

RUBICON PROJECT, INC.
Form 10-Q
November 03, 2016
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2016
OR

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

For the transition period from _____ to _____

Commission File Number: 001-36384

THE RUBICON PROJECT, INC.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or organization)

20-8881738
(I.R.S. Employer Identification No.)

12181 Bluff Creek Drive, 4th Floor
Los Angeles, CA 90094
(Address of principal executive offices, including zip code)

Registrant's telephone number, including area code:

(310) 207-0272

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§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 No

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

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Large accelerated filer Accelerated filer

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

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding as of October 24, 2016
Common Stock, \$0.00001 par value	49,039,107

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THE RUBICON PROJECT, INC.
 QUARTERLY REPORT ON FORM 10-Q

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PART I. FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements

THE RUBICON PROJECT, INC.
 CONSOLIDATED BALANCE SHEETS
 (In thousands, except per share amounts)
 (unaudited)

	September 30, 2016	December 31, 2015
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 154,264	\$ 116,499
Accounts receivable, net	152,639	218,235
Marketable securities	38,936	23,349
Prepaid expenses and other current assets	10,391	7,624
TOTAL CURRENT ASSETS	356,230	365,707
Property and equipment, net	29,025	25,403
Internal use software development costs, net	16,597	13,929
Goodwill	65,705	65,705
Intangible assets, net	36,470	50,783
Marketable securities and other assets, non-current	1,926	15,209
TOTAL ASSETS	\$ 505,953	\$ 536,736
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	\$ 186,181	\$ 247,967
Other current liabilities	2,622	2,196
TOTAL CURRENT LIABILITIES	188,803	250,163
Deferred tax liability, net	1,234	6,225
Other liabilities, non-current	1,899	2,247
TOTAL LIABILITIES	191,936	258,635
Commitments and contingencies (Note 9)		
STOCKHOLDERS' EQUITY		
Preferred stock, \$0.00001 par value, 10,000 shares authorized at September 30, 2016 and December 31, 2015; 0 shares issued and outstanding at September 30, 2016 and December 31, 2015	—	—
Common stock, \$0.00001 par value; 500,000 shares authorized at September 30, 2016 and December 31, 2015; 48,976 and 46,600 shares issued and outstanding at September 30, 2016 and December 31, 2015, respectively	—	—
Additional paid-in capital ⁽¹⁾	391,931	359,064
Accumulated other comprehensive loss	(103)	(15)
Accumulated deficit ⁽¹⁾	(77,811)	(80,948)
TOTAL STOCKHOLDERS' EQUITY	314,017	278,101
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 505,953	\$ 536,736

⁽¹⁾ Refer to Note 7 and Note 8 for discussion of the adoption of the new accounting guidance for share-based payment transactions (as defined in Note 1).

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

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THE RUBICON PROJECT, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share amounts)
(unaudited)

	Three Months Ended		Nine Months Ended	
	September 30,	September 30,	September 30,	September 30,
	2016	2015	2016	2015
Revenue	\$65,811	\$ 64,253	\$205,554	\$ 154,477
Expenses:				
Cost of revenue	17,798	16,556	52,121	37,126
Sales and marketing	21,635	22,817	64,879	60,027
Technology and development	12,513	11,822	38,250	30,626
General and administrative	16,238	18,225	53,233	50,488
Total expenses	68,184	69,420	208,483	178,267
Loss from operations	(2,373)	(5,167)	(2,929)	(23,790)
Other (income) expense:				
Interest income, net	(134)	(37)	(359)	(14)
Other income	(191)	—	(388)	—
Foreign exchange gain, net	(21)	(38)	(338)	(1,381)
Total other (income) expense, net	(346)	(75)	(1,085)	(1,395)
Loss before income taxes	(2,027)	(5,092)	(1,844)	(22,395)
Benefit for income taxes	(5,557)	(2,083)	(4,981)	(2,412)
Net income (loss)	\$3,530	\$ (3,009)	\$3,137	\$ (19,983)
Net income (loss) per share:				
Basic	\$0.07	\$ (0.07)	\$0.07	\$ (0.51)
Diluted	\$0.07	\$ (0.07)	\$0.06	\$ (0.51)
Weighted-average shares used to compute net income (loss) per share:				
Basic	47,538	41,308	46,186	38,847
Diluted	48,683	41,308	49,126	38,847

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

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THE RUBICON PROJECT, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(In thousands)

(unaudited)

	Three Months Ended		Nine Months Ended	
	September 30,	September 30,	September 30,	September 30,
	2016	2015	2016	2015
Net income (loss)	\$3,530	\$ (3,009)	\$3,137	\$ (19,983)
Other comprehensive income (loss):				
Unrealized gain (loss) on investments, net of tax	(7)	3	77	—
Foreign currency translation adjustments	(54)	5	(165)	35
Comprehensive income (loss)	\$3,469	\$ (3,001)	\$3,049	\$ (19,948)

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

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THE RUBICON PROJECT, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(In thousands)
(unaudited)

	Common Stock Shares	Amount	Additional Paid-In Capital	Other Comprehensive Income (Loss)	Accumulated Other Comprehensive Income Deficit	Total Stockholders' Equity
Balance at December 31, 2015	46,600	\$	—\$358,406	\$ (15)	\$ (80,290)	\$ 278,101
Cumulative-effect adjustment ⁽¹⁾	—	—	658	—	(658)	—
Balance at January 1, 2016	46,600	\$	—\$359,064	\$ (15)	\$ (80,948)	\$ 278,101
Exercise of common stock options	1,931	—	13,796	—	—	13,796
Restricted stock awards, net	68	—	—	—	—	—
Shares withheld related to net share settlement	(341)	—	(4,886)	—	—	(4,886)
Issuance of common stock related to RSU vesting	625	—	—	—	—	—
Issuance of common stock related to employee stock purchase plan	93	—	1,137	—	—	1,137
Stock-based compensation	—	—	22,820	—	—	22,820
Foreign exchange translation adjustment	—	—	—	(165)	—	(165)
Unrealized gain on investments, net of tax	—	—	—	77	—	77
Net income	—	—	—	—	3,137	3,137
Balance at September 30, 2016	48,976	\$	—\$391,931	\$ (103)	\$ (77,811)	\$ 314,017

⁽¹⁾ Refer to Note 7 and Note 8 for discussion of the adoption of the new accounting guidance for share-based payment transactions (as defined in Note 1).

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

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THE RUBICON PROJECT, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(unaudited)

	Nine Months Ended	
	September 30, 2016	September 30, 2015
OPERATING ACTIVITIES:		
Net income (loss)	\$3,137	\$ (19,983)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	29,362	22,470
Stock-based compensation	22,048	22,037
Loss on disposal of property and equipment, net	5	29
Change in fair value of contingent consideration	—	(136)
Unrealized foreign currency gains, net	—	(58)
Deferred income taxes	(4,985)	(2,143)
Changes in operating assets and liabilities, net of effect of business acquisitions:		
Accounts receivable	65,583	(12,300)
Prepaid expenses and other assets	(3,276)	996
Accounts payable and accrued expenses	(63,141)	11,568
Other liabilities	78	(1,295)
Net cash provided by operating activities	48,811	21,185
INVESTING ACTIVITIES:		
Purchases of property and equipment, net	(11,393)	(7,757)
Capitalized internal use software development costs	(7,526)	(6,058)
Acquisitions, net of cash acquired	(238)	(8,647)
Investments in available-for-sale securities	(22,722)	(29,884)
Maturities of available-for-sale securities	20,600	1,600
Change in restricted cash	257	1,100
Net cash used by investing activities	(21,022)	(49,646)
FINANCING ACTIVITIES:		
Proceeds from exercise of stock options	13,796	10,674
Proceeds from issuance of common stock under employee stock purchase plan	1,137	759
Taxes paid related to net share settlement	(4,886)	—
Repayment of debt and capital lease obligations	—	(105)
Net cash provided by financing activities	10,047	11,328
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(71)	(198)
CHANGE IN CASH AND CASH EQUIVALENTS	37,765	(17,331)
CASH AND CASH EQUIVALENTS--Beginning of period	116,499	97,196
CASH AND CASH EQUIVALENTS--End of period	\$154,264	\$ 79,865
SUPPLEMENTAL DISCLOSURES OF OTHER CASH FLOW INFORMATION:		
Capitalized assets financed by accounts payable and accrued expenses	\$1,754	\$ 920
Capitalized stock-based compensation	\$772	\$ 586
Common stock and options issued for business acquisitions	\$—	\$ 76,795

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

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THE RUBICON PROJECT, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

Note 1—Organization and Summary of Significant Accounting Policies

Company Overview

The Rubicon Project, Inc., or Rubicon Project or the Company, was formed on April 20, 2007 in Delaware and began operations in April 2007. The Company is headquartered in Los Angeles, California.

The Company is a technology company with a mission to keep the Internet free and open and to fuel its growth by making it easy and safe to buy and sell advertising. The Company pioneered advertising automation technology to enable the world's leading brands, content creators, and application developers to trade and protect trillions of advertising requests each month and to improve the advertising experience of consumers. The Company offers a highly scalable platform that provides an automated advertising solution for buyers and sellers of digital advertising.

The Company delivers value to buyers and sellers of digital advertising through the Company's proprietary advertising automation solution, which provides critical functionality to both buyers and sellers. The advertising automation solution consists of applications for sellers, including providers of websites, mobile applications and other digital media properties and their representatives, to sell their advertising inventory; applications for buyers, including advertisers, agencies, agency trading desks, demand side platforms, and ad networks, to buy advertising inventory; and a marketplace over which such transactions are executed. This solution incorporates proprietary machine-learning algorithms, sophisticated data processing, high-volume storage, detailed analytics capabilities, and a distributed infrastructure. Together, these features form the basis for the Company's automated advertising solution that brings buyers and sellers together and facilitates intelligent decision-making and automated transaction execution for the advertising inventory managed on the Company's platform.

Basis of Presentation and Summary of Significant Accounting Policies

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with United States generally accepted accounting principles, or GAAP, for interim financial information and the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair statement of the results for the interim period presented have been included. Operating results for the three and nine months ended September 30, 2016 are not necessarily indicative of the results that may be expected for the year ending December 31, 2016, for any future interim period, or for any future year.

The condensed consolidated balance sheet at December 31, 2015 has been derived from the audited financial statements at that date, but does not include all of the disclosures required by GAAP. The accompanying condensed consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements and notes thereto for the year ended December 31, 2015 included in its Annual Report on Form 10-K.

There have been no significant changes in the Company's accounting policies from those disclosed in its audited consolidated financial statements and notes thereto for the year ended December 31, 2015 included in its Annual Report on Form 10-K, with the exception of the early adoption of the new accounting guidance that simplifies several aspects of the accounting for share-based payment transactions. See Note 1, Note 7, and Note 8 for further discussion of the adoption.

Revenue Recognition

The Company generates revenue from buyers and sellers in transactions in which they use the Company's solution for the purchase and sale of advertising inventory, and also in transactions in which the Company manages ad campaigns on behalf of buyers. The Company maintains separate arrangements with each buyer and seller either in the form of a master agreement, which specifies the terms of the relationship and access to the Company's solution, or by insertion

orders, which specify price and volume requests and other terms. The Company recognizes revenue upon the fulfillment of its contractual obligations in connection with a completed transaction, subject to satisfying all other revenue recognition criteria, including (i) persuasive evidence of an arrangement existing, (ii) delivery having occurred or services having been rendered, (iii) the fees being fixed or determinable, and (iv) collectibility being reasonably assured. The Company assesses whether fees are fixed or determinable based on the contractual terms of the arrangements. Historically, any refunds and adjustments have not been material. The Company assesses collectibility based on a number of factors, including the creditworthiness of a buyer and seller and payment and transaction history. The Company's revenue arrangements generally do not include multiple deliverables.

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Revenue is reported depending on whether the Company functions as principal or agent. The determination of whether the Company acts as the principal or the agent requires the Company to evaluate a number of indicators, none of which is presumptive or determinative. For transactions in which the Company is the principal, revenue is reported on a gross basis for the amount paid by buyers for the purchase of advertising inventory and related services and the Company records the amounts paid to sellers as cost of revenue. For transactions in which the Company is the agent, revenue is reported on a net basis for the amount of fees charged to the buyer (if any), and fees retained from or charged to the seller.

The Company enters into arrangements for which it manages advertising campaigns on behalf of buyers. The Company is the principal in these arrangements as it: (i) is the primary obligor in the advertising inventory purchase transaction; (ii) establishes the purchase prices paid by the buyer; (iii) performs all billing and collection activities including the retention of credit risk; (iv) has latitude in selecting suppliers; (v) negotiates the price it pays to suppliers of inventory; and (vi) makes all inventory purchasing decisions. Accordingly, for these arrangements the Company reports revenue on a gross basis.

For the Company's other arrangements, in which the Company's solution matches buyers and sellers, enables them to purchase and sell advertising inventory, and establishes rules and parameters for advertising inventory transactions, the Company reports revenue on a net basis because the Company: (i) is not the primary obligor for the purchase of advertising inventory but rather provides a platform to facilitate the buying and selling of advertising; (ii) does not have pricing latitude as pricing is generally determined through the Company's auction process and/or the Company's fees are based on a percentage of advertising spend; and (iii) does not directly select suppliers.

Reclassifications

Certain amounts in the consolidated balance sheet for December 31, 2015 have been reclassified to conform with current-period presentation.

Use of Estimates

The preparation of condensed consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported and disclosed financial statements and accompanying footnotes. Actual results could differ materially from these estimates.

Recent Accounting Pronouncements

Under the Jumpstart Our Business Startups Act, or the JOBS Act, the Company meets the definition of an emerging growth company. The Company has irrevocably elected to opt out of the extended transition period for complying with new or revised accounting standards pursuant to Section 107(b) of the JOBS Act.

In May 2014, the FASB issued new accounting guidance that amends the guidance for revenue recognition to replace numerous, industry-specific requirements and converges areas under the "Revenue from Contracts with Customers" topic with those of the International Financial Reporting Standards. The guidance implements a five-step process for customer contract revenue recognition that focuses on transfer of control, as opposed to transfer of risk and rewards. The amendment also requires enhanced disclosures regarding the nature, amount, timing and uncertainty of revenues and cash flows from contracts with customers. Other major provisions include the capitalization and amortization of certain contract costs, ensuring the time value of money is considered in the transaction price, and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. These amendments were effective for reporting periods beginning after December 15, 2016, with early adoption prohibited. Entities can transition to the standard either retrospectively or as a cumulative-effect adjustment as of the date of adoption. Subsequent to issuing the May 2014 guidance, in August 2015, the FASB issued amendments that deferred the effective date one year. As a result, the guidance is effective for reporting periods beginning after December 15, 2017, with early adoption permitted only as of annual reporting periods beginning after December 15, 2016. Since its issuance, the FASB has amended several aspects of the new guidance including provisions that clarify the implementation guidance on principal versus agent considerations in the new revenue recognition standard. The amendments clarify how an entity should identify the unit of accounting (i.e. the specified good or service) for the principal versus agent evaluation and how it should apply the control principle to certain types of arrangements. The

Company is currently assessing the impact this guidance will have on the Company's consolidated financial statements and has not yet selected a transition method.

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In January 2016, the FASB issued new accounting guidance that changes certain recognition, measurement, presentation, and disclosure requirements for financial instruments. The new guidance requires all equity investments, except those accounted for under the equity method of accounting or resulting in consolidation, to be measured at fair value with changes in fair value recognized in net income. The guidance also simplifies the impairment assessment for equity investments without readily determinable fair values, amends the presentation requirements for changes in the fair value of financial liabilities, requires presentation of financial instruments by measurement category and form of financial asset, and eliminates the requirement to disclose the methods and significant assumptions used in estimating the fair value of financial instruments. The new guidance is effective for interim and annual periods beginning after December 15, 2017, and early adoption is not permitted except for the amended presentation requirements for changes in the fair value of financial liabilities. The Company is currently assessing the impact this guidance will have on the Company's consolidated financial statements.

In February 2016, the FASB issued new accounting guidance that requires an entity to recognize right-of-use assets and lease liabilities on its balance sheet and disclose key information about leasing arrangements. This guidance offers specific accounting guidance for a lessee, a lessor, and sale and leaseback transactions. Lessees and lessors are required to disclose qualitative and quantitative information about leasing arrangements to enable a user of the financial statements to assess the amount, timing and uncertainty of cash flows arising from leases. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. This guidance is effective for annual reporting periods beginning after December 15, 2018, including interim periods within that reporting period, and requires a modified retrospective adoption, with early adoption permitted. The Company is currently assessing the impact this guidance will have on the Company's consolidated financial statements.

In March 2016, the FASB issued new accounting guidance that simplifies several aspects of the accounting for share-based payment transactions, including accounting for forfeitures, the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. Under the new standard, income tax benefits and deficiencies are to be recognized as income tax expense or benefit in the income statement and the tax effects of exercised or vested awards should be treated as discrete items in the reporting period in which they occur. An entity should also recognize excess tax benefits regardless of whether the benefit reduces taxes payable in the current period. Excess tax benefits should be classified along with other income tax cash flows as an operating activity. In regards to forfeitures, the entity may make an entity-wide accounting policy election to either estimate the number of awards that are expected to vest or account for forfeitures when they occur. This guidance is effective for fiscal years beginning after December 15, 2016 including interim periods within that reporting period; however early adoption is permitted. The Company early adopted the guidance during the three months ended September 30, 2016. See Note 7 and Note 8 for discussion on the impact of the adoption.

In June 2016, the FASB issued new guidance that changes the accounting for recognizing impairments of financial assets. Under the new guidance, credit losses for certain types of financial instruments will be estimated based on expected losses. The new guidance also modifies the impairment models for available-for-sale debt securities and for purchased financial assets with credit deterioration since their origination. The new guidance will be effective for the Company starting in the first quarter of fiscal 2021. Early adoption is permitted starting in the first quarter of fiscal 2020. The Company is currently assessing the impact this guidance will have on the Company's consolidated financial statements.

In August 2016, the FASB issued new guidance intended to reduce diversity in practice in how certain cash receipts and payments are classified in the statement of cash flows, including debt prepayment or extinguishment costs, the settlement of contingent liabilities arising from a business combination, proceeds from insurance settlements, and distributions from certain equity method investees. The new guidance will be effective for interim and annual periods beginning after December 15, 2017, and early adoption is permitted. The guidance requires application using a retrospective transition method. The Company is currently assessing the impact this guidance will have on the Company's consolidated financial statements.

In October 2016, the FASB issued new guidance intended to improve the accounting for the income tax consequences of intra-entity transfers of assets other than inventory. Under the new guidance, entities should recognize the income

tax consequences of such transfers when the transfers occur. The new guidance will be effective for interim and annual periods beginning after December 15, 2017, and early adoption is permitted. The guidance requires application using a modified retrospective transition method. The Company is currently assessing the impact this guidance will have on the Company's consolidated financial statements.

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Note 2—Net Income (Loss) Per Share

The following table presents the basic and diluted net income (loss) per share for each period presented:

	Three Months Ended September 30, 2016		Nine Months Ended September 30, 2015	
	(In thousands, except per share data)			
Net income (loss)	\$3,530	\$ (3,009)	\$3,137	\$ (19,983)
Weighted-average common shares outstanding	48,935	44,028	48,273	41,190
Weighted-average unvested restricted shares	(1,231)	(1,723)	(1,563)	(1,707)
Weighted-average escrow shares	(166)	(997)	(524)	(636)
Weighted-average common shares outstanding used to compute net income (loss) per share	47,538	41,308	46,186	38,847
Basic net income (loss) per share	\$0.07	\$ (0.07)	\$0.07	\$ (0.51)
Diluted EPS:				
Net income (loss)	\$3,530	\$ (3,009)	\$3,137	\$ (19,983)
Weighted-average common shares used in basic EPS	47,538	41,308	46,186	38,847
Dilutive effect of weighted-average common stock options	536	—	1,191	—
Dilutive effect of weighted-average restricted stock awards	138	—	502	—
Dilutive effect of weighted-average restricted stock units	243	—	690	—
Dilutive effect of weighted-average ESPP	58	—	34	—
Dilutive effect of weighted-average escrow shares	170	—	523	—
Dilutive effect of weighted-average contingent shares	—	—	—	—
Weighted-average shares used to compute diluted net income (loss) per share	48,683	41,308	49,126	38,847
Diluted net income (loss) per share	\$0.07	\$ (0.07)	\$0.06	\$ (0.51)

The following weighted-average shares have been excluded from the calculation of diluted net income (loss) per share for each period presented because they are anti-dilutive:

	Three Months Ended September 30, 2016	Nine Months Ended September 30, 2015
	(in thousands)	
Options to purchase common stock	–2,148	–2,684
Unvested restricted stock awards	–373	–564
Unvested restricted stock units	–320	–440
ESPP	–24	–26
Shares held in escrow	–785	–516
Contingent shares	–1,919	–1,380
Total shares excluded from net income (loss) per share	–5,569	–5,610

In addition to the above anti-dilutive shares, shares contingently issuable if certain milestones were achieved on December 31, 2015 related to business combinations that occurred during the years ended December 31, 2014 and 2015 have been excluded from the calculation of diluted net loss per share for the three and nine months ended

September 30, 2015. If September 30, 2015 had been the end of the contingency period, 821,862 shares would have been issuable related to the iSocket, Inc., or iSocket, acquisition and 957,407 shares would have been issuable related to the Chango Inc., or Chango, acquisition. On December 31, 2015, the Company issued 585,170 shares in connection with the iSocket contingent consideration and 971,481 shares in connection with the Chango contingent consideration, which were included in the calculation of basic and diluted net income (loss) per share for the three and nine months ended September 30, 2016.

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Note 3—Fair Value Measurements

Fair value represents the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. Observable inputs are based on market data obtained from independent sources. The fair value hierarchy is based on the following three levels of inputs, of which the first two are considered observable and the last one is considered unobservable:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 – Unobservable inputs.

The table below sets forth a summary of financial instruments that are measured at fair value on a recurring basis at September 30, 2016:

	Total	Fair Value Measurements at Reporting Date Using			
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Other Significant Unobservable Inputs (Level 3)	
	(in thousands)				
Money market funds	\$17,321	\$ 17,321	\$	—	\$ —
Corporate debt securities	\$17,075	\$ 17,075	\$	—	\$ —
U.S. Treasury, government and agency debt securities	\$21,861	\$ 21,861	\$	—	\$ —

The table below sets forth a summary of financial instruments that are measured at fair value on a recurring basis at December 31, 2015:

	Total	Fair Value Measurements at Reporting Date Using			
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Other Significant Unobservable Inputs (Level 3)	
	(in thousands)				
Money market funds	\$19,257	\$ 19,257	\$	—	\$ —
Corporate debt securities	\$12,786	\$ 12,786	\$	—	\$ —
U.S. Treasury, government and agency debt securities	\$23,946	\$ 23,946	\$	—	\$ —

At September 30, 2016 and December 31, 2015, cash equivalents of \$17.3 million and \$19.3 million, respectively, consisted of money market funds with original maturities of three months or less. The fair values of the Company's money market funds, U.S. treasury, government and agency debt securities, and corporate debt securities are based on

quoted market prices.

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At September 30, 2015, the Company had contingent consideration liabilities in connection with the acquisitions of iSocket and Chango that the Company classified within Level 3 as factors used to develop the estimated fair value included unobservable inputs that were not supported by market activity. The Company estimated the fair value of the contingent consideration liability for iSocket by discounting the present value of the probability-weighted future payout related to the contingent earn-out criteria using an estimate of the Company's incremental borrowing rate. At September 30, 2015, the Company considered it highly likely that the iSocket earn-out criteria would be met. On December 31, 2015, the Company issued 585,170 shares of common stock in satisfaction of the contingent consideration. The Company estimated the fair value of the contingent consideration liability related to the Chango acquisition by using a Monte-Carlo model as the fair value of the contingent consideration was dependent on both the performance milestones being achieved and the post-acquisition prices of the Company's common stock. Subsequent to Chango's acquisition date, the operations of Chango were fully integrated into the operations of the Company. Accordingly, pursuant to the acquisition agreement, because Chango was no longer operated separately from the Company's other operations in accordance with the agreed-upon business plan, the entire contingent consideration was deemed earned. As a result, the changes in the fair value of the contingent consideration liability post-acquisition were primarily dependent on prices of the Company's common stock for periods subsequent to Chango's acquisition date. On December 31, 2015, the Company issued 971,481 shares of common stock in satisfaction of the contingent consideration.

For the three and nine months ended September 30, 2015, the change in fair value of the contingent consideration liabilities, which was recorded in general and administrative expenses, was insignificant.

The Company's contingent consideration liability was recorded at fair value and was determined to be a Level 3 fair value item. The change in the fair value of the contingent consideration liability is summarized below:

	Three Month Roll Forward September 30, 2016	Nine Month Roll Forward September 30, 2015
	(in thousands)	
Beginning balance	\$—27,622	\$—11,448
Increase to contingent consideration liability related to the Chango acquisition	—	—16,171
Change in fair value of contingent consideration liability recorded in general and administrative expense	—(139)	—(136)
Ending balance	\$—27,483	\$—27,483

Note 4—Other Balance Sheet Amounts

The Company holds restricted cash as collateral for credit cards. At September 30, 2016 and December 31, 2015, restricted cash included in prepaid expenses and other current assets were \$0.1 million and \$0.3 million, respectively. Investments in marketable securities as of September 30, 2016 consisted of the following:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(in thousands)			
Available-for-sale — short-term:				
U.S. Treasury, government and agency debt securities	\$21,851	\$ 10	\$ —	—\$21,861
Corporate debt securities	17,075	—	—	17,075
Total	\$38,926	\$ 10	\$ —	—\$38,936
Available-for-sale — long-term:				
U.S. Treasury, government and agency debt securities	\$—	\$ —	\$ —	—\$—

As of September 30, 2016, the Company's available-for-sale securities had a weighted remaining contractual maturity of 0.3 years. For the three and nine months ended September 30, 2016 the gross realized gains and gross realized losses were not significant and there were no unrealized holding gains (losses) reclassified out of accumulated other comprehensive income (loss) into the consolidated statements of operations for the sale of available-for-sale investments.

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Investments in marketable securities as of December 31, 2015 consisted of the following:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
(in thousands)				
Available-for-sale — short-term:				
U.S. Treasury, government and agency debt securities	\$ 10,485	\$ —	\$(22)	\$ 10,463
Corporate debt securities	12,786	—	—	12,786
Total	\$ 23,271	\$ —	\$(22)	\$ 23,249

Available-for-sale — long-term:

U.S. Treasury, government and agency debt securities	\$ 13,529	\$ —	\$(46)	\$ 13,483
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As of September 30, 2016, the contractual maturity dates for all marketable securities are due in less than one year.

There were no non-current marketable securities at September 30, 2016.

Accounts payable and accrued expenses included the following:

	September 30, 2016	December 31, 2015
(in thousands)		
Accounts payable—seller	\$ 167,346	\$ 228,850
Accounts payable—trade	8,288	6,962
Accrued employee-related payables	10,547	12,155
Total	\$ 186,181	\$ 247,967

At September 30, 2016 and December 31, 2015, accounts payable—seller are recorded net of \$0.3 million and \$0.7 million, respectively, due from sellers for services provided by the Company to sellers, where the Company has the right of offset.

Note 5—Business Combinations

On April 24, 2015, or the Acquisition Date, the Company completed the acquisition of all the issued and outstanding shares of Chango, a Toronto, Canada based intent marketing technology company.

The following table provides unaudited pro forma information as if Chango had been acquired as of January 1, 2014.

The unaudited pro forma information reflects adjustments for additional amortization resulting from the fair value adjustments to assets acquired and liabilities assumed. The pro forma results do not include any anticipated cost synergies or other effects of the integration of Chango or recognition of compensation expense relating to the earn-out. Accordingly, pro forma amounts are not necessarily indicative of the results that actually would have occurred had the acquisition been completed on the dates indicated, nor is it indicative of the actual or future operating results of the combined company.

	Three Months Ended September 30, 2015	Nine Months Ended September 30, 2015
(in thousands, except per share data)		
Pro forma revenues	\$ 64,253	\$ 171,127
Pro forma net loss	\$(2,243)	\$(20,851)
Pro forma net loss per share, basic and diluted	\$(0.05)	\$(0.50)

Subsequent to the Acquisition Date, the operations of Chango were fully integrated into the operations of the Company and as a result, the determination of Chango's post-acquisition revenues and operating results on a

standalone basis are impracticable given the integration of the Chango operations with the Company's operations.

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Note 6—Intangible Assets

Intangible assets primarily consist of acquired developed technology, customer relationships and non-compete agreements resulting from business combinations, which are recorded at acquisition-date fair value, less accumulated amortization. The Company determines the appropriate useful life of its intangible assets by performing an analysis of expected cash flows of the acquired assets. Intangible assets are amortized over their estimated useful lives using a straight-line method, which approximates the pattern in which the economic benefits are consumed.

During the three months ended June 30, 2016, the Company reassessed the remaining estimated useful lives of the developed technology and customer relationships related to the Chango acquisition. The change in estimated useful lives for the developed technology and customer relationships was based on the remaining expected benefit from those assets. As a result, the remaining estimated useful life for developed technology was changed from a range between 1.8 and 3.8 years to a range between 1.3 and 2.8 years and the remaining estimated useful life for customer relationships was changed from 3.8 years to 1.8 years as of June 30, 2016.

Details of the Company's intangible assets were as follows:

SeptemberDecember
30, 2016 31, 2015

(in thousands)

Amortizable intangible assets:

Developed technology	\$35,728	\$35,756
Customer relationships	25,330	25,330
Non-compete agreements	4,990	4,990
Total identifiable intangible assets, gross	66,048	66,076
Total accumulated amortization—intangible assets	(29,578)	(15,293)
Total identifiable intangible assets, net	\$36,470	\$50,783

Amortization expense of intangible assets for the three and nine months ended September 30, 2016 were \$5.7 million and \$14.3 million, respectively. The change in the remaining estimated useful lives for acquired technology and customer relationships resulted in increased amortization expense of \$1.6 million and \$2.1 million for the three and nine months ended September 30, 2016, respectively. The increased amortization expense decreased the basic and diluted earnings per share by \$0.03 for the three months ended September 30, 2016. The increased amortization expense decreased the basic and diluted earnings per share by \$0.05 and \$0.04 for the nine months ended September 30, 2016, respectively.

As of September 30, 2016 the estimated remaining amortization expense associated with the Company's intangible assets for each of the next five fiscal years was as follows:

Fiscal Year	Amount
	(in thousands)
2016	\$ 5,702
2017	19,538
2018	8,415
2019	2,815
2020 and thereafter	—
Total	\$ 36,470

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Note 7—Stock-Based Compensation

The Company's equity incentive plans provide for the grant of equity awards, including non-statutory or incentive stock options, restricted stock, and restricted stock units, to the Company's employees, officers, directors, and consultants. The Company's board of directors administers the plans. Options outstanding vest based upon continued service at varying rates, but generally over four years from issuance with 25% vesting after one year of service and the remainder vesting monthly thereafter. Restricted stock and restricted stock units vest at varying rates, usually 25% vesting after one year of service and the remainder vesting semi-annually thereafter. Options, restricted stock, and restricted stock units granted under the plans accelerate under certain circumstances on a change in control, as defined in the governing plan. An aggregate of 2,934,703 shares remained available for issuance at September 30, 2016 under the plans.

During the three months ended September 30, 2016, the Company early adopted the new accounting guidance that simplifies several aspects of the accounting for share-based payments, including the Company's election to eliminate the requirement to estimate the number of awards that are expected to vest and, instead, account for forfeitures when they occur. The new standard requires the change be adopted using the modified retrospective approach. As such, the Company recorded a cumulative-effect adjustment of \$0.7 million to increase the December 31, 2015 accumulated deficit and the December 31, 2015 additional paid-in capital balances. In addition, the new standard requires income tax benefits and deficiencies to be recognized as income tax expense or benefit in the income statement and the tax effects of exercised or vested awards should be treated as discrete items in the reporting period in which they occur. The Company recorded \$7.5 million of net deferred tax assets related to net operating losses for income tax benefits as of January 1, 2016. The Company has a full valuation allowance, and thus the income tax consequences of the new standard did not have an impact on the condensed consolidated financial statements. Excess tax benefits should be classified along with other income tax cash flows as an operating activity. The new standard also requires the presentation of cash paid by the employer for employee taxes as a financing activity. The Company has historically presented these items as financing activities, and thus the new standard did not have an impact of the condensed consolidated financial statements.

Stock Options

A summary of stock option activity for the nine months ended September 30, 2016 is as follows:

	Shares Under Option	Weighted- Average Exercise Price	Weighted- Average Contractual Life	Aggregate Intrinsic Value
	(in thousands)			(in thousands)
Outstanding at December 31, 2015	6,203	\$ 9.76		
Granted	419	\$ 14.09		
Exercised	(1,931)	\$ 7.14		
Canceled	(607)	\$ 12.05		
Outstanding at September 30, 2016	4,084	\$ 11.10	6.93 years	\$ 2,733
Vested and expected to vest	4,084	\$ 11.10	6.93 years	\$ 2,733
Exercisable at September 30, 2016	2,618	\$ 9.74	6.26 years	\$ 2,663

At September 30, 2016, the Company had unrecognized employee stock-based compensation expense relating to stock options of approximately \$8.7 million, which is expected to be recognized over a weighted-average period of 1.9 years.

The weighted-average grant date per share fair value of stock options granted in the nine months ended September 30, 2016 was \$6.52.

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The Company estimates the fair value of stock options that contain service and/or performance conditions using the Black-Scholes option pricing model. No stock options were granted during the third quarter of 2016. The weighted-average input assumptions used by the Company were as follows:

	Three Months Ended		Nine Months Ended		
	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015	
Expected term (in years)	0	6.0	5.9	4.3	
Risk-free interest rate	—%	1.74	% 1.43	% 1.26	%
Expected volatility	—%	43	% 48	% 48	%
Dividend yield	—%	—	% —	% —	%

Restricted Stock

A summary of restricted stock activity for the nine months ended September 30, 2016 is as follows:

	Number of Shares	Weighted-Average Grant Date Fair Value
	(in thousands)	
Nonvested shares of restricted stock outstanding at December 31, 2015	1,479	\$ 15.58
Granted	525	\$ 12.15
Canceled	(457)	\$ 14.42
Vested	(339)	\$ 16.35
Nonvested shares subject to restricted stock outstanding at September 30, 2016	1,208	\$ 14.31

At September 30, 2016, the Company had unrecognized employee stock-based compensation expense relating to restricted stock with service conditions of approximately \$7.9 million, which is expected to be recognized over a weighted-average period of 2.5 years. At September 30, 2016, the Company had unrecognized employee stock-based compensation expense relating to restricted stock with market conditions granted in 2014 of approximately \$0.5 million, which is expected to be recognized over a weighted-average period of 4.6 years.

In February 2016, the Company granted certain executives shares of restricted stock that vest based on certain stock price performance metrics. The grant date fair value per share of restricted stock was \$11.07, which was estimated using a Monte-Carlo lattice model. In May 2015, the Company granted certain executives shares of restricted stock that vest based on certain stock price performance metrics. The grant date fair value per share of restricted stock was \$13.81, which was estimated using a Monte-Carlo lattice model. At September 30, 2016, the Company had unrecognized employee stock-based compensation expense relating to these shares of restricted stock with market conditions of approximately \$3.2 million, which is expected to be recognized over a weighted-average period of 1.9 years. The compensation expense will not be reversed if the performance metrics are not met.

Restricted Stock Units

A summary of restricted stock unit activity for the nine months ended September 30, 2016 is as follows:

	Number of Shares	Weighted-Average Grant Date Fair Value
	(in thousands)	
Nonvested shares of restricted stock units outstanding at December 31, 2015	2,647	\$ 15.76
Granted	2,080	\$ 13.20
Canceled	(815)	\$ 14.80
Vested	(625)	\$ 16.17
Nonvested shares subject to restricted stock units outstanding at September 30, 2016	3,287	\$ 14.28

At September 30, 2016, the Company had unrecognized employee stock-based compensation expense relating to restricted stock units of approximately \$39.6 million, which is expected to be recognized over a weighted-average period of 3.2 years.

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Employee Stock Purchase Plan

In November 2013, the Company adopted the Company's 2014 Employee Stock Purchase Plan, or ESPP. The ESPP is designed to enable eligible employees to periodically purchase shares of the Company's common stock at a discount through payroll deductions of up to 10% of their eligible compensation, subject to any plan limitations. At the end of each six month offering period, employees are able to purchase shares at a price per share equal to 85% of the lower of the fair market value of the Company's common stock on the first trading day of the offering period or on the last trading day of the offering period. Offering periods generally commence and end in May and November of each year.

As of September 30, 2016, the Company has reserved 1,100,149 shares of its common stock for issuance under the ESPP. Shares reserved for issuance will increase on January 1 of each year by the lesser of (i) a number of shares equal to 1% of the total number of outstanding shares of common stock on the December 31 immediately prior to the date of increase or (ii) such number of shares as may be determined by the board of directors. In May 2016, 93,416 shares of common stock were purchased under the ESPP. The Company estimated the total grant date fair value of the ESPP awards for the offering period ending in November 2016 of \$0.4 million using a Black-Scholes model with the following assumptions: term of 6 months corresponding with the offering period; volatility of 58% based on the Company's historical volatility for a six month period; no dividend yield; and risk-free interest rate of 0.38%. Compensation costs are recognized on a straight-line basis over the offering period.

Stock-Based Compensation Expense

Total stock-based compensation expense recorded in the consolidated statements of operations was as follows:

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2016	2015	2016	2015
	(in thousands)			
Cost of revenue	\$91	\$ 65	\$261	\$ 177
Sales and marketing	2,054	2,197	6,711	5,180
Technology and development	1,287	1,525	4,461	3,431
General and administrative	3,099	5,013	10,615	13,249
Total stock-based compensation expense	\$6,531	\$ 8,800	\$22,048	\$ 22,037

Note 8—Income Taxes

In determining quarterly provisions for income taxes, the Company uses the annual estimated effective tax rate applied to the actual year-to-date income. The Company's annual estimated effective tax rate differs from the statutory rate primarily as a result of state taxes, foreign taxes, nondeductible stock option expenses, and changes in the Company's valuation allowance.

The Company recorded an income tax benefit of \$5.6 million and \$2.1 million for the three months ended September 30, 2016 and 2015, respectively, and an income tax benefit of \$5.0 million and \$2.4 million for the nine months ended September 30, 2016 and 2015, respectively. The tax benefit for the three and nine months ended September 30, 2016 is primarily the result of the net operating losses generated by the Company's international activity.

Due to uncertainty as to the realization of benefits from the Company's domestic and certain international net deferred tax assets, including net operating loss carryforwards and research and development tax credits, the Company has a full valuation allowance reserved against such net deferred tax assets. The Company intends to continue to maintain a full valuation allowance on the net deferred tax assets until there is sufficient evidence to support the reversal of all or some portion of these allowances.

During the three months ended September 30, 2016, the Company early adopted the new accounting guidance that simplifies several aspects of the accounting for share-based payments, including the requirement for income tax benefits and deficiencies to be recognized as income tax expense or benefit in the income statement and the tax effects of exercised or vested awards should be treated as discrete items in the reporting period in which they occur. The

Company recorded \$7.5 million of net deferred tax assets related to net operating losses for income tax benefits as of January 1, 2016. The Company has a full valuation allowance, and thus the new standard did not have an impact on the condensed consolidated financial statements. Excess tax benefits should be classified along with other income tax cash flows as an operating activity.

There were no material changes to the Company's unrecognized tax benefits in the three and nine months ended September 30, 2016, and the Company does not expect to have any significant changes to unrecognized tax benefits through the end of the fiscal year. Because of the Company's history of tax losses, all years remain open to tax audit.

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Note 9—Commitments and Contingencies

Operating Leases

The Company has commitments under non-cancelable operating leases for facilities and certain equipment and its managed data center facilities. Total rental expenses were \$4.3 million and \$3.8 million for the three months ended September 30, 2016 and 2015, respectively, and \$12.6 million and \$9.2 million for the nine months ended September 30, 2016 and 2015, respectively.

During the nine months ended September 30, 2016, the Company entered into new operating leases. Future non-cancelable minimum commitments as of September 30, 2016 relating to these new operating leases totaling \$5.0 million are due through January 2024.

The Company has rental income from commercial office space the Company holds under lease and has subleased to other tenants that is included in other income. Rental income was insignificant for the three and nine months ended September 30, 2016.

Guarantees and Indemnification

The Company's agreements with sellers, buyers, and other third parties typically obligate it to provide indemnity and defense for losses resulting from claims of intellectual property infringement, damages to property or persons, business losses, or other liabilities. Generally, these indemnity and defense obligations relate to the Company's own business operations, obligations, and acts or omissions. However, under some circumstances, the Company agrees to indemnify and defend contract counterparties against losses resulting from their own business operations, obligations, and acts or omissions, or the business operations, obligations, and acts or omissions of third parties. For example, because the Company's business interposes the Company between buyers and sellers in various ways, buyers often require the Company to indemnify them against acts or omissions of sellers, and sellers often require the Company to indemnify them against acts or omissions of buyers. In addition, the Company's agreements with sellers, buyers, and other third parties typically include provisions limiting the Company's liability to the counterparty, and the counterparty's liability to the Company. These limits sometimes do not apply to certain liabilities, including indemnity obligations. These indemnity and limitation of liability provisions generally survive termination or expiration of the agreements in which they appear. The Company has also entered into indemnification agreements with its directors, executive officers, and certain other officers that will require the Company, among other things, to indemnify them against certain liabilities that may arise by reason of their status or service as directors, officers, or employees.

Employment Contracts

The Company has entered into severance agreements with certain employees and officers. The Company may be required to pay severance and accelerate the vesting of certain equity awards in the event of involuntary terminations of employment of such persons.

Other Contracts

The Company is party to an engagement letter with an investment bank entered into in 2009 and amended in 2012. Pursuant to the engagement letter, the investment bank provided and may continue to provide strategic and consulting advice to the Company. The engagement letter also provides that, in case of a merger, tender offer, stock purchase, or other transaction resulting in the acquisition of the Company by another entity or the transfer of ownership or control of the Company or substantially all of its assets to another entity (a "Change in Control Transaction") that is consummated before December 7, 2016 or pursuant to a definitive agreement entered into before that date, (i) the investment bank will provide investment banking services in connection with a Change in Control Transaction, if requested by the Company, and (ii) the Company will pay to the investment bank a fee equal to 2.5% of the total consideration paid or payable to the Company or its stockholders in the Change in Control Transaction, whether or not the Company requests such investment banking services.

Claims and Litigation

The Company and its subsidiaries may from time to time be parties to legal or regulatory proceedings, lawsuits and other claims incident to their business activities and to the Company's status as a public company. Such matters may include, among other things, assertions of contract breach or intellectual property infringement, claims for indemnity arising in the course of the Company's business, regulatory investigations or enforcement proceedings, and claims by persons whose employment has been terminated. Such matters are subject to many uncertainties, and outcomes are not

predictable with assurance. Consequently, management is unable to ascertain the ultimate aggregate amount of monetary liability, amounts which may be covered by insurance or recoverable from third parties, or the financial impact with respect to such matters as of September 30, 2016. However, based on management's knowledge as of September 30, 2016, management believes that the final resolution of these matters known at such date, individually and in the aggregate, will not have a material effect upon the Company's consolidated financial position, results of operations or cash flows.

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Note 10—Subsequent Events

On November 2, 2016, the Company announced a workforce reduction of 125 employees, or approximately 19%, of its workforce. The Company expects to complete this action and incur pre-tax charges of approximately \$4.0 million in cash expenditures for one-time employee-termination benefits during the fourth quarter of 2016. The reduction in force is expected to reduce future employee-related costs on an annual basis by approximately \$18.0 million.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

This Quarterly Report on Form 10-Q and related statements by the Company contain forward-looking statements, including statements based upon or relating to our expectations, assumptions, estimates, and projections. In some cases, you can identify forward-looking statements by terms such as "may," "might," "will," "objective," "intend," "should," "could," "can," "would," "expect," "believe," "design," "anticipate," "estimate," "predict," "potential," "plan" or the negative of these terms, and similar expressions. Forward-looking statements may include, but are not limited to, statements concerning our anticipated financial performance, including, without limitation, revenue, advertising spend (previously referred to as managed revenue), non-GAAP net revenue, profitability, net income (loss), Adjusted EBITDA, earnings per share, and cash flow; strategic objectives, including focus on header bidding, mobile, video, and Orders opportunities, and implementation of solutions to improve the advertising experience of consumers; investments in our business; development of our technology; introduction of new offerings; scope and duration of client relationships; the fees we may charge in the future; business mix and expansion of our mobile, video, and Orders offerings; sales growth; client utilization of our offerings; our competitive differentiation; our leadership position in the industry; market conditions, trends, and opportunities; user reach; certain statements regarding future operational performance measures including take rate, paid impressions, and average CPM; and factors that could affect these and other aspects of our business. These statements are not guarantees of future performance; they reflect our current views with respect to future events and are based on assumptions and estimates and subject to known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from expectations or results projected or implied by forward-looking statements. These risks include, but are not limited to:

- our ability to grow rapidly and to manage our growth effectively;
- our ability to develop innovative new technologies and remain a market leader;
- our ability to attract and retain buyers and sellers and increase our business with them;
- our vulnerability to loss of, or reduction in spending by, buyers;
- our ability to maintain a supply of advertising inventory from sellers;
- the effect on the advertising market and our business from difficult economic conditions;
- the freedom of buyers and sellers to direct their spending and inventory to competing sources of inventory and demand;
- our ability to use our solution to purchase and sell higher value advertising and to expand the use of our solution by buyers and sellers utilizing evolving digital media platforms;
- our ability to introduce new offerings and bring them to market in a timely manner in response to client demands and industry trends, including shifts in digital advertising growth from display to mobile channels;
- our ability to implement solutions to improve the advertising experience of consumers;
 - the increased prevalence of header bidding and its effect on our competitive position in desktop;
 - our header bidding solution not resulting in revenue growth and causing infrastructure strain and added cost;
- uncertainty of our estimates and expectations associated with new offerings, including header bidding, private marketplace, mobile, Orders, automated guaranteed, video, and guaranteed audience solutions;
- uncertainty of our estimates and assumptions about the mix of gross and net reported transactions;
- declining fees and take rate, including as a result of implementation of alternative pricing models, and the need to grow through advertising spend increases rather than fee increases;
- our limited operating history and history of losses;
- our ability to continue to expand into new geographic markets;

our ability to adapt effectively to shifts in digital advertising to mobile and video channels;
increased prevalence of ad blocking technologies;
the slowing growth rate of online digital display advertising;

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- the growing percentage of online and mobile advertising spending captured by owned and operated sites (such as Facebook and Google);
- the effects of increased competition in our market and increasing concentration of advertising spending, including mobile spending, in a small number of very large competitors;
- acts of competitors and other third parties that can adversely affect our business;
- our ability to differentiate our offerings, compete effectively and to maintain our pricing and take rate in a market trending increasingly toward commodification, transparency, and disintermediation;
- requests from buyers and sellers for discounts, fee concessions or revisions, rebates, and greater levels of pricing transparency and specificity;
- potential adverse effects of malicious activity such as fraudulent inventory and malware;
- the effects of seasonal trends on our results of operations;
- costs associated with defending intellectual property infringement and other claims;
- our ability to attract and retain qualified employees and key personnel;
- our ability to identify future acquisitions of or investments in complementary companies or technologies and our ability to consummate the acquisitions and integrate such companies or technologies;
- our ability to comply with, and the effect on our business of, evolving legal standards and regulations, particularly concerning data protection and consumer privacy and evolving labor standards; and
- our ability to develop and maintain our corporate infrastructure, including our finance, information technology, and data security systems and controls.

We discuss many of these risks and additional factors that could cause actual results to differ materially from those anticipated by our forward-looking statements under the headings "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations," and elsewhere in this report and in other filings we have made and will make from time to time with the Securities and Exchange Commission, or SEC. These forward-looking statements represent our estimates and assumptions only as of the date of this report. Unless required by federal securities laws, we assume no obligation to update any of these forward-looking statements, or to update the reasons actual results could differ materially from those anticipated, to reflect circumstances or events that occur after the statements are made. Without limiting the foregoing, we generally give guidance only in connection with quarterly and annual earnings announcements, without interim updates, and we may appear at industry conferences or make other public statements without disclosing material nonpublic information in our possession. Given these uncertainties, investors should not place undue reliance on these forward-looking statements.

Investors should read this report and the documents that we reference in this report and have filed or will file with the SEC completely and with the understanding that our actual future results may be materially different from what we expect. We qualify all of our forward-looking statements by these cautionary statements.

The following discussion should be read in conjunction with our unaudited condensed consolidated financial statements and notes thereto appearing elsewhere in this Quarterly Report on Form 10-Q.

Overview

We provide a complete technology solution to automate the purchase and sale of advertising for both buyers and sellers. Our highly scalable platform reaches approximately one billion Internet users globally on some of the world's leading websites and mobile applications. We help increase the volume and effectiveness of advertising, improving revenue for sellers and return on advertising investment for buyers.

Advertising takes different forms, referred to as advertising units, and is purchased and sold through different transactional methodologies, referred to as inventory types. Finally, it is presented to users through different channels. Our solution enables buyers and sellers to purchase and sell:

- a comprehensive range of advertising units, including display, video, and audio;
- utilizing various inventory types, including (i) direct sale of premium inventory, which we refer to as Orders, on a guaranteed, or fully reserved, basis, as well as on a non-guaranteed basis and (ii) real-time bidding, or RTB;
-

across digital channels, including mobile web, mobile application and desktop, as well as across various out-of-home channels, such as digital billboards, that are in the early stages of leveraging our advertising automation platform.

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Our platform features applications for digital advertising sellers, including websites, mobile applications and other digital media properties, to sell their advertising inventory; applications and services for buyers, including advertisers, agencies, agency trading desks, or ATDs, demand side platforms, or DSPs, and ad networks, to buy advertising inventory; and a marketplace over which such transactions are executed. Together, these features power and optimize a comprehensive, transparent, independent advertising marketplace that brings buyers and sellers together and facilitates intelligent decision-making and automated transaction execution for the advertising inventory we manage on our platform.

Sellers of digital advertising use our platform to improve revenue by accessing a global market of buyers representing top advertiser brands around the world to monetize their advertising inventory across inventory types, advertising units, and channels. We also help sellers decrease costs and protect their brands and user experience.

At the same time, buyers leverage our platform to manage their advertising spending across inventory types, advertising units, and channels, simplify order management and campaign tracking, obtain actionable insights into audiences for their advertising, and access impression-level purchasing from hundreds of sellers. We believe buyers use our platform because of our powerful solution and our direct relationships and integrations with some of the world's largest sellers.

Our platform incorporates proprietary machine-learning algorithms, sophisticated data processing, high-volume storage, detailed analytics capabilities, and a distributed infrastructure. We analyze billions of data points in real time to enable our solution to make approximately 300 data-driven decisions per transaction in milliseconds and over 12 trillion bid requests per month. Our solution is constantly self-optimizing based on our systems' ability to analyze and learn from vast volumes of data. The additional data we obtain from the volume of transactions on our platform help make our machine-learning algorithms more intelligent, leading to higher quality matching between buyers and sellers, better return on investment for buyers, and higher revenue for sellers. High quality matching helps us attract more sellers which in turn attracts more buyers and vice versa. We believe this self-reinforcing dynamic creates a strong platform for growth.

In addition to the United States, we have personnel and operations in Canada, the United Kingdom, France, Australia, Germany, Italy, Japan, Singapore, and Brazil. As of September 30, 2016, 170 of our 672 employees were based outside the United States.

We operate our business on a worldwide basis, with an established operating presence in North America and Europe and a developing presence in Asia, Australia, and South America. With the exception of approximately \$29.1 million in intangible assets in Canada, substantially all of our assets are U.S. assets. Excluding Canada, our non-U.S. subsidiaries and operations perform primarily sales, marketing, and service functions.

Components of Our Results of Operations

We report our financial results as one operating segment. Our consolidated operating results, together with non-GAAP financial measures and the operational performance measure, are regularly reviewed by our chief operating decision maker, principally to make decisions about how we allocate our resources and to measure our consolidated operating performance.

Revenue

We generate revenue from buyers and sellers who use our solution for the purchase and sale of advertising inventory. Our solution enables buyers and sellers to purchase and sell advertising inventory, by matching buyers and sellers, and establishing rules and parameters for open and transparent auctions of advertising inventory. Buyers use our solution to reach their intended audiences by buying advertising inventory that we make available from sellers through our solution or advertising inventory we purchase from third-party exchanges. Sellers use our solution to monetize their inventory. We recognize revenue upon fulfillment of our contractual obligations in connection with a completed transaction, subject to satisfying all other revenue recognition criteria, including (i) persuasive evidence of an arrangement existing, (ii) delivery having occurred or services having been rendered, (iii) the fees being fixed or determinable, and (iv) collectibility being reasonably assured. We generally bill and collect the full purchase price of impressions from buyers, together with other fees, if applicable. We report revenue on a net basis for arrangements in which we have determined that we do not act as the principal in the purchase and sale of advertising inventory because pricing is determined through our auction process and we are not the primary obligor. We report revenue on a gross

basis for arrangements in which we have determined that we act as the principal in the purchase and sale of advertising inventory because we have direct contractual relationships with and manage advertising campaigns on behalf of the buyer by acting as the primary obligor in the purchase of advertising inventory, we exercise discretion in establishing prices, we have credit risk, and we independently select and purchase inventory from the seller. In some cases, we generate revenue directly from sellers who maintain the primary relationship with buyers and utilize our solution to transact and optimize their activities. Our accounts receivable are recorded at the amount of gross billings to buyers, net of allowances, for the amounts we are responsible to collect, and our accounts payable are recorded at the net amount payable to sellers. Accordingly, both accounts receivable and accounts payable appear large in relation to revenue reported on a net basis.

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Our revenue, cash flow from operations, operating results, and non-GAAP financial and operational performance measures may vary from quarter to quarter due to the seasonal nature of overall advertiser spending in the market, as well as other circumstances that affect advertising activity. For example, many advertisers devote a disproportionate amount of their advertising budgets to the fourth quarter of the calendar year to coincide with increased holiday purchasing. Moreover, advertising inventory in the fourth quarter may be more expensive due to increased demand. Historically, the fourth quarter of the year has reflected our highest level of revenue, and the first quarter has reflected the lowest level of our revenue.

Our revenue may also be impacted by a shift in the mix of advertising spend (previously referred to as managed revenue) by inventory type and channel, changes in the fees we are able to charge or choose to charge buyers and sellers for our services (which drives take rate), whether we are the principal in the transactions and therefore report revenue on a gross basis, and other factors such as changes in the market, our execution of the business, and competition.

Our revenue recognition policies are discussed in more detail below and in the notes to our condensed consolidated financial statements presented within this Form 10-Q.

Expenses

We classify our expenses into the following four categories:

Cost of Revenue. Our cost of revenue consists primarily of amounts we pay sellers for transactions for which we are the principal and report revenues on a gross basis, data center costs, bandwidth costs, depreciation and maintenance expense of hardware supporting our revenue-producing platform, amortization of software costs for the development of our revenue-producing platform, amortization expense associated with acquired developed technologies, personnel costs, and facilities-related costs. Personnel costs included in cost of revenue include salaries, bonuses, stock-based compensation, and employee benefit costs, and are primarily attributable to personnel in our network operations group who support our platform. We capitalize costs associated with software that is developed or obtained for internal use and amortize the costs associated with our revenue-producing platform in cost of revenue over their estimated useful lives. We amortize acquired developed technologies over their estimated useful lives.

Sales and Marketing. Our sales and marketing expenses consist primarily of personnel costs, including stock-based compensation and the sales bonuses paid to our sales organization, marketing expenses such as brand marketing, travel expenses, trade shows and marketing materials, professional services, and amortization expense associated with customer relationships and backlog from our business acquisitions, and to a lesser extent, facilities-related costs and depreciation and amortization. Our sales organization focuses on increasing the adoption of our solution by existing and new buyers and sellers. We amortize acquired intangibles associated with customer relationships and backlog from our business acquisitions over their estimated useful lives.

Technology and Development. Our technology and development expenses consist primarily of personnel costs, including stock-based compensation and bonuses, and professional services associated with the ongoing development and maintenance of our solution, and to a lesser extent, facilities-related costs and depreciation and amortization, including amortization expense associated with acquired intangible assets from our business acquisitions that are related to technology and development functions. These expenses include costs incurred in the development, implementation, and maintenance of internal use software, including platform and related infrastructure. Technology and development costs are expensed as incurred, except to the extent that such costs are associated with internal use software development that qualifies for capitalization, which are then recorded as internal use software development costs, net on our consolidated balance sheet. We amortize internal use software development costs that relate to our revenue-producing activities on our platform to cost of revenue and amortize other internal use software development costs to technology and development costs or general and administrative expenses, depending on the nature of the related project. We amortize acquired intangibles associated with technology and development functions from our business acquisitions over their estimated useful lives.

General and Administrative. Our general and administrative expenses consist primarily of personnel costs, including stock-based compensation and bonuses, associated with our executive, finance, legal, human resources, compliance, and other administrative personnel, as well as accounting and legal professional services fees, facilities-related costs

and depreciation, and other corporate-related expenses. General and administrative expenses also include amortization of internal use software development costs and acquired intangible assets from our business acquisitions over their estimated useful lives that relate to general and administrative functions and changes in fair value associated with the liability-classified contingent consideration related to acquisitions.

Other Expense, Net

Interest Expense, Net. Interest expense is mainly related to our credit facility. Interest income consists of interest earned on our cash equivalents and marketable securities.

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Other Income. Other income consists primarily of rental income from commercial office space the Company holds under lease and has sublet to other tenants.

Foreign Currency Exchange (Gain) Loss, Net. Foreign currency exchange (gain) loss, net consists primarily of gains and losses on foreign currency transactions. We have foreign currency exposure related to our accounts receivable and accounts payable that are denominated in currencies other than the U.S. Dollar, principally the British Pound, Euro, Canadian Dollar, and Australian Dollar.

Provision (Benefit) for Income Taxes

Provision (benefit) for income taxes consists primarily of federal, state, and foreign income taxes. Due to uncertainty as to the realization of benefits from our domestic and certain international net deferred tax assets, including net operating loss carryforwards and research and development tax credits, we have a full valuation allowance reserved against such net deferred tax assets. We intend to continue to maintain a full valuation allowance on our deferred tax assets until there is sufficient evidence to support the reversal of all or some portion of these allowances. However, given our anticipated future taxable earnings, we believe that there is a reasonable possibility that, within the next 12 months, sufficient positive evidence may become available to allow us to reach a conclusion that a significant portion of the domestic valuation allowance will no longer be needed. Release of the valuation allowance would result in the recognition of certain net deferred tax assets and a decrease to income tax expense or recognition of a benefit for the period the release is recorded. However, the exact timing and amount of the valuation allowance release are subject to change on the basis of the level of profitability that we are able to actually achieve.

Pursuant to Section 382 of the Internal Revenue Code, we underwent an ownership change for tax purposes (i.e., a more than 50% change in stock ownership in aggregated 5% shareholders) on December 31, 2015. As a result, the use of our domestic NOL carryforwards and tax credits generated prior to the ownership change will be subject to the annual 382 use limitations of approximately \$53.1 million. We have concluded that the ownership change will not impact our ability to utilize substantially all of our NOLs and carryforward credits to the extent we generate taxable income that can be offset by such losses.

Results of Operations

The following tables set forth our consolidated results of operations and our consolidated results of operations as a percentage of revenue for the periods presented:

	Three Months Ended		Nine Months Ended	
	September 30,	September 30,	September 30,	September 30,
	2016	2015	2016	2015
	(in thousands)			
Revenue	\$65,811	\$ 64,253	\$205,554	\$ 154,477
Expenses:				
Costs of revenue ^{(1) (2)}	17,798	16,556	52,121	37,126
Sales and marketing ^{(1) (2)}	21,635	22,817	64,879	60,027
Technology and development ^{(1) (2)}	12,513	11,822	38,250	30,626
General and administrative ^{(1) (2)}	16,238	18,225	53,233	50,488
Total expenses	68,184	69,420	208,483	178,267
Loss from operations	(2,373)	(5,167)	(2,929)	(23,790)
Other income	(346)	(75)	(1,085)	(1,395)
Loss before income taxes	(2,027)	(5,092)	(1,844)	(22,395)
Benefit for income taxes	(5,557)	(2,083)	(4,981)	(2,412)
Net income (loss)	\$3,530	\$ (3,009)	\$3,137	\$ (19,983)

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(1) Stock-based compensation expense included in our expenses was as follows:

	Three Months Ended		Nine Months Ended	
	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
	(in thousands)			
Costs of revenue	\$91	\$ 65	\$261	\$ 177
Sales and marketing	2,054	2,197	6,711	5,180
Technology and development	1,287	1,525	4,461	3,431
General and administrative	3,099	5,013	10,615	13,249
Total stock-based compensation expense	\$6,531	\$ 8,800	\$22,048	\$ 22,037

(2) Depreciation and amortization expense included in our expenses was as follows:

	Three Months Ended		Nine Months Ended	
	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
	(in thousands)			
Cost of revenue	\$7,010	\$ 5,270	\$19,678	\$ 13,999
Sales and marketing	2,736	2,286	6,298	6,031
Technology and development	692	526	1,896	1,259
General and administrative	516	539	1,490	1,181
Total depreciation and amortization expense	\$10,954	\$ 8,621	\$29,362	\$ 22,470

The following table sets forth our consolidated results of operations for the specified periods as a percentage of our revenue for those periods presented:

	Three Months Ended		Nine Months Ended	
	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
Revenue	100 %	100 %	100 %	100 %
Cost of revenue	27 %	26 %	25 %	24 %
Sales and marketing	33 %	36 %	32 %	39 %
Technology and development	19 %	18 %	19 %	20 %
General and administrative	25 %	28 %	26 %	33 %
Total expenses	104 %	108 %	101 %	115 %
Loss from operations	(4)%	(8)%	(1)%	(15)%
Other (income) expense, net	(1)%	— %	(1)%	(1)%
Loss before income taxes	(3)%	(8)%	(1)%	(14)%
Benefit for income taxes	(8)%	(3)%	(2)%	(2)%
Net income (loss)	5 %	(5)%	2 %	(13)%

* Certain figures may not sum due to rounding.

Reduction in Force

On November 2, 2016, we announced a workforce reduction of 125 employees, or approximately 19%, of our workforce. We expect to complete this action and incur pre-tax charges of approximately \$4.0 million in cash expenditures for one-time employee-termination benefits during the fourth quarter of 2016. The reduction in force is expected to reduce future employee-related costs on an annual basis by approximately \$18.0 million. In addition, we implemented non-headcount related operating expense cost control initiatives that we anticipate will provide additional savings of approximately \$12.0 million annually, for a total of \$30 million in annualized cost reductions.

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Comparison of the Three and Nine Months Ended September 30, 2016 and 2015

Revenue

Three Months Ended		Nine Months Ended	
September 30,	September 30,	September 30,	September 30,
2016	2015	2016	2015

(in thousands)

Revenue	\$65,811	\$ 64,253	\$205,554	\$ 154,477
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Revenue increased \$1.6 million, or 2%, for the three months ended September 30, 2016 compared to the three months ended September 30, 2015, primarily due to an increase in take rate from 23.7% during the three months ended September 30, 2015 to 24.9% during the three months ended September 30, 2016. The increase in take rate (and our fees, which drive take rate) was driven by auction dynamics, including the mix of buyers and sellers participating in our platform, their fee structures across inventory types, and the mix of inventory types through which they transacted on our platform.

Revenue increased \$51.1 million, or 33%, for the nine months ended September 30, 2016 compared to the nine months ended September 30, 2015 primarily for the same reasons described above as well as an increase in advertising spend on our platform of \$80.0 million. The increase in advertising spend on our platform was driven by an increase in overall advertising spending in the market, particularly in mobile. These market trends were reflected in our results as the mobile share of our advertising spend, which mainly consists of RTB and Orders, increased from 23% for the nine months ended September 30, 2015 to 32% for the nine months ended September 30, 2016. However, the increase in overall advertising spend for the nine months ended September 30, 2016 is attributable to growth in the first and second quarters; advertising spend was slightly down on a year-over-year basis in the third quarter (largely offsetting the positive effects of increased take rate in the third quarter). Further, as discussed under "Industry Trends and Trends in Our Business," mobile advertising spend decreased \$1.6 million, or 2%, for the three months ended September 30, 2016 compared to the three months ended June 30, 2016 because of declines in mobile web.

Revenue may be impacted by seasonality, shifts in the mix of advertising spend by inventory type and channel, changes in the fees we are able to charge or choose to charge buyers and sellers for our services (which drives take rate), whether we are the principal in the transactions and therefore report revenue on a gross basis, and other factors such as changes in the market, our execution of the business, and competition.

We expect year-over-year revenue to decline in the fourth quarter of 2016 due to an anticipated decrease in advertising spend resulting from market and competitive pressures, increased competition for inventory due to increases in header bidding, declines in our intent marketing business, and a decreasing take rate. Factors that could contribute to declining take rate include changes in the inventory mix on our platform and implementation of fee reductions or lower-fee alternative pricing structures in response to market pressures or in an effort to be more competitive in attracting demand and capturing inventory. Lower fees may result in higher advertising spend growth, but it is not clear that resulting advertising spend increases would offset the revenue decreases resulting from fee reductions.

Cost of Revenue

Three Months Ended		Nine Months Ended	
September 30,	September 30,	September 30,	September 30,
2016	2015	2016	2015

(in thousands, except percentages)

Costs of revenue	\$17,798	\$ 16,556	\$52,121	\$ 37,126
Percent of revenue	27	% 26	% 25	% 24

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Cost of revenue increased by \$1.2 million, or 8%, for the three months ended September 30, 2016 compared to the three months ended September 30, 2015, primarily due to an increase of \$1.7 million in depreciation and amortization expense and an increase of \$0.3 million in personnel costs, offset by a decrease of \$1.1 million in amounts we paid sellers for transactions we reported on a gross revenue basis. The increase in depreciation and amortization expense was primarily attributable to an increase in depreciation of computer equipment and network hardware, an increase in amortization expense for developed technology from acquisitions, and an increase in amortization of capitalized internal use software primarily due to additional personnel and their development of new features and functionality to our solution. The decrease in amounts we pay sellers for transactions in which we report revenue on a gross basis during the three months ended September 30, 2016 compared to the three months ended September 30, 2015 was attributable to a decrease in our intent marketing business.

Cost of revenue increased by \$15.0 million, or 40%, for the nine months ended September 30, 2016 compared to the nine months ended September 30, 2015, primarily due to an increase of \$5.7 million in depreciation and amortization expense and due to the addition of \$5.4 million in amounts we paid sellers for transactions we reported on a gross revenue basis. The increases for the nine months ended September 30, 2016 compared to the nine months ended September 30, 2015 for depreciation and amortization expense was primarily for the same reasons described above. The increase in amounts we pay sellers was attributable to the fact that such amounts were not included in cost of revenue because transactions we report revenue on a gross basis did not commence until April 2015.

We expect cost of revenue to increase in absolute dollars in future periods as a result of additional spending on data centers, and personnel to build and maintain our technology and systems, as well as investments in developed technology. Cost of revenue may fluctuate from quarter to quarter and period to period, on an absolute dollar basis and as a percentage of revenue, depending on revenue levels and the volume of transactions we process supporting those revenues, the timing and amounts of investments, amortization of acquired technology from any future business combinations, changes in the estimated remaining useful life or impairment of current technology, and the amounts we pay sellers related to transactions we report on a gross basis.

During the three months ended June 30, 2016, we reduced the remaining estimated useful lives of developed technology associated with the acquisition of Chango, for which the amortization expense is reflected in cost of revenue; as a result, the increase in amortization expense included in cost of revenue during the three and nine months ended September 30, 2016 includes \$0.5 million and \$0.6 million in accelerated expense, respectively. In addition, amortization expense included in cost of revenue is expected to increase by \$0.5 million for the remainder of 2016, \$1.7 million in 2017, and \$0.9 million in 2018 related to the reduction in the remaining estimated useful lives.

Sales and Marketing

	Three Months Ended		Nine Months Ended	
	September 30,	September 30,	September 30,	September 30,
	2016	2015	2016	2015

(in thousands, except percentages)

Sales and marketing	\$21,635	\$ 22,817	\$64,879	\$ 60,027
Percent of revenue	33	% 36	% 32	% 39

Sales and marketing expense decreased by \$1.2 million, or 5%, for the three months ended September 30, 2016 compared to the three months ended September 30, 2015, primarily due to a decrease in personnel costs of \$1.2 million, offset by an increase depreciation and amortization of \$0.5 million. The decrease in personnel costs was primarily due to a decrease in headcount for the three months ended September 30, 2016 compared to the three months ended September 30, 2015. As a percentage of revenue, sales and marketing expenses decreased for the three months ended September 30, 2016 compared to the three months ended September 30, 2015 primarily as a result of the decrease in sales and marketing expenses as opposed to increase in revenue.

Sales and marketing expense increased by \$4.9 million, or 8%, for the nine months ended September 30, 2016 compared to the nine months ended September 30, 2015 primarily due to an increase in personnel costs of \$3.8 million. The increase in personnel costs was primarily due to an increase in sales and marketing headcount resulting from continued hiring and the acquisition of Chango in April 2015. As a percentage of revenue, sales and marketing

expenses decreased for the nine months ended September 30, 2016 compared to the nine months ended September 30, 2015 primarily as a result of revenue increasing at a higher percentage, as explained above, compared to the increase in sales and marketing expenses.

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We expect sales and marketing expenses to be lower in absolute dollars in future periods as a result of the reduction in force discussed above. Sales and marketing expense may fluctuate from quarter to quarter and period to period, on an absolute dollar basis and as a percentage of revenue, based on revenue levels, the timing and amounts of our investments, seasonality in our industry and business, increased amortization as a result of customer relationship intangibles acquired in any future business combinations, and any changes in the estimated remaining useful life or impairment of current customer relationships.

During the three months ended June 30, 2016, we reduced the remaining estimated useful life of customer relationships associated with the acquisition of Chango, for which the amortization expense is reflected in sales and marketing; as a result, the increase in total amortization expense included in sales and marketing during the three and nine months ended September 30, 2016 includes \$1.1 million and \$1.5 million in accelerated expense, respectively. In addition, amortization expense included in sales and marketing is expected increase by \$1.1 million for the remainder of 2016, \$4.5 million in 2017, and \$1.5 million in 2018 related to the reduction in the remaining estimated useful life.

Technology and Development

	Three Months Ended		Nine Months Ended	
	September 30,	September 30,	September 30,	September 30,
	2016	2015	2016	2015

(in thousands, except percentages)

Technology and development	\$12,513	\$11,822	\$38,250	\$30,626	
Percent of revenue	19	% 18	% 19	% 20	%

Technology and development expense increased by \$0.7 million, or 6%, for the three months ended September 30, 2016 compared to the three months ended September 30, 2015, primarily due to an increase in software license expense of \$0.4 million due to annual increases in our existing licenses and additional licenses to maintain and support our technology and development efforts.

Technology and development expense increased by \$7.6 million, or 25%, for the nine months ended September 30, 2016 compared to the nine months ended September 30, 2015, primarily due to an increase in personnel costs of \$4.4 million and an increase in software license expense of \$1.2 million. The increase in personnel costs was primarily due to an increase in headcount resulting from continued hiring of engineers to maintain and support our technology and development efforts. The increase in software license expenses was primarily for the same reasons described above. We expect technology and development expense to be lower in absolute dollars in the short term as a result of the reduction in force discussed above, but it may increase in future periods as we continue to invest in our engineering and technology teams to support our technology and development efforts, and through investments in developed technology through acquisitions; however, the timing and amount of our capitalized development and enhancement projects may affect the amount of development costs expensed in any given period. As a percentage of revenue, technology and development expense may fluctuate from quarter to quarter and period to period based on revenue levels, the timing and amounts of these investments, the timing and the rate of the amortization of capitalized projects, increased amortization as a result of non-compete intangibles acquired in future business combinations, the timing and amounts of future capitalized internal use software development, amortization of acquired technology from any future business acquisitions, and any changes in the estimated remaining useful life or impairment of current technology.

General and Administrative

	Three Months Ended		Nine Months Ended	
	September 30,	September 30,	September 30,	September 30,
	2016	2015	2016	2015

(in thousands, except percentages)

General and administrative	\$16,238	\$18,225	\$53,233	\$50,488	
Percent of revenue	25	% 28	% 26	% 33	%

General and administrative expense decreased by \$2.0 million, or 11%, for the three months ended September 30, 2016 compared to the three months ended September 30, 2015, primarily due to a decrease in personnel costs of \$1.5 million primarily due to terminated employees. As a percentage of revenue, general and administrative expenses decreased for the three months ended September 30, 2016 compared to the three months ended September 30, 2015 primarily as a result of the decrease in general and administrative expenses as opposed to increase in revenue.

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General and administrative expense increased by \$2.7 million, or 5%, for the nine months ended September 30, 2016 compared to the nine months ended September 30, 2015. This increase was primarily due to an increase in insurance and taxes of \$0.7 million and an increase in personnel costs of \$0.5 million. The increase in insurance and taxes was primarily due to an increase in business and local tax fees. The increase in personnel costs was primarily due to increased headcount. The remaining drivers were individually insignificant. As a percentage of revenue, general and administrative expenses decreased for the nine months ended September 30, 2016 compared to the nine months ended September 30, 2015 primarily as a result of revenue increasing at a higher percentage, as explained above, compared to the increase in general and administrative expenses.

We expect general and administrative expense to be lower in absolute dollars as a result of the reduction in force discussed above. General and administrative expenses may fluctuate from quarter to quarter and period to period based on the timing and amounts of our investments and related expenditures in our general and administrative functions as they vary in scope and scale over periods which may not be directly proportional to changes in revenue.

Other Income, Net

	Three Months Ended		Nine Months Ended	
	September 30,	September 30,	September 30,	September 30,
	2016	2015	2016	2015
	(in thousands)			
Interest income, net	\$(134)	\$ (37)	\$(359)	\$ (14)
Other income	(191)	—	(388)	—
Foreign exchange gain, net	(21)	(38)	(338)	(1,381)
Total other income, net	\$(346)	\$ (75)	\$(1,085)	\$ (1,395)

The increase in interest income, net during the three and nine months ended September 30, 2016 was primarily attributable to interest income from the Company's marketable securities.

The increase in other income, net during the three and nine months ended September 30, 2016 was primarily attributable to the Company subleasing certain commercial office space the Company holds under lease and has subleased to other tenants.

Foreign exchange gain, net is impacted by movements in exchange rates, primarily the British Pound and Euro relative to the U.S. Dollar, and the amount of foreign-currency denominated receivables and payables, which are impacted by our billings to buyers and payments to sellers. The foreign currency gain, net during the three and nine months ended September 30, 2016 was primarily attributable to the strengthening of the U.S. Dollar in relation to the British Pound and Euro for foreign currency denominated transactions.

Benefit for Income Taxes

Our income tax benefit of \$5.6 million and \$2.1 million for the three months ended September 30, 2016 and 2015, respectively, and our income tax benefit of \$5.0 million and \$2.4 million for the nine months ended September 30, 2016 and 2015, respectively, are primarily the result of the net operating losses generated by our international activity.

Non-GAAP Financial Measures

In addition to our GAAP results, we review certain non-GAAP financial measures to help us evaluate our business, measure our performance, identify trends affecting our business, establish budgets, measure the effectiveness of investments in our technology and development and sales and marketing, and assess our operational efficiencies. These non-GAAP financial measures include advertising spend, non-GAAP net revenue, and Adjusted EBITDA, which are discussed immediately following the table below. Revenue and other GAAP measures are discussed under the headings "Components of Our Results of Operations" and "Results of Operations."

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	Three Months Ended		Nine Months Ended	
	September 30,	September 30,	September 30,	September 30,
	2016	2015	2016	2015
Financial and non-GAAP Financial Measures:				
Revenue (in thousands)	\$65,811	\$64,253	\$205,554	\$154,477
Advertising spend (in thousands)	\$242,802	\$244,358	\$748,712	\$668,730
Non-GAAP net revenue (in thousands)	\$60,563	\$57,867	\$189,231	\$143,589
Net income (loss) (in thousands)	\$3,530	\$(3,009)	\$3,137	\$(19,983)
Adjusted EBITDA (in thousands)	\$15,306	\$12,575	\$49,203	\$23,434
Operational Measure:				
Take Rate	24.9	% 23.7	% 25.3	% 21.5

Advertising Spend

We define advertising spend as the buyer spending on advertising transacted on our platform. Advertising spend does not represent revenue reported on a GAAP basis. Tracking our advertising spend allows us to compare our results to the results of companies that report all or substantially all spending transacted on their platforms as GAAP revenue on a gross basis. We also use advertising spend for internal management purposes to assess market share of total advertising spending and scale of our offerings.

Our advertising spend may be influenced by demand for our services, the volume and characteristics of paid impressions, average CPM, and other factors such as changes in the market, our execution of the business, and competition.

The following table presents the reconciliation of revenue to advertising spend:

	Three Months Ended		Nine Months Ended	
	September 30,	September 30,	September 30,	September 30,
	2016	2015	2016	2015
	(in thousands)			
Revenue	\$65,811	\$64,253	\$205,554	\$154,477
Plus amounts paid to sellers ⁽¹⁾	176,991	180,105	543,158	514,253
Advertising spend	\$242,802	\$244,358	\$748,712	\$668,730

(1) Amounts paid to sellers for the portion of our revenue reported on a net basis for GAAP purposes.

Our solution enables buyers and sellers to transact through our comprehensive inventory types and channels. The following tables present advertising spend in dollar terms and by inventory type and channel and advertising spend by inventory type and channel as a percentage of total advertising spend for the three and nine months ended September 30, 2016 and 2015:

	Three Months Ended		Nine Months Ended	
	September 30,	September 30,	September 30,	September 30,
	2016	2015	2016	2015
	(in thousands)			
Advertising spend by inventory type:				
RTB	\$182,288	\$187,689	\$569,919	\$507,693
Orders	55,058	38,704	151,052	107,064
Static bidding ⁽¹⁾	5,456	17,965	27,741	53,973
Total advertising spend	\$242,802	\$244,358	\$748,712	\$668,730
Advertising spend by channel:				
Desktop	\$159,460	\$180,741	\$506,579	\$515,473
Mobile	83,342	63,617	242,133	153,257
Total advertising spend	\$242,802	\$244,358	\$748,712	\$668,730

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	Three Months Ended		Nine Months Ended			
	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015		
Advertising spend by inventory type:						
RTB	75 %	77 %	76 %	76 %		
Orders	23 %	16 %	20 %	16 %		
Static bidding ⁽¹⁾	2 %	7 %	4 %	8 %		
Total advertising spend	100 %	100 %	100 %	100 %		
Advertising spend by channel:						
Desktop	66 %	74 %	68 %	77 %		
Mobile	34 %	26 %	32 %	23 %		
Total advertising spend	100 %	100 %	100 %	100 %		

During the third quarter of 2016, we decided to terminate our offering related to static bidding as it represented an immaterial amount of our advertising spend due to shifts in market spending from static bidding to RTB. The (1) decision to end the static bidding offering enables us to reallocate resources to focus on mobile, video, and Orders growth initiatives. No material impact is expected on our future results of operations as static bidding was expected to further decrease as compared to RTB and Orders.

Non-GAAP Net Revenue

We define non-GAAP net revenue as GAAP revenue less amounts we pay sellers that are included within cost of revenue for the portion of our revenue reported on a gross basis. Non-GAAP net revenue would represent our revenue if we were to record all of our revenue on a net basis. Non-GAAP net revenue does not represent revenue reported on a GAAP basis. Non-GAAP net revenue is one useful measure in assessing the performance of our business because it shows the operating results of our business on a consistent basis without the effect of differing revenue reporting (gross vs. net) that we apply under GAAP across different types of transactions, and facilitates comparison of our results to the results of companies that report all of their revenue on a net basis. A potential limitation of non-GAAP net revenue is that other companies may define non-GAAP net revenue differently, which may make comparisons difficult.

Our non-GAAP net revenue may be influenced by demand for our services, the volume and characteristics of advertising spend, and our take rate.

The following table presents a reconciliation of revenue to non-GAAP net revenue for the three and nine months ended September 30, 2016 and 2015. Before our acquisition of Chango in April 2015, we reported all revenue on a net basis and therefore payments to sellers were not included in the cost of revenue before that date.

	Three Months Ended		Nine Months Ended	
	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
	(in thousands)			
Revenue	\$65,811	\$ 64,253	\$205,554	\$ 154,477
Less amounts paid to sellers	5,248	6,386	16,323	10,888
Non-GAAP net revenue	\$60,563	\$ 57,867	\$ 189,231	\$ 143,589

Adjusted EBITDA

We define Adjusted EBITDA as net income (loss) adjusted to exclude stock-based compensation expense, depreciation and amortization, amortization of acquired intangible assets, interest income or expense, and other cash and non-cash based income or expenses, including foreign exchange gains and losses, acquisition and related items, and provision (benefit) for income taxes. Adjusted EBITDA should not be considered as an alternative to net income

(loss), operating loss, or any other measure of financial performance calculated and presented in accordance with GAAP. Adjusted EBITDA excludes non-cash and other cash items that we do not consider indicative of our core operating performance. We believe Adjusted EBITDA is useful to investors in evaluating our performance for the following reasons:

Adjusted EBITDA is widely used by investors and securities analysts to measure a company's performance without regard to items such as those we exclude in calculating this measure, which can vary substantially from company to company depending upon their financing, capital structures, and the method by which assets were acquired;

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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 performance and the effectiveness of our business strategies, and in communications with our board of directors concerning our performance, and Adjusted EBITDA is also used as a metric for determining payment of cash incentive compensation; and Adjusted EBITDA provides a measure of consistency and comparability with our past performance that many investors find useful, 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. 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 should not be considered in isolation or as a substitute for analysis of our results of operations as reported under GAAP. These limitations include:

- stock-based compensation is a non-cash charge and is and will remain an element of our long-term incentive compensation package, although we exclude it as an expense when evaluating our ongoing operating performance for a particular period;
- depreciation and amortization are non-cash charges, and the assets being depreciated or amortized will often have to be replaced in the future, but Adjusted EBITDA does not reflect any cash requirements for these replacements;
- Adjusted EBITDA does not reflect non-cash charges related to acquisition and related items, such as amortization of acquired intangible assets and changes in the fair value of contingent consideration;
- Adjusted EBITDA does not reflect cash and non-cash charges and changes in, or cash requirements for, acquisition and related items, such as certain transaction expenses and expenses associated with earn-out amounts;
- Adjusted EBITDA does not reflect changes in our working capital needs, capital expenditures, 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.

Our Adjusted EBITDA is influenced by fluctuation in our revenue and the timing and amounts of our investments in our operations.

The following table presents a reconciliation of net income (loss), the most comparable GAAP measure, to Adjusted EBITDA for the three and nine months ended September 30, 2016 and 2015:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
	(in thousands)			
Net income (loss)	\$3,530	\$ (3,009)	\$3,137	\$ (19,983)
Add back (deduct):				
Depreciation and amortization expense, excluding amortization of acquired intangible assets	5,259	3,832	15,018	11,397
Amortization of acquired intangibles	5,695	4,789	14,344	11,073
Stock-based compensation expense	6,531	8,800	22,048	22,037
Acquisition and related items	3	321	334	2,717
Interest (income) expense, net	(134)	(37)	(359)	(14)
Foreign currency (gain) loss, net	(21)	(38)	(338)	(1,381)
Benefit for income taxes	(5,557)	(2,083)	(4,981)	(2,412)
Adjusted EBITDA	\$15,306	\$ 12,575	\$49,203	\$ 23,434

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Operational Performance Measure

Take Rate

Take rate is an operational performance measure calculated as non-GAAP net revenue divided by advertising spend. Reconciliations for revenue to both non-GAAP net revenue and advertising spend are included within "Non-GAAP Financial Measures." We review take rate for internal management purposes to assess the development of our marketplace with buyers and sellers.

Our take rate (and our fees, which drive take rate) can be affected by a variety of factors, including the terms of our arrangements with buyers and sellers active on our platform in a particular period, the scale of a buyer's or seller's activity on our platform, mix of inventory types, the implementation of new products, platforms and solution features, auction dynamics, competitive factors, our strategic pricing decisions, and the overall development of the digital advertising ecosystem.

Industry Trends and Trends in Our Business

The digital advertising market generally, and RTB specifically, continue to experience growth. In December 2015, International Data Corporation, or IDC, estimated RTB was a \$10.3 billion global market in 2015 that will increase to \$20.5 billion by 2019, and Orders was a \$3.7 billion global market in 2015 that will grow to \$34.1 billion by 2019. The compound annual growth rate for these market opportunities is 41% on a combined basis.

Another important trend in the digital advertising industry is the expansion of automated buying and selling of advertising through new channels, including mobile, which has market growth rates exceeding those of the desktop channel and is a critical area of operational focus for us. According to IDC estimates, mobile advertising (excluding search advertising) was a \$28.1 billion global market in 2015 that is expected to increase to \$85.1 billion by 2019, a compound annual growth rate of 32%. We have significantly advanced our mobile capabilities through a combination of internal product development, strategic customer wins, increased mobile activity driven from existing buyer and seller customers, and international expansion, resulting in an increase in our mobile advertising spend of 126% during the year ended December 31, 2015 compared to the year ended December 31, 2014, and 58% during the nine months ended September 30, 2016 compared to the nine months ended September 30, 2015. However, our mobile advertising spend decreased \$1.6 million, or 2%, for the three months ended September 30, 2016 compared to the three months ended June 30, 2016 because of the declines in mobile web.

The growth of automated buying and selling of advertising is also expanding into new geographic markets, and in some markets the rate of adoption of automated digital advertising is greater than in the United States. Our advertising spend in international markets, based upon seller location, grew to approximately 35% during the year ended December 31, 2015 compared to the year ended December 31, 2014, and 38% and 35% during the nine months ended September 30, 2016 and 2015, respectively. We intend to continue to expand our international business.

In the midst of these macro growth trends, other changes in the industry are having an adverse impact on our business. In recent years, we have seen an industry-wide slowdown in the rate of growth for traditional desktop display advertising, which has historically been our core business. Our advertising spend for desktop increased 35% during the year ended December 31, 2015 compared to the year ended December 31, 2014; while it decreased by 2% during the nine months ended September 30, 2016 compared to the nine months ended September 30, 2015.

The impact of the slowdown in the rate of growth for traditional desktop display advertising has been compounded for our business by the faster-than-expected industry migration to header bidding in North America in the first three quarters of 2016. Header bidding increases competition for some inventory that we would otherwise be able to sell through our platform, with commensurate adverse revenue effects for us. We expect this to continue to have an adverse impact on us, primarily in North America, in the fourth quarter of 2016. However, header bidding makes available to us premium inventory that we were previously unable to access. As a result, we believe that our own header bidding solution—FastLane—will improve our competitiveness in the traditional desktop display market in 2017, but we must address certain technical and operational challenges, as described below under "Risk Factors," in order to realize FastLane's potential.

As a result of these rapid developments in the industry, advertising spend from our traditional desktop display business has declined and can no longer be relied upon to drive the growth of our business. Our strategic focus is on growth areas—mobile, video, and Orders—that are expected to represent a majority of our advertising spend in 2017.

However, despite our solid progress in mobile, our traditional desktop business accounted for approximately 74% and 68% of our advertising spend during the year ended December 31, 2015 and nine months ended September 30, 2016, respectively, and is expected to continue to represent a significant part of our business in the near term. Therefore, the weight of our desktop business and its decreasing advertising spend trend will continue to have a significant effect on our growth until our advertising spend mix has shifted more fully to growth areas.

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During the third quarter of 2016, the Company terminated its offering related to static bidding as it represented an immaterial amount of our advertising spend due to shifts in market spending from static bidding to RTB. Static bidding accounted for approximately 7% and 4% of our advertising spend during the year ended December 31, 2015 and nine months ended September 30, 2016, respectively.

Another factor impacting our business is that most growth in digital advertising spending worldwide is being captured by owned and operated sites, such as Facebook and Google. As a result, while the overall market is growing, we are competing for a shrinking share of the overall market for digital advertising spending.

We also believe that customer demands for greater pricing transparency and lower fees will result in a reduction of our take rate. Buyers on our platform have come under growing pressure from their clients to reduce their fees and/or to provide fee transparency, and sellers are also under revenue pressure, and this pressure may be increasingly conducted to us. Although we believe our pricing is competitive, we experience requests from buyers and sellers for discounts, fee concessions or revisions, rebates or refunds, and greater levels of pricing transparency and specificity. In light of increasing market trends toward transparency, commodification of intermediary services, and disintermediation, we may voluntarily reduce our fees in an effort to be more competitive in attracting demand and capturing inventory. While fee reductions could make us more competitive, it is not clear whether they would result in increases in spending on our platform or whether any spending increases will compensate fully for the reduction in fees.

Another factor that we expect to contribute to declining take rate is an increase in Orders as a percentage of overall advertising spend because Orders carries lower fees. An increase in Orders as a percentage of our advertising spend could yield higher absolute non-GAAP net revenue despite lower fees due to the higher CPMs typically associated with Orders transactions, but it is not certain that our Orders business will increase or this effect will be realized. Our revenue, advertising spend, non-GAAP net revenue, cash flow from operations, Adjusted EBITDA, operating results, and certain operational and financial performance measures may also vary from quarter to quarter due to the seasonal nature of advertiser spending, as well as other circumstances that affect advertising activity. For example, many advertisers devote a disproportionate amount of their advertising budgets to the fourth quarter of the calendar year to coincide with increased holiday purchasing. Moreover, advertising inventory in the fourth quarter may be more expensive due to increased demand. Historically, the fourth quarter of the year reflects our highest level of revenue and advertising spend, and the first quarter reflects the lowest level of our revenue and advertising spend.

Although our advertising spend has increased for the nine months ended September 30, 2016 compared to the nine months ended September 30, 2015 as a result of an increase in overall advertising spending in the market, increased use of our solutions by buyers and sellers, and increases in average CPM, we expect 2016 advertising spend growth rates to decelerate year-over-year due to market and competitive pressures and deceleration in traditional desktop display as seen in the decrease for the three months ended September 30, 2016 compared to the three months ended September 30, 2015. We also expect growth in revenue and non-GAAP net revenue to decelerate year-over-year through the fourth quarter of 2016 due to deceleration in advertising spend growth and decreases in our fees. Consequently, we expect lower year-over-year earnings and Adjusted EBITDA growth through the fourth quarter of 2016. However, the effect on earnings and Adjusted EBITDA of the decrease in revenue growth may be partially offset by operating efficiencies and cost control measures, such as the workforce reduction discussed above. Finally, we expect take rate to decline over time due to changes in the inventory mix on our platform and reductions in fees we charge.

Liquidity and Capital Resources

Our principal sources of liquidity are our cash and cash equivalents, marketable securities, the cash flow that we generate from our operations, and our credit facility with Silicon Valley Bank, or SVB. At September 30, 2016, we had cash and cash equivalents of \$154.3 million, of which \$28.3 million was held in foreign currency cash accounts, and restricted cash of \$0.1 million. At September 30, 2016, we had no amounts outstanding under our credit facility and \$40.0 million was available for borrowing.

At our option, loans under the credit facility may bear interest based on either the LIBOR rate or the prime rate plus, in each case, an applicable margin. The applicable margins under the credit facility are (i) 2.00% or 3.50% per annum in the case of LIBOR rate loans, and (ii) 0.00% or 1.50% per annum in the case of prime rate loans (based on SVB's net exposure to us after giving effect to unrestricted cash held at SVB and its affiliates plus up to \$3.0 million held at other institutions). In addition, an unused revolver fee in the amount of 0.15% per annum of the average unused portion of the credit facility is payable by us to SVB monthly in arrears.

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Our credit facility restricts our ability to, among other things, sell assets, make changes to the nature of our business, engage in mergers or acquisitions, incur, assume or permit to exist additional indebtedness and guarantees, create or permit to exist liens, pay dividends, make distributions on or redeem or repurchase capital stock, make certain other investments, engage in transactions with affiliates, and make payments in respect of subordinated debt, in each case unless approved by SVB.

In addition, in the event that the amount available to be drawn is less than 20% of the maximum amount of the credit facility, or if an event of default exists, we are required to satisfy a minimum fixed charge coverage ratio test of 1.10 to 1.00. At September 30, 2016, our fixed charge coverage ratio was 790.1 to 1.0.

The credit facility also includes customary representations and warranties, affirmative covenants, and events of default, including events of default upon a change of control and material adverse change (as defined in the credit facility). Following an event of default, SVB would be entitled to, among other things, accelerate payment of amounts due under the credit facility and exercise all rights of a secured creditor. We were in compliance with the covenants under the credit facility at September 30, 2016.

We believe our existing cash and cash flow from operations, together with the undrawn balance under our credit facility with SVB, will be sufficient to meet our working capital requirements for at least the next 12 months. However, our liquidity assumptions may prove to be incorrect, and we could utilize our available financial resources sooner than we currently expect, particularly if we decide to pursue an acquisition or other strategic investment. Our future capital requirements and the adequacy of available funds will depend on many factors, including those set forth in Item 1A: "Risk Factors."

In the future, we may attempt to raise additional capital through the sale of equity securities or through equity-linked or debt financing arrangements. If we raise additional funds by issuing equity or equity-linked securities, the ownership of our existing stockholders will be diluted. If we raise additional financing by incurring indebtedness, we will be subject to increased fixed payment obligations and could also be subject to restrictive covenants, such as limitations on our ability to incur additional debt, and other operating restrictions that could adversely impact our ability to conduct our business. Any future indebtedness we incur may result in terms that could be unfavorable to equity investors.

There can be no assurances that we will be able to raise additional capital, and inability to raise additional capital could adversely affect our ability to achieve our business objectives. In addition, if our operating performance during the next twelve months is below our expectations, our liquidity and ability to operate our business could be adversely affected.

Cash Flows

The following table summarizes our cash flows for the periods presented:

	Nine Months Ended	
	September 30, 2016	September 30, 2015
	(in thousands)	
Cash flows provided by operating activities	\$48,811	\$ 21,185
Cash flows used in investing activities	(21,022)	(49,646)
Cash flows provided by financing activities	10,047	11,328
Effects of exchange rate changes on cash and cash equivalents	(71)	(198)
Change in cash and cash equivalents	\$37,765	\$ (17,331)

Operating Activities

Our cash flows from operating activities are primarily influenced by increases or decreases in receipts from buyers and related payments to sellers, as well as our investment in personnel and infrastructure to support our business. Our future cash flow may be diminished if we cannot sustain our revenue levels and manage costs appropriately. Cash flows from operating activities have been further affected by changes in our working capital, particularly changes in

accounts receivable and accounts payable. The timing of cash receipts from buyers and payments to sellers can significantly impact our cash flows from operating activities for any period presented. We typically collect from buyers in advance of payments to sellers; our collection and payment cycle can vary from period to period depending upon various circumstances, including seasonality. As our revenue earned directly from advertisers and agencies increases, the amount of receipts from buyers collected in advance of payments to sellers will decrease.

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For the nine months ended September 30, 2016, cash provided by operating activities of \$48.8 million resulted from our net income of \$3.1 million and adjusted for non-cash expenses of \$46.4 million, offset by net changes in our working capital of \$0.8 million. The net change in operating working capital was primarily related to a decrease in accounts payable and accrued expenses of approximately \$63.1 million and an increase in prepaid expenses and other assets of \$3.3 million, offset by a decrease in accounts receivable of approximately \$65.6 million. The changes in accounts payable and accrued expenses and accounts receivable was primarily due to the timing of cash receipts from buyers and the timing of payments to sellers driven by seasonality. The change in prepaid expenses and other assets was primarily due to increases in insurance rates and other receivables.

For the nine months ended September 30, 2015, cash provided by operating activities of \$21.2 million resulted from our net loss of \$20.0 million, adjusted for non-cash expenses of \$42.2 million, and net changes in our working capital of \$1.0 million. The net change in operating working capital was primarily related to an increase in accounts receivable of approximately \$12.3 million, partially offset by an increase in accounts payable and accrued expenses of approximately \$11.6 million. The changes in accounts payable, accrued expenses, and accounts receivable was primarily due to the timing of cash receipts from buyers and the timing of payments to sellers.

Investing Activities

Our primary investing activities have consisted of investments in, or maturities of, available-for-sale securities, acquisitions of businesses, purchases of property and equipment in support of our expanding headcount as a result of our growth, and capital expenditures to develop our internal use software in support of creating and enhancing our technology infrastructure. Purchases of property and equipment and investments in internal use software development may vary from period-to-period due to the timing of the expansion of our operations, the addition of headcount and the development cycles of our internal use software development. As our business evolves we expect our capital expenditures and our investment activity to evolve as well, and generally to continue to increase over time. As of September 30, 2016, we had capital expenditure commitments for the fourth quarter of 2016 of approximately \$9.7 million to increase capacity at our data centers, which will be paid for with our available cash. Investments in, or maturities of, available-for-sale securities and acquisitions of businesses vary from period-to-period.

During the nine months ended September 30, 2016, we used \$21.0 million of cash in investing activities, consisting primarily of \$22.7 million of investments in available-for-sale securities, \$11.4 million in investments in property and equipment, net of amounts reflected in accounts payable and accrued expenses at September 30, 2016, and \$7.5 million of investments in our internal use software. These cash outflows were offset by inflows of \$20.6 million due to maturities of available-for-sale securities.

During the nine months ended September 30, 2015, we used \$49.6 million of cash in investing activities, consisting primarily of \$29.9 million of investments in available-for-sale securities, \$8.6 million for the acquisition of Chango, net of cash acquired, \$7.8 million of investments in property and equipment, net of amounts reflected in accounts payable and accrued expenses at September 30, 2015, and \$6.1 million of investments in our internal use software. These cash outflows were partially offset by maturities and sales of available-for-sale securities of \$1.6 million and a decrease in restricted cash of \$1.1 million in conjunction with our corporate office building lease.

Financing Activities

Our financing activities consisted primarily of the issuance of shares of common stock upon the exercise of stock options.

For the nine months ended September 30, 2016, cash provided by financing activities of \$10.0 million was primarily due to proceeds of \$13.8 million from stock option exercises and proceeds of \$1.1 million from issuance of common stock under the employee stock purchase plan, offset by \$4.9 million in income tax deposits paid in respect of vesting of stock-based compensation awards that were reimbursed by the award recipients through surrender of shares.

For the nine months ended September 30, 2015, cash provided by financing activities of \$11.3 million was primarily due to proceeds of \$10.7 million from stock option exercises and proceeds of \$0.8 million from issuance of common stock under the employee stock purchase plan.

Off-Balance Sheet Arrangements

We do not have any relationships with other entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities, that have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. We did not have any other off-balance sheet arrangements at September 30, 2016 other than the operating leases and the indemnification agreements described below.

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Contractual Obligations and Known Future Cash Requirements

Our principal commitments consist of leases for our various office facilities, including our corporate headquarters in Los Angeles, California, and non-cancelable operating lease agreements with data centers that expire at various times through January 2024. In certain cases, the terms of the lease agreements provide for rental payments on a graduated basis. Subsequent to December 31, 2015, we entered into new operating leases. Future non-cancelable minimum commitments as of September 30, 2016 relating to these operating leases totaling \$5.0 million are due through January 2024.

There were no significant changes to the Company's unrecognized tax benefits in the nine months ended September 30, 2016, and we do not expect to have any significant changes to unrecognized tax benefits through December 31, 2016.

In the ordinary course of business, we enter into agreements with sellers, buyers and other third parties pursuant to which we agree to indemnify buyers, sellers, vendors, lessors, business partners, lenders, stockholders, and other parties with respect to certain matters, including, but not limited to, losses resulting from claims of intellectual property infringement, damages to property or persons, business losses, or other liabilities. Generally, these indemnity and defense obligations relate to our own business operations, obligations, and acts or omissions. However, under some circumstances, we agree to indemnify and defend contract counterparties against losses resulting from their own business operations, obligations, and acts or omissions, or the business operations, obligations, and acts or omissions of third parties. These indemnity provisions generally survive termination or expiration of the agreements in which they appear. In addition, we have entered into indemnification agreements with our directors, executive officers and certain other officers that will require us, among other things, to indemnify them against certain liabilities that may arise by reason of their status or service as directors, officers, or employees.

Critical Accounting Policies and Estimates

Our condensed consolidated financial statements are prepared in accordance with GAAP. The preparation of these condensed consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, expenses, and related disclosures. We evaluate our estimates and assumptions on an ongoing basis. Our estimates are based on historical experience and various other assumptions that we believe to be reasonable under the circumstances. Our actual results could differ from these estimates.

We believe that the assumptions and estimates associated with the evaluation of revenue recognition criteria, including the determination of revenue recognition as net versus gross in our revenue arrangements, internal-use software development costs, including assumptions used in the valuation models to determine the fair value of stock options and stock-based compensation expense, the assumptions used in the valuation of acquired assets and liabilities in business combinations, and income taxes, including the realization of tax assets and estimates of tax liabilities, have the greatest potential impact on our consolidated financial statements. Therefore, we consider these to be our critical accounting policies and estimates. There have been no significant changes in our accounting policies from those disclosed in our audited consolidated financial statements and notes thereto for the year ended December 31, 2015 included in our Annual Report on Form 10-K, with the exception of the early adoption of the new accounting guidance that simplifies several aspects of the accounting for share-based payment transactions. See Note 1, Note 7, and Note 8 for further discussion of the adoption.

Our revenue recognition policy is further described below, which is consistent with the policy included in our Annual Report referenced above.

We generate revenue from buyers and sellers in transactions in which they use our solution for the purchase and sale of advertising inventory, and also in transactions in which we manage ad campaigns on behalf of buyers. We maintain separate arrangements with each buyer and seller either in the form of a master agreement, which specifies the terms of the relationship and access to our solution, or by insertion orders, which specify price and volume requests and other terms. We recognize revenue upon fulfillment of our contractual obligations in connection with a completed transaction, subject to satisfying all other revenue recognition criteria, including (i) persuasive evidence of an arrangement existing, (ii) delivery having occurred or services having been rendered, (iii) the fees being fixed or determinable, and (iv) collectibility being reasonably assured. We assess whether fees are fixed or determinable based on the contractual terms of the arrangements. We assess collectibility based on a number of factors, including the

creditworthiness of a buyer and seller and payment and transaction history. Our revenue arrangements generally do not include multiple deliverables.

Revenue is reported depending on whether we function as principal or agent. The determination of whether we act as the principal or the agent requires us to evaluate a number of indicators, none of which is presumptive or determinative. For transactions in which we are the principal, revenue is reported on a gross basis for the amount paid by buyers for the purchase of advertising inventory and related services and we record the amounts we pay to sellers as cost of revenue. For transactions in which we are the agent, revenue is reported on a net basis for the amount of fees charged to the buyer (if any), and fees retained from or charged to the seller.

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In April 2015, we began entering into arrangements for which we manage advertising campaigns on behalf of buyers. We are the principal in these arrangements as we: (i) are the primary obligor in the advertising inventory purchase transaction; (ii) establish the purchase prices paid by the buyer; (iii) perform all billing and collection activities including the retention of credit risk; (iv) have latitude in selecting suppliers; (v) negotiate the price we pay to suppliers of inventory; and (vi) make all inventory purchasing decisions. Accordingly, for these arrangements we report revenue on a gross basis.

For our other arrangements, in which our solution matches buyers and sellers, enables them to purchase and sell advertising inventory, and establishes rules and parameters for advertising inventory transactions, we report revenue on a net basis because we: (i) are not the primary obligor for the purchase of advertising inventory but rather provide a platform to facilitate the buying and selling of advertising; (ii) do not have pricing latitude as pricing is generally determined through our auction process and/or our fees are based on a percentage of advertising spend; and (iii) do not directly select suppliers.

Recently Issued Accounting Pronouncements

For information regarding recent accounting pronouncements, refer to Note 1 of Notes to Condensed Consolidated Financial Statements included in this Quarterly Report on Form 10-Q.

Item 3. Quantitative and Qualitative Disclosure 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 include primarily interest rate, foreign exchange and inflation risks.

Interest Rate Fluctuation Risk

Our cash and cash equivalents consist of cash and money market funds. Our investments consist of U.S. government and agency bonds and corporate debt securities. The primary objective of our investment activities is to preserve principal while maximizing income without significantly increasing risk. Because our cash, cash equivalents, and investments have a relatively short maturity, our portfolio's fair value is relatively insensitive to interest rate changes. Our line of credit is at variable interest rates. We had no amounts outstanding under our credit facility at September 30, 2016. We do not believe that an increase or decrease in interest rates of 100 basis points would have a material effect on our operating results or financial condition. In future periods, we will continue to evaluate our investment policy relative to our overall objectives.

Foreign Currency Exchange Risk

We have foreign currency risks related to our revenue and expenses denominated in currencies other than the U.S. Dollar, principally British Pounds and Euros. The volatility of exchange rates depends on many factors that we cannot forecast with reliable accuracy. We have experienced and will continue to experience fluctuations in our net income (loss) as a result of transaction gains and losses related to translating certain cash balances, trade accounts receivable and payable balances and intercompany balances that are denominated in currencies other than the U.S. Dollar. The effect of an immediate 10% adverse change in foreign exchange rates on foreign-denominated accounts at September 30, 2016, including intercompany balances, would result in a foreign currency loss of approximately \$1.2 million. In the event our non-U.S. Dollar denominated sales and expenses increase, our operating results may be more greatly affected by fluctuations in the exchange rates of the currencies in which we do business. At this time we do not, but we may in the future, enter into derivatives or other financial instruments in an attempt to hedge our foreign currency exchange risk. It is difficult to predict the impact hedging activities would have on our results of operations.

Inflation Risk

We do not believe that inflation has had a material effect on our business, financial condition, or results of operations. If our costs were to become subject to significant inflationary pressures, we might 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 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as defined in Rule 13a-15(e) under the Exchange Act. Our disclosure controls and procedures are designed to provide reasonable assurance of achieving their objectives of

ensuring that information we are required to disclose in the reports we file or submit under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosures, and is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms. There is no assurance that our disclosure controls and procedures will operate effectively under all circumstances. Based upon the evaluation described above, our Chief Executive Officer and Chief Financial Officer concluded that, as of September 30, 2016, our disclosure controls and procedures were effective at the reasonable assurance level.

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Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting that occurred during the three months ended September 30, 2016 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Inherent Limitations on Effectiveness of Controls

Management recognizes that a control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints and that management is required to apply its judgment in evaluating the benefits of possible controls and procedures relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud or error, if any, have been detected. These inherent limitations include the realities that judgments in decision making can be faulty, and that breakdowns can occur because of a simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, controls may become inadequate because of changes in conditions, or the degree of compliance with policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

We and our subsidiaries may from time to time be parties to legal or regulatory proceedings, lawsuits and other claims incident to our business activities and to our status as a public company. Such matters may include, among other things, assertions of contract breach or intellectual property infringement, claims for indemnity arising in the course of our business, regulatory investigations or enforcement proceedings, and claims by persons whose employment has been terminated. Such matters are subject to many uncertainties, and outcomes are not predictable with assurance. Consequently, we are unable to ascertain the ultimate aggregate amount of monetary liability, amounts which may be covered by insurance or recoverable from third parties, or the financial impact with respect to such matters as of September 30, 2016. However, based on our knowledge as of September 30, 2016, we believe that the final resolution of such matters pending at the time of this report, individually and in the aggregate, will not have a material adverse effect upon our consolidated financial position, results of operations or cash flows.

Item 1A. Risk Factors

Investing in our common stock involves a high degree of risk. We describe risks associated with our business in Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2015, as cumulatively updated by Item 1A of our Quarterly Report on Form 10-Q for the quarter ended June 30, 2016 to reflect changes after publication of the Form 10-K (the "Risk Factors"). Each of the risks described in our Risk Factors may be relevant to decisions regarding an investment in or ownership of our stock. The occurrence of any such risks could have a significant adverse effect on our reputation, business, financial condition, revenue, results of operations, growth, or ability to accomplish our strategic objectives, and could cause the trading price of our common stock to decline. You should carefully consider such risks and the other information contained in this report, including our consolidated financial statements and related notes and Management's Discussion and Analysis of Financial Condition and Results of Operations, before making investment decisions related to our common stock. The updates below describe material changes to the Risk Factors of which we are currently aware, but should not be considered exclusive; our Risk Factors cannot anticipate and fully address all possible risks of investing in our common stock, the risks of investing in our common stock may change over time, and additional risks and uncertainties that we are not aware of, or that we do not consider to be material, may emerge. Accordingly, you are advised to consider additional sources of information and exercise your own judgment in addition to the information we provide.

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Our announced reduction in force might not assure profitability and may affect morale and make it difficult to retain employees or attract new ones.

As disclosed in our third quarter earnings release, we implemented a reduction in force affecting approximately 125 employees on November 3, 2016. This is another step in a larger effort we began earlier in 2016 to realign our business to best reflect the needs of our customers and the evolving marketplace in which we operate, and to pursue our strategic priorities. We had previously scaled our organization in anticipation of continuing revenue growth in excess of our actual results, and this reduction in force is intended to reduce our costs to align our organization and cost structure more appropriately to our current revenue and scale and to position us better to expand our investments in future growth areas including header bidding, mobile, video, and Orders. However, the cost reduction resulting from the reduction in force does not assure our profitability. Additional cost reductions may be implemented in the future, and cost savings resulting from the reduction in force may be offset by future hiring or other costs to pursue strategic objectives. The reduction in force could adversely affect morale in our organization and our reputation as an employer, which could lead to the loss of valued employees and could make it more difficult for us to hire new employees in the future, and the reduction of our headcount could adversely affect our service delivery and make it more difficult for us to pursue new opportunities and initiatives in the future.

We are testing alternative pricing models, which if implemented, would reduce our take rate and might affect our ability to maintain and grow revenue and profitability.

In response to market trends and for strategic reasons, we are testing alternative pricing models and may determine that we should change the way we charge clients. We have not yet concluded on details, and it is possible that we will use different fees for different circumstances, and/or offer alternatives among which some customers may choose. It is probable that implementation of such changes would result in reduction of our take rate and possibly unintended adverse consequences, and it is not certain whether we would be able to maintain and grow revenue and profitability through volume increases that compensate for any price reductions.

Our header bidding solution may not result in revenue growth and may cause infrastructure strain and added cost. We have increased the number of installations of our header bidding solution with sellers and realized some positive results, including an increase in the volume of ad requests we have received and the portion of our advertising spending transacted through header bidding, as well as access to more premium inventory previously not made available to us through the ad server waterfall. However, while installations are a necessary first step, additional work is required to achieve the revenue acceleration potential of our expanded header bidding customer base. Like other providers of header bidding solutions, the productivity of our implementations to date has varied among sellers as a result of factors over which we have limited control, including seller systems and capabilities, technical proficiency of seller implementations, and other third-party code that sellers load onto their pages. As a result, many implementations require individualized adaptation and troubleshooting, and we are developing solutions that limit the technical burdens on sellers and reduce points of friction in implementation and operation of our solution. Because header bidding typically relies on the consumer's browser for execution, header bidding auctions can fail if the consumer's browser is not updated or if the consumer's internet connection is slow, and mobile browsers present additional difficulties, we are migrating functionality away from the client-side to the server-side, which is more highly controlled. Our original header bidder code is full-featured but consequently may operate in some environments more slowly than a "lighter" header bidding solution, sometimes making it more difficult for us to win available inventory, so we are creating a streamlined version of our code that will operate faster in some environments. Because header bidding technology is new and is characterized by various inefficiencies that affect all providers, we expect the technology to continue to evolve to more uniform standards -- and we believe ultimately to server-side unified auctions that offer the benefits of header bidding with fewer technical issues. However, as we invest in development of next-generation header bidding technology, we must continue working to maximize the efficiency and effectiveness of our current header bidding solution and installations. Until we address these transitional issues, we will not fully offset the increased infrastructure costs associated with the higher volume of ad and bid requests we process as a result of header bidding and take advantage of the near-term opportunities made

available through current header bidding technology to access a larger addressable market and increase our revenue by capturing a greater share of higher value inventory. In addition, the expansion of header bidding exposes more inventory to competitive bidding, thereby potentially resulting in increased volatility of our operating results with little warning as a result of various factors, including evolution in technology and changes in business practices such as competitors' bidding tactics and sellers' ad server integration and management.

Acts of competitors and other third parties can adversely affect our business.

We do not control the spending or inventory on our platform, and our revenue is therefore vulnerable to acts by third parties that reduce the amounts of spending or inventory available to us. For example, the amount of inventory available to independent platforms like us could be reduced as a result of decisions by Facebook to emphasize content viewable through its site or to favor friends and family-type feeds over third-party properties, or decisions by Google to utilize its ad server advantages to outbid us and other competitors in open-market auctions. Similarly, decisions by buyers and sellers to transact directly rather than through us would tend to reduce both spending and inventory on our platform.

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

(a) Recent Sales of Unregistered Securities

None.

(b) Use of Proceeds

Our initial public offering of common stock was effected through a Registration Statement on Form S-1 (File No. 333-193739), which was declared effective on April 1, 2014. There has been no material change in the planned use of proceeds from our initial public offering as described in our final prospectus filed with the SEC pursuant to Rule 424(b) of the Securities Act and other periodic reports previously filed with the SEC.

(c) Purchases of Equity Securities by the Company and Affiliated Purchasers

None.

We presently have no publicly announced repurchase plan or program.

Item 6. Exhibits

See the Exhibit Index immediately following the signature page of this Quarterly Report on Form 10-Q.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

THE RUBICON PROJECT, INC.
(Registrant)

/s/ David Day
David Day
Chief Financial Officer and Chief Accounting Officer
(Principal Financial Officer and Principal Accounting Officer)

Date: November 2, 2016

EXHIBIT INDEX

Number Description

- 3.1 Sixth Amended and Restated Certificate of Incorporation of the Registrant (incorporated by reference to Exhibit 3.1 to the Registrant's Quarterly Report on Form 10-Q filed with the Commission on May 15, 2014).
- 3.2 Amended and Restated Bylaws the Registrant (incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed with the Commission on April 8, 2016).
- 31.1* Certification of Principal Executive Officer Pursuant To Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2* Certification of Principal Financial Officer Pursuant To Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32.1*(1) Certification of the Principal Executive Officer and Principal Financial Officer Pursuant To 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 101.ins* XBRL Instance Document
- 101.sch* XBRL Taxonomy Schema Linkbase Document
- 101.cal* XBRL Taxonomy Calculation Linkbase Document
- 101.def* XBRL Taxonomy Definition Linkbase Document
- 101.lab* XBRL Taxonomy Label Linkbase Document
- 101.pre* XBRL Taxonomy Presentation Linkbase Document

*Filed herewith

(1) The information in this exhibit is furnished and deemed not filed with the Securities and Exchange Commission for purposes of section 18 of the Exchange Act of 1934, as amended, or the Exchange Act, and is not to be incorporated by reference into any filing of The Rubicon Project, Inc. under the Securities Act of 1933, as amended, or the Securities Act, or the Exchange Act, whether made before or after the date hereof, regardless of any general incorporation language in such filing.