

MARIN SOFTWARE INC  
Form 10-Q  
November 09, 2016

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 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: 001-35838

Marin Software Incorporated

(Exact Name of Registrant as Specified in Its Charter)

Delaware  
(State or Other Jurisdiction of

Incorporation or Organization)

123 Mission Street, 27th Floor, San Francisco, CA  
(Address of Principal Executive Offices)

20-4647180  
(I.R.S. Employer

Identification No.)

94105  
(Zip Code)

(415) 399-2580

Edgar Filing: MARIN SOFTWARE INC - Form 10-Q

(Registrant's Telephone Number, Including Area Code)

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 checkmark 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 during the preceding 12 months (or for such shorter time 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. (Check one):

Large accelerated filer

Accelerated filer

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

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

As of October 31, 2016, the registrant had 38,644,422 shares of common stock outstanding.

Table of Contents

PART I.	<u>FINANCIAL INFORMATION</u>	
Item 1.	<u>Financial Statements (unaudited).</u>	3
	<u>CONDENSED CONSOLIDATED BALANCE SHEETS</u>	3
	<u>CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS</u>	4
	<u>CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS</u>	5
	<u>Notes to Condensed Consolidated Financial Statements</u>	6
Item 2.	<u>Management’s Discussion and Analysis of Financial Condition and Results of Operations.</u>	18
Item 3.	<u>Quantitative and Qualitative Disclosures About Market Risk.</u>	27
Item 4.	<u>Controls and Procedures.</u>	28
PART II	<u>OTHER INFORMATION</u>	29
ITEM 1.	<u>LEGAL PROCEEDINGS</u>	29
ITEM 1A.	<u>RISK FACTORS</u>	29
ITEM 2.	<u>UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS</u>	46
ITEM 3.	<u>DEFAULTS UPON SENIOR SECURITIES</u>	46
ITEM 4.	<u>MINE SAFETY DISCLOSURES</u>	46
ITEM 5.	<u>OTHER INFORMATION</u>	46
ITEM 6.	<u>EXHIBITS</u>	47
	<u>SIGNATURES</u>	48

## PART I. FINANCIAL INFORMATION

## Item 1. Financial Statements (unaudited).

## MARIN SOFTWARE INCORPORATED

## CONDENSED CONSOLIDATED BALANCE SHEETS

(in thousands, except par value)

	At September 30, 2016 (unaudited)	At December 31, 2015*
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 36,442	\$ 37,326
Accounts receivable, net	20,584	21,718
Prepaid expenses and other current assets	4,066	4,186
Total current assets	61,092	63,230
Property and equipment, net	21,518	21,817
Goodwill	19,416	19,417
Intangible assets, net	8,055	10,405
Other noncurrent assets	1,681	1,323
Total assets	\$ 111,762	\$ 116,192
<b>Liabilities and Stockholders' Equity</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 1,939	\$ 1,710
Accrued expenses and other current liabilities	9,825	11,185
Deferred revenues	1,135	1,430
Current portion of long-term debt	870	1,384
Total current liabilities	13,769	15,709
Long-term debt, less current portion	2,149	1,557
Other long-term liabilities	4,382	4,795
Total liabilities	20,300	22,061
<b>Commitments and contingences (Note 13)</b>		
<b>Stockholders' equity</b>		
Common stock, \$0.001 par value - 500,000 shares authorized, 38,610 and 37,568 shares issued, 38,602 and 37,419 outstanding at September 30, 2016, and December 31, 2015, respectively	39	37
Additional paid-in capital	284,731	275,604
Accumulated deficit	(191,617)	(179,733)
Accumulated other comprehensive loss	(1,691)	(1,777)
Total stockholders' equity	91,462	94,131
Total liabilities and stockholders' equity	\$ 111,762	\$ 116,192

\*Derived from our audited consolidated financial statements as of December 31, 2015.  
See accompanying notes to the condensed consolidated financial statements.

## MARIN SOFTWARE INCORPORATED

## CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(Unaudited)

(in thousands, except per share data)

	Nine Months Ended			
	Three Months Ended September 30,		September 30,	
	2016	2015	2016	2015
Revenues, net	\$ 24,013	\$ 26,327	\$76,954	\$79,515
Cost of revenues	8,668	10,375	26,752	30,683
Gross profit	15,345	15,952	50,202	48,832
Operating expenses				
Sales and marketing	7,581	10,835	25,973	36,056
Research and development	6,268	8,162	21,321	25,840
General and administrative	4,735	5,882	14,722	17,257
Total operating expenses	18,584	24,879	62,016	79,153
Loss from operations	(3,239 )	(8,927 )	(11,814)	(30,321)
Interest expense, net	(39 )	(63 )	(91 )	(82 )
Other income (expenses), net	188	(214 )	632	(134 )
Loss before benefit from (provision for) income taxes	(3,090 )	(9,204 )	(11,273)	(30,537)
Benefit from (provision for) income taxes	37	(300 )	(611 )	(674 )
Net loss	(3,053 )	(9,504 )	(11,884)	(31,211)
Foreign currency translation adjustments	(15 )	(13 )	86	(626 )
Comprehensive loss	\$ (3,068 )	\$ (9,517 )	\$(11,798)	\$(31,837)
Net loss per share available to common stockholders, basic and diluted	\$ (0.08 )	\$ (0.26 )	\$(0.31 )	\$(0.86 )
Weighted-average shares used to compute net loss per share available to common stockholders, basic and diluted	38,520	36,953	38,190	36,367
Stock-based compensation is allocated as follows (Note 9):				
Cost of revenues	\$ 285	\$ 249	\$1,015	\$800
Sales and marketing	162	435	1,083	2,104
Research and development	852	1,864	4,149	5,831
General and administrative	532	1,058	2,345	3,305
Amortization of intangible assets is allocated as follows (Note 5):				
Cost of revenues	\$ 246	\$ 271	\$780	\$762
Sales and marketing	223	247	711	674
Research and development	246	271	780	763
General and administrative	15	37	79	109
Restructuring related expenses are allocated as follows (Note 3):				
Cost of revenues	\$ 24	\$ 105	\$175	\$105
Sales and marketing	2	659	213	659
Research and development	(4 )	53	44	53

General and administrative	2	264	17	264
----------------------------	---	-----	----	-----

See accompanying notes to the condensed consolidated financial statements.

## MARIN SOFTWARE INCORPORATED

## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(in thousands)

	Nine Months Ended September 30,	
	2016	2015
<b>Operating activities</b>		
Net loss	\$(11,884)	\$(31,211)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities		
Depreciation	4,610	5,166
Amortization of internally developed software	2,180	1,850
Amortization of intangible assets	2,350	2,308
Loss on disposal of property and equipment	2	19
Unrealized foreign currency gains	(268 )	(203 )
Noncash interest expense related to debt agreements	18	36
Stock-based compensation related to equity awards and restricted stock	8,592	12,040
Provision for bad debts	852	776
Deferred income tax benefits	—	(307 )
Excess tax benefits from stock-based award activities	—	(9 )
Payment of contingent consideration for prior acquisition	(93 )	—
Changes in operating assets and liabilities, net of effect of acquisitions		
Accounts receivable	560	(3,386 )
Prepaid expenses and other current assets	309	(1,750 )
Other assets	(340 )	407
Accounts payable	246	(1,073 )
Deferred revenues	(280 )	(689 )
Accrued expenses and other current liabilities	(2,050 )	2,426
Net cash provided by (used in) operating activities	4,804	(13,600)
<b>Investing activities</b>		
Purchases of property and equipment	(1,154 )	(8,217 )
Proceeds from disposal of property and equipment	3	—
Capitalization of internally developed software	(4,050 )	(4,107 )
Acquisitions of businesses, net of cash acquired	—	(7,509 )
Net cash used in investing activities	(5,201 )	(19,833)
<b>Financing activities</b>		
Repayment of notes payable	(1,223 )	(2,967 )
Debt issuance costs	—	(53 )
Repurchase of unvested shares	—	(2 )
Proceeds from exercise of common stock options	350	1,107
Proceeds from employee stock purchase plan, net	592	995
Stock issuance costs	—	(51 )
Excess tax benefits from stock-based award activities	—	9



Edgar Filing: MARIN SOFTWARE INC - Form 10-Q

Net cash used in financing activities	(281 )	(962 )
Effect of foreign exchange rate changes on cash and cash equivalents	(206 )	(526 )
Net decrease in cash and cash equivalents	(884 )	(34,921)
Cash and cash equivalents		
Beginning of period	37,326	68,253
End of period	\$36,442	\$33,332
Supplemental disclosure of noncash investing and financing activities		
Acquisition of equipment through capital leases	\$1,283	\$1,905
Purchases of property and equipment recorded in accounts payable and accrued expenses	9	712
Issuance of common stock under employee stock purchase plan	328	548
Issuance of common stock in connection with acquisitions of businesses	—	4,337

See accompanying notes to the condensed consolidated financial statements.

Marin Software Incorporated

Notes to Condensed Consolidated Financial Statements

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

## 1. Summary of Business and Significant Accounting Policies

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

### Basis of Presentation and Consolidation

The accompanying unaudited condensed consolidated financial statements and condensed footnotes have been prepared in accordance with 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 United States generally accepted accounting principles (“GAAP”) for complete financial statements. In the opinion of management, all adjustments, consisting of only normal recurring items, considered necessary for fair statement have been included. The results of operations for the three and nine months ended September 30, 2016, are not necessarily indicative of the results to be expected for the year ending December 31, 2016, or for other interim periods or for future years.

The accompanying unaudited condensed consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated on consolidation. The condensed consolidated balance sheet as of December 31, 2015, is derived from audited financial statements as of that date but does not include all of the information and footnotes required by GAAP for complete financial statements.

These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and related notes included in the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2015 filed with the Securities and Exchange Commission (“SEC”) on February 22, 2016.

### Fair Value Measurements

The Company’s financial instruments, including cash equivalents, accounts receivable, accounts payable and accrued expenses are carried at cost, which approximates fair value because of the short-term nature of those instruments. Based on borrowing rates available to the Company for loans with similar terms and maturities, and in consideration of the Company’s credit risk profile, the carrying value of borrowings (Note 6) approximates fair value (level 2 within the fair value hierarchy).

Cash equivalents consist of money market funds, which are readily convertible into cash and have original maturity dates of less than three months from the date of their respective purchases. These money market funds presented as cash equivalents on the consolidated balance sheets are classified as level 1 within the fair value hierarchy, and totaled

\$22,631 and \$25,564 as of September 30, 2016 and December 31, 2015, respectively.

#### Allowance for Doubtful Accounts and Revenue Credits

The allowance for doubtful accounts reflects the Company's best estimate of probable losses inherent in the Company's receivables portfolio determined on the basis of historical experience, specific allowances for known troubled accounts and other currently available evidence. The Company has not historically experienced significant credit losses from its accounts receivable. The Company performs a regular review of its customers' payment histories and associated credit risks and it does not require collateral from its customers. Certain contracts with advertising agencies contain sequential liability provisions, whereby the agency does not have an obligation to pay the Company until payment is received from the agency's customers. In these circumstances, the Company evaluates the credit worthiness of the agency's customers, in addition to the agency itself. As of September 30, 2016 and December 31, 2015, the Company recorded an allowance for doubtful accounts in the amount of \$2,230 and \$2,188, respectively.

From time to time, the Company provides credits to customers and an allowance is made based on historical credit activity. As of September 30, 2016, and December 31, 2015, the Company recorded an allowance for potential customer credits in the amount of \$1,750 and \$2,274, respectively.

## Goodwill and Intangible Assets

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

The Company evaluates goodwill for impairment in the fourth quarter annually, or more frequently if events or changes in circumstances indicate that these assets may be impaired. Because the Company operates its business in one reporting unit, the goodwill is tested for impairment at the enterprise level. No goodwill impairment has been identified in any of the periods presented.

Subsequent to September 30, 2016, the market capitalization of the Company's publicly traded common stock sustained a decline to the extent that it fell below the book value of the Company's net assets. Management considers the stock price and any estimated control premium along with other operating conditions, such as revenue decline, as possible factors affecting the assessment of the fair value of the Company's reporting unit for the purposes of performing any goodwill impairment assessment. While the likelihood and amount of such an impairment charge is not estimable at this time, if facts, circumstances or assumptions change, the Company may be required to record an impairment charge to reduce the carrying value of its goodwill, intangible assets and other long-term assets in the future.

## Revenue Recognition

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

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

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

reasonably assured, the Company defers the revenue recognition until collectability becomes reasonably assured.

The Company applies the authoritative accounting guidance regarding revenue recognition for arrangements with multiple deliverables. Professional services and training, when sold with the Company's platform subscription services, are accounted for separately when those services have standalone value. In determining whether professional services and training services can be accounted for separately from subscription services, the Company considers the following factors: availability of the services from other vendors; the nature of the services; the dependence of the subscription services on the customer's decision to buy the professional services; and whether the Company sells the Company's subscription services without professional services. If the deliverables have stand-alone value, the Company accounts for each deliverable separately and revenues are recognized for the respective deliverables as they are delivered. If one or more of the deliverables do not have stand-alone value, the deliverables that do not have stand-alone value are combined with the final deliverables within the arrangement and treated as a single unit of accounting. Revenues for arrangements treated as a single unit of accounting are recognized over the period of the contract commencing upon delivery of the final deliverable. As of September 30, 2016, the Company did not have stand-alone value for the professional services

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

#### Cost of Revenues

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

#### Recent Accounting Pronouncements

In March 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-09, Compensation - Stock Compensation: Improvements to Employee Share-Based Payment Accounting (Topic 718), which is intended to simplify several aspects of the accounting for employee share-based payment transactions, including the accounting for income taxes, forfeitures and statutory tax withholding requirements, as well as classification on the statement of cash flows. The update to this standard is effective for interim and annual reporting periods beginning after December 15, 2016. The Company is currently evaluating the impact the adoption of ASU 2016-09, but does not expect it to have a significant impact on its consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), which will require lessees to recognize most leases on the balance sheet as lease assets and lease liabilities, as well as both quantitative and qualitative disclosures regarding key information about leasing arrangements. This new standard is effective for interim and annual reporting periods beginning after December 15, 2018, and early adoption is permitted. The Company is currently evaluating the impact of the adoption of ASU 2016-02 will have on the consolidated financial statements, as well as the expected adoption method.

In September 2015, the FASB issued ASU 2015-16, Business Combinations (Topic 805): Simplifying the Accounting for Measurement-Period Adjustments, which eliminates the requirement for an acquirer to retrospectively adjust provisional amounts recorded in a business combination to reflect new information about the facts and circumstances that existed as of the acquisition date and that, if known, would have affected measurement or recognition of amounts initially recognized. As an alternative, the standard requires that an acquirer recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined. It requires that the acquirer record, in the financial statements of the period in which adjustments to provisional amounts are determined, the effect on earnings of changes in depreciation, amortization or other income effects, if any, as a result of the change to the provisional amounts, calculated as if the accounting had been completed at the acquisition date. The new standard was effective prospectively for interim and annual reporting periods beginning after December 15, 2015, with early adoption permitted. The Company adopted ASU 2015-16 during the first quarter of 2016 on a prospective basis, and it did not have an effect on the Company's financial position or results of operations. The new standard will be applied to future adjustments of provisional amounts as they occur.

In August 2014, the FASB issued ASU 2014-15, Disclosures of Uncertainties About an Entity's Ability to Continue as a Going Concern, which provides guidance around management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern and to provide related footnote disclosures. The new standard is effective for interim and annual reporting periods beginning after December 15, 2016, and early adoption is permitted. The Company is currently evaluating the impact of the adoption of ASU 2014-15 on the consolidated financial statements.

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers, which is the new comprehensive revenue recognition standard that will supersede all existing revenue recognition guidance under U.S. GAAP. The core principle of the new standard requires entities to recognize revenue when they transfer promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services. The new standard, as amended in July 2015, is effective for interim and annual reporting periods beginning after December 15, 2017, and early adoption is permitted. The standard permits the use of either the retrospective or cumulative effect transition method. The Company is currently evaluating the timing and impact of the adoption of ASU 2014-09 on the consolidated financial statements, as well as the expected adoption method.

## 2. Business Combination

On February 12, 2015, pursuant to the terms of a Share Purchase Agreement, the Company acquired all outstanding shares of capital stock of SocialMoov S.A.S. (“SocialMoov”), with SocialMoov surviving as a wholly-owned subsidiary of the Company. Based in Paris, France, SocialMoov is a provider of social advertising tools for advertisers and agencies.

The total purchase price for the acquisition was \$13,288, which consisted of 636 shares of the Company’s common stock valued at \$4,337 upon the closing date using the weighted average of the Company’s closing date stock price for a short period of time preceding the closing date of the acquisition, \$8,858 in cash paid at the acquisition date and \$93 in cash paid as contingent consideration during the first quarter of 2016. Of the cash consideration paid at the closing date, \$1,894 was held in escrow to secure indemnification obligations of the shareholders of SocialMoov to the Company following the closing, and was released during the third quarter of 2016.

In addition, the Company agreed to issue 927 shares of common stock at future dates as defined in the Share Purchase Agreement, valued at \$6,487 upon the closing date of the acquisition using the Company’s closing date stock price immediately preceding the acquisition, to existing employee shareholders of SocialMoov in connection with the acquisition, which are conditioned upon such employees’ continuous employment with the Company. These shares have been excluded from the purchase consideration and are being recognized as post-acquisition stock-based compensation expense over the employees’ requisite service periods. In February 2016, the Company issued 463 of these shares. The Company also granted RSUs representing 219 shares of common stock, valued at \$959 using the Company’s grant date stock price, with time-based vesting to employees of SocialMoov that continued employment with SocialMoov subsequent to the acquisition. The Company recognizes compensation expense equal to the grant date fair value of the common stock or stock-based awards on a straight-line basis over the employee’s requisite service period.

The results of operations and the fair values of the assets acquired and liabilities assumed have been included in the accompanying unaudited condensed financial statements since the acquisition date. The following table summarizes the fair values of tangible assets acquired, liabilities assumed, intangible assets and residual goodwill from the acquisition of SocialMoov (in thousands except years):

	Estimated Fair Value	Estimated Useful Life
Tangible assets acquired	\$ 2,741	N/A
Liabilities assumed	(3,480 )	N/A
Developed technology	3,800	5 years
Customer relationships	2,080	4 years
Tradename	260	3 years
Goodwill	7,887	Indefinite
Total purchase price	\$ 13,288	

The goodwill is primarily attributable to synergies expected to arise from the acquisition, and is not expected to be deductible for tax purposes. The values assigned to the intangible assets are based on a third-party valuation analysis, which includes estimates and judgments regarding expectations for the success and life cycles of the solutions and technologies acquired.



### 3. Restructuring Activities

#### 2016 Restructuring Plan

During the second quarter of 2016, the Company executed an organizational restructuring (the “2016 Restructuring Plan”) primarily to improve cost efficiencies and effectiveness in sales. The Company recorded \$24 and \$449 of restructuring related expenses for the three and nine months ended September 30, 2016, respectively. As of September 30, 2016, approximately \$84 in restructuring related expenses associated with the 2016 Restructuring Plan remained unpaid and were included in accrued expenses and other current liabilities on the Company’s condensed consolidated balance sheets. Further costs associated with this 2016 Restructuring Plan are not expected to be material in future periods.

#### 2015 Restructuring Plans

During the third and fourth quarters of 2015, the Company executed organizational restructurings (the “2015 Restructuring Plans”) primarily to improve cost efficiencies and realign its sales, customer success and marketing operations. The Company recorded \$1,081 of restructuring related expenses in connection with the 2015 Restructuring Plans for the three and nine months ended September 30, 2015. Actions pursuant to the 2015 Restructuring Plans were substantially complete as of December 31, 2015, and the associated costs were not material for the three and nine months ended September 30, 2016.

## 4. Balance Sheet Components

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

	September 30, 2016	December 31, 2015
Computer equipment	\$ 28,353	\$ 26,279
Software	20,662	16,602
Office equipment	1,038	1,016
Furniture, fixtures and leasehold improvements	6,073	6,049
	56,126	49,946
Less: Accumulated depreciation and amortization	(34,608 )	(28,129 )
	\$ 21,518	\$ 21,817

Depreciation and amortization of internally developed software for the nine months ended September 30, 2016 and 2015 was \$6,790 and \$7,016, respectively.

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

	September 30, 2016	December 31, 2015
Accrued salary and payroll related expenses	\$ 4,432	\$ 4,829
Accrued accounts payable	2,872	3,417
Customer advances	1,638	1,463
Income tax (receivable) payable	(88 )	236
Sales and use tax payable	237	434
Other	734	806
	\$ 9,825	\$ 11,185

## 5. Goodwill and Intangible Assets

The goodwill activity for the nine months ended September 30, 2016 consisted of the following:

Balance at December 31, 2015	\$19,417
Add: Payment of contingent consideration for SocialMoov acquisition	93
Add: Other adjustments to goodwill	(94 )
Balance at September 30, 2016	\$19,416

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

	September 30, 2016	December 31, 2015	Estimated Useful Life
Developed technology	\$ 9,910	\$ 9,910	5 - 6 years
Customer relationships	3,370	3,370	4 years
Non-compete agreements and tradenames	1,390	1,390	2 - 3 years
	14,670	14,670	
Less: accumulated amortization	(6,615 )	(4,265 )	
	\$ 8,055	\$ 10,405	

Amortization expense was \$730 and \$826 for the three months ended September 30, 2016 and 2015, respectively, and \$2,350 and \$2,308 for the nine months ended September 30, 2016 and 2015, respectively.

Future estimated amortization of intangible assets as of September 30, 2016, is presented below:

Remaining three months of 2016	\$730
Year ending December 31, 2017	2,850
Year ending December 31, 2018	2,537
Year ending December 31, 2019	1,843
Year ending December 31, 2020	95
	\$8,055

## 6. Debt

### Capital Lease Arrangements

Since 2013, the Company has entered into capital lease arrangements with an equipment manufacturer to finance acquisitions of computer equipment. These leases have effective annual interest rates ranging from 5.8% to 6.0%, and carry terms of between 36 to 48 months. At the end of the lease periods, the Company has the option to purchase the underlying equipment at the estimated fair market value, or for a nominal amount in some cases. As of September 30, 2016 and December 31, 2015, the net book value of the equipment under these capital leases was \$2,830 and \$2,446, respectively, and the remaining principal balance payable was \$3,043 and \$2,700, respectively.

### Revolving Credit Facility

In July 2015, the Company entered into an amendment to its existing loan and security agreement pursuant to which Silicon Valley Bank agreed to increase the revolving credit facility of up to the lesser of \$20,000 or 80% of the Company's eligible accounts receivable. Also, the expiration date of the revolving credit facility was extended to July 31, 2017, and the annual interest rate was amended to (a) the prime rate or (b) the London interbank offered rate then in effect, plus a margin of 2.75%, payable on a monthly basis. The amendment contains affirmative and negative covenants, including covenants related to the delivery of financial and other information, the maintenance of certain financial covenants, as well as limitations on dispositions, changes in business or management, mergers or consolidations, dividends and other corporate actions. The revolving credit facility was amended further in February 2016 to update the terms of certain covenants. No amounts were outstanding pursuant to the revolving credit facility as of September 30, 2016 and December 31, 2015.

The maturities of all outstanding debt, consisting of the capital lease arrangements, as of September 30, 2016, are as follows:

Year ending	
2016	\$274
2017	884
2018	935
2019	736
2020	214

	3,043
Less:	
Current portion	(870 )
Discount on long-term debt	(24 )
Noncurrent portion of debt	\$2,149

## 7. Common Stock

As of September 30, 2016, and December 31, 2015, the Company's certificate of incorporation authorizes the issuance of 500,000 shares of \$0.001 par value common stock. Reserved shares of common stock are as follows:

	September 30, 2016	December 31, 2015
Options or RSUs available for future grant under stock option plans	4,528	4,041
Options outstanding under stock option plans	6,344	5,960
RSUs outstanding under stock option plans	1,975	1,221
Shares available for future issuance under ESPP	1,307	776
Shares to be issued in connection with acquisition of SocialMoov	464	927
	14,618	12,925

## 8. Equity Award Plans

In April 2006, the Company's Board of Directors (the "Board") adopted and the stockholders approved the 2006 Stock Option Plan ("2006 Plan"). The 2006 Plan provides for the grant of incentive stock options under the federal tax laws and non-statutory stock options. Only employees may receive incentive stock options, but non-statutory stock options may be granted to employees, non-employee directors and consultants. The stock options are exercisable at a price equal to the market value of the underlying shares of common stock on the date of the grant as determined by the Board. The term of options granted under the 2006 Plan may not exceed ten years. Certain options are eligible for exercise prior to vesting. Exercised but unvested shares of common stock are subject to repurchase by the Company at the initial exercise price. The proceeds from the shares of common stock subject to repurchase are classified as a liability and reclassified to equity as the shares vest. Under the 2006 Plan's early exercise feature, the Company had the right to repurchase 5 and 18 shares of common stock as of September 30, 2016 and December 31, 2015, respectively. The Company records cash received from the exercise of unvested stock options as a long-term liability, as well as the fair value of vested outstanding options to non-employee consultants. As of September 30, 2016 and December 31, 2015, \$46 and \$249, respectively, has been recorded as a long-term liability on the accompanying unaudited condensed consolidated balance sheets.

In February 2013, the Board and stockholders approved the 2013 Equity Incentive Plan ("2013 Plan"), under which 4,500 shares of common stock were originally reserved for issuance. Additionally, all reserved and unissued shares under the 2006 Plan at the time the 2013 Plan became effective are eligible for issuance under the 2013 Plan. The 2013 Plan became effective on March 21, 2013, at which time the Company ceased to grant equity awards under the 2006 Plan. The 2013 Plan authorizes the award of stock options, restricted stock awards, stock appreciation rights, RSUs, performance awards and stock bonuses to the Company's employees, directors, consultants, independent contractors and advisors. On January 1 of each of the first ten calendar years through 2023, the number of shares of common stock reserved under the 2013 Plan will automatically increase by an amount equal to 5% of the total outstanding shares as of immediately preceding December 31, or such lesser number of shares as determined by the Board. Pursuant to terms of the 2013 Plan, the shares available for issuance increased by approximately 1,878 shares of common stock on January 1, 2016.



## Stock Options

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

	Options Outstanding		Weighted Average Remaining Contractual Term (in Years)	Aggregate Intrinsic Value
	Number of Shares	Weighted Average Exercise Price Per Share		
Balances at December 31, 2015	5,960	\$ 7.58	7.85	\$ 957
Options granted	1,202	2.66	7.07	
Options exercised	(213 )	1.64	—	
Options forfeited and cancelled	(2,063)	7.48	—	
Balances at September 30, 2016	4,886	\$ 6.67	6.26	\$ 403
Options exercisable	3,092	\$ 7.89	4.65	\$ 226
Options vested	3,079	\$ 7.87	4.65	\$ 226
Options vested and expected to vest	4,738	\$ 6.75	6.17	\$ 393

## RSUs

A summary of RSUs granted and unvested under the 2013 Plan is as follows:

	RSUs Outstanding	
	Number of Shares	Weighted Average Grant Date Fair Value Per Unit
Granted and unvested at December 31, 2015	1,221	\$ 9.36
RSUs granted	1,534	3.17
RSUs vested	(195 )	7.18
RSUs cancelled and withheld to cover taxes	(995 )	4.98
Granted and unvested at September 30, 2016	1,565	\$ 4.11

## Employee Stock Purchase Plan

In February 2013, the Board and stockholders approved the 2013 Employee Stock Purchase Plan (“2013 ESPP”), under which 1,000 shares of common stock were originally reserved for issuance. The 2013 ESPP became effective on March 22, 2013. The 2013 ESPP provides generally for six-month purchase periods and the purchase price for shares of common stock purchased under the 2013 ESPP will be 85% of the lesser of the fair market value of the common stock on (i) the first trading day of the applicable offering period and (ii) the last trading day of each purchase period



in the applicable offering period. On January 1 of each of the first 10 calendar years following the first offering date, the number of shares reserved under the 2013 ESPP will automatically increase by an amount equal to 1% of the total outstanding shares as of immediately preceding December 31, but not to exceed 700 shares. Pursuant to terms of the 2013 ESPP, the shares available for issuance increased by approximately 376 shares on January 1, 2016. During the three and nine months ended September 30, 2016, zero and 175 shares, respectively, were issued under the 2013 ESPP. During the three and nine months ended September 30, 2015, zero and 105 shares, respectively, were issued under the 2013 ESPP.

#### 9. Stock-Based Compensation

For stock-based awards granted by the Company, stock-based compensation expense is measured at grant date based on the fair value of the award and is expensed over the requisite service period. The Company recorded stock-based compensation of \$1,831 and \$3,606 for the three months ended September 30, 2016 and 2015, respectively, and \$8,592 and \$12,040 for the nine months ended September 30, 2016 and 2015, respectively.

## Stock Options

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Dividend yield	—	—	—	—
Expected volatility	47.6	% 44.3	% 47.5	% 49.2
Risk-free interest rate	1.23	% 1.76	% 1.38	% 1.74
Expected life of options (in years)	6.25	6.25	6.25	6.25
Forfeiture rate	7.0	% 7.0	% 7.0	% 7.0

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

Cash proceeds from the exercise of stock options were \$350 and \$1,107 during the nine months ended September 30, 2016 and 2015, respectively.

Compensation expense is recognized ratably over the requisite service period. As of September 30, 2016, there was \$3,400 of unrecognized compensation cost related to options, which is expected to be recognized over a weighted-average period of 2.2 years.

## Restricted Stock and RSUs

As of September 30, 2016, there was \$6,345 of unrecognized compensation cost related to restricted stock and RSUs, which is expected to be recognized over a weighted-average period of 2.4 years. The Company uses the fair market value of the underlying common stock on the dates of grant to determine the fair value of restricted stock and RSUs. Stock-based compensation expense related to these awards is recognized on a straight-line basis over the service period of the award for the estimated number of shares that are ultimately expected to vest.

## Employee Stock Purchase Plan

The Company estimates the fair value of purchase rights under the 2013 ESPP using the Black-Scholes valuation model. The fair value of each purchase right under the 2013 ESPP was estimated on the date of grant using the Black-Scholes option valuation model and the straight-line attribution approach with assumptions substantially similar to those used for the valuation of our stock option awards.

#### 10. Income Taxes

The Company's quarterly provision for income taxes is based on an estimated effective annual income tax rate. The Company's quarterly provision for income taxes also includes the tax impact of certain unusual or infrequently occurring items, if any, including changes in judgment about valuation allowances and effects of changes in tax laws or rates, in the interim period in which they occur.

Income tax expense for the three and nine months ended September 30, 2016, was \$37 and \$611, respectively, on pre-tax losses of \$3,090 and \$11,273, respectively. For the three and nine months ended September 30, 2015, the Company recognized income tax expense of \$300 and \$674, respectively, on pre-tax losses of \$9,204 and \$30,537, respectively. As of September 30, 2016, the income tax rate varies from the United States statutory income tax rate primarily due to valuation allowances in the United States and taxable income generated by the Company's foreign wholly-owned subsidiaries.

The Company reviews the likelihood that it will realize the benefit of its deferred tax assets and, therefore, the need for valuation allowances on a quarterly basis. There is no corresponding income tax benefit recognized with respect to losses incurred and no corresponding income tax expense recognized with respect to earnings generated in jurisdictions with a valuation allowance. This causes variability in the Company's effective tax rate. The Company will maintain the valuation allowances until it is more likely than not that the net deferred tax assets will be realized.

Tax positions taken by the Company are subject to audits by multiple tax jurisdictions. The Company accounts for uncertain tax positions and believes that it has provided adequate reserves for its unrecognized tax benefits for all tax years still open for assessment. The Company also believes that it does not have any tax position for which it is not reasonably possible that the total amounts of unrecognized tax benefits will significantly increase or decrease within the next year. There were no interest or penalties associated with uncertain tax positions included within the income tax expense balance for the three and nine months ended September 30, 2016 and 2015.

#### 11. Net Loss Per Share Available to Common Stockholders

Basic net loss per share available to common stockholders is calculated by dividing the net loss available to common stockholders by the weighted-average number of shares of common stock outstanding for the period. The weighted-average number of shares of common stock used to calculate the Company's basic net loss per share available to common stockholders excludes those shares subject to repurchase related to unvested common shares, stock options that were exercised prior to vesting, restricted stock issued and RSUs settled for shares of common stock, as these shares are not deemed to be outstanding for accounting purposes until they vest. The diluted net loss per share of common stock is computed by dividing the net loss using the weighted-average number of shares of common stock, excluding common stock subject to repurchase, and, if dilutive, potential shares of common stock outstanding during the period. Potential shares of common stock consist of common stock subject to repurchase, stock options to purchase common stock, restricted common stock issued and RSUs settled for shares of common stock.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
<b>Numerator:</b>				
Net loss available to common stockholders	\$ (3,053 )	\$ (9,504 )	\$(11,884 )	\$(31,211 )
<b>Denominator:</b>				
Weighted average number of shares, basic and diluted	38,520	36,953	38,190	36,367
<b>Net loss per share available to common stockholders</b>				
Basic and diluted net loss per common share available to common stockholders	\$ (0.08 )	\$ (0.26 )	\$(0.31 )	\$(0.86 )

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

	Three and Nine Months Ended September 30,	
	2016	2015
Options to purchase common stock	4,886	6,400
Restricted stock units	1,565	1,334
Restricted common stock issued	2	239
Common stock subject to repurchase	5	25
Total	6,458	7,998

## 12. Segment Reporting

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
United States of America	\$ 16,636	\$ 18,123	\$53,472	\$53,333
International	7,377	8,204	23,482	26,182
Total revenues, net	\$ 24,013	\$ 26,327	\$76,954	\$79,515

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

	September 30, 2016	December 31, 2015
United States of America	\$ 20,713	\$ 20,825
International	805	992
Total long-lived assets, net	\$ 21,518	\$ 21,817

### 13. Commitments and Contingencies

#### Operating Leases

Rent expense for the three months ended September 30, 2016 and 2015 was \$2,095 and \$2,279, respectively, and for the nine months ended September 30, 2016 and 2015, was \$6,647 and \$6,496, respectively.

Future minimum lease payments for significant operating leases, net of sublease payments from a portion of the Company's San Francisco and Portland office space, as of September 30, 2016, were as follows:

Remaining three months of 2016	\$1,576
Year ending December 31, 2017	6,186
Year ending December 31, 2018	4,519
Year ending December 31, 2019	4,054
Year ending December 31, 2020 and thereafter	9,399
	\$25,734

#### Legal Matters

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

#### Indemnification

The Company enters into standard indemnification agreements in the ordinary course of business. Pursuant to the agreements, each party may indemnify, defend and hold the other party harmless with respect to such claim, suit or proceeding brought against it by a third party alleging that the indemnifying party's intellectual property infringes upon the intellectual property of the third party, or results from a breach of the indemnifying party's representations and warranties or covenants, or that results from any acts of negligence or willful misconduct. The term of these indemnification agreements is generally perpetual any time after execution of the agreement. The maximum potential amount of future payments the Company could be required to make under these indemnification agreements is unlimited. Historically, the Company has not been obligated to make significant payments for these obligations and no liabilities have been recorded for these obligations on the unaudited consolidated condensed balance sheets as of September 30, 2016 and audited consolidated balance sheets as of December 31, 2015.

The Company also indemnifies its officers and directors for certain events or occurrences, subject to certain limits, while the officer or director is or was serving at the Company's request in such capacity. The maximum amount of potential future indemnification is unlimited; however, the Company has a Directors and Officers insurance policy that limits its exposure and enables the Company to recover a portion of any future amounts paid. Historically, the Company has not been obligated to make any payments for these obligations and no liabilities have been recorded for these obligations as of September 30, 2016 and December 31, 2015.

#### Other Contingencies

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



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

The following discussion and analysis of our financial condition, results of operations and cash flows should be read in conjunction with the (1) unaudited condensed consolidated financial statements and the related notes thereto included elsewhere in this Quarterly Report on Form 10-Q for the quarter ended September 30, 2016, and (2) the audited consolidated financial statements and notes thereto and management's discussion and analysis of financial condition and results of operations for the fiscal year ended December 31, 2015, included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2015, filed with the SEC on February 22, 2016. This Quarterly Report on Form 10-Q contains "forward-looking statements" within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act." These statements are often identified by the use of words such as "believe," "may," "potentially," "will," "estimate," "continue," "anticipate," "intend," "could," "should," "would," "predict," "expect," "seek" and similar expressions or variations. Such forward-looking statements are subject to risks, uncertainties and other factors that could cause actual results and the timing of certain events to differ materially from future results expressed or implied by such forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those identified herein, and those discussed in the section titled "Risk Factors", set forth in Part II, Item 1A of this Form 10-Q. Except as required by law, we disclaim any obligation to update any forward-looking statements to reflect events or circumstances after the date of such statements.

### Overview

We provide a leading cross-channel, cross-device, enterprise marketing software platform for search, display and social advertising channels, offered as an integrated software-as-a-service, or SaaS, solution for advertisers and agencies. Our integrated platform is an analytics, workflow and optimization solution for marketing professionals, allowing them to effectively manage their digital advertising spend across search, social and display advertising channels. Our solution is designed to help our customers:

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

We were incorporated in 2006 and initially focused on building the core elements of our cloud-based platform. In September 2007, we launched Marin Enterprise, which targets large advertisers and agencies. We released Marin Professional Edition in March 2011, which targets mid-market advertisers and agencies. We have an iterative development process and typically release new features every month. Additionally, we have expanded internationally since our incorporation, opening our Hamburg, Paris and Sydney offices in 2011, our Dublin and Tokyo offices in 2012 and our Shanghai office in 2013. We completed our acquisitions of SocialMoov S.A.S. and NowSpots, Inc., which conducted business as Perfect Audience, in February 2015 and June 2014, respectively, to complement our product offerings.

To grow revenues, we may need to invest in (1) sales and marketing activities to target new advertisers and agencies, and increase spend under management with our existing customers, and (2) research and development to improve and expand our platform, support additional publishers and release new features demanded by customers. If we make such investments, and if those investments do not generate additional customers or additional advertising spend managed by our platform, our future operating results could be harmed.

The majority of our revenue is derived from advertisers in the United States. We believe the markets both within and outside of the United States offer an opportunity for growth, and we may continue investing in our international capabilities and operations to expand in these markets.

Components of Results of Operations

Revenues

We generate revenues principally from subscription contracts under which we provide advertisers with access to our search, social and display advertising management platform, either directly or through the advertiser's relationship with an agency with whom we have a contract. In accordance with the subscription contracts, we charge fees generally based upon the amount of advertising spend that our customers manage through our platform. Our search subscription contracts are generally one year or longer in length, while initial social and display contracts may vary in duration.

If our contractual arrangement is with an advertising agency, the advertiser is not a party to the terms of the contract. Accordingly, most advertisers operating through agencies do not have a commitment to use our services, and the advertisers may be added or removed from our platform at the discretion of the respective agency. We invoice the advertising agency for the amounts due under the contract. Historically, approximately half of our revenues have been earned from advertising agency customers. Under our subscription contracts with most direct advertisers and some of our agency customers, customers contractually commit to a minimum monthly platform fee, which is generally greater than one-half of our estimated monthly revenues from these customers, at the time the contract is signed. Most of our subscription contracts with advertising agency customers, however, do not include a committed minimum monthly platform fee. Additionally, advertisers we serve through our arrangements with our advertising agencies generally do not have a minimum commitment to continue using our services. Our subscription fee under most contracts is variable based upon the value of advertising spend that our customers manage through our platform, although some customers pay a flat monthly rate over the term of their subscription contract.

Our subscription contracts state the date at which we begin invoicing our customers, which is generally the first day of the month following contract execution. We generally invoice the greater of the minimum monthly platform fee or the percentage of advertising spend on our platform. The implementation process for new advertisers is typically four to six weeks; however, we generally have not charged a separate implementation fee under our standard subscription contracts. Our deferred revenues primarily consist of the unearned portion of minimum monthly platform fees paid at least three months in advance.

#### Cost of Revenues

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

We intend to continue to invest in our global services and capacity of our hosting service infrastructure. As we continue to invest in technology innovation through research and development, we expect increased amortization of internally developed software. We expect that this investment in technology should not only expand the breadth and depth of our cross-channel, cross-device, enterprise marketing software platform but also increase the efficiency of how we deliver these solutions. The level and timing of investment in these areas could affect our cost of revenues in the future.

#### Sales and Marketing Expenses

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

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

#### Research and Development Expenses

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

Our research and development efforts are focused on enhancing our software architecture, adding new features and functionality to our platform and improving the efficiency with which we deliver these services to our customers. In the future, research and development expenses may increase in absolute dollars, partially offset by the capitalization of internally developed software. We believe that these investments are necessary to maintain and improve our competitive position.

## General and Administrative Expenses

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

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

## Results of Operations

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

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2016		2015		2016		2015	
	Amount	% of Revenue	Amount	% of Revenue	Amount	% of Revenue	Amount	% of Revenue
	(in thousands)				(in thousands)			
Revenues, net	\$24,013	100 %	\$26,327	100 %	\$76,954	100 %	\$79,515	100 %
Cost of revenues (1) (2) (3)	8,668	36	10,375	39	26,752	35	30,683	39
Gross profit	15,345	64	15,952	61	50,202	65	48,832	61
Operating expenses								
Sales and marketing (1) (2) (3)	7,581	32	10,835	41	25,973	34	36,056	45
Research and development (1) (2) (3)	6,268	26	8,162	31	21,321	28	25,840	32
General and administrative (1) (2) (3)	4,735	20	5,882	22	14,722	19	17,257	22
Total operating expenses	18,584	77	24,879	94	62,016	81	79,153	100
Loss from operations	(3,239)	(13)	(8,927)	(34)	(11,814)	(15)	(30,321)	(38)
Interest expense, net	(39)	—	(63)	—	(91)	—	(82)	—
Other income (expenses), net	188	1	(214)	(1)	632	1	(134)	—
Loss before benefit from (provision for) income taxes	(3,090)	(13)	(9,204)	(35)	(11,273)	(15)	(30,537)	(38)
Benefit from (provision for) income taxes	37	—	(300)	(1)	(611)	(1)	(674)	(1)
Net loss	\$(3,053)	(13)%	\$(9,504)	(36)%	\$(11,884)	(15)%	\$(31,211)	(39)%
Other financial data:								
Adjusted EBITDA (4)	\$379		\$(2,485)		\$2,346		\$(11,379)	

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

	Three Months Ended September 30,		Nine Months Ended	
	2016	2015	September 30, 2016	September 30, 2015
	(in thousands)		(in thousands)	
Cost of revenues	\$ 285	\$ 249	\$1,015	\$800
Sales and marketing	162	435	1,083	2,104
Research and development	852	1,864	4,149	5,831
General and administrative	532	1,058	2,345	3,305

20

---

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

	Three Months Ended September 30,		Nine Months Ended	
	2016	2015	September 30, 2016	September 30, 2015
	(in thousands)		(in thousands)	
Cost of revenues	\$ 246	\$ 271	\$ 780	\$ 762
Sales and marketing	223	247	711	674
Research and development	246	271	780	763
General and administrative	15	37	79	109

(3) During the second quarter of fiscal 2016, we executed an organizational restructuring (the “2016 Restructuring Plan”) primarily to improve cost efficiencies and effectiveness in sales. We estimate that remaining expenses related to the 2016 Restructuring Plan of less than \$0.1 million will be incurred and paid by the end of fiscal 2016. Restructuring related expenses included in the unaudited condensed consolidated statements of operations data above was as follows:

	Three Months Ended September 30,		Nine Months Ended	
	2016	2015	September 30, 2016	September 30, 2015
	(in thousands)		(in thousands)	
Cost of revenues	\$ 24	\$ 105	\$ 175	\$ 105
Sales and marketing	2	659	213	659
Research and development	(4 )	53	44	53
General and administrative	2	264	17	264

(4) Adjusted EBITDA is a financial measure that is not calculated in accordance with United States generally accepted accounting principles (“GAAP”). We define Adjusted EBITDA as net loss, adjusted for stock-based compensation expense, depreciation, the amortization of internally developed software, the amortization of intangible assets, the capitalization of internally developed software costs, interest expense, net, the benefit from or provision for income taxes, other income or expenses, net and costs associated with acquisitions and restructurings. Adjusted EBITDA should not be considered as an alternative to net loss, operating loss or any other measure of financial performance calculated and presented in accordance with GAAP. We prepare Adjusted EBITDA to eliminate the impact of items that we do not consider indicative of our core operating performance. Investors are encouraged to evaluate these adjustments and the reason we consider them appropriate.

We believe Adjusted EBITDA is useful to investors in evaluating our operating performance for the following reasons:

◆ Adjusted EBITDA is frequently used by investors and securities analysts to measure a company’s operating performance without regard to items, such as stock-based compensation expense, depreciation and amortization,

capitalized software development costs, interest expense, net, benefit from or provision for income taxes, other income or expenses, net and costs associated with acquisitions and restructurings, that can vary substantially from company to company depending upon their financing, capital structures and the method by which assets were acquired;

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

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

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

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



- Adjusted EBITDA does not reflect changes in, or cash requirements for, our working capital needs or contractual commitments;
- Adjusted EBITDA does not reflect cash requirements for income taxes and the cash impact of other income or expense; and
- Other companies may calculate Adjusted EBITDA differently than we do, limiting its usefulness as a comparative measure.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
	(in thousands)		(in thousands)	
Net loss	\$ (3,053 )	\$ (9,504 )	\$(11,884 )	\$(31,211 )
Depreciation	1,403	1,861	4,610	5,166
Amortization of internally developed software	780	683	2,180	1,850
Amortization of intangible assets	730	826	2,350	2,308
Interest expense, net	39	63	91	82
(Benefit from) provision for income taxes	(37 )	300	611	674
EBITDA	(138 )	(5,771 )	(2,042 )	(21,131 )
Stock-based compensation expense	1,831	3,606	8,592	12,040
Capitalization of internally developed software costs	(1,150 )	(1,683 )	(4,050 )	(4,107 )
Acquisition related expenses	—	68	29	604
Restructuring related expenses	24	1,081	449	1,081
Other (income) expenses, net	(188 )	214	(632 )	134
Adjusted EBITDA	\$ 379	\$ (2,485 )	\$2,346	\$(11,379 )

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

#### Revenues

	Three Months Ended September 30,		Change		Nine Months Ended September 30,		Change	
	2016	2015	\$	%	2016	2015	\$	%
	(dollars in thousands)				(dollars in thousands)			
Revenues, net	\$ 24,013	\$ 26,327	\$ (2,314 )	(9)%	\$76,954	\$79,515	\$(2,561 )	(3)%

Revenues for the three and nine months ended September 30, 2016 decreased \$2.3 million and \$2.6 million, respectively, or 9% and 3%, respectively, as compared to the corresponding periods in 2015. This decrease is reflective of a decline in sales and advertising spend from new and existing customers, and customer turnover, particularly within network agencies. There were no customers that accounted for greater than 10% of our revenues in either of the three or nine months ended September 30, 2016 or 2015.

Revenues in the three and nine months ended September 30, 2016, from the United States locations represented 69% of revenues, and in the three and nine months ended September 30, 2015, revenues from the United States locations represented 69% and 67%, respectively, of revenues.

## Cost of Revenues and Gross Margin

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2016	2015	Change		2016	2015	Change	
	(dollars in thousands)				(dollars in thousands)			
Cost of revenues	\$ 8,668	\$ 10,375	\$(1,707 )	(16)%	\$ 26,752	\$ 30,683	\$(3,931 )	(13)%
Gross profit	15,345	15,952	(607 )	(4 )	50,202	48,832	1,370	3
Gross profit percentage	64	%	61	%	65	%	61	%

Cost of revenues for the three and nine months ended September 30, 2016, decreased \$1.7 million and \$3.9 million, respectively, or 16% and 13%, respectively, as compared to the corresponding periods in 2015. These decreases largely were driven by a reduction in the number of global services and cloud infrastructure personnel. As a result of this headcount reduction, compensation, benefits and travel expense for the three and nine months ended September 30, 2016 decreased by \$0.9 million and \$3.0 million, respectively, as compared to the corresponding periods in 2015. During the three and nine months ended September 30, 2016, we also experienced decreases \$0.3 million and \$0.5 million, respectively, in depreciation and amortization of internally developed software, and \$0.1 million and \$0.3 million, respectively, in professional consultant and contractor fees, as compared to the same periods in 2015. In addition, expenses related to the 2016 Restructuring Plan initiated during the three months ended June 30, 2016 totaled less than \$0.1 million and \$0.2 million during the three and nine months ended September 30, 2016, as compared to the \$0.1 million in expense recognized during the corresponding periods in 2015 related to the 2015 Restructuring Plan.

Our gross margin increased to 64% and 65%, respectively, during the three and nine months ended September 30, 2016, as compared to 61% during the corresponding periods in 2015. This was due primarily to the reduction in the number of global services and cloud infrastructure personnel, as compensation as a percentage of revenues decreased 2% and 6% period over period for the three and nine months ended September 30, 2016, respectively.

## Sales and Marketing

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2016	2015	Change		2016	2015	Change	
	(dollars in thousands)				(dollars in thousands)			
Sales and marketing	\$ 7,581	\$ 10,835	\$(3,254 )	(30)%	\$ 25,973	\$ 36,056	\$(10,083 )	(28)%
Percent of revenues, net	32	%	41	%	34	%	45	%

Sales and marketing expenses for the three and nine months ended September 30, 2016 decreased \$3.3 million and \$10.1 million, respectively, or 30% and 28%, respectively, as compared to the corresponding periods in 2015. The decreases were due primarily to a decline in the global sales support and marketing headcount, including reductions that were part of our restructuring activities in 2015 and 2016 (as described in Note 3 to unaudited condensed consolidated financial statements). This contributed to net decreases of \$2.3 million and \$8.1 million, respectively, in personnel-related costs, consisting primarily of employee compensation, benefits and travel costs, during the three and

nine months ended September 30, 2016. The remaining decreases during the three and nine months ended September 30, 2016 were primarily the result of lower indirect overhead of \$0.2 million and \$0.5 million, respectively, and lower restructuring expenses of \$0.7 million and \$0.4 million, respectively. In addition, marketing costs decreased \$0.8 million during the nine months ended September 30, 2016, as compared to the corresponding period in 2015.

Research and Development

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2016	2015	Change	%	2016	2015	Change	%
	(dollars in thousands)				(dollars in thousands)			
Research and development	\$ 6,268	\$ 8,162	\$ (1,894)	(23)%	\$ 21,321	\$ 25,840	\$ (4,519)	(17)%
Percent of revenues, net	26	% 31	%		28	% 32	%	

Research and development expenses for the three and nine months ended September 30, 2016 decreased \$1.9 million and \$4.5 million, respectively, or 23% and 17%, respectively, as compared to the corresponding periods in 2015. This primarily reflected a reduction in the number of full-time research and development personnel, resulting in decreases of \$1.9 million and \$4.7 million, respectively, in compensation expense during the three and nine months ended September 30, 2016.

## General and Administrative

	Three Months Ended September 30,				Nine Months Ended September 30,				Change	
	2016	2015	\$	%	2016	2015	\$	%	\$	%
	(dollars in thousands)				(dollars in thousands)					
General and administrative	\$ 4,735	\$ 5,882	\$ (1,147 )	(20)%	\$ 14,722	\$ 17,257	\$ (2,535)	(15)%		
Percent of revenues, net	20	% 22	%		19	% 22	%			

General and administrative expenses for the three and nine months ended September 30, 2016 decreased \$1.1 million and \$2.5 million, respectively, or 20% and 15%, respectively, as compared to the corresponding periods in 2015. Compensation, benefits and other employee-related expenses decreased by \$0.6 million and \$1.9 million during the three and nine months ended September 30, 2016, respectively, primarily due to a reduction in the number of general and administrative personnel. Restructuring expenses related to the 2016 Restructuring Plan were \$0.3 million and \$0.2 million lower during the three and nine months ended September 30, 2016, respectively, as compared to restructuring expenses recorded as part of the 2015 Restructuring Plans during the corresponding periods in 2015. Additionally, general and administrative expenses for the nine months ended September 30, 2015, included \$0.6 million in costs directly related to the acquisition of SocialMoov in February 2015.

## Interest (Expense), Net and Other Income (Expenses), Net

	Three Months Ended September 30,				Nine Months Ended September 30,				Change	
	2016	2015	\$	%	2016	2015	\$	%	\$	%
	(dollars in thousands)				(dollars in thousands)					
Interest (expense), net and Other income (expenses), net	\$ 149	\$ (277 )	\$ 426	154 %	\$ 541	\$ (216)	\$ 757	(350)%		

Other income (expenses), net, primarily consists of sublease income recorded under agreements for a portion of our San Francisco office space and our Portland office space, signed in December 2015 and June 2016, respectively, as well as foreign currency transaction gains and losses. During the three and nine months ended September 30, 2016, sublease income totaled \$0.3 million and \$0.8 million, respectively, and foreign exchange losses were \$0.1 million for both periods due to fluctuations in foreign currency exchange rates.

## Benefit from (Provision for) Income Taxes

	Three Months Ended September 30,				Nine Months Ended September 30,				Change	
	2016	2015	\$	%	2016	2015	\$	%	\$	%

	(dollars in thousands)			(dollars in thousands)				
Benefit from (provision for) income taxes	\$ 37	\$ (300 )	\$ 337	(112)%	\$(611)	\$(674)	\$63	(9)%

The benefit from income taxes for the three months ended September 30, 2016 totaled less than \$0.1 million primarily due to adjustments following income tax return filing in certain foreign jurisdictions, partially offset by tax provisions resulting from profits generated in foreign jurisdictions by our wholly-owned subsidiaries. The provision for income taxes for the nine months ended September 30, 2016 totaled \$0.6 million, primarily as a result of profits generated in foreign jurisdictions.

#### Liquidity and Capital Resources

Since our incorporation in March 2006, we have relied primarily on sales of our capital stock to fund our operating activities. From incorporation until our IPO, we raised \$105.7 million, net of related issuance costs, in funding through private placements of our preferred stock. In March and April 2013, we raised net proceeds of \$109.3 million in our IPO. From time to time, we have also utilized equipment lines to fund capital purchases. As of September 30, 2016, our principal sources of liquidity were our cash and cash equivalents of \$36.4 million, access to borrowings under our fully available revolving credit facility (the lesser of \$20.0 million or 80% of our eligible accounts receivable) and our capital lease arrangements. The approximate weighted average interest rate on our outstanding borrowings as of September 30, 2016, was 5.6%. Our primary operating cash requirements include the payment of compensation and related costs, as well as costs for our facilities and information technology infrastructure. We also have an

outstanding irrevocable letter of credit for \$1.3 million related to the non-cancelable lease for our corporate headquarters in San Francisco, California.

We presently maintain cash balances in our foreign subsidiaries. As of September 30, 2016, we had \$36.4 million of cash and cash equivalents in aggregate, of which \$13.3 million was held by our foreign subsidiaries. We plan to re-invest the cash earned by our foreign subsidiaries to finance the growth of our foreign operations.

Based on our current level of operations and anticipated growth, we believe that our existing cash and cash equivalents will be sufficient to fund our operations for at least the next 12 months. Our future capital requirements will depend on many factors, including our revenue performance, the timing and extent of spending to support product development efforts and the timing of introductions of new features and enhancements to our platform. To the extent that existing cash and cash equivalents are insufficient to fund our future activities, we may need to raise additional funds through public or private equity or debt financing.

### Summary of Cash Flows

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

	Nine Months Ended September 30, 2016      2015 (in thousands)	
Net cash provided by (used in) operating activities	\$4,804	\$(13,600)
Net cash used in investing activities	(5,201)	(19,833)
Net cash used in financing activities	(281 )	(962 )
Effect of foreign exchange rate changes on cash and cash equivalents	(206 )	(526 )
Net decrease in cash and cash equivalents	\$(884 )	\$(34,921)

### Operating Activities

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

Cash provided by operating activities during the nine months ended September 30, 2016, of \$4.8 million was primarily the result of a net loss of \$11.9 million, adjusted for non-cash expenses of \$18.3 million, which primarily included depreciation, amortization, unrealized foreign currency gains or losses, stock-based compensation expense and deferred income tax expenses or benefits. This was further offset by \$0.1 million in contingent consideration paid for the SocialMoov acquisition from 2015, and a \$1.6 million net change in working capital items, most notably (1) a decrease in accounts receivable of \$0.6 million due to the timing of related collections; (2) a decrease in deferred revenues of \$0.3 million related to the timing of the collection of minimum fees at the start of our subscription

agreements and (3) a net decrease in accounts payable and accrued expenses and other current and noncurrent liabilities of \$1.8 million due to the timing of related disbursements and customer advances.

Cash used in operating activities during the nine months ended September 30, 2015, of \$13.6 million was primarily the result of a net loss of \$31.2 million, adjusted for non-cash expenses of \$21.7 million, which primarily included depreciation, amortization, unrealized foreign currency gains or losses, stock-based compensation expense and deferred income tax expenses or benefits. These non-cash expenses increased due to capital expenses and headcount growth related to continued investment in our business, as well as the acquisition of SocialMoov. This was further offset by a \$4.1 million net change in working capital items (exclusive of changes due to net liabilities assumed from the acquisition of SocialMoov in February 2015), most notably (1) an increase in accounts receivable of \$3.4 million; (2) an increase in prepaid expenses and other current assets, and other (noncurrent) assets, of \$1.3 million related to the growth of our operations and timing of related disbursements; (3) a decrease in deferred revenues of \$0.7 million related to the timing of the collection of minimum fees at the start of our subscription agreements and (4) a net increase in accounts payable and accrued expenses and other current and noncurrent liabilities of \$1.4 million due to the timing of related disbursements and customer advances.



## Investing Activities

During the nine months ended September 30, 2016 and 2015, investing activities primarily consisted of purchases of property and equipment, including technology hardware and software to support our growth as well as capitalized internally developed software costs. Purchases of property and equipment may vary from period-to-period due to the timing of the expansion of our operations and the development cycles of our internally developed hosted software platform. We expect to continue to invest in property and equipment and develop our software platform for the foreseeable future. Investing activities during the nine months ended September 30, 2015, are also inclusive of cash paid for the acquisition of SocialMoov (\$8.9 million, net of cash acquired of \$1.4 million).

## Financing Activities

Cash used in financing activities during the nine months ended September 30, 2016, was \$0.3 million. This was primarily due to \$1.2 million of net repayments under our capital lease arrangements, partially offset by \$0.9 million of proceeds from the exercise of stock options and contributions to our 2013 Employee Stock Purchase Plan ("2013 ESPP").

Cash used in financing activities during the nine months ended September 30, 2015, was \$1.0 million. This was primarily due to \$3.0 million of net repayments under the loans assumed in the SocialMoov acquisition, our credit facility and our capital lease arrangements, partially offset by \$2.1 million of proceeds from the exercise of stock options and contributions to our 2013 ESPP.

## Contractual Obligations and Commitments

Our principal commitments consist of obligations under operating leases for office space, net of sublease income and our capital leases for computer equipment. As of September 30, 2016, the future minimum payments under these commitments were as follows:

	Payments Due By Period			
	(In thousands)			
	Capital	Expense		Operating
		Leases	Payments	
				Total
Remaining three months of 2016	\$274	\$ 53	\$ 1,576	\$ 1,903
Year ending December 31, 2017	884	133	6,186	7,203
Year ending December 31, 2018	935	82	4,519	5,536
Year ending December 31, 2019	736	30	4,054	4,820
Year ending December 31, 2020 and thereafter	214	4	9,399	9,617
Total	\$3,043	\$ 302	\$ 25,734	\$ 29,079

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

During the ordinary course of business, we include indemnification provisions within certain of our contracts. Pursuant to these arrangements, we may be obligated to indemnify, hold harmless and agree to reimburse the indemnified party for losses suffered or incurred by the indemnified party, generally parties with which we have commercial relations, in connection with certain intellectual property infringement claims by any third party with respect to our software. To date, there have not been any costs incurred in connection with such indemnification arrangements and therefore, there is no accrual for such amounts as of September 30, 2016.

In addition to the obligations in the table above, we have approximately \$0.3 million of unrecognized tax benefits that have been recorded as liabilities as of September 30, 2016. It is uncertain as to if or when such amounts may be settled.

#### Off-Balance Sheet Arrangements

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

We have no obligations that meet the definition of an off-balance sheet arrangement as of September 30, 2016, other than operating leases, related subleases and a standby letter of credit, as described in the Notes to the unaudited condensed consolidated financial statements.

#### Recent Accounting Pronouncements

For information regarding recent accounting pronouncements, refer to Note 1, Summary of Business and Significant Accounting Policies, within our unaudited condensed consolidated financial statements.

#### Critical Accounting Policies and Significant Judgments and Estimates

The discussion and analysis of our financial condition and results of operations is based upon our unaudited condensed consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these unaudited condensed consolidated financial statements requires us to make estimates, assumptions and judgments that can have significant impact on the reported amounts of assets and liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities at the date of the unaudited condensed consolidated financial statements. These items are monitored and analyzed by us for changes in facts and circumstances, and material changes in these estimates could occur in the future.

We believe the estimates, assumptions and judgments involved in revenue recognition, stock-based compensation, including historical common stock valuations, accounting for income taxes, reserving for doubtful accounts receivable, business combinations and impairment assessments of our goodwill, intangible assets and other long-lived assets have the greatest potential impact on our unaudited condensed consolidated financial statements, and consider these to be our critical accounting policies. Historically, our estimates, assumptions and judgments relative to our critical accounting policies have not differed materially from actual results. There have been no material changes to our critical accounting policies and significant judgments and estimates as compared to the critical accounting policies and significant judgments and estimates as described in our Annual Report on Form 10-K for the fiscal year 2015 filed with the SEC on February 22, 2016, under "Management's Discussion and Analysis of Financial Condition and Results of Operations."

#### Item 3. Quantitative and Qualitative Disclosures About Market Risk.

We have operations both within the United States and internationally and we are exposed to market risks in the ordinary course of our business. These risks primarily include interest rate, foreign exchange and inflation risks, as well as risks relating to changes in the general economic conditions in the countries where we conduct business. To manage certain of these risks, we monitor the financial condition of our large customers and limit credit exposure by setting credit limits as we deem appropriate. In addition, our investment strategy has been to invest in financial instruments that are highly liquid and readily convertible into cash, with maturity dates within three months from the date of purchase. To date, we have not used derivative instruments to mitigate the impact of our market risk exposures. We have also not used, nor do we intend to use, derivatives for trading or speculative purposes.

#### Interest Rate Risk

We are exposed to market risk related to changes in interest rates. Our investments are considered cash equivalents and primarily consist of money market funds. As of September 30, 2016, we had cash and cash equivalents of

\$36.4 million. The carrying amount of our cash and cash equivalents reasonably approximates fair value, due to the short maturities of these investments. The primary objectives of our investment activities are the preservation of capital, the fulfillment of liquidity needs and the fiduciary control of cash and investments. We do not enter into investments for trading or speculative purposes. Our investments are exposed to fluctuations in interest rates, which may affect our interest income and the fair market value of our investments. Due to the short-term nature of our investment portfolio, we believe only dramatic fluctuations in interest rates would have a material effect on our investments. As such we do not expect our operating results or cash flows to be materially affected by a sudden change in market interest rates.

As of September 30, 2016, we had borrowings outstanding in the aggregate of \$3.0 million. Our outstanding long-term borrowings consist of fixed and variable interest rate financial instruments. The interest rates of our borrowings range from 5% to 6%. A hypothetical 10% increase or decrease in interest rates relative to our current interest rates would not have a material impact on the fair values of all of our outstanding borrowings. Changes in interest rates would, however, affect operating results and cash flows, because of the variable rate nature of our borrowings. A hypothetical 10% increase or decrease in interest rates relative to interest rates as of September 30, 2016, would result in an insignificant impact to interest expense for 2016.

## Foreign Currency Exchange Risk

We have foreign currency risks related to our revenues and operating expenses denominated in currencies other than the U.S. Dollar, primarily the Euro, British Pound Sterling, Canadian Dollar, Singapore Dollar, Japanese Yen, Chinese Yuan, and Australian Dollar. Revenues outside of the United States as a percentage of consolidated revenues were 31% and 33% during the nine months ended September 30, 2016 and 2015, respectively. Changes in exchange rates may negatively affect our revenues and other operating results as expressed in U.S. Dollars. Aggregate foreign currency gains (losses) included in determining net loss were \$(0.1) million for the three and nine months ended September 30, 2016, and \$(0.2) million and less than \$0.1 million for the three and nine months ended September 30, 2015, respectively. Transaction gains and losses are included in other income (expenses), net.

If our international operations grow, our risks associated with fluctuation in currency rates will become greater, and we will continue to reassess our approach to managing this risk. In addition, currency fluctuations or a weakening U.S. Dollar can increase the costs of our international expansion, while a strengthening U.S. Dollar can negatively impact our international revenues. To date, we have not entered into any foreign currency hedging contracts, since exchange rate fluctuations have not had a material impact on our operating results and cash flows. Based on our current international structure, we do not plan on engaging in hedging activities in the near future, and we also do not expect that the effects of a 10% shift in a single foreign currency exchange rate would have a material impact on any financial instruments currently held by us.

## Inflation Risk

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

## Item 4. Controls and Procedures.

### Evaluation of Disclosure Controls and Procedures

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

In designing and evaluating our disclosure controls and procedures, management recognizes that disclosure controls and procedures, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the disclosure controls and procedures are met. Additionally, in designing disclosure controls and procedures, our management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible disclosure controls and procedures. Our Chief Executive Officer and Chief Financial Officer have concluded, based on the evaluation of the effectiveness of the disclosure controls and procedures by our management as of the end of the fiscal quarter covered by this Quarterly Report, that our disclosure controls and procedures were effective at the reasonable assurance level.

Changes in Internal Control over Financial Reporting

Regulations under the Exchange Act require public companies, including our company, to evaluate any change in our “internal control over financial reporting” as such term is defined in Rule 13a-15(f) and Rule 15d-15(f) of the Exchange Act. As of the end of the period covered by this Quarterly Report, our Chief Executive Officer and Chief Financial Officer did not identify any change in our internal control over financial reporting during the fiscal quarter covered by this Quarterly Report that materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

## PART II

### OTHER INFORMATION

#### ITEM 1. LEGAL PROCEEDINGS

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

#### ITEM 1A. RISK FACTORS

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

##### Risks Related to Our Business

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

We have incurred significant losses in each fiscal year since our incorporation in 2006. We experienced a net loss of \$33.3 million during 2015, and a net loss of \$11.9 million for the nine months ended September 30, 2016. As of September 30, 2016, we had an accumulated deficit of \$191.6 million. The losses and accumulated deficit were due to the substantial investments we made to grow our business and acquire customers. Our cost of revenues and operating expenses could increase in the future due to investments to grow our business, acquire customers and develop our platform and new functionality. These efforts may prove more expensive than we currently anticipate, and we may not succeed in increasing our revenues sufficiently to offset these higher expenses. Many of our efforts to generate revenues from our business are new and unproven, and any failure to increase our revenues or generate revenues from new solutions or to maintain or increase revenues from existing products and customers could prevent us from attaining or increasing profitability. Furthermore, to the extent we are successful in increasing our customer base, we also could incur increased losses because costs associated with entering into customer contracts are generally incurred up front, while customers are billed over the term of the contract generally through our usage-based pricing model. We do not expect to be profitable in 2016 on the basis of generally accepted accounting principles in the United States, or GAAP, and we cannot be certain that we will be able to attain profitability on a quarterly or annual basis, or if we do, that we will sustain profitability.

We operate in a rapidly developing and changing industry, which makes it difficult to evaluate our current business and future prospects.

We have encountered and will continue to encounter risks and difficulties frequently experienced by companies in rapidly developing and changing industries, including challenges in forecasting accuracy, hiring and retaining qualified employees, determining appropriate investments of our limited resources, market acceptance of our existing and future solutions, effectively integrating acquired products, competition from established companies with greater financial and technical resources, acquiring and retaining customers, managing customer deployments, making improvements to our existing products and developing new solutions. Our current operations infrastructure may require changes in order for us to achieve profitability and scale our operations efficiently. For example, we may need to automate portions of our solution to decrease our costs, ensure our marketing infrastructure is designed to drive highly qualified leads cost effectively and implement changes in our sales model to improve the predictability of our sales and reduce our sales cycle. In addition, from time to time, we may need to make additional investments in

product development to address market demands, which may increase our overall expenses and reduce profitability. If we fail to implement these changes on a timely basis or are unable to implement them due to factors beyond our control, our business may suffer, our revenue may decline and we may not be able to achieve further growth or profitability. We cannot assure you that we will be successful in addressing these and other challenges we may face in the future.

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

We primarily have a usage-based pricing model in which most of our fees are calculated as a percentage of customers' advertising spend managed on our platform. This pricing model makes it difficult to accurately forecast revenues because our customers' advertising spend managed by our platform may vary from month to month based on the variety of industries in which our advertisers operate, the seasonality of those industries and fluctuations in our customers' advertising budgets or other factors. Our subscription contracts with our direct advertiser customers generally contain a minimum monthly platform fee, which is generally greater than one-half of our estimated monthly revenues from the customer at the time the contract is signed, and, as a result, the minimum monthly platform fee may not be a good indicator of our revenues from that customer. In addition, advertisers that use our platform through our agency customers typically do not have a minimum monthly spend amount or a minimum term during which



they must use our platform, and, as a result, our ability to forecast revenues from these advertisers is difficult. If we incorrectly forecast revenues for these advertisers and the amount of revenue is less than projections we provide to investors, the price of our common stock could decline substantially. Additionally, if we overestimate usage, we may incur additional expenses in adding infrastructure, without a commensurate increase in revenues, which would harm our gross margins and other operating results.

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

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

If the market for digital advertising slows or declines, our business, growth prospects, and financial condition would be adversely affected.

The future growth of our business could be constrained by the level of acceptance and expansion of emerging cloud-based advertising channels, as well as the continued use and growth of existing channels, such as search and display advertising. Even if these channels become widely adopted, advertisers and agencies may not make significant investments in solutions such as ours that help them manage their digital advertising spend across publisher platforms and advertising channels. It is difficult to predict customer adoption rates, customer demand for our platform, the future growth rate and size of the advertising cloud solutions market or the entry of competitive solutions. The continued expansion of the market for advertising cloud solutions depends on a number of factors, including the continued growth of the cloud-based advertising market, the growth of social and mobile as advertising channels and the cost, performance and perceived value associated with advertising cloud solutions, as well as the ability of cloud computing companies to address security and privacy concerns. Further, the cloud computing market is less developed in many jurisdictions outside the United States. If we or other cloud computing providers experience security incidents, loss of customer data, disruptions in delivery or other problems, the market for cloud computing as a whole, including our applications, may be negatively affected.

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

We currently depend on relationships with various publishers, including Baidu, Bing, Facebook, Google, Twitter, Yahoo! and Yahoo! Japan, as well as advertising exchange platforms and aggregators of advertising inventory, including Google's DoubleClick Ad Exchange, Yahoo! Gemini, Facebook's Exchange, Microsoft's Ad Exchange, Twitter's MoPub, OpenX, The Rubicon Project, PubMatic and AppNexus. Our subscription services interface with

these publishers' platforms through APIs, such as the Google AdWords API or Facebook API. We are subject to the respective platforms' standard API terms and conditions, which govern the use and distribution of data from these platforms. Our business significantly depends on having access to these APIs, particularly the Google AdWords API, which the substantial majority of our customers use, on commercially reasonable terms and our business would be harmed if any of these publishers, advertising exchanges or aggregators of advertising inventory discontinues or limits access to their platforms, modifies their terms of use or other policies or place additional restrictions on us as API users, or charges API license fees for API access. Moreover, some of these publishers, such as Google, market competitive solutions for their platforms. Because the advertising inventory suppliers control their APIs, they may develop competitive offerings that are not subject to the limits imposed on us through the API terms and conditions. Currently, restrictions in these API agreements limit our ability to implement certain functionality, require us to implement functionality in a particular manner or require us to implement certain required minimum functionality, causing us to devote development resources to implement certain functionality that we would not otherwise include in our subscription services and to incur costs for personnel to provide services to implement functionality that we are prohibited from automating. Publishers, advertising exchanges and advertising inventory aggregators update their API terms of use from time to time and new versions of these terms could impose additional restrictions on us. In addition, publishers, advertising exchanges and advertising inventory aggregators continually update their APIs and may update or modify functionality, which

requires us to modify our software to accommodate these changes and to devote technical resources and personnel to these efforts which could otherwise be used to focus on other priorities. Any of these outcomes could cause demand for our products to decrease, our research and development costs to increase, and our results of operations and financial condition to be harmed.

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

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

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

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

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

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

- potential customers may choose to develop or continue to use internal solutions rather than paying for our solutions or may choose to use a competitor's solution that has different or additional technical capabilities;
- companies may enter our market by expanding their platforms or acquiring a competitor;
- some of our competitors, such as Adobe and Google, have greater financial, marketing and technical resources than we do, allowing them to leverage a larger installed customer base, adopt more aggressive pricing policies, and devote greater resources to the development, promotion and sale of their products and services than we can;
- channel-specific competitors, such as AdRoll Inc., Criteo S.A., MediaMath Inc., Nanigans, Inc., Rocket Fuel Inc. and Salesforce.com (through its wholly-owned subsidiary Social.com), may devote greater resources to the development, promotion and sale of their channel-specific products and services than we can; and
- publishers generally offer their tools for free, or at a reduced price, as their primary compensation is via the sale of advertising on their own or syndicated websites.

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

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

In order for us to improve our operating results, it is important that our customers continue to manage their advertising spend on our platform, increase their usage and also purchase additional solutions from us. In the case of our direct advertiser customers, we offer our solutions primarily through subscription contracts and generally bill customers over the related subscription period, which is generally one year or longer. During the term of their contracts, our direct advertiser customers generally have no obligation to maintain or increase their advertising spend on our platform beyond a specified minimum monthly platform fee, which is typically set

at the time the contract is signed and is generally greater than half of the monthly amount we anticipate the customer will spend. Our direct advertiser customers generally have no renewal obligation after the initial or then-current renewal subscription period expires, and even if customers renew contracts, they may decrease the level of their digital advertising spend managed through our platform, resulting in lower revenues from that customer. Advertisers that we serve through our arrangements with our advertising agencies generally do not have any contractual commitment to use our platform. Our customers' usage may decline or fluctuate as a result of a number of factors, including, but not limited to, their satisfaction with our platform and our customer support, the frequency and severity of outages, the pricing of our, or competing, solutions, the effects of global economic conditions and reductions in spending levels or changes in our customers' strategies regarding digital advertising. We may not be able to accurately predict future usage trends. If our customers renew on less favorable terms or reduce their advertising spend on our platform, our revenues may grow more slowly than expected or decline.

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

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

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

Most of our revenues in each quarter are derived from contracts entered into with our customers during previous quarters. Consequently, a decline in new or renewed subscriptions in any one quarter may not be fully reflected in our revenues for that quarter. Such declines, however, would negatively affect our revenues in future periods and the effect of significant downturns in sales and market acceptance of our solutions, and potential changes in our rate of renewals or renewal terms, may not be fully reflected in our results of operations until future periods. In addition, we may be unable to adjust our cost structure rapidly, or at all, to take account of reduced revenues. Our subscription model also makes it difficult for us to rapidly increase our total revenues through additional sales in any period, as revenues from new customers must be earned over the applicable subscription term based on the value of their monthly advertising spend.

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

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

condition.

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

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

32

---

expected or not realized at all, or if a customer terminates during the initial period, our business, operating results and financial condition could be adversely affected.

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

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

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

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

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

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

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

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

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

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



We primarily use third-party data centers to deliver our services. Any disruption of service at these facilities could harm our business.

We manage a significant portion of our services and serve substantially all of our customers from a single third-party data center facility. While we control the actual computer, network and storage systems upon which our platform runs, and deploy them to the data center facility, we do not control the operation of the facility. The owner of the facility has no obligation to renew the agreement with us on commercially reasonable terms, or at all. If we are unable to renew the agreement on commercially reasonable terms, we may be required to transfer to a new facility or facilities, and we may incur significant costs and possible service interruption in connection with doing so.

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

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

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

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

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

Additionally, large customers may request or require specific features or functions unique to their particular business processes, which increase our upfront investment in sales and deployment efforts and the revenues resulting from the customers under our typical contract length may not cover the upfront investments. If prospective large customers require specific features or functions that we do not offer, then the market for our solution will be more limited and our business could suffer. In addition, supporting large customers could require us to devote significant development services and support personnel and strain our personnel resources and infrastructure. If we are unable to address the needs of these customers in a timely fashion or further develop and enhance our solution, these customers may not renew their subscriptions, seek to terminate their relationship with us, renew on less favorable terms, or reduce their advertising spend on our platform. If any of these were to occur, our revenues may decline and our operating results could be adversely affected.

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

Increasing our customer base and achieving broader market acceptance of our software platform will depend to a significant extent on our ability to expand our sales and marketing operations and activities. We are substantially dependent on our sales force to obtain new customers and our marketing organization to generate a sufficient pipeline of qualified sales leads. We may expand our sales team in order to increase revenues from new and existing customers and to further penetrate our existing markets and expand into new markets, but may not be able to attract and hire qualified sales personnel quickly enough or at all. Our solutions require a sophisticated sales force with specific sales skills and technical knowledge. Competition for qualified sales personnel is intense, and we may not be able to retain our existing sales personnel or attract, integrate, train or retain sufficient highly qualified sales personnel. In addition, we need to invest in lead generation activities to develop our pipeline of qualified opportunities for our salesforce, which could increase our marketing expense, which could increase our marketing expenses. If our lead generation activities do not increase our pipeline of if our salesforce is unable to close opportunities at a high rate, then we may not generate an increase in revenues.

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

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

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

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

In the ordinary course of our business, we maintain sensitive data on our networks, including our intellectual property and proprietary or confidential business information relating to our business and that of our customers and business partners. The secure maintenance of this information is critical to our business and reputation. We believe that companies have been increasingly subject to a wide variety of security incidents, cyber-attacks and other attempts to gain unauthorized access. These threats can come from a variety of sources, ranging in sophistication from an individual hacker to a state-sponsored attack. Cyber threats may be generic, or they may be custom-crafted against our information systems. Over the past year, cyber-attacks have become more prevalent and much harder to detect and defend against. Our network and storage applications may be subject to unauthorized access by hackers or breached due to operator error, malfeasance or other system disruptions. It is often difficult to anticipate or immediately detect such incidents and the damage caused by such incidents. These data breaches and any unauthorized access or disclosure of our information or intellectual property could result in the loss of information, litigation, indemnity obligations and other liability. While we have security measures in place, our systems and networks are subject to ongoing threats and therefore these security measures may be breached as a result of third-party action, including

cyber-attacks or other intentional misconduct by computer hackers, employee error, malfeasance or otherwise. This could result in one or more third parties obtaining unauthorized access to our customers' data or our data, including intellectual property and other confidential business information. Because techniques used to obtain unauthorized access or to sabotage systems change frequently and generally are not recognized until launched against a target, we may be unable to anticipate these techniques or to implement adequate preventative measures. Third parties may also attempt to fraudulently induce employees or customers into disclosing sensitive information such as user names, passwords or other information in order to gain access to our customers' data or our data, including intellectual property and other confidential business information. If an actual or perceived breach of our security occurs, the market perception of the effectiveness of our security measures could be harmed, we could lose potential sales and existing customers or we could incur other liabilities, which could adversely affect our business.

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

Our future growth will depend on our ability to enter into successful strategic relationships with third parties. For example, we are seeking to establish relationships with third parties to develop integrations with complementary technology and content. These relationships may not result in additional customers or enable us to generate significant revenues. Identifying partners and negotiating

and documenting relationships with them require significant time and resources. Our contracts for these relationships are typically non-exclusive and do not prohibit the other party from working with our competitors or from offering competing services. If we are unsuccessful in establishing or maintaining our relationships with these third parties, our ability to compete in the marketplace or to grow our revenues could be impaired and our operating results would suffer.

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

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

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

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

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

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

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

We might be required to spend significant resources to monitor and protect our intellectual property rights, and our efforts to enforce our intellectual property rights may be met with defenses, counterclaims and countersuits attacking the validity and enforceability of our intellectual property rights. Litigation to protect and enforce our intellectual property rights could be costly, time-consuming and distracting to management, whether or not it is resolved in our favor, and could ultimately result in the impairment or loss of portions of our intellectual property.

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

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

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

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

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

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

We use open source software in our platform. Some open source software licenses require users who distribute open source software as part of their software to publicly disclose all or part of the source code to such software and/or make available any derivative works of the open source code on unfavorable terms or at no cost. The terms of various open source licenses have not been interpreted by the United States courts, and there is a risk that such licenses could be construed in a manner that imposes unanticipated conditions or restrictions on our ability to market our software platform. While we monitor our use of open source software and try to ensure that none is used in a manner that would require us to disclose our source code or that would otherwise breach the terms of an open source agreement, such use could inadvertently occur and we may be required to release our proprietary source code, pay damages for breach of contract, re-engineer our applications, discontinue sales in the event re-engineering cannot be accomplished on a timely basis or take other remedial action that may divert resources away from our development efforts, any of which could cause us to breach customer contracts, harm our reputation, result in customer losses or claims, increase our costs or otherwise adversely affect our business and operating results.

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

We currently have personnel and customers in Australia, China, England, France, Germany, Ireland, Japan and Singapore, as well as the United States. Due to our international exposure, our business is susceptible to risks associated with international operations. However, we have a limited operating history outside the United States, and

our ability to manage our business and conduct our operations internationally requires considerable management attention and resources and is subject to particular challenges of supporting a rapidly growing business in an environment of diverse cultures, languages, customs, tax laws, legal systems, alternate dispute systems and regulatory systems. The risks and challenges associated with international expansion include:

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

37

---



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

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

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

We currently have foreign sales denominated in Australian Dollars, British Pound Sterling, Canadian Dollars, Chinese Yuan, Euros, Japanese Yen and Singapore Dollars. In addition, we incur a portion of our operating expenses in the currencies of the countries where we have offices. We face exposure to adverse movements in currency exchange rates, which may cause our revenues and operating results to differ materially from expectations. If the U.S. Dollar strengthens relative to foreign currencies as it did during 2015 and 2016, our non-United States revenues would be adversely affected. Conversely, a decline in the U.S. Dollar relative to foreign currencies would increase our non-United States revenues when translated into U.S. Dollars. Our operating results could be negatively impacted depending on the amount of expense denominated in foreign currencies. As exchange rates vary, revenues, cost of revenues, operating expenses and other operating results, when translated, may differ materially from expectations. In addition, our revenues and operating results are subject to fluctuation if our mix of United States and foreign currency denominated transactions or expenses changes in the future because we do not currently hedge our foreign currency exposure. Even if we were to implement hedging strategies to mitigate foreign currency risk, these strategies might not eliminate our exposure to foreign exchange rate fluctuations and would involve costs and risks of their own, such as ongoing management time and expertise, external costs to implement the strategies and potential accounting implications.

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

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

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

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

Our success depends upon the continued service of our talented management, operational and key technical employees, as well as our ability to continue to attract additional highly qualified talent. Turnover amongst our employees, including among our senior executives, which we have experienced recently, could result in operational

and administrative inefficiencies, delays in execution of product development and other corporate initiatives, and added costs, which could adversely impact our results of operations, stock price and customer relationships. In addition, we must successfully integrate any new personnel that we hire within our organization in order to achieve our operating objectives, and changes in other key positions may temporarily affect our financial performance and results of operations as new employees become familiar with our business.

We do not maintain key person life insurance policies on any of our employees. Each of our executive officers, key technical personnel and other employees could terminate his or her relationship with us at any time. Our business also requires skilled technical,

sales and other personnel, who are in high demand and are often subject to competing offers. As we expand into additional geographic markets, we will require personnel with expertise in these new areas. Competition for qualified employees is intense in our industry and particularly in San Francisco, California. An inability to retain, attract, relocate and motivate employees required for our business, including the planned expansion of our business, could delay or prevent the achievement of our business objectives and could materially harm our business and our customer relationships.

Managing a global organization has placed, and may continue to place, significant demands on our management and infrastructure. If we fail to manage our operations effectively, we may be unable to execute our business plan, maintain high levels of service or address competitive challenges adequately.

Managing a global and geographically dispersed workforce and operation has required substantial management effort, the allocation of valuable management resources and significant additional investment in our infrastructure. We will be required to continue to improve our operational, financial and management controls and operations reporting procedures, and we may not be able to do so effectively. Moreover, we may from time to time decide to undertake cost savings initiatives, such as additional restructurings, such as our 2016 Restructuring Plan, disposing of, and/or otherwise discontinuing certain products, in an effort to focus our resources on key strategic initiatives and streamline our business. Further, to support our customers and operations, and drive future growth, we must continually improve and maintain our technology, systems and network infrastructure. As such, we may be unable to manage our expenses effectively in the future, which may negatively impact our gross margins or operating expenses in any particular quarter. If we fail to manage our anticipated growth or change in a manner that does not preserve the key aspects of our corporate culture, the quality of our solutions may suffer, which could negatively affect our brand and reputation and harm our ability to retain and attract customers.

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

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

Some features of our subscription services use cookies, which trigger the data protection requirements of certain foreign jurisdictions, such as the EU Cookie Directive and the EU Data Privacy Directive. In addition, our services collect data about visitors' interactions with our advertiser clients that may be subject to regulation under current or future laws or regulations. If our privacy or data security measures fail to comply with these current or future laws and regulations in any of the jurisdictions in which we collect information, we may be subject to litigation, regulatory investigations, civil or criminal enforcement, audits or other liabilities in such jurisdictions, or our advertisers may

terminate their relationships with us. In addition, foreign court judgments or regulatory actions could impact our ability to transfer, process and/or receive transnational data that is critical to our operations, including data relating to users, clients, or partners outside the United States. Such judgments or actions could affect the manner in which we provide our services or adversely affect our financial results if foreign clients and partners are not able to lawfully transfer data to us.

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

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

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

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

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

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

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

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

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

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

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

- the level of advertising spend managed through our platform for a particular quarter;
- customer renewal rates, and the pricing and usage of our platform in any renewal term;
- demand for our platform and the size and timing of our sales;
- customers delaying purchasing decisions in anticipation of new releases by us or of new products by our competitors;
- delays in projects to upgrade our own software platform infrastructure and any resulting delays in releasing new features;

40

---

- network outages, platform downtime, software bugs or security breaches and any associated credits, warranty claims or other expenses;
- changes in the competitive dynamics of our industry, including consolidation among competitors or customers;
- market acceptance of our current and future solutions;
- changes in spending on digital advertising or information technology and software by our current and/or prospective customers;
- budgeting cycles of our customers;
- our potentially lengthy sales cycle;
- our ability to control costs, including our operating expenses;
- the amount and timing of infrastructure costs and operating expenses related to the maintenance and expansion of our business, operations and infrastructure;
- restructuring of our business and hiring or separation of employees;
- foreign currency exchange rate fluctuations; and
- general economic and political conditions in our domestic and international markets.

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

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

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

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

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

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

- regulatory and commercial risks relating to retargeting of online advertising and social advertising, the primary businesses of Perfect Audience and SocialMoov, respectively;
- difficulties in integrating the operations, technologies, services and personnel of acquired businesses, especially if those businesses operate outside of our core competency and/or in foreign countries;
- cultural challenges associated with integrating employees from the acquired company into our organization;
- reputation and perception risks associated with the acquired product or technology by the general public;
- ineffectiveness or incompatibility of acquired technologies or services;
- potential loss of key employees of acquired businesses;
- inability to maintain the key business relationships and the reputations of acquired businesses;
- diversion of management's attention from other business concerns;
- litigation for activities of the acquired company, including claims from terminated employees, clients, former shareholders or other third parties;
- failure to identify all of the problems, liabilities or other shortcomings or challenges of an acquired company, technology, or solution, including issues related to intellectual property, solution quality or architecture, regulatory compliance practices, revenue recognition or other accounting practices or employee or client issues;
- in the case of foreign acquisitions such as SocialMoov, the need to integrate operations across different cultures and languages and to address the particular economic, currency, political and regulatory risks associated with specific countries; costs necessary to establish and maintain effective internal controls for acquired businesses;
- failure to successfully further develop the acquired technology in order to recoup our investment; and
- increased fixed costs.

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

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

Acquisitions could also result in dilutive issuances of equity securities or the incurrence of debt, which could adversely affect our operating results. For instance, in connection with our acquisition of Perfect Audience, we issued 1.7 million shares of our common stock, and in connection with our acquisition of SocialMoov, we issued a combined total of 1.1 million shares in February 2015 and February 2016, and are obligated to issue up to an additional 0.5 million shares of our common stock, subject to certain contingencies, in February 2017.

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

As a public company, we are required to maintain internal control over financial reporting and to report any material weaknesses in such internal control. Section 404 of the Sarbanes-Oxley Act of 2002 (the "Sarbanes-Oxley Act") requires that we evaluate and determine the effectiveness of our internal control over financial reporting and provide a management report on the internal control over financial reporting and a report by our independent registered public accounting firm to the extent we decide not to avail ourselves of the exemption provided to an emerging growth company, as defined by The Jumpstart Our Business Act of 2012. If we have a material weakness in our internal control over financial reporting, we may not detect errors on a timely basis and our financial statements may be



materially misstated. In addition, in the future if we identify material weaknesses in our internal control over financial reporting, if we are unable to comply with the requirements of Section 404 in a timely manner, if we are unable to assert that our internal control over financial reporting is effective or if our independent registered public accounting firm is unable to express an

42

---

opinion as to the effectiveness of our internal control over financial reporting, investors may lose confidence in the accuracy and completeness of our financial reports and the market price of our common stock could be negatively affected, and we could become subject to investigations by the stock exchange on which our securities are listed, the SEC, or other regulatory authorities, which could require additional financial and management resources.

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

For as long as we continue to be an emerging growth company, we intend to take advantage of certain exemptions from various reporting requirements that are applicable to other public companies including, but not limited to, the exemption from the requirement of a report on our internal control over financial reporting by our independent registered public accounting firm, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved. We cannot predict if investors will find our common stock less attractive because we will rely on these exemptions. If some investors find our common stock less attractive as a result, there may be a less active trading market for our common stock and our stock price may be more volatile.

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

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

As of December 31, 2015, we had federal and state net operating loss carryforwards due to prior period losses, which if not utilized will begin to expire in 2026 and 2016 for federal and state purposes, respectively. We also have federal research tax credit carryforwards, which if not utilized will begin to expire in 2026. These net operating loss and research tax credit carryforwards could expire unused and be unavailable to offset future income tax liabilities, which could adversely affect our profitability.

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

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

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

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

results, and could affect the reporting of transactions completed before the announcement of a change.

We may be required to record a significant charge to earnings if our goodwill or amortizable intangible assets become impaired.

We are required under GAAP to review our amortizable intangible assets for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. Goodwill is required to be tested for impairment at least annually. Conditions that would necessitate an impairment assessment include a significant decline in the observable market value of an asset, a significant change in the extent or manner in which an asset is used, or any other significant adverse change that would indicate that the carrying amount of an asset or group of assets may not be recoverable. The events and circumstances we consider include the business climate, legal factors, operating performance indicators and competition. In the future we may be required to record a significant charge to earnings in our consolidated financial statements during the period in which any impairment of our goodwill or amortizable intangible assets is determined. This could adversely impact our results of operations and harm our business.

Subsequent to September 30, 2016, the market capitalization of our publicly traded common stock sustained a decline to the extent that it fell below the book value of our net assets. We consider the stock price and any estimated control premium along with other operating conditions, such as revenue decline, as possible factors affecting the assessment of the fair value our reporting unit for the purposes of performing any goodwill impairment assessment. While the likelihood and amount of such an impairment charge is not estimable at this time, if facts, circumstances or assumptions change, then we may be required to record an impairment charge to reduce the carrying value of our goodwill, intangible assets and other long-term assets in the future.

#### Risks Related to the Ownership of Our Common Stock

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

Since our initial public offering, the closing sales price of our common stock on the New York Stock Exchange has been volatile. Factors affecting the market price of our common stock include:

- variations in, or forward looking guidance regarding, our revenues, gross margin, operating results, free cash flow, loss per share, revenue retention rates, annualized advertising spend on our platform, adjusted EBITDA and how these results compare to analyst expectations;
- announcements of technological innovations, new products or services, strategic alliances, acquisitions or significant agreements by us or by our competitors;
- disruptions in our cloud-based operations or services or disruptions of other prominent cloud-based operations or services;
- the economy as a whole, market conditions in our industry, and the industries of our customers; and
- any other factors discussed herein.

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

From January 1, 2015 through September 30, 2016, the closing sales price of our common stock on the New York Stock Exchange ranged from \$2.10 to \$8.56 per share. Because our stock price has been volatile, investing in our common stock is risky.

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

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

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

Sales of a substantial number of shares of our common stock in the public market, or the perception that these sales might occur could depress the market price of our common stock and may make it more difficult for you to sell your common stock at a time and price that you deem appropriate. We are unable to predict the effect that sales may have on the prevailing market price of our common stock. We have currently effective Registration Statements on Form S-3 registering for sale approximately 1.6 million and 1.7 million shares of our common stock issued or to be issued in connection with our acquisitions of SocialMoov and Perfect Audience, respectively. If the holders of these shares seek to sell their holdings, particularly in significant amounts in compressed time frames, the trading price of our common stock could be adversely impacted. A portion of the shares registered in connection with the acquisition of SocialMoov will not be issued, if at all, until the two year anniversary of the closing of the acquisition. After our initial public offering in March 2013, the holders of an aggregate of 18.8 million shares of our common stock had rights, subject to some conditions, to require us to file registration statements covering their shares or to include their shares in registration statements that we may file for ourselves or our stockholders. To the extent the holders of such shares have not sold the shares otherwise, such holders may continue to have registration rights. Registration of these shares under the Securities Act would result in the shares becoming freely tradable without restriction under the Securities Act. Any sales of securities by existing stockholders could adversely affect the trading price of our common stock.

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

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

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

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

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



## ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

## Issuer Purchases of Equity Securities

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

Period	Total Number of Shares Purchased as Part of	Weighted Average Purchase Price	Publicly Announced Plans or Programs	Total Number of Shares Purchased as Part of Maximum Number of Shares that May Yet be Purchased Under the Plans or Programs	
				Programs	Programs
July 1 – July 31, 2016	—	N/A	—	—	—
August 1 – August 31, 2016	1,417	\$ 0.00	(2)	—	—
September 1 – September 30, 2016	—	N/A	—	—	—

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

(2) Repurchased shares of our common stock were restricted share grants originally issued to the employee shareholders of Perfect Audience at \$0.0001 per share, prior to our acquisition of that company.

## ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

## ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

## ITEM 5. OTHER INFORMATION

None.

## ITEM 6. EXHIBITS – PENDING LIEN OFFER LETTER AND YOVANNO TERMINATION LETTER

Number	Exhibit Title	Incorporated by Reference			
		Form	File No.	Filing Date	Filed Herewith
10.1#	Offer Letter, dated as of August 23, 2016, by and between the Registrant and Christopher A. Lien.				X
10.2#	Separation Agreement, dated as of August 22, 2016, by and between the Registrant and David A. Yovanno.				X
31.1	Certification of Principal Executive Officer required by Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				X
31.2	Certification of Principal Financial Officer pursuant to Rule 13a-14(a) of the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				X
32.1	Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*				X
32.2	Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*				X
101.INS	XBRL Instance Document.				X
101.SCH	XBRL Taxonomy Extension Schema Document.				X
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.				X
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.				X
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.				X
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.				X

#Represents a management contract or compensatory plan.

\*As contemplated by SEC Release No. 33-8212, these exhibits are furnished with this Quarterly Report on Form 10-Q and are not deemed filed with the Securities and Exchange Commission and are not incorporated by reference in any filing of Marin Software Incorporated under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date hereof and irrespective of any general



incorporation language contained in such filings.

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.

MARIN SOFTWARE  
INCORPORATED

Dated: November 9, 2016 By: /s/ Christopher A. Lien  
Christopher A. Lien  
Chief Executive Officer

(Principal Executive Officer)

Dated: November 9, 2016 By: /s/ Catriona M. Fallon  
Catriona M. Fallon  
Chief Financial Officer

(Principal Financial Officer and

Principal Accounting Officer)

## EXHIBIT INDEX

Number	Exhibit Title	Incorporated by Reference			
		Form	File No.	Filing Date	Filed Herewith
10.1#	Offer Letter, dated as of August 23, 2016, by and between the Registrant and Christopher A. Lien.				X
10.2#	Separation Agreement, dated as of August 22, 2016, by and between the Registrant and David A. Yovanno.				X
31.1	Certification of Principal Executive Officer required by Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				X
31.2	Certification of Principal Financial Officer pursuant to Rule 13a-14(a) of the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				X
32.1	Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*				X
32.2	Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*				X
101.INS	XBRL Instance Document.				X
101.SCH	XBRL Taxonomy Extension Schema Document.				X
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.				X
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.				X
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.				X
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.				X

#Represents a management contract or compensatory plan.

\*As contemplated by SEC Release No. 33-8212, these exhibits are furnished with this Quarterly Report on Form 10-Q and are not deemed filed with the Securities and Exchange Commission and are not incorporated by reference in any filing of Marin Software Incorporated under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date hereof and irrespective of any general

incorporation language contained in such filings.