability to increase demand for its solutions.

Concentration of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist of cash, cash equivalents and accounts receivable. The Company s cash and cash equivalents are placed with high-credit-quality financial institutions and issuers, and at times exceed federally insured limits. The Company limits its concentration of risk in cash equivalents and short-term investments by diversifying its investments among a variety of industries and issuers and by limiting the average maturity to one year or less. The Company has not experienced any loss relating to cash and cash equivalents in these accounts. The Company performs periodic credit evaluations of its customers and generally does not require collateral.

As of December 31, 2014 and 2013, no single customer accounted for greater than 10% of net accounts receivable. No single customer accounted for greater than 10% of consolidated revenues during the years ended December 31, 2014, 2013 and 2012.

Cash and Cash Equivalents

The Company considers all highly liquid investments with an original or remaining maturity from the Company s date of purchase of 90 days or less to be cash equivalents. Deposits held with financial institutions are likely to exceed the amount of insurance on these deposits. Cash equivalents consist of money market funds, which are readily convertible into cash and are stated at cost, which approximates fair market value. Cash equivalents were $58,027 and $98,987 as of December 31, 2014 and 2013, respectively.

Fair Value of Financial Instruments

The Company s financial instruments, including cash equivalents, accounts receivable, accounts payable and accrued expenses are carried at cost, which approximates fair value because of the short-term nature of those instruments. Based on borrowing rates available to the Company for loans with similar terms and maturities, and in consideration of the Company s credit risk profile, the carrying value of borrowings (Note 7) approximates fair value (Level 2 within the fair value hierarchy).

The Company measures and reports certain financial assets at fair value on a recurring basis, including its investments in money market funds. The fair value hierarchy prioritizes the inputs into three broad levels:

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

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

Level 3 Inputs are unobservable inputs based on the Company s assumptions.

A financial instrument s level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

Allowance for Doubtful Accounts and Revenue Credits

The allowance for doubtful accounts reflects the Company s best estimate of probable losses inherent in the Company s receivables portfolio determined on the basis of historical experience, specific allowances for known

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troubled accounts and other currently available evidence. The Company has not experienced significant credit losses from its accounts receivable. The Company performs a regular review of its customers payment histories and associated credit risks and it does not require collateral from its customers. Certain contracts with advertising agencies contain sequential liability provisions, whereby the agency does not have an obligation to pay the Company until payment is received from the agency s customers. In these circumstances, the Company evaluates the credit worthiness of the agency s customers, in addition to the agency itself. The following are changes in the allowance for doubtful accounts during 2014, 2013 and 2012, respectively.

	Years Ended December 31,		
	2014	2013	2012
Balances at beginning of period	$ 417	$ 277	$ 196
Additions	821	359	296
Write-offs	(249)	(219)	(215)
Balances at end of period	$ 989	$ 417	$ 277

From time to time, the Company provides credits to customers and an allowance is made based on historical credit activity. As of December 31, 2014 and 2013, the Company recorded an allowance for potential customer credits in the amount of $508 and $389, respectively.

Property and Equipment

Property and equipment are stated at historical cost less accumulated depreciation and amortization. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the related assets.

The useful lives of the property and equipment are as follows:

Computer equipment	3 to 5 years
Office equipment, furniture and fixtures	3 to 5 years
Software	3 years
Leasehold improvements	Shorter of useful life or lease term

Upon retirement or sale, the cost and related accumulated depreciation are removed from the balance sheet and the resulting gain or loss is reflected in operations. Major additions and improvements are capitalized while repairs and maintenance that do not extend the life of the asset are charged to operations as incurred. Depreciation and

amortization expense is allocated to both cost of revenues and operating expenses.

Internally Developed Software

Costs incurred in the development phase are capitalized and amortized over the product s estimated useful life, which is three years. The Company expenses all costs incurred that relate to planning and post implementation phases of development. Capitalized costs related to internally developed software under development are treated as construction in progress until the program, feature or functionality is ready for its intended use, at which time amortization commences. For 2014, 2013 and 2012, the Company capitalized $3,146, $3,216, and $1,743 of costs related to internally developed software, respectively. Amortization of capitalized costs related to internally developed software was $1,905, $1,156, and $525 for 2014, 2013 and 2012, respectively. As of December 31, 2014 and 2013, unamortized internally developed software costs totaled $5,476 and $4,236, respectively. Amortization of internally developed software is reflected in cost of revenues. Costs associated with minor enhancements and maintenance are expensed as incurred.

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Goodwill, Intangible Assets and Impairment Assessments

Goodwill represents the excess of the purchase price in a business combination over the fair value of net tangible and intangible assets acquired. Intangible assets that are not considered to have an indefinite useful life are amortized over their useful lives, which generally range from two to six years. Estimated remaining useful lives of purchased intangible assets are evaluated to assess whether events or changes in circumstances warrant a revision to the remaining periods of amortization.

In addition, we evaluate our goodwill for impairment at least annually or more frequently if events or changes in circumstances indicate that these assets may be impaired. No goodwill impairment has been identified in any of the years presented.

Impairment of Long-Lived Assets

The Company evaluates long-lived assets, excluding goodwill, for potential impairment whenever adverse events or changes in circumstances or business climate indicate that expected undiscounted future cash flows related to such long-lived assets may not be sufficient to support the net book value of such assets. An impairment exists when the carrying value of a long-lived asset exceeds its fair value. An impairment loss is recognized only if the carrying value of a long-lived asset is not recoverable and exceeds its fair value. The carrying value of a long-lived asset is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset. There were no such impairment losses during 2014, 2013 or 2012.

Operating Leases

The Company s operating lease agreements include provisions for tenant improvement allowances, certain rent holidays and escalations in the base price of the rent payment. The Company defers tenant improvement allowances and amortizes the balance as a reduction to rent expense over the lease term. The Company records rent holidays and rent escalations on a straight-line basis over the lease term. Deferred rent is included in accrued expenses and other current liabilities in the accompanying consolidated balance sheets.

Freestanding Preferred Stock Warrants

Upon the consummation of the Company s IPO, freestanding warrants related to the Company s convertible preferred stock converted into warrants to purchase common stock. The preferred stock warrants were classified as liabilities on the Company s December 31, 2012 consolidated balance sheet. Upon conversion, the liability recorded for the preferred stock warrants was reclassified to additional paid-in capital. When classified as liabilities, the preferred stock warrants were subject to reassessment at each balance sheet date, and any change in fair value was recognized as a component of other income (expenses), net. The Company adjusted the liability for changes in fair value until the

preferred stock warrants were converted into warrants to purchase common stock.

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Revenue Recognition

The Company generates revenues principally from subscriptions either directly with advertisers or with advertising agencies to its platform for the management of search, display and social advertising. The Company s subscription agreements are generally one year or longer in length. The Company s subscription fee under most contracts is variable based on the value of the advertising spend that the Company s advertisers manage through the Company s platform and is generally invoiced on a monthly basis. Contracts with direct advertisers and certain contracts with advertising agencies also include a minimum monthly fee that is payable over the duration of the contract. The Company s customers do not have the right to take possession of the software supporting the application service at any time, nor do the arrangements contain general rights of return. The Company commences revenue recognition for both direct advertisers and advertising agencies when all of the following conditions are met:

persuasive evidence of an arrangement exists;

the Company s platform is made available to the customer;

the fee is fixed or determinable, and;

collection is reasonably assured.

The Company recognizes the total minimum fee for both direct advertisers and advertising agencies, where applicable, over the duration of the contract, commencing on the date that the Company s platform is made available to the customer, provided revenues recognized do not exceed amounts that are invoiced and due. The variable fee, which is based on a percentage of the value of the advertising spend managed through the Company s platform, is recognized once the amount is fixed or determinable, which is generally on a monthly basis concurrent with the issuance of the customer invoice. Signed contracts are used as evidence of an arrangement. The Company assesses collectability based on a number of factors such as past collection history with the customer and creditworthiness of the customer. Certain agreements with advertising agencies also contain sequential liability provisions, which provide that the agency has no obligation to pay the Company until the agency receives payment from its customers. In these circumstances, the Company evaluates the credit worthiness of the agency s customers, in addition to the agency itself, to conclude whether or not collectability is reasonably assured. If the Company determines collectability is not reasonably assured, the Company defers the revenue recognition until collectability becomes reasonably assured.

In October 2009, the Financial Accounting Standards Board (FASB) ratified authoritative accounting guidance regarding revenue recognition for arrangements with multiple deliverables effective for fiscal periods beginning on or after June 15, 2010. The Company adopted the new guidance on a prospective basis for fiscal 2011. Professional services and training, when sold with the Company s platform subscription services, are accounted for separately when those services have standalone value. In determining whether professional services and training services can be accounted for separately from subscription services, the Company considers the following factors: availability of the services from other vendors; the nature of the services; the dependence of the subscription services on the customer s decision to buy the professional services; and whether the Company sells the Company s subscription services without professional services. If the deliverables have stand-alone value, the Company accounts for each deliverable separately and revenues are recognized for the respective deliverables as they are delivered. If one or more of the deliverables do not have stand-alone value, the deliverables that do not have stand-alone value are combined with the final deliverables within the arrangement and treated as a single unit of accounting. Revenues for arrangements treated as a single unit of accounting are recognized over the period of the contract commencing upon delivery of the final deliverable. As of

December 31, 2014, the Company did not have stand-alone value for the professional services and training

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services. This is because the Company includes professional services and training services with the Company s subscription services and those services are not available from other vendors.

Cost of Revenues

Cost of revenues primarily consists of costs related to hosting the Company s cloud-based platform, providing implementation and ongoing customer support, data communications expenses, salaries and benefits of operations and support personnel, software license fees, costs associated with website development activities, allocated overhead, amortization expense associated with capitalized internally developed software and intangible assets and property and equipment depreciation.

Stock-Based Compensation

Stock-based compensation is measured at grant date based on the fair value of the award and is expensed on a straight-line basis over the requisite service period.

Fair values of stock option awards are determined on the date of grant using an option-pricing model. The Company has selected the Black-Scholes option pricing model to estimate the fair value of its stock option awards to employees and non-employees. In applying the Black-Scholes option pricing model, the Company s determination of the fair value of the stock option award on the date of grant is affected by the Company s fair value of its common stock, as well as assumptions regarding a number of subjective variables. These variables include, but are not limited to, the Company s expected stock price volatility and the optionholders actual and projected stock option exercise and employment termination behaviors.

For stock option awards with time-based vesting, the Company recognizes stock-based compensation expense over the requisite service period using the straight-line method, based on awards ultimately expected to vest. The Company estimates future forfeitures at the date of grant and revises the estimates, if necessary, in subsequent periods if actual forfeitures differ from those estimates.

Restricted stock units (RSUs) are measured based on the fair market values of the underlying common stock on the dates of grant. Shares of common stock are issued on the vesting dates. For awards with time-based vesting, the Company recognizes stock-based compensation expense over the requisite service period using the straight-line method, based on awards ultimately expected to vest. The Company estimates future forfeitures at the date of grant and revises the estimates, if necessary, in subsequent periods if actual forfeitures differ from those estimates.

Stock options issued to non-employees such as consultants are recorded at their fair value on the measurement date. The measurement of stock-based compensation is subject to periodic adjustment as the underlying equity instruments vest. The fair value of options granted to consultants is expensed when vested, and such vested outstanding options

are recognized as liabilities on the accompanying consolidated balance sheets. Non-employee stock-based compensation expense was not material for all periods presented.

See Note 11 for further information.

Research and Development

Research and development costs are expensed as incurred, except for certain internal software development costs, which may be capitalized as noted above. Research and development costs include salaries, stock-based compensation expense, benefits and other operating costs such as outside services, supplies and allocated overhead costs.

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Advertising and Promotion

Advertising and promotional costs are expensed as incurred and included in sales and marketing expense in the accompanying consolidated statements of operations. Advertising and promotion expense totaled $1,475, $785, and $632 for 2014, 2013 and 2012, respectively.

Foreign Currency

For international subsidiaries whose functional currency is not the U.S. dollar, we translate the monetary assets and liabilities of these subsidiaries to U.S. dollars using rates of exchange in effect at the balance sheet date. Nonmonetary assets and liabilities are re-measured to U.S. dollars using historical exchange rates, and other accounts are re-measured using average exchange rates in effect during each period presented. The effects of foreign currency translation adjustments are included in stockholders equity as a component of accumulated other comprehensive loss on the accompanying consolidated balance sheets, and related periodic movements are summarized as a line item in the consolidated statements of operations.

The Company records net gains and losses resulting from foreign exchange transactions as a component of other expenses, net. Aggregate foreign currency losses included in determining net loss were $490, $332 and $88 during 2014, 2013 and 2012, respectively.

Income Taxes

The Company accounts for income taxes using the asset and liability method. Under this method, deferred tax assets and liabilities are determined based on differences between the financial statement and tax basis of assets and liabilities and net operating loss and credit carryforwards using enacted tax rates in effect for the year in which the differences are expected to reverse. Valuation allowances are established when necessary to reduce deferred tax assets to the amounts expected to be realized.

The Company accounts for unrecognized tax benefits using a more-likely-than-not threshold for financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return. The Company establishes a liability for tax-related uncertainties based on estimates of whether, and the extent to which, additional taxes will be due. The Company records an income tax liability, if any, for the difference between the benefit recognized and measured and the tax position taken or expected to be taken on the Company s tax returns. To the extent that the assessment of such tax positions changes, the change in estimate is recorded in the period in which the determination is made. The liability is adjusted in light of changing facts and circumstances, such as the outcome of a tax audit. The provision for income taxes includes the impact of liability provisions and changes to the liabilities that are considered appropriate. The Company recognizes interest and penalties related to unrecognized tax benefits as income tax expense. As the Company maintained a full valuation allowance against its deferred tax assets in the United States, the

adjustments resulted in no additional tax expense in 2014. Based on the Company s assessment of many factors, the Company does not expect that changes in the liability for unrecognized tax benefits for the next twelve months will have a significant impact on the Company s consolidated financial position or results of operations.

Recent Accounting Pronouncements

In August 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-15, *Disclosures of Uncertainties About an Entity s Ability to Continue as a Going Concern*. The new standard provides guidance around management s responsibility to evaluate whether there is substantial doubt about an entity s ability to continue as a going concern and to provide related footnote disclosures. The

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new standard is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2016. Early adoption is permitted. The Company does not expect that this guidance will have a material impact on its consolidated results of operations or financial condition.

In June 2014, the FASB issued ASU 2014-12, *Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period*. The guidance requires that a performance target that affects vesting and could be achieved after the requisite service period be treated as a performance condition. A reporting entity should apply existing guidance as it relates to such awards. This guidance is effective for us in our first quarter of fiscal year ending December 31, 2017. We are currently evaluating the impact of our pending adoption of this ASU on the Company s consolidated financial statements.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*, which provides guidance for revenue recognition. The standard s core principle is that a company will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. In doing so, companies will need to use more judgment and make more estimates when compared with the current guidance. These may include identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price and allocating the transaction price to each separate performance obligation. This guidance will be effective for the Company in the first quarter of its fiscal year ending December 31, 2017. The Company is currently in the process of evaluating the impact of pending adoption of this ASU on the Company s consolidated financial statements.

In July 2013, the FASB issued a new accounting standard update on the financial statement presentation of unrecognized tax benefits. The new guidance provides that a liability related to an unrecognized tax benefit would be presented as a reduction of a deferred tax asset for a net operating loss carryforward, a similar tax loss or a tax credit carryforward if such settlement is required or expected in the event the uncertain tax position is disallowed. The Company adopted the standard update in the first quarter of 2014, and its adoption had no impact on the Company s consolidated results of operations or financial condition.

3. Business Combination

On June 2, 2014, pursuant to the terms of an Agreement and Plan of Reorganization, a wholly-owned subsidiary of the Company merged with and into NowSpots, Inc., which conducted business as Perfect Audience (Perfect Audience), with Perfect Audience surviving as a wholly-owned subsidiary of the Company. Perfect Audience specializes in display and social network advertisement re-targeting, and its programmatic display and social advertising functions will expand the Company s cross-channel capabilities.

The acquisition was accounted for under the acquisition method of accounting in which the tangible and identifiable intangible assets and liabilities of Perfect Audience were recorded at their respective fair values as of the acquisition

date, including an amount for goodwill representing the difference between the respective acquisition consideration and fair values of identifiable net assets. The fair value of assets acquired and liabilities assumed was recorded based on a preliminary valuation and the Company s estimates and assumptions are subject to change within the measurement period. The primary areas of the purchase price allocation that are not yet finalized are related to the fair values of liabilities assumed and residual goodwill.

The total purchase price for the acquisition was $16,470, which consisted of 1,119 shares of the Company s common stock valued at $11,195 upon the closing date using the Company s closing date stock price, and $5,275 in cash. Of the total purchase price, $4,711 was attributed to fair value of net liabilities assumed, $1,124 was cash

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acquired, and $8,530 was the fair value of intangible assets acquired with $11,527 as residual goodwill. The goodwill is primarily attributable to the synergies expected to arise after the acquisition and is not expected to be deductible for tax purposes.

In addition, the Company issued 630 shares of common stock (with a closing date fair value of $6,301) to existing Perfect Audience employees in connection with the acquisition, which vest over a range of two to three years upon such employees continuous employment with the Company. These shares have been excluded from the purchase consideration and will be recognized as post-acquisition stock-based compensation expense. The Company recognizes compensation expense equal to the grant date fair value of the common stock on a straight-line basis over the employee s requisite service period.

The following table summarizes the fair values of tangible assets acquired, liabilities assumed, intangible assets and goodwill:

	Estimated Fair Value	Estimated Useful Life
Tangible assets acquired	$ 1,492	N/A
Liabilities assumed	(5,079)	N/A
Developed technology	6,110	6 years
Customer relationships	1,290	4 years
Non-compete agreements and tradename	1,130	2 - 3 years
Goodwill	11,527	Indefinite
Total purchase price	$ 16,470	

The revenues, net and earnings attributable to Perfect Audience included in our consolidated financial statements since the acquisition date are not material. Actual and pro forma results of the operations have not been presented because the effects are not material to the consolidated financial statements.

4. Balance Sheet Components

The following table shows the components of property and equipment as of the dates presented:

	December 31,	
	2014	2013
Computer equipment	$ 21,422	$ 16,314
Software	11,022	7,690
Office equipment	795	571
Furniture, fixtures and leasehold improvements	2,092	1,861
	35,331	26,436
Less: Accumulated depreciation and amortization	(19,057)	(12,019)
	$ 16,274	$ 14,417

Depreciation and amortization of internally developed software for 2014, 2013 and 2012 was $7,574, $5,878, and $3,167, respectively.

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The following table shows the components of accrued expenses and other current liabilities as of the dates presented:

	December 31,	
	2014	2013
Accrued salary and payroll related expenses	$ 6,017	$ 6,675
Accrued accounts payable	3,709	2,773
Customer advances	1,366	
Income tax payable	377	434
Sales and use tax payable	263	466
Other	321	602
	$ 12,053	$ 10,950

5. Goodwill and Intangible Assets

The goodwill balance as of December 31, 2014 totaling $11,527 was the result of the business acquisition disclosed in Note 3 of these consolidated financial statements.

Intangible assets consisted of the following as of the dates presented:

	December 31, 2014	Estimated Useful Life
Developed technology	$ 6,110	6 years
Customer relationships	1,290	4 years
Non-compete agreements and tradename	1,130	2-3 years
	8,530	
Less: accumulated amortization	(1,131)	
	$ 7,399	

Amortization expense of intangible assets was $1,131 for 2014, and zero for the comparative periods presented.

Future estimated amortization of intangible assets as of December 31, 2014 is presented below:

Year ending December 31, 2015	$ 1,938
Year ending December 31, 2016	1,714
Year ending December 31, 2017	1,483
Year ending December 31, 2018	1,245
Year ending December 31, 2019	1,019
	$ 7,399

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6. Fair Value Measurements

Account balances measured at fair value on a recurring basis include the following as of December 31, 2014 and 2013:

	December 31,					
	2014			2013		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Cash equivalents						
Money market funds	$ 58,027	$	$	$ 98,987	$	$

The following table presents the changes in the preferred stock warrant obligation measured and recorded at fair value on a recurring basis, using significant unobservable inputs (Level 3) during 2013 and 2012. There were no changes in the preferred stock warrant obligation during 2014, as the underlying warrants were no longer outstanding subsequent to the Company s IPO.

	Years Ended December 31,	
	2013	2012
Balances at beginning of year	$ 507	$ 145
Change in unrealized loss included in earnings	238	362
Conversion to common stock warrant	(745)	
Balances at end of year	$	$ 507

The Company s cash equivalents as of December 31, 2014 and 2013 consisted of money market funds with original maturity dates of less than three months from the date of their respective purchase. Cash equivalents are classified as Level 1. The fair value of the Company s money market funds approximated amortized cost and, as such, there were no unrealized gains or losses on money market funds as of December 31, 2014 and 2013. As of December 31, 2014 and 2013, amounts of $10,226 and $5,420, respectively, were held in bank deposits.

7. Debt

Loan and Security Agreement and Warrant

In connection with a Loan and Security Agreement entered into with Silicon Valley Bank in 2008, the Company issued a warrant to purchase 51 shares of Series B preferred stock at $2.7563 per share. This warrant was to expire on the later date of October 30, 2018, or five years from the closing of the Company s IPO. The fair value of the warrant was estimated at an aggregate of $72 using the Black-Scholes valuation model with the following assumptions: expected volatility of 53%, risk free interest rate of 4.85%, expected life of 10 years and no dividends. The fair value of the warrant was recorded as a discount to the loan and was amortized to interest expense over the loan term.

Revolving Credit Facility, Equipment Advance Facilities and Warrants

In January 2010, the Company signed an amendment to the Loan and Security Agreement, which provided for a revolving credit facility (the Revolving Credit Facility). In January 2011, the Company entered into an amendment to the Revolving Credit Facility pursuant to which Silicon Valley Bank agreed to extend an equipment advance facility of $2,000 (the Equipment Advance Facility). The Equipment Advance Facility could only be used to finance the purchase of equipment, accrued interest at a fixed per annum rate of 5.5%, was repayable in 36 consecutive monthly installments of principal and interest and expired on December 1, 2014. The Equipment Advance Facility was fully off on that date.

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In December 2011, the Company entered into another amendment to its existing Revolving Credit Facility pursuant to which Silicon Valley Bank agreed to extend an additional equipment advance facility of $2,000 (the Additional Equipment Advance Facility). The Additional Equipment Advance Facility may only be used to finance the purchase of equipment. The Additional Equipment Advance Facility accrues interest at a fixed per annum rate of 5.5% and will be repayable in 36 consecutive monthly installments of principal and interest. The Additional Equipment Advance facility expires September 1, 2015. As of December 31, 2014, the Company had withdrawn the full amount available under the Additional Equipment Advance Facility. In connection with the Additional Equipment Advance Facility, the Company issued a warrant to Silicon Valley Bank to purchase 37 shares of common stock at $2.70 per share. This warrant would expire on November 30, 2021. The fair value of the warrant was estimated at an aggregate of $139 using the Black-Scholes valuation model with the following assumptions: expected volatility of 57%; risk-free interest rate of 2.1%; expected life of 10 years; and no dividends. The fair value of the warrant was recorded as a discount to the loan and was amortized to interest expense over the loan term.

In December 2012, the Company entered into an amendment to its existing Revolving Credit Facility and Equipment Advance Facility pursuant to which Silicon Valley Bank agreed to extend an additional equipment advance facility of $3,000 (the Supplemental Equipment Advance). The Supplemental Equipment Advance may only be used to finance the purchase of equipment. The Supplemental Equipment Advance accrues interest at a fixed per annum rate of 3.0% and will be repayable in 33 consecutive monthly installments of principal and interest. The Supplemental Equipment Advance expires March 1, 2016. As of December 31, 2014, the Company had withdrawn the full amount available under the Supplemental Equipment Advance. In connection with the Supplemental Equipment Advance, the Company issued a warrant to Silicon Valley Bank to purchase 27 shares of common stock at $12.15 per share. This warrant was to expire in December 2022.

The fair value of the warrant was estimated at an aggregate of $213 using the Black-Scholes valuation model with the following assumptions: expected volatility of 57%; risk-free interest rate of 1.65%; expected life of 10 years; and no dividends. The fair value of the warrant was recorded as a discount to the Revolving Credit Facility and will be amortized to interest expense over the facility term. Together with the Series B convertible preferred stock warrant and the common stock warrants issued, a total of $251 and $159 was recognized as interest expense for 2013 and 2012, respectively, as a result of the amortization of the loan discounts. In May 2013, Silicon Valley Bank exercised the preferred stock warrant and common stock warrants using the cashless exercise feature, resulting in the net issuance of 68 shares of common stock. As a result, no such interest expense was recognized in 2014.

In September 2013, the Company entered into an amendment to the Revolving Credit Facility pursuant to which Silicon Valley Bank agreed to increase the Revolving Credit Facility to the lesser of $15,000 or 80% of the Company s eligible accounts receivable. Also, the expiration date of the Revolving Credit Facility was extended to July 31, 2015 and the annual interest rate was amended to 0.25% over the Prime Rate, payable on a monthly basis. Additionally, the Company s obligation to meet certain financial covenants will be waived when the Company s unrestricted cash balance exceeds $50,000. As of December 31, 2014, approximately $13,900 was available for withdrawal under the

Revolving Credit Facility. No amounts were outstanding pursuant to the Revolving Credit Facility as of December 31, 2014 and 2013. The Revolving Credit Facility, the Additional Equipment Advance Facility and the Supplemental Equipment Advance are all collateralized with all of the personal property of the Company, excluding shares of controlled foreign corporations, patents and copyrights.

Capital Lease Arrangement

In February 2013, the Company entered into a capital lease arrangement with an equipment manufacturer to finance the acquisition of computer equipment. The lease has an effective interest rate of 6.0% and is repayable

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in 36 consecutive equal monthly installments of principal and interest. At the end of the lease period, the Company has the option to purchase the equipment at the estimated fair market value. As of December 31, 2014, the net book value of the equipment under the capital lease was $1,439 and the remaining principal balance payable was $1,542. The capital lease is collateralized by the underlying computer equipment.

The Company s outstanding balances under the capital lease and Equipment Advance Facilities as of December 31, 2014 and 2013 are as follows:

	December 31,	
	2014	2013
Capital lease	$ 1,542	$ 2,598
Equipment Advance Facilities	1,697	3,771
	3,239	6,369
Discount on long-term debt	(31)	(154)
	$ 3,208	$ 6,215

The maturities of debt as of December 31, 2014 are as follows:

Years Ending	
2015	$ 2,587
2016	652
	3,239
Less:	
Current portion	(2,587)
Discount on long-term debt	(31)
Noncurrent portion of debt	$ 621

In December 2014, the Company entered into a standby letter of credit for $1,293 with Silicon Valley Bank in connection with the non-cancelable lease for the Company s corporate headquarters in San Francisco. This standby letter of credit does not impact the balances available for withdrawal under the Revolving Credit Facility, the

Additional Equipment Advance Facility and the Supplemental Equipment Advance. As of December 31, 2014, no amount was drawn on this standby letter of credit.

Outstanding warrants to purchase the Company s Series B preferred stock were classified as liabilities which were adjusted to fair value at each reporting period until the earlier of their exercise or expiration on the later date of October 30, 2018 or five years from the closing of the Company s IPO, or the completion of a liquidation event, including the completion of an IPO, at which time the preferred stock warrant liability was automatically converted into a warrant to purchase shares of common stock and was reclassified to stockholders equity. The Company recorded a loss of $238 and $362 for 2013 and 2012, respectively, within other income (expenses), net to adjust the warrant liability to fair value. The fair values were determined using Level 3 inputs under the GAAP fair value hierarchy. No such fair value adjustment was recorded in 2014, as the as the underlying warrants were no longer outstanding subsequent to the Company s IPO.

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8. Convertible Preferred Stock

Immediately prior to the close of the Company s IPO, the Company s outstanding convertible preferred stock (Series A Stock, Series A-1 Stock, Series B Stock, Series C Stock, Series D Stock, Series E Stock, Series F Stock and Stock) automatically converted at a rate of 1:1 into common stock. The following table summarizes information related to the Company s convertible preferred stock prior to conversion into common stock:

	Shares Authorized	Shares Outstanding	Liquidation Amount	Proceeds Net of Issuance Cost
Series A	2,009	2,009	$ 2,248	$ 2,208
Series A-1	1,400	1,400	2,329	2,273
Series B	2,673	2,622	7,227	7,146
Series C	4,673	4,673	12,999	12,915
Series D	2,022	2,022	11,192	11,038
Series E	1,744	1,744	16,036	15,934
Series F	2,805	2,805	34,488	34,294
Series F-1	1,478	1,478	20,000	19,902
	18,804	18,753	$ 106,519	$ 105,710

Dividends

No dividends on the convertible preferred stock were declared by the Board of Directors from inception through their conversion into common stock.

Issuance of Preferred Stock

Concurrent with primary issuance of Series F Stock in January 2012, the Company also entered into an agreement with certain executives of the Company to repurchase certain common stock held by them, whereby the Company repurchased 365 shares of their common stock in the Company at the Series F preferred stock issuance price of $12.30 per share for an aggregate price of $4,488. At the date of the repurchase, the aggregate estimated fair value of the repurchased common stock was $1,898. As a result of this arrangement, the Company recorded stock-based compensation expense of $2,590 during 2012. Of this amount, $364, $317 and $1,909 were recorded as sales and marketing, research and development and general and administrative expenses, respectively, in the accompanying

statements of comprehensive loss for the year ended December 31, 2012.

9. Common Stock

On February 12, 2013, the Company s Board of Directors approved a Restated Certificate of Incorporation, which became effective upon the consummation of the Company s IPO. The Restated Certificate of Incorporation amends the authorized share capital to 500,000 shares of common stock ($0.001 par value per share) and 10,000 shares of blank-check preferred stock ($0.001 par value per share).

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As of December 31, 2014 and 2013, reserved shares of common stock are as follows:

	December 31,	
	2014	2013
Options available for future grant under stock option plans	3,154	4,585
Options outstanding under stock option plans	6,376	4,855
RSUs outstanding under stock option plans	769	
Shares available for future issuance under ESPP	1,005	854
	11,304	10,294

During 2012, the Company entered into common stock purchase agreements (CSPAs) with two members of the Board of Directors. In connection with the CSPAs, the Company sold 84 shares of common stock for a cumulative purchase price of $500. The underlying shares vested ratably on a monthly basis over 24 months. The CSPAs included a repurchase feature which provides the Company the option, but not the obligation, to repurchase any unvested shares upon termination at the original purchase price. As of December 31, 2014, all of the common shares issued under the CSPAs were vested.

10. Equity Award Plans

In April 2006, the Company s Board of Directors adopted and the stockholders approved the 2006 Stock Option Plan (2006 Plan). The 2006 Plan provides for the grant of incentive stock options under the federal tax laws and non-statutory stock options. Only employees may receive incentive stock options, but non-statutory stock options may be granted to employees, non-employee directors and consultants. The stock options are exercisable at a price equal to the market value of the underlying shares of common stock on the date of the grant as determined by the Company s board of directors. The term of options granted under the 2006 Plan may not exceed ten years. Certain options are eligible for exercise prior to vesting. Exercised but unvested shares of common stock are subject to repurchase by the Company at the initial exercise price. The proceeds from the shares of common stock subject to repurchase are classified as a liability and reclassified to equity as the shares vest. Under the 2006 Plan s early exercise feature, the Company had the right to repurchase 85 and 180 shares of common stock as of December 31, 2014 and 2013, respectively. The Company records cash received from the exercise of unvested stock options as a long-term liability, as well as the fair value of vested outstanding options to non-employee consultants. As of December 31, 2014 and 2013, $826 and $1,215, respectively, has been recorded as a long-term liability on the accompanying consolidated balance sheets.

In February 2013, the Company s Board of Directors and stockholders approved the 2013 Equity Incentive Plan (2013 Plan), under which 4,500 shares of common stock were originally reserved for issuance. Additionally, all reserved and unissued shares under the 2006 Plan at the time the 2013 Plan became effective are eligible for issuance under the 2013 Plan. The 2013 Plan became effective on March 21, 2013, at which time the Company ceased to grant equity awards under the 2006 Plan. The 2013 Equity Incentive Plan authorizes the award of stock options, restricted stock awards, stock appreciation rights, RSUs, performance awards and stock bonuses to the Company s employees, directors, consultants, independent contractors and advisors. On January 1 of each of the first 10 calendar years through 2023, the number of shares of common stock reserved under the 2013 Equity Incentive Plan will automatically increase by an amount equal to 5% of the total outstanding shares as of immediately preceding December 31, or such lesser number of shares as determined by the Company s Board of Directors. Pursuant to terms of the 2013 Plan, the shares available for issuance increased by approximately 1,648 shares of common stock on January 1, 2014.

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Stock Options

Under the 2006 Plan and the 2013 Plan, the term of options granted may not exceed ten years. Unless the terms of an optionee s stock option agreement provide otherwise, if an optionee s service relationship with the Company, or any of its affiliates, ceases for any reason other than disability or death, the optionee may exercise the vested portion of any options for three months after the date of such termination. If an optionee s service relationship with the Company, or any of its affiliates, ceases due to disability or death (or an optionee dies within a certain period following cessation of service), the optionee or a beneficiary may exercise any vested options for a period of 12 months. In no event, however, may an option be exercised beyond the expiration of its term.

A summary of activity under the 2006 Plan and the 2013 Plan is as follows:

		Options Outstanding		
	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (in Years)	Aggregate Intrinsic Value
Balances at December 31, 2011	3,000	$ 1.71	6.23	$ 10,575
Options granted	2,046	7.48	8.34	
Options exercised	(518)	3.23		
Options forfeited and cancelled	(214)	3.66		
Balances at December 31, 2012	4,314	1.71	7.11	$ 34,439
Options granted	1,594	11.98	9.26	
Options exercised	(618)	2.42		
Options forfeited and cancelled	(435)	8.60		
Balances at December 31, 2013	4,855	6.56	7.85	$ 20,593
Options granted	3,558	9.39	8.35	
Options exercised	(791)	3.12		
Options forfeited and cancelled	(1,246)	9.51		

Balances at December 31, 2014	6,376	$ 7.99	7.82	$	9,697
Options exercisable as of December 31, 2014	2,887	$ 6.11	5.91	$	9,501
Options vested as of December 31, 2014	2,331	$ 5.35	5.49	$	8,987
Options vested and expected to vest as of December 31, 2014	5,985	$ 7.89	7.72	$	9,660

The intrinsic value of options exercised during 2014, 2013 and 2012 was $5,615, $5,693, and $2,266, respectively. The total estimated fair value of options vested during 2014, 2013 and 2012 was $5,447, $3,110, and $1,572, respectively.

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The following table summarizes information about shares subject to stock options outstanding as of December 31, 2014:

		Options Outstanding	
Range of Exercise Prices		Number Outstanding	Weighted Average Remaining Contractual Life (in years)
$0.14	$0.82	468	2.74
$2.39	$2.70	770	5.47
$5.20	$7.76	1,044	7.25
$8.17	$9.87	2,858	9.49
$10.30	$11.82	448	8.86
$12.12	$14.18	788	7.43
		6,376	

RSUs

A summary of RSUs granted and unvested under the 2013 Plan as of December 31, 2014 is as follows:

	RSUs Outstanding	
	Number of RSUs	Weighted Average Fair Value Per Unit
Granted and unvested at December 31, 2013		$
RSUs granted	777	9.37
RSUs vested		
RSUs forfeited	(8)	10.56
Granted and unvested at December 31, 2014	769	$ 9.36

Employee Stock Purchase Plan

In February 2013, the Company s Board of Directors and stockholders approved the 2013 Employee Stock Purchase Plan (2013 ESPP), under which 1,000 shares of common stock were originally reserved for issuance. The 2013 ESPP became effective on March 22, 2013. The 2013 ESPP provides generally for six-month purchase periods and the purchase price for shares of common stock purchased under the 2013 Employee Stock Purchase Plan will be 85% of the lesser of the fair market value of the common stock on (i) the first trading day of the applicable offering period and (ii) the last trading day of each purchase period in the applicable offering period. On January 1 of each of the first 10 calendar years following the first offering date, the number of shares reserved under the 2013 Employee Stock Purchase Plan will automatically increase by an amount equal to 1% of the total outstanding shares as of immediately preceding December 31, but not to exceed 700 shares. Pursuant to terms of the 2013 ESPP, the shares available for issuance increased by approximately 329 shares on January 1, 2014. During 2014 and 2013, 178 and 146 shares, respectively, were issued under the 2013 ESPP.

11. Stock-Based Compensation

For stock-based awards granted by the Company, stock-based compensation cost is measured at grant date based on the fair value of the award and is expensed over the requisite service period. The Company recorded stock-based compensation of $9,242, $5,218 and $4,948 for 2014, 2013 and 2012, respectively.

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Stock Options

The Company uses the Black-Scholes option pricing model to estimate the fair value of options. This model requires the input of highly subjective assumptions including the expected volatility, risk-free interest rate, and the expected life of options. The Company used the following assumptions:

	Years Ended December 31,		
	2014	2013	2012
Dividend yield			
Expected volatility	51.3%	55.0%	57.0%
Risk-free interest rate	1.89%	1.27%	0.95%
Expected life of options (in years)	6.25	6.25	6.25
Forfeiture rate	7.0%	7.0%	3.2% 7.0%
Weighted-average grant-date fair value	$ 4.77	$ 6.41	$ 4.37
Weighted-average grant-date exercise price	$ 9.39	$ 11.98	$ 7.48

As the Company has limited historical option exercise data, the expected term of the stock options granted to employees was calculated based on the simplified method. Under the simplified method, the expected term is equal to the average of an option s weighted-average vesting period and its contractual term. Pursuant to the SEC Staff Accounting Bulletin (SAB) No. 110, the Company is permitted to continue using the simplified method until sufficient information regarding exercise behavior, such as historical exercise data or exercise information from external sources, becomes available. The Company estimates the expected volatility of its common stock on the date of grant based on the historical stock volatilities of similar publicly-traded entities over a period equal to the expected terms of the options, as the Company does not have sufficient trading history to use the volatility of its own common stock. The Company has no history or expectation of paying cash dividends on its common stock. The risk-free interest rate is based on the U.S. Treasury yield for a term consistent with the expected life of the options in effect at the time of grant.

Cash proceeds from the exercise of stock options were $2,472, $1,541, and $1,624 during 2014, 2013 and 2012, respectively.

Compensation expense is recognized ratably over the requisite service period. As of December 31, 2014 and 2013, there was $16,112 and $11,597, respectively, of unrecognized compensation cost related to options, which is expected to be recognized over a weighted-average period of 3.0 and 2.7 years, respectively.

Prior to the consummation of the IPO, given the lack of an active public market for the Company s outstanding Common and preferred stock, the Company s Board of Directors established an estimate of fair value for these

securities as well as for options and warrants to purchase these securities. The fair value of the Company s common stock as used in the determination of the exercise price of stock options was estimated by the Board of Directors based on factors such as the liquidation preference, dividends and other rights of the outstanding preferred stock; recent financial and operating performance; the status of the Company s development and sales efforts, revenue growth and additional objectives; the likelihood and proximity of an initial IPO; and the valuation of comparable companies that are publicly traded. Subsequent to the closing of the Company s IPO, the Company has used the closing price of the Company s common stock on the date of the stock option grant as the fair value of the Company s common stock and the exercise price of the stock options.

For awards that are expected to result in a tax deduction, a deferred tax asset is established as the Company recognizes compensation expense. If the tax deduction exceeds the cumulative recorded compensation expense,

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the tax benefit associated with the excess deduction is considered a windfall benefit. The excess tax benefit from share compensation plans is recorded in additional paid-in capital and classified as a financing cash flow on the consolidated statements of cash flows. The Company has elected to use the with and without approach as described in Accounting Standards Codification 740-20, Intraperiod Tax Allocation, in determining the order in which tax attributes are utilized. As a result, the Company will only recognize a tax benefit from stock-based awards in additional paid-in capital if an incremental tax benefit is realized after all other tax attributes currently available to the Company have been utilized.

Restricted Stock and RSUs

As of December 31, 2014, there was $9,459 of unrecognized compensation cost related to restricted stock and RSUs, which is expected to be recognized over a weighted-average period of 2.2 years. The Company uses the fair market value of the underlying common stock on the dates of grant to determine the fair value of restricted stock and RSUs. Stock-based compensation expense related to these awards is recognized on a straight-line basis over the service period of the award for the estimated number of shares that are ultimately expected to vest.

Employee Stock Purchase Plan

The Company estimates the fair value of purchase rights under the ESPP using the Black-Scholes valuation model. The fair value of each purchase right under the ESPP was estimated on the date of grant using the Black-Scholes option valuation model and the straight-line attribution approach with assumptions substantially similar to those used for the valuation of our stock option awards.

12. Income Taxes

The components of the Company s loss before (benefit from) provision for income taxes were as follows:

	Years Ended December 31,		
	2014	2013	2012
United States of America	$ (26,427)	$ (24,197)	$ (27,423)
International	(8,200)	(11,163)	1,162
	$ (34,627)	$ (35,360)	$ (26,261)

The components of the (benefit from) provision for income taxes were as follows:

	Years Ended December 31,		
	2014	2013	2012
Current income tax provision			
Federal	$	$	$
State	101	26	19
Foreign	700	557	310
Total current income tax provision	801	583	329
Deferred income tax (benefit) provision			
Federal	(2,094)		
State	(191)		
Foreign	28	(91)	(108)
Total deferred income tax (benefit) provision	(2,257)	(91)	(108)
(Benefit from) provision for income taxes	$ (1,456)	$ 492	$ 221

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The Company has incurred operating losses and has recorded a full valuation allowance against its deferred tax assets (except for the deferred tax assets associated with the Company s subsidiary in the United Kingdom) for all periods to date and, accordingly, has not recorded a provision for income taxes for any of the periods presented other than provisions for foreign and state income taxes.

The differences in the total (benefit from) provision for income taxes that would result from applying the 34% federal statutory rate to loss before provision for income taxes and the reported provision for income taxes were as follows:

	Years Ended December 31,		
	2014	2013	2012
Tax benefit at U.S. statutory rate	$ (11,773)	$ (12,022)	$ (8,929)
State income taxes, net of federal benefit	(105)	19	19
Foreign income and withholding taxes	3,593	4,382	(184)
Stock-based compensation	984	863	458
Change in valuation allowance	5,982	4,437	9,082
Research and development credits	(807)	(776)	(823)
Uncertain tax positions	52	1,499	
Provision to return adjustments	(53)	1,894	328
Other	671	196	270
	$ (1,456)	$ 492	$ 221

Major components of the Company s deferred tax assets as of December 31, 2014 and 2013 are as follows:

	December 31,	
	2014	2013
Current		
Accruals and reserves	$ 1,250	$ 1,816
Stock-based compensation	586	151
Other	118	(64)
Current deferred tax assets	1,954	1,903
Valuation allowance	(1,822)	(1,853)

Total current deferred tax asset, net of valuation allowance	132	50
Noncurrent		
Net operating loss	34,586	27,355
Accruals and reserves	128	149
Research and development credits	4,791	3,391
Stock-based compensation	1,757	452
Property and equipment and intangible assets	543	914
Other	(235)	94
Noncurrent deferred tax assets	41,570	32,355
Valuation allowance	(41,531)	(32,205)
Total non-current deferred tax asset, net of valuation allowance	$ 39	$ 150

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As a result of certain realization requirements of accounting guidance for stock compensation, the table of deferred tax assets and liabilities shown above does not include certain deferred tax assets at December 31, 2014, and 2013 that arose directly from tax deductions related to equity compensation in excess of compensation recognized for financial reporting. Additional paid-in capital will be increased by $1,109 if and when such benefits are ultimately realized and reduce taxes payable.

The Code, as amended, imposes restrictions on the utilization of net operating losses in the event of an ownership change of a corporation. Accordingly, a company s ability to use net operating losses may be limited as prescribed under Internal Revenue Code Section 382 (IRC Section 382). Events which may cause limitations in the amount of the net operating losses that the Company may use in any one year include, but are not limited to, a cumulative ownership change of more than 50% over a three-year period. Utilization of the federal and state net operating losses may be subject to substantial annual limitation due to the ownership change limitations provided by the IRC Section 382 and similar state provisions. An analysis was conducted through December 31, 2014 to determine whether an ownership change had occurred since inception. The analysis indicated that because an ownership change occurred in a prior year, federal and state net operating losses of $184 and $214, respectively, were significantly limited pursuant to IRC Section 382. In the event the Company has subsequent changes in ownership, net operating losses and research and development credit carryovers could be further limited and may expire unutilized.

As of December 31, 2014, the Company had federal and state net operating loss carryforwards of approximately $99,779 and $85,288, respectively. The federal net operating loss carryforward will begin expiring in 2026 and the state net operating loss carryforward will begin expiring in 2016. As of December 31, 2014, the Company had federal and state research and development credits of approximately $3,938 and $3,497, respectively. The federal research and development credits will begin expiring in 2026. The state research and development credits are not currently subject to expiration. On January 2, 2013, the American Taxpayer Relief Act of 2012 was signed into law. As part of the act, the research and development credit was retroactively extended. Accordingly, the Company did not record a federal research and development credit for 2012. While the applicable credit for 2012 was considered in 2014 and 2013, no financial statement benefit was recorded as the Company applies a valuation allowance against the credit generated.

The Company has recorded a full valuation allowance against its otherwise recognizable deferred income tax assets as of December 31, 2014 and 2013 (except for the deferred income tax assets associated with the Company s subsidiary in the United Kingdom). The Company has determined, after evaluating all positive and negative historical and prospective evidence, that it is more likely than not that the deferred tax assets will not be realized. The valuation allowance increased by $9,295, $4,205 and $10,951 during the years ended December 31, 2014, 2013 and 2012, respectively.

The Company files U.S. state and foreign income tax returns in jurisdictions with varying statutes of limitations. In the normal course of business, the Company is subject to examination by taxing authorities throughout the world. These

audits include questioning the timing and amount of deduction, the nexus of income among various tax jurisdictions and compliance with state, local and foreign tax laws. The Company is not currently under any examination by the U.S. state or foreign tax authorities. Because of net operating loss and credit carry forwards, all of the Company s tax years dating to inception in 2007 remain open to examination.

As of December 31, 2014 and 2013, the Company did not have any unrecognized tax benefits that if recognized would impact the annual effective tax rate. During 2014, 2013 and 2012, the Company did not

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recognize any interest or penalties related to unrecognized tax benefits. The aggregate changes in the balance of gross unrecognized tax benefits were as follows:

Beginning balance as of January 1, 2014	$ 1,088
Increase in balances related to tax positions taken during the current period	394
Increase in balances related to tax positions taken during the prior period	99
Ending balance as of December 31, 2014	$ 1,581

The Company does not anticipate that the amount of unrecognized tax benefits relating to tax positions existing at December 31, 2014 will significantly increase or decrease within the next twelve months.

U.S. income taxes and foreign withholding taxes associated with the repatriation of earnings of foreign subsidiaries were not provided for on a cumulative total of $1,292 of undistributed earnings for certain foreign subsidiaries as of December 31, 2014. The Company intends to reinvest these earnings indefinitely in its foreign subsidiaries. If these earnings were distributed to the United States in the form of dividends or otherwise, or if the shares of the relevant foreign subsidiaries were sold or otherwise transferred, the Company would be subject to additional U.S. income taxes (subject to an adjustment for foreign tax credits) and foreign withholding taxes. Determination of the amount of unrecognized deferred income tax liability related to these earnings is not practicable.

13. Net Loss Per Share Available to Common Stockholders

Basic net loss per share available to common stockholders is calculated by dividing the net loss available to common stockholders by the weighted-average number of shares of common stock outstanding for the period. Net loss available to common stockholders is calculated using the two class method as net loss less the preferred stock dividend for the period less the amount of net loss, if any, allocated to the preferred stock based on weighted preferred stock outstanding during the period relative to total stock outstanding during the period. As the Company s preferred stockholders did not have the contractual obligations to share in the losses of the Company, no loss was allocated to the convertible preferred stockholders in the determination of net loss available to common stockholders. The weighted-average number of shares of common stock used to calculate the Company s basic net loss per share available to common stockholders excludes those shares subject to repurchase related to unvested common shares, stock options that were exercised prior to vesting, restricted stock issued and RSUs settled for shares of common stock as these shares are not deemed to be outstanding for accounting purposes until they vest. The diluted net loss per share of common stock is computed by dividing the net loss using the weighted-average number of shares of common stock, excluding common stock subject to repurchase, and, if dilutive, potential shares of common stock outstanding during the period. Potential shares of common stock consist of common stock subject to repurchase, stock options to

purchase common stock, restricted common stock issued, RSUs settled for shares of common stock, warrants to purchase convertible preferred stock (using the treasury stock method) and the conversion of the Company s convertible preferred stock (using the if converted method).

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The following table presents the calculation of basic and diluted net loss per share:

	Years Ended December 31,		
	2014	2013	2012
Numerator:			
Net loss available to common stockholders	$ (33,171)	$ (35,852)	$ (26,482)
Denominator:			
Weighted average number of shares, basic and diluted	34,210	26,312	4,417
Net loss per share available to common stockholders			
Basic and diluted net loss per common share available to common stockholders	$ (0.97)	$ (1.36)	$ (6.00)

The following table presents the potential common shares outstanding that were excluded from the computation of diluted net loss per share available to common stockholders for the periods presented because including them would have been anti-dilutive:

	Years Ended December 31,		
	2014	2013	2012
Convertible preferred stock			18,753
Options to purchase common stock	6,376	4,855	4,314
Restricted stock units	769		
Restricted common stock	580		
Common stock subject to repurchase	85	180	284
Convertible preferred stock warrants			51
Common stock warrants			63
	7,810	5,035	23,465

14. Segment Reporting

The Company defines the term chief operating decision maker to be the Chief Executive Officer. The Chief Executive Officer reviews the financial information presented on a consolidated basis for purposes of allocating resources and evaluation of financial performance. Accordingly, the Company has determined that it operates as a single reportable and operating segment.

Revenues by geographic area, based on the billing location of the customer, were as follows:

	Years Ended December 31,		
	2014	2013	2012
United States of America	$ 65,745	$ 52,725	$ 43,429
International	33,609	24,590	16,129
Total revenues, net	$ 99,354	$ 77,315	$ 59,558

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Long-lived assets, excluding goodwill and intangible assets, by geographic area were as follows:

	December 31,	
	2014	2013
United States of America	$ 15,701	$ 14,050
International	573	367
Total long-lived assets, net	$ 16,274	$ 14,417

15. Commitments and Contingencies

Operating Leases

Rent expense for 2014, 2013 and 2012 was $7,478, $6,811, and $4,741, respectively.

The Company has leased office space in San Francisco, London, Austin, Chicago, Dublin, Hamburg, New York, Paris, Portland, Singapore, Sydney, Tokyo and Shanghai under non-cancelable operating leases, which expire between 2015 and 2022. Additionally, the Company leases the space utilized for data center operations.

Future minimum lease payments for significant operating leases as of December 31, 2014 were as follows:

Years Ending	
2015	$ 6,278
2016	7,108
2017	6,817
2018	3,900
2019	3,800
Thereafter	7,893
	$ 35,796

Legal Matters

From time to time, the Company may be involved in lawsuits, claims, investigations and proceedings, consisting of intellectual property, commercial, employment and other matters, which arise in the ordinary course of business. In accordance with GAAP, the Company records a liability when it is both probable that a liability has been incurred and the amount of the loss can be reasonably estimated. These provisions are reviewed at least quarterly and adjusted to reflect the impact of negotiations, settlements, ruling, advice of legal counsel and other information and events pertaining to a particular case. Litigation is inherently unpredictable. If any unfavorable ruling were to occur in any specific period or if a loss becomes probable and estimable, there exists the possibility of a material adverse impact on the Company s results of operations, financial position or cash flows.

Indemnification

The Company enters into standard indemnification agreements in the ordinary course of business. Pursuant to the agreements, each party may indemnify, defend and hold the other party harmless with respect to such claim, suit or proceeding brought against it by a third party alleging that the indemnifying party s intellectual property infringes upon the intellectual property of the third party, or results from a breach of the indemnifying

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party s representations and warranties or covenants, or that results from any acts of negligence or willful misconduct. The term of these indemnification agreements is generally perpetual any time after execution of the agreement. The maximum potential amount of future payments the Company could be required to make under these indemnification agreements is unlimited. Historically, the Company has not been obligated to make significant payments for these obligations and no liabilities have been recorded for these obligations on the consolidated balance sheets as of December 31, 2014 and 2013.

The Company also indemnifies its officers and directors for certain events or occurrences, subject to certain limits, while the officer or director is or was serving at the Company s request in such capacity. The maximum amount of potential future indemnification is unlimited; however, the Company has a Directors and Officers insurance policy that limits its exposure and enables the Company to recover a portion of any future amounts paid. Historically, the Company has not been obligated to make any payments for these obligations and no liabilities have been recorded for these obligations on the consolidated balance sheets as of December 31, 2014 and 2013.

Other Contingencies

The Company is subject to claims and assessments from time to time in the ordinary course of business. The Company s management does not believe that any such matters, individually or in the aggregate, will have a material adverse effect on the Company s financial position, results of operations or cash flows.

16. Employee Benefit Plans

The Company sponsors a 401(k) defined contribution plan covering all employees in the United States. The Board of Directors determines contributions made by the Company annually. The Company made no contributions under this plan for 2014, 2013 and 2012.

17. Related Party Transactions

In October 2013, the Company appointed James Barrese to the Board of Directors. Mr. Barrese is the Chief Technology Officer of PayPal, Inc, which is a customer of the Company. During 2014 and 2013, the Company recorded total revenues of $390 and $163, respectively, through its subscription agreements with PayPal, Inc. and their affiliate eBay Inc.

18. Subsequent Events

Acquisition

On February 12, 2015, the Company acquired SocialMoov, a Paris-based social advertising platform for Facebook and Twitter advertising. Under the terms of the agreement, total consideration for the acquisition was $18,750, consisting of $8,000 of cash, and $10,750 in common stock. The Company also agreed to grant approximately $2,000 in stock-based awards with time-based vesting to employees of SocialMoov that continued employment with the Company.

The results of SocialMoov s operations will be included in the consolidated financial statements following the acquisition date. The Company is currently evaluating the purchase price allocation following the consummation of the transaction. It is not possible to disclose the preliminary purchase price allocation given the short period of time between the acquisition date and the filing of this report.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Company has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on February 20, 2015.

MARIN SOFTWARE INCORPORATED

By: /s/ JOHN A. KAELLE
John A. Kaelle

Chief Financial Officer

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POWER OF ATTORNEY

KNOW ALL BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints David A. Yovanno and John A. Kaelle, and each of them, as his or her true and lawful attorneys-in-fact and agents, each with the full power of substitution, for him or her and in his or her name, place or stead, in any and all capacities, to sign any and all amendments to this report, and to file the same, with exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or their or his or her substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons in the capacities and on the date indicated:

Name	Title	Date
/s/ David A. Yovanno David A. Yovanno	Chief Executive Officer and Director (principal executive officer)	February 20, 2015
/s/ John A. Kaelle John A. Kaelle	Chief Financial Officer (principal financial and accounting officer)	February 20, 2015
/s/ Christopher A. Lien Christopher A. Lien	Executive Chairman and Director	February 20, 2015
/s/ Paul Auvil Paul Auvil	Director	February 20, 2015
/s/ James Barrese James Barrese	Director	February 20, 2015
/s/ L. Gordon Crovitz L. Gordon Crovitz	Director	February 20, 2015
/s/ Bruce Dunlevie Bruce Dunlevie	Lead Independent Director	February 20, 2015
/s/ Donald Hutchison	Director	February 20, 2015

Donald Hutchison		
/s/ Allan Leinwand	Director	February 20, 2015
Allan Leinwand		
/s/ Daina Middleton	Director	February 20, 2015
Daina Middleton		

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EXHIBIT INDEX

Exhibit Number	Description of Document	Incorporated by Reference				Filed Herewith
		Form	File No.	Exhibit	Filing Date	
2.1	Amended and Restated Agreement and Plan of Reorganization by and among the Registrant, Infinity Acquisition Sub, Inc., Infinity Acquisition Sub II, L.L.C., NowSpots, Inc. and Fortis Advisors L.L.C. as Stockholders Agent as of May 30, 2014	8-K	001-35838	2.1	6/4/2014	
3.1	Restated Certificate of Incorporation.	10-Q	001-35838	3.1	5/9/2013	
3.2	Restated Bylaws.	10-Q	001-35838	3.2	5/9/2013	
4.1	Form of Common Stock Certificate.	S-1/A	333-186669	4.1	3/15/2013	
4.2	Amended and Restated Investors Rights Agreement, dated as of January 25, 2012, by and among the Registrant and certain of its stockholders, as amended.	S-1	333-186669	4.2	2/13/2013	
10.1	Form of Indemnification Agreement.	S-1/A	333-186669	10.1	3/4/2013	
10.2#	2006 Equity Incentive Plan and forms of stock option agreement and stock option exercise agreement.	S-1	333-186669	10.2	2/13/2013	
10.3#	2013 Equity Incentive Plan and forms of stock option agreement, stock option exercise agreement, restricted stock agreement, and restricted stock unit award agreement.	S-1/A	333-186669	10.3	3/4/2013	
10.4#	2013 Employee Stock Purchase Plan and form of subscription agreement.	S-1/A	333-186669	10.4	3/4/2013	
10.5	Office Lease, dated as of January 7, 2011, by and between the Registrant and 123 Mission, LLC, as amended.	S-1	333-186669	10.6	2/13/2013	
10.6	Master Services Agreement, dated as of August 3, 2009, by and between the Registrant and Switch Communications Group L.L.C.	S-1	333-186669	10.7	2/13/2013	
10.7	Amended and Restated Loan and Security Agreement, dated as of December 9, 2011, by and among the Registrant, Marin Software Limited and Silicon Valley Bank, as amended.					X
10.8#	Form of Severance and Change in Control Agreement between the Registrant and each of	S-1/A	333-186669	10.9	3/11/2013	

	the executive officers.				
10.9#	Offer Letter, dated as of February 15, 2011, by and between the Registrant and John Kaelle.	10-K	001-35838	10.9	2/28/2014

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Exhibit Number	Description of Document	Incorporated by Reference				Filed Herewith
		Form	File No.	Exhibit	Filing Date	
10.10#	Offer Letter, dated as of October 31, 2006, by and between the Registrant and Peter Wooster.	10-Q	001-35838	10.10	5/8/2014	
10.11#	Executive Bonus Compensation Plan.					X
10.12#	Release Agreement, dated July 8, 2014, by and between the Registrant and Peter Wooster.	10-Q	001-35838	10.12	8/7/2014	
10.13#	Offer Letter, dated May 4, 2014, by and between the Registrant and David. A. Yovanno.	8-K	001-35838	10.1	5/8/2014	
10.14#	Description of Director Compensation Program					X
21.1	Subsidiaries of the Registrant.					X
23.1	Consent of independent registered public accounting firm.					X
31.1	Certification of Principal Executive Officer pursuant to Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					X
31.2	Certification of Principal Financial Officer pursuant to Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002					X
32.1*	Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.					X
32.2*	Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.					X
101.INS	XBRL Instance Document					X
101.SCH	XBRL Taxonomy Schema Linkbase Document					X
101.CAL	XBRL Taxonomy Calculation Linkbase Document					X
101.DEF	XBRL Taxonomy Definition Linkbase Document					X
101.LAB	XBRL Taxonomy Labels Linkbase Document					X
101.PRE	XBRL Taxonomy Presentation Linkbase Document					X

* As contemplated by SEC Release No. 33-8212, these exhibits are furnished with this Annual Report on Form 10-K and are not deemed filed with the Securities and Exchange Commission and are not incorporated by reference in any filing of the Registrant under the Securities Act of 1933 or the Exchange Act of 1934, whether made before or after the date hereof and irrespective of any general incorporation language in such filings.

Represents a management contract or compensatory plan.