Quotient Technology Inc.
Form 10-K
February 16, 2018

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2017

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 001-36331

Quotient Technology Inc.

(Exact name of registrant as specified in its Charter)

Delaware (State or other jurisdiction of incorporation or organization)	77-0485123 (I.R.S. Employer Identification No.)
400 Logue Avenue	
Mountain View, CA (Address of principal executive offices)	94043 (Zip Code)

Registrant's telephone number, including area code: (650) 605-4600

(Former name, former address and former fiscal year, if changed since last report)

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

Title of each class	Name of each exchange on which registered
Common Stock, $0.00001 par value per share	New York Stock Exchange

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. YES NO

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. YES NO

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Large accelerated filer		Accelerated filer
Non-accelerated filer	(Do not check if a small reporting company)	Small reporting company
Emerging growth company		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the

Exchange Act.

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant, as of June 30, 2017, the last business day of the registrant's most recently completed second fiscal quarter, based on the closing price of $11.50 per share of the Registrant's common stock as reported by the New York Stock Exchange on June 30, 2017, was $634.7 million. Shares of common stock held by each executive officer, director, and their affiliated holders and by each entity or person that, to the Registrant's knowledge, owned 5% or more of the Registrant's outstanding common stock as of June 30, 2017, have been excluded in that such persons may be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

The number of shares of registrant's Common Stock outstanding as of February 13, 2018 was 93,384,505.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Definitive Proxy Statement relating to the Annual Meeting of Stockholders are incorporated by reference into Part III of this Annual Report on Form 10-K where indicated. Such definitive Proxy Statement will be filed with the Securities and Exchange Commission within 120 days after the end of the registrant's fiscal year ended December 31, 2017.

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Unless the context otherwise requires, the terms “Quotient,” “Coupons,” the “Company,” “we,” “us” and “our” in this Annual Report on Form 10-K refer to Quotient Technology Inc. and its consolidated subsidiaries.

Quotient, Quotient Retailer iQ, QMX, Crisp Media, Shopmium, Brandcaster and our other registered or common law trademarks, service marks or trade names appearing in this Annual Report on Form 10-K are the property of Quotient. Other trademarks and trade names referred to in this Annual Report on Form 10-K are the property of their respective owners.

SPECIAL NOTE REGARDING FORWARD LOOKING STATEMENTS

This Annual Report on Form 10-K contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act") and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). The words "anticipate," "believe," "continue," "could," "seek," "might," "estimate," "expect," "may," "plan," "potential," "predict," "approximately," "project," "should," "will," "would" or the negative or plural of these w similar expressions, as they relate to our company, business and management, are intended to identify forward-looking statements. Forward-looking statements contained in this Annual Report on Form 10-K include, but are not limited to, statements about:

- our financial performance, including our revenues, margins, costs, expenditures, growth rates and operating expenses, and our ability to generate positive cash flow and become profitable;
- the amount and timing of digital promotions and media buys by CPGs, which are affected by budget cycles, economic conditions and other factors;
- the growth of demand for digital coupons;
- our ability to adapt to changing market conditions;
- our ability to grow and scale Quotient Retailer iQ, Quotient Insights and Quotient Media Exchange ("QMX");
- our ability to retain and expand our business with existing CPGs and retailers;
- our ability to maintain and expand the use by consumers of digital promotions on our platforms;
- our ability to grow our media business;
- our ability to grow our verified audience;
- our ability to attract and retain third-party advertising agencies, performance marketing networks and other intermediaries;
- our ability to effectively manage our growth;
- the effects of increased competition in our markets and our ability to compete effectively;
- our ability to grow the use by consumers of our mobile solutions;
- our ability to effectively grow and train our sales and media teams;
- our ability to obtain new CPGs and retailers and to do so efficiently;
- our ability to maintain, protect and enhance our brand and intellectual property;
- our strategies relating to the growth of our platform and our business, including pricing strategies;
- our strategies relating to, and outcomes of, and costs associated with defending, intellectual property infringement and other claims;
- our ability to successfully enter new markets;
- our ability to successfully integrate our newly acquired companies into our business;
- our expectations regarding Quotient Retailer iQ, Quotient Insights and QMX;
- our significant operating leverage in our business;
- our ability to develop and launch new services and features; and
- our ability to attract and retain qualified employees and key personnel.

We caution you that the foregoing list may not contain all of the forward-looking statements made in this Annual Report on Form 10-K.

We have based these forward-looking statements on our current expectations and projections about future events and financial trends affecting our business. Forward-looking statements should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of the times at, or by, which such performance or results will be achieved. Forward-looking statements are based on information available to our management at the date of this Annual Report on Form 10-K and our management's good faith belief as of such date with respect to future events, and are subject to risks and uncertainties that could cause actual performance or results to differ materially from those expressed in or suggested by the forward-looking statements. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. We discuss these risks in greater detail in "Item 1A: Risk Factors" and elsewhere in this Annual Report on Form 10-K. Forward-looking statements speak only as of the date of this Annual Report on Form 10-K. We caution you that the foregoing list of important factors may not contain all of the material factors that are important to you. Except as required by law, we assume no obligation to publicly update or revise any forward-looking statement to reflect actual results, changes in assumptions based on new information, future events or otherwise. If we update one or more forward-looking statements, no inference should be drawn that we will make additional updates with respect to those or other forward-looking statements. Given these risks and uncertainties, you are cautioned not to place undue reliance on such forward-looking statements.

PART I

Item 1. Business.

Overview

Quotient Technology Inc., is a provider of an industry leading digital marketing platform that drives sales by delivering personalized and targeted coupons and ads to shoppers at the right moment on their path to purchase. We've built a scaled network of consumer packaged goods ("CPG") brands, retailers and shoppers, all digitally connected through our core platform, called Retailer iQ. Using proprietary and licensed data, including online behaviors, purchase intent, and retailers' in-store point-of-sale ("POS") shopper data, we target shoppers with the most relevant digital coupons and ads, as well as measure campaign performance, including attribution of dollars spent on digital marketing to in-store sales. Customers and partners use our digital platform as a more effective channel to influence shoppers.

We operate our platform across a broad distribution network, reaching over approximately 60 million shoppers at critical moments in their path to purchase. Our network includes the app and website of our flagship consumer brand, Coupons.com, our other owned and operated properties, and thousands of our publisher partners. In addition, we operate Retailer iQ on a co-branded or white label basis with our retail partners, providing them a digital platform to directly engage with their shoppers across their websites, mobile, ecommerce, and social channels.

Our network is made up of three constituencies:

- Our clients consist of approximately 700 CPGs, representing approximately 2,000 brands, including many of the leading food, beverage, personal and household product manufacturers;
- Our retail partners, representing multiple classes of trade such as leading grocery retailers; drug, dollar, club, and mass merchandise channels, where the majority of CPG products are sold; and
- Millions of consumers visiting our web, mobile properties, and social channels, as well as those of our CPGs, retailers, and publishing partners.

Our platform, serving these three groups, has created a network effect, which we believe gives us a competitive advantage over both offline and online competitors. As our shopper audience increases, our platform becomes more valuable to CPGs and retailers, which, in turn, rely more heavily on our platform for their digital promotions and media. In addition, the breadth of coupon and advertising content offered from leading brands enables us to attract and retain more retailers and shoppers. As our network expands, we generate more shopper data and insights, which improve our ability to deliver more relevant and personalized promotions and media.

We primarily generate revenue by providing digital coupons and media solutions to our customers and partners.

We generate revenue from promotions, in which CPGs pay us to deliver coupons to consumers through our network of publishers and retail partners. Each time a consumer activates a digital coupon on our platform or in some cases redeems a digital coupon, we are generally paid a fee. Activation of a digital coupon can include: saving it to a retailer loyalty account or printing it for physical redemption at a retailer.

We generally pay a distribution fee to retailers or publishers when a shopper activates a digital promotion on their website or mobile app. These distribution fees are included in our cost of revenues. See Management's Discussion and Analysis of Financial Condition and Results of Operations – "Non-GAAP Financial Measure and Key Operating Metrics" for more information.

Promotion revenues also include our Specialty Retail business, in which specialty stores including clothing, electronics, home improvement and many others offer coupon codes that we distribute. Each time a consumer makes a purchase using a coupon code, a transaction occurs and a distribution fee is generally paid.

We also generate revenues from digital advertising. CPGs, advertising agencies, and retailers who use our platform to deliver digital advertising. Using data on our Quotient Media Exchange (QMX) platform, we target audiences with digital ad campaigns. These ads are delivered to shoppers through our network, including our websites and mobile apps, as well as those of our publishers, retailers and other third parties. Campaigns can then be measured based on performance, attributing digital ad campaigns to in-store purchases in near real time. In May 2017, we closed our acquisition of Crisp Mobile, which enhanced our mobile advertising and analytics capabilities, as well as accelerated our growth in media. We generally pay a distribution fee to retailers for use of data for targeting or measurement, or to publishers to deliver campaigns on certain publishing networks or sites. These distribution fees are included in our cost of revenues.

During 2017, we generated revenues of $322.1 million, representing 17% growth over 2016, and a net loss of $15.1 million as compared to $19.5 million in 2016. See our Consolidated Financial Statements and accompanying notes for more information. For the year ended December 31, 2017, there was no revenue from a customer that accounted for more than 10% of our total revenues. For the years ended December 31, 2016 and 2015, total revenue from The Procter and Gamble Company accounted for more than 10% of our total revenues.

Our Industry

Retailers and CPGs are turning to data-driven digital marketing strategies to engage and influence shoppers to compete more effectively in today's retail environment and drive sales. By shifting dollars from traditional offline channels to digital, brands and retailers can use shopper data and behaviors to target and deliver digital coupons and advertising with greater efficiency and return on investment.

For decades, retailers and CPGs have worked together to drive sales, which in turn benefits both parties. CPGs sell their products to retailers, and retailers are responsible for selling those products directly to shoppers. To help retailers attract shoppers and ensure sales, CPGs spend over $225 billion annually in promotions, media, shopper marketing, trade and other in-store advertising. Historically, the vast majority of these dollars have been spent in offline channels such as free-standing inserts found in Sunday newspapers, direct mail, printed circulars, in-store aisle tags, end caps and TV. These traditional offline channels are becoming less effective as consumers spend more time online, particularly on mobile, giving way to the rising importance of using data to drive personalized and targeted, content to shoppers. To reach shoppers at the right time and place, CPGs and retailers are shifting dollars historically spent in offline channels to digital.

Digital coupons, primarily funded by CPGs, have been found to be more effective and are redeemed at higher rates compared to traditional offline promotions. According to an annual industry report by NCH Marketing Services, Inc., in 2016, digital coupons (including digital print and digital paperless coupons) represented less than 1% of total U.S. CPG coupon distribution volume, but accounted for almost 12% of total U.S. CPG coupon redemptions. We believe that the ease of digital promotions, coupled with greater awareness of digital savings programs, is broadening the demographic reach and driving demand for digital promotions.

Trade promotions, defined as special promotions offered to drive additional sales directly from a particular retailer, are also funded by CPGs. Historically, trade promotions have been mass marketed through retailers in offline vehicles such as aisle tags and printed circulars. We believe CPGs will shift offline trade promotions to digital as retailers continue to increase their digital marketing activities and better use their shopper data.

Advertising from shopper marketing, defined as advertising funded by the CPG to gain shopper awareness and drive sales within a specific retailer, is also shifting from traditional in-store and print advertising to digital, particularly to mobile. According to the Association of National Advertisers, shopper marketing budgets are expected to grow to a nearly $19.0 billion market in the next few years as shopper marketers look to reach shoppers across the right touchpoints at the right time. Additionally, portions of CPG brand advertising, which has historically been spent in traditional offline channels such as print and TV, is also expected to shift to digital channels. eMarketer projects that by 2020, CPG and the consumer products industry digital ad spending will be approximately $9.5 billion, an increase from the approximately $6 billion spent in 2016.

As the shift to digital coupon and digital advertising continues to grow, so does the importance placed on data to target audiences and provide campaign performance measurements. Over 90% of grocery sales occur in-store with shopper data residing offline, creating a particular need to attribute dollars spent in digital coupons and advertising directly to in-store sales.

Our Solutions

We offer an industry leading digital platform that enables CPG brands and retailers to drive sales and engage shoppers through personalized and targeted promotions and media. Approximately 700 CPGs, representing approximately 2,000 brands, use our platform to manage and distribute digital coupons and advertising, target shopper audiences, and measure campaign performance.

Through Quotient's solutions, brands and retailers can manage their national brand promotions, trade promotions, shopper marketing, and brand media advertising together, combining shopper insights and purchase data with broad distribution capabilities across mobile, web, and social channels. We also enable brands and retailers to develop marketing and promotional programs within days, with the added flexibility of adjusting programs in real time. This differs from the long lead times typically required in traditional offline marketing vehicles. Our platform delivers value as a stand- alone promotions or media offering, but also provides additional value when used collectively.

We have a broad distribution network that includes our owned and operated web and mobile properties, such as Coupons.com, and thousands of publishing and retailer partner sites. Coupons can be saved directly to a retailer loyalty card and redeemed at checkout, redeemed for cash back through our mobile receipt scanning feature, or printed and taken directly to the store for physical redemption.

Retailer iQ is used at top retailers in the grocery, drug, dollar and mass merchandise channels and is a co-branded or white-labeled solution that powers retailer websites, ecommerce experiences, mobile websites and mobile applications. Retailer iQ integrates into retailers' points-of-sale (POS) and serves as their digital marketing platform, creating a direct, digital relationship with millions of their consumers. Through Retailer iQ retailers and CPGs distribute personalized and targeted coupons and media to help drive shopper loyalty and increased sales. Additional Retailer iQ features include digital grocery list, digital receipt, digital circular and beacon technology.

Our solution also provides CPGs and retailers with closed-loop attribution through campaign performance measurement. With Retailer iQ, brands can tie digital coupons and advertising campaigns directly to in-store sales. Our campaign measurement tools also provide brands and retailers with flexibility to adjust their campaigns in mid-flight to drive greater efficiency with marketing dollars.

Quotient Promotions

We offer digital paperless and digital print promotions through our Quotient Promotions Network (formerly known as our Digital Free-Standing Insert Network). With digital paperless, shoppers save coupons directly to retailer loyalty accounts for automatic digital redemption, or by redeeming coupons using a mobile device for cash back after taking a picture of a retailer receipt with the appropriate purchase. With digital print, shoppers select coupons and print them from their desktop or mobile device to redeem in store.

Through our platform, CPGs and retailers can reach shoppers on the web and on mobile devices by offering digital coupons through our extensive network which includes:

- the Coupons.com website and our Coupons.com and Shopmium mobile application platforms;
- CPG and retailer websites and mobile applications, either hosted by us or hosted by them using our APIs; and
- the websites and mobile applications of thousands of registered partner sites included in our publisher network.

We have designed and engineered our platform to support personalization, targeting and optimization in the delivery of digital coupons. We start with demographic and geography based personalization techniques to ensure that consumers see and can easily access the most relevant content. We personalize content based on offers the consumer has clicked on and searches the consumer may have conducted on our network as well as the coupons that the consumer previously activated, and redeemed. We also offer targeted promotions based on the criteria listed above, combined with data from our Retailer iQ integrations with select retailers. We offer a receipt-scanning, cash-back mobile coupon for direct cash back after taking a picture of a retailer receipt with the appropriate purchase.

Retailer iQ allows retailers to integrate our digital promotions with their loyalty programs and POS systems for digital paperless delivery. Retailer iQ provides a personalized consumer experience to help retailers and brands drive loyalty and engagement with their shoppers. By integrating with the retailer POS system, our solution leverages data available across various touchpoints including web, mobile and customer channels such as email, social and POS purchase data. Using data, the platform allows for real-time recommendations of digital coupons and products, targeted media, real-time reporting, targeting and analytics, and digital receipts, all of which help retailers and brands communicate with and influence their shoppers, primarily through their mobile phones.

Our solutions are designed for mobile channels, a key consumer touchpoint, to further drive consumer adoption and engagement across our platform. Retailer iQ, for instance, powers retailer mobile applications and websites to enable consumers to download coupons, create shopping lists, and search for offers while on the go. CPGs can target Retailer iQ shoppers to personalize brand engagement or provide brand information. Our Coupons.com mobile application allows consumers to access our digital coupons and coupon codes, and is designed to provide personalized and location-based content. Shopmium, our mobile application in France and U.K, allows consumers to use a CPG coupon by taking a picture of a receipt and uploading it to Quotient, where we validate the purchase against the coupon, and make payment to the consumer directly to a bank or PayPal account.

Quotient Media

We offer targeted advertising solutions through Quotient Media Exchange (QMX), enabling brands and retailers to reach shoppers before, during and after their shopping cycles with digital media campaigns. Through QMX, advertisers can leverage Quotient's audience reach and exclusive data to deliver targeted media across our network, including Retailer iQ and Coupons.com website and app, and across web, mobile and social channels outside our network. For example, we can target consumers on Facebook who have redeemed a coupon or purchased a product in a particular product category with media advertising within that product category.

In 2017, we enhanced our mobile media and campaign measurement solutions with the acquisition of Crisp Media. Crisp's expertise around creative services, dynamic targeting, mobile delivery and performance management complemented our QMX solution.

We also provide CPGs, retailers and other advertisers access to our Coupons.com audience, including our website and mobile properties, to highlight their brands including premier media and advertising placements on our site, promoted positions within our coupon galleries and premium placement in our marketing efforts.

The quality and real-time nature of our data network enables us to offer relevant and targeted media with campaign performance measurement. Through our Quotient Insights Platform, we combine purchase data from select retailers across the Quotient Retailer iQ network with online engagement and purchase-intent data from Quotient's flagship brand, Coupons.com, and the Company’s thousands of publishing partners. This enables advertisers to reach a broad national audience or a single retailer’s customers using our solution. Our data processing systems also allow us to extend our reach, providing consumer intent signals to various advertising networks. Using the Insights Platform, we’re able to measure campaign performance, attributing digital media to in-store purchases and helping brands and retailers generate profitable sales. As our platform, network and audience expands, the value of our data and analytics increases.

Publishing Channels

Our platform includes numerous tools to enhance the effectiveness of promotions, media and analytics, and drive increased monetization through our platform. These tools are used by us, as well as our CPG, retailer and publisher partners.

Brandcaster®. Our Brandcaster technology powers our affiliate program by enabling third-party publishers to easily display our promotions and media to visitors on their sites. Brandcaster's easy-to-use self-service platform allows publishers to produce a look and feel customized to their brand and earn revenue for the coupons that are activated on their site and for media impressions.

Emails. We deliver personalized emails with coupon offers and digital circular offers to shoppers based on their purchase behavior and intent, or interaction with our site. Shoppers who receive emails with personalized promotional content include registered users on our Coupons.com site and those of our Retailer iQ retailers.

Social. We enable CPGs to distribute coupons on their Facebook pages in a seamless and fully customizable solution through an API on our platform. They then can manage the look and feel of the experience for consumers. Typically, CPGs will use coupons as an incentive for consumers to "like" their Facebook pages and brands and our application handles the process and tracking.

Bricks. Our Bricks services include coupons and mobile cash rebate offers that operate just like the digital offers that we distribute on Coupons.com and across the Quotient Promotions Network, but the CPG is responsible for setting up and driving distribution. For example, our Bricks service may enable a CPG to make available a specific coupon on their website. CPGs can leverage our technology to facilitate the printing, digital receipt scan and rebate, and tracking of offers in a secure manner, but the CPG distributes the coupon through its own distribution process such as an email campaign or as part of a special promotion on their site.

Media Units. We deliver personalized and targeted coupon offers and digital circular offers to shoppers, via media ad units, based on their purchase behavior and intent, or interaction with our site. Shoppers will see media ad units on the Coupons.com site as well as our retailer partner's sites and other sites that are part of our publishing network. Shoppers who receive media ads with personalized promotional content include registered users on our Coupons.com site and those of our Retailer iQ retailers.

Growth Strategy

We intend to grow our platform and our business through the following key strategies:

Increase revenues from CPGs already on our platform. Based on our experience to date, we believe we have opportunities to continue increasing revenues from our existing CPG customer base through:

- increasing our share of CPG spending on overall coupons and trade promotions;
- increasing the number of brands that are using our platform within each CPG;
- increasing media spending on our platform and our network;
- leveraging our data to provide more targeted promotions, media, and analytics; and
- maximizing consumer's experiences across all products.

Expand our network through Retailer iQ, our digital paperless platform. By using our platform to aggregate and optimize data, CPGs and retailers are able to offer personalized and targeted consumer experiences to more effectively engage consumers and drive sales. By bringing retailers and shoppers onto Retailer iQ, we are able to grow our digital paperless offering and distribution reach, and further leverage consumer insights from the platform. We believe as we continue to expand our network through Retailer iQ and increased shopper adoption, the value we provide to CPGs and retailers increases, as well as the opportunity to increase our share of CPG spending from promotions, trade spend and media budgets. We intend to continue to invest in technologies and product offerings that further integrate digital promotions and media into the retailer channel, and specifically within our Retailer iQ platform.

Grow our current customer base and add new industry segments. We believe we have the opportunity to grow the number of brands and retailers that we serve, thereby increasing the value of our platform to all constituents. In addition, we intend to continue growing our business with other manufacturers and retailers in new industry segments such as convenience and specialty/franchise retail, restaurants and entertainment venues.

Grow shopper adoption and engagement of our digital offerings. We plan to continue to innovate and invest across our platform, including Retailer iQ, mobile solutions, media and digital promotion offerings, Coupons.com mobile app, our publishing network, and analytics. We plan to continue helping our Retailer iQ partners launch and market the platform in order to generate and increase shopper adoption and engagement of digital paperless promotions. We believe that CPG spending on digital promotions and marketing will continue to grow as point of sale, mobile channels and social media offer new opportunities to engage consumers on their path to purchase.

Grow our media business. We plan to grow our media business, including QMX, by continuing to invest in our media solutions, including enhancements to our targeting and reporting capabilities and expanded use of our proprietary data as well as data from select exclusive retailer partnerships. We also plan to scale our network through new publishers, expanded partnerships, new verticals, and third parties such as media agencies.

Expand and grow Quotient Insights, and our emerging products around data and analytics. As our network, content pool and shopper audience expands, resulting in greater data and insights, we believe that our platform will become more valuable. We expect to introduce new, more robust, solutions to our customers around campaign performance, analytics and insights. Our targeted promotion offering, QMX and our campaign performance measurement products, are just three examples of how we use the platform to drive more value across the network. We also have the growing capability to directly link digital campaigns and media to in-store purchase data. We believe we are in a unique position to deliver new products around data and analytics, and the opportunity to grow Quotient Insights increases as we continue to expand.

Grow international operations. Many CPGs and retailers on our platform have global operations and we believe that we can opportunistically grow our operations and offerings in existing international markets and partner with our existing clients to enter new geographies in which they operate. We also plan to leverage our existing presence in France through our mobile application Shopmium, a receipt-scanning, cash-back mobile application platform, to broaden our international opportunity beginning with the United Kingdom.

Selectively pursue strategic acquisitions. We intend to continue pursuing selective acquisition and partnership opportunities that we believe can expand our business.

Security

Our platform includes a proprietary digital distribution management system to enable CPGs and retailers to securely control the number of coupons distributed by device. We have controls in place to limit the number of digital coupons that can be printed. Similar controls are in place for linking coupons to loyalty cards and other paperless solutions, which allows us to limit the number of coupons distributed and activated. In addition, each printed coupon carries a unique ID that is encrypted, enabling us to trace each coupon from print to redemption. All of our digital print coupons can be authenticated and validated using this unique code. This unique ID also can be used to detect counterfeit or altered coupons. Our platform allows us to systematically identify and respond to fraudulent and prohibited activities by restricting a device from printing coupons.

Sales and Marketing

We have a team of dedicated, skilled specialists focused on CPGs and retailers. We believe that our sales, integration, promotions and media campaign management and analytics, and customer support capabilities are difficult to replicate and a key reason for the growth of our business. Much of our sales activity is focused on expanding the number of brands within our existing CPG customers that offer digital promotions and media through our platform as well as expanding the volume of offers made by the brands currently using our platform. The team is also focused on expanding relationships within CPGs to include shopper marketing teams, where we believe there is a large opportunity for growth particularly in media. Additionally, we are focused on continuing to increase the size and breadth of our publisher network. We are also seeking to partner with CPGs and other manufacturers and retailers in new industry segments such as convenience and specialty/franchise retail, restaurants and entertainment venues.

In addition to sales support during the campaign planning process, our sales representatives provide additional support to CPGs and retailers to ensure that their campaigns are launched and delivered within specified timeframes. Representatives assigned to specific customers review performance metrics and share feedback with the advertiser.

We are focused on managing our brand, increasing market awareness and generating new advertiser leads. In doing so, we often present at industry conferences, create custom events and invest in public relations. In addition, our marketing team advertises online, in print and in other forms of media, creates case studies, sponsors research, publishes marketing collateral and undertakes customer research studies.

Technology and Infrastructure

Since inception, we have made significant investments and will continue to invest in developing our differentiated and proprietary platforms aimed at solving the problems of CPGs and retailers in ways that traditional solutions cannot. We are focused on offering solutions that provide measurable results. We have assembled a team of highly skilled engineers and computer scientists with deep expertise across a broad range of relevant disciplines. Key focus areas of our engineering team include:

- Scalable infrastructure. We use a combination of proprietary and open-source software to achieve a horizontally scalable, global, distributed and fault-tolerant architecture, with the goal of enabling us to ensure the continuity of our business, regardless of local disruptions. Our computational infrastructure currently processes millions of events per day and is designed in a way that enables us to add significant capacity to our platform as we scale our business without requiring any material design or architecture modifications. Our private cloud technology infrastructure is hosted across data centers in co-location facilities in California, Nevada, and Virginia.
- Redundancy. Our production infrastructure utilizes a hot failover configuration which allows us to switch server loads, be it a single server or an entire data center, to the other data center within minutes. Data is continuously replicated between sites, and multiple copies at each site provide fast recovery whenever it is requested. Each data center has been designed to handle more than our entire server needs, which enables us to perform platform maintenance, business resumption and disaster recovery without any customer impact.
- Reporting. Our user interface provides flexible reporting and interactive visualization of the key drivers of success for each media campaign. We use these reporting and visualization products internally to manage campaigns and provide advertisers with campaign insights.
- Security. Our security policy adheres to established policies to ensure that all data, code, and production infrastructure are secure and protected. Our data centers are SSAE 16 Type II certified and we are PCI DSS compliant where required. We use our internal team and third parties to test, audit, and review our entire production environment to protect it.

Our research and development expenses were $50.0 million, $50.5 million and $48.4 million during 2017, 2016 and 2015, respectively. We capitalized internal-use software development costs of $3.8 million, $0.7 million and $1.5 million during 2017, 2016 and 2015, respectively.

Competition

We compete against a variety of different businesses with respect to different aspects of our business, including:

- traditional offline coupon and discount services, as well as newspapers, magazines and other traditional media companies that provide coupon promotions and discounts on products and services in free standing inserts or other forms, including Valassis Communications, Inc., News America Marketing Interactive, Inc. and Catalina Marketing Corporation;
- providers of digital coupons such as Valassis' Redplum.com, Catalina Marketing Corporation's Cellfire, Inmar, News America Marketing's SmartSource, YouTech, and companies that offer coupon codes such as RetailMeNot, Inc., Groupon Inc., Exponential Interactive Inc.'s TechBargains, Savings.com, Inc. and Ebates Performance Marketing, Inc., companies that offer cash back solutions such as iBotta, Inc., News America Marketing's Checkout 51, and companies providing other e-commerce based services that allow consumers to obtain direct or indirect discounts on purchases;
- internet sites that are focused on specific communities or interests that offer coupons or discount arrangements related to such communities or interests;

- companies offering online and marketing services to retailers and CPGs, such as MyWebGrocer, Inc. and Flipp Corporation;

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- companies offering media services, such as Triad Media Inc. and RichRelevance, Inc.; and
- retailers marketing and offering their own digital coupons directly to consumers using their own websites, email newsletters and alerts, mobile applications and social media channels.

We believe the principal factors that generally determine a company's competitive advantage in our market include the following:

- scale and effectiveness of reach in connecting CPGs and retailers to consumers in a digital manner, through web, mobile and other online properties;
- ability to attract consumers to use digital coupons;
- platform security, scalability, reliability and availability;
- our proprietary intent data and access to POS data from select retailer partners;
- number of channels by which a company engages with consumers;
- integration of products and solutions;
- rapid deployment of products and services for customers;
- breadth, quality and relevance of the Company's digital coupons, media and measurement;
- ability to deliver digital coupons that are widely available and easy to use in consumers' preferred form;
- integration with retailer applications;
- brand recognition;
- quality of tools, reporting and analytics for planning, development, optimization and measurement of promotions and media; and
- breadth and expertise of the Company's sales organization.

While we believe we compete effectively with respect to the factors identified above, we may face increasing competition from larger or more established companies that seek to enter our market or from smaller companies that launch new products, solutions and services that could gain market acceptance.

Culture and Employees

We are proud of our company culture and consider it to be one of our competitive strengths. Our culture helps drive our business and compete for talented employees in a highly competitive market. We seek to offer an environment that allows our employees to thrive and grow.

As of December 31, 2017, we had 727 full-time employees, consisting of 543 employees in the United States and 184 employees internationally.

Intellectual Property

We protect our intellectual property by relying on federal, state, and common law rights in the United States and equivalent rights in other jurisdictions, as well as contractual restrictions. We control access to our proprietary technology and algorithms by entering into confidentiality and invention assignment agreements with our employees and contractors, and confidentiality agreements with third parties.

In addition to these contractual arrangements, we also rely on a combination of trade secrets, copyrights, trademarks, service marks and domain names to protect our intellectual property. We pursue the registration of our copyrights, trademarks, service marks and domain names in the United States and in certain locations outside the United States. As of December 31, 2017, we hold or have exclusive rights to 27 active issued patents in the United States and 10 active patents that have been issued outside of the United States with terms expiring between 2019 and 2032.

Circumstances outside our control could pose a threat to our intellectual property rights. For example, effective intellectual property protection may not be available in the United States or other countries in which we operate. Also, the efforts we have taken to protect our proprietary rights may not be sufficient or effective or may require significant expenditures and other resources to enforce. Any significant impairment of our intellectual property rights or unauthorized disclosure or use of our intellectual property could harm our business and our operating results, or ability to compete.

Companies in Internet-related and other industries may own large numbers of patents, copyrights and trademarks and may frequently request license agreements, threaten litigation or file suit against us based on allegations of infringement or other violations of intellectual property rights. We currently are, have been subject to in the past, and expect to face in the future, allegations that we have infringed the trademarks, copyrights, patents and other intellectual property rights of third parties, including our competitors and non-practicing entities. As we face increasing competition and as our business grows, we will likely face more claims of infringement.

Corporate Information

We were incorporated in California in May 1998 and reincorporated in Delaware in June 2009. We changed our name to Quotient Technology Inc. on October 20, 2015. Our principal executive offices are located at 400 Logue Avenue, Mountain View, California 94043, and our telephone number is (650) 605-4600. Our corporate website address is www.quotient.com. Information contained on, or that can be accessed through, our website does not constitute part of this report and inclusions of our website address in this report are inactive textual references only. The Quotient logo, Coupons.com logo and our other registered or common law trademarks, service marks or trade names appearing in this report are the property of Quotient or its subsidiaries. Other trademarks and trade names referred to in this report are the property of their respective owners.

Available Information

We file annual, quarterly and other reports, proxy statements and other information with the Securities and Exchange Commission (SEC) under the Exchange Act. We also make available, free of charge on the investor relations portion of our website at investors.quotient.com, our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act as soon as reasonably practicable after they are filed electronically with the SEC. You can inspect and copy our reports, proxy statements and other information filed with the SEC at the offices of the SEC's Public Reference Room located at 100 F Street, NE, Washington D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the operation of Public Reference Rooms. The SEC also maintains an Internet website at http://www.sec.gov/ where you can obtain most of our SEC filings. You can also obtain paper copies of these reports, without charge, by contacting Investor Relations at (650) 605-4600 (option 7).

Webcasts of our earnings calls and certain events we participate in or host with members of the investment community are available on our investor relations website at www.quotient.com. Additionally, we announce investor information, including news and commentary about our business and financial performance, SEC filings, notices of investor events, and our press and earnings releases, on our investor relations website, as well as through press releases, SEC filings, public conference calls, our corporate blog and social media in order to achieve broad, non-exclusionary distribution of information to the public. We encourage our investors and others to review the information we make public in these locations as such information could be deemed to be material information. Please note that this list may be updated from time to time. Investors and others can receive notifications of new information posted on our investor relations website in real time by signing up for email alerts. Further corporate governance information, including our corporate governance guidelines, board committee charters, and code of conduct, is also available on our investor relations website under the heading "Governance." The contents of our websites, blog, press releases, public conference calls and social media are not incorporated by reference into this Annual Report on Form 10-K or in any other report or document we file with the SEC (and the contents of other SEC filings are not incorporated by reference into this Annual Report on Form 10-K or any other report or document we file with the SEC except as required by law or to the extent we expressly incorporate such SEC filing into this Annual Form 10-K or other report or document we file with the SEC), and any references to our websites are intended to be inactive textual references only.

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 incurred net losses since inception and we may not be able to generate sufficient revenues to achieve or subsequently maintain profitability.

We have incurred net losses of $15.1 million, $19.5 million and $26.7 million in 2017, 2016 and 2015, respectively. We have an accumulated deficit of $287.3 million as of December 31, 2017. We anticipate that our costs and expenses will increase in the foreseeable future as we continue to invest in:

- sales and marketing;
- research and development, including new product development;
- our technology infrastructure;
- general administration, including legal and accounting expenses related to our growth and continued expenses with respect to being a public company;
- efforts to expand into new markets; and
- strategic opportunities, including commercial relationships and acquisitions.

For example, we have incurred and expect to continue to incur expenses developing, improving, integrating, investing, marketing and maintaining our retailer platform Retailer iQ, our data and analytics platform, Quotient Analytics, and our data-driven media solutions, Quotient Media Exchange or QMX, and we may not succeed in increasing our revenues sufficiently to offset these expenses.

If we are unable to gain efficiencies in our operating costs, our business could be adversely impacted. We cannot be certain that we will be able to attain or maintain profitability on a quarterly or annual basis. If we are unable to effectively manage these risks and difficulties as we encounter them, our business, financial condition and results of operations may suffer.

We may not achieve revenue growth.

We may not be able to achieve revenue growth, and we may not be able to generate sufficient revenues to achieve profitability. In addition, historically the growth rate of our business, and as a result, our revenue growth, has varied from quarter-to-quarter and year-to-year, and we expect that variability to continue. For example, some of our products experience seasonal sales and buying patterns mirroring those in the CPG, retail, and e-commerce markets, including back-to-school and holiday campaigns, where demand increases during the second half of our fiscal year, and our revenues may otherwise fluctuate due to changes in promotional spending budgets (including shopper marketing budgets) of CPGs and retailers and the timing of their promotional spending. We may not always be able to anticipate such fluctuations. Decisions by major CPGs or retailers to delay or reduce their promotional spending, or divert spending away from digital promotions, or from our platform, or changes in our fee arrangements with CPGs and retailers, could also slow our revenue growth or reduce our revenues. Additionally, as our business evolves, we will continue to experiment with different pricing models and fee arrangements with CPGs and retailers, which may impact how we monetize transactions. For example, we have recently experimented with ROI-based pricing strategies. As we shift a greater number of our arrangements with CPGs to ROI-based pricing models, some of which require us to receive fees upon the actual redemption of digital coupons on our platform rather than activation as is generally done, our revenue growth and revenues could be harmed.

We believe that our continued revenue growth will depend on our ability to:

- increase our share of CPG spending on overall coupon and trade promotions, increase the number of brands that are using our platform within each CPG, and increase media spend including shopper marketing on our platform;
- adapt to changes in promotional spending budgets of CPGs and retailers and the timing of their promotional spending;

- successfully execute our digital promotions, shopper marketing and media solutions into retailers' in-store and point of sale systems and consumer channels;
- deploy, execute, and continue to develop our data, measurement, and analytics solutions in support of Retailer iQ and QMX;
- grow and maintain our retailer network through direct and indirect partnerships;
- maintain and expand our data rights with our retailer network;
- grow the number of CPGs and retailers in our current customer base and add new industry segments such as convenience, specialty/franchise retail, restaurants and entertainment;
- expand the use by consumers of our newest digital promotion and media offerings and broaden the selection and use of digital coupons;
- manage the shift from desktop to mobile devices;
- manage the transition from digital print coupons to digital paperless coupons;
- innovate our product offerings to retain and grow our consumer base;
- obtain and increase the number of high quality coupons;
- grow the number of transactions across our platform;
    - expand the number, variety and relevance of digital coupons available on our web, mobile and social channels, as well as those of our CPGs, retailers and network of publishers;
- develop and implement our media strategies including the integration and growth of Crisp Mobile;
- increase the awareness of our brands, and earn and build our reputation;
- hire, integrate and retain talented personnel;
- effectively manage scaling our operations; and
- successfully compete with existing and new competitors.

However, we cannot assure you that we will successfully accomplish any of these actions. Failure to do so could harm our business and cause our operating results to suffer.

If we fail to attract and retain CPGs, retailers and publishers and expand our relationships with them, our revenues and business will be harmed.

The success of our business depends in part on our ability to increase our share of CPG spending on overall coupons and trade promotions, increase media spending on our platform, increase the number of brands that are using our platform within each CPG, increase adoption and scale of Retailer iQ, and deployment, execution, and continued development of Quotient Insights and QMX. It also depends on (i) our ability to obtain, maintain, and expand data rights agreements with our retailer partners, (ii) our ability to further integrate our digital promotions and media solutions into retailers' in-store and point of sale systems and consumer channels, (iii) our ability to obtain the right to distribute Retailer iQ digital promotions more broadly through our websites and mobile apps and those of our publishers, and (iv) our retail partners' commitment in promoting our digital solutions to their customers. In addition, we must acquire new CPGs and retailers in our current customer base and add new industry segments such as convenience, specialty/franchise retail, restaurants and entertainment venues. If CPGs and retailers do not find that offering digital promotions and media on our platform enables them to reach consumers and sufficiently increase sales with the scale and effectiveness that is compelling to them, CPGs and retailers may not increase their distribution of digital promotions and media on our platform, or they may decrease them or stop offering them altogether, and new CPGs and retailers may decide not to use our platform.

For example, if CPGs decide that utilizing our platform is not the right solution for them to connect with consumers, we may not be able to increase our prices or CPGs may pay us less. Likewise, if retailers decide that our platform is less effective at increasing sales to and loyalty of existing and new consumers, retailers may demand a higher percentage of the total proceeds from each digital promotion that is activated or redeemed or demand minimum guaranteed payments. Furthermore, if existing and new retailers using Retailer iQ do not find that it increases consumer engagement and loyalty, our overall success may be harmed. In addition, we expect to face increased competition, and competitors may accept lower payments from CPGs to attract and acquire new CPGs, or provide retailers and publishers a higher distribution fee than we currently offer to attract and acquire new retailers and publishers. In addition, we may experience attrition in our CPGs, retailers and publishers in the ordinary course of business resulting from several factors, including losses to competitors, changes in CPG budgets, and decisions by CPGs, retailers and publishers to offer digital coupons through their own websites or other channels without using a third-party platform such as ours or through a competitive third party network or platform, and failure to maintain distribution agreements with third party digital promotions networks and platforms. If we are unable to retain and expand our relationships with existing CPGs, retailers and publishers or if we fail to attract new CPGs, retailers and publishers to the extent sufficient to grow our business, or if too many CPGs, retailers and publishers are unwilling to offer digital coupons and media with compelling terms through our platform, we may not increase the number of high quality coupons and marketing campaigns on our platform and our revenues, gross margin and operating results will be adversely affected.

The loss of any significant customer could materially and adversely affect our results of operations and financial condition.

Our business is exposed to risks related to customer concentration, particularly among CPGs. For the year ended December 31, 2017, there was no revenue from a customer that accounted for more than 10% of our total revenues. For the years ended December 31, 2016 and 2015, total revenue from The Procter and Gamble Company accounted for more than 10% of our total revenues. The loss of any of our significant customers or deterioration in our relations with any of them could materially and adversely affect our results of operations and financial condition.

If we are unable to grow or successfully respond to changes in the digital promotions market, our business could be harmed.

As consumer demand for digital coupons has increased, promotion spending has shifted from traditional coupons through traditional channels, such as newspapers and direct mail, to digital coupons. However, it is difficult to predict whether the pace of transition from traditional to digital coupons will continue at the same rate and whether the growth of the digital promotions market will continue. In order to expand our business, we must appeal to and attract consumers who historically have used traditional promotions to purchase goods or may prefer alternatives to our offerings, such as those of our competitors. If the demand for digital coupons does not continue to grow as we expect, or if we fail to successfully address this demand, our business will be harmed. For example, the growth of our revenues will require increasing the number of brands that are using our platform within each CPG and further integrating such digital promotions with Retailer iQ. If our projections regarding the adoption and usage of Retailer iQ by retailers, CPGs and consumers, do not occur or are slower than expected, our business, financial condition, results of operations and prospects will be harmed. A variety of factors could slow the success of Retailer iQ generally, including insufficient time, resources or funds committed by retailers to the implementation and promotion of Retailer iQ, a retailer’s decision to delay or forego launching or marketing Retailer iQ, our inability to obtain sufficient data rights to maximize the functionality of Retailer iQ, Quotient Insights, or QMX, our inability to monetize enhanced Retailer iQ functionality, and our inability to efficiently integrate Retailer iQ with a retailer’s system. Even if we are successful in driving the adoption and usage of Retailer iQ by retailers, CPGs and consumers, if Retailer iQ fee arrangements or transaction volumes, or the mix of offers, change or do not meet our projections, our revenues may be harmed. We expect that the market will evolve in ways which may be difficult to predict. It is also possible that digital coupon offerings generally could lose favor with CPGs, retailers or consumers. In the event of these or any other changes to the market, our continued success will depend on our ability to successfully adjust our strategy to meet the changing market dynamics. In addition, we will need to continue to grow demand for our digital promotions platform by CPGs, retailers and consumers, including through continued innovation and implementation of new initiatives associated with the digital coupons. For example, if consumer demand for our software-free print solution, cash-back receipt scanning solution, or our mobile application does not grow as we expect, our business may be harmed. If we are unable to grow or successfully respond to changes in the digital promotions market, our business could be harmed and our results of operations could be negatively impacted. For example, we are seeing a shift from digital paper coupons to digital paperless coupons. Our revenues may be harmed if we are unable to manage this transition and the growth of digital paperless coupons is slower than the decline in digital print coupons.

We depend in part on data-rights agreements with our retailer partners to power a range of products and the termination of such agreements or the failure to obtain additional data rights can severely impact our revenue and growth.

Retailer iQ, Quotient Insights and QMX are powered in part by data we obtain from our retailer partners. Our access to this data is governed by data-rights agreements with some of our retail partners. These data-rights agreements have complex rules and are required to be renewed periodically. If we fail to secure additional data rights, to renew expiring data-rights agreements, or if we are found to be in violation of any of our obligations under these agreements, we could lose access to retailer data. Without retailer data, Retailer IQ, Quotient Analytics, QMX and our targeted media offerings would be less valuable to our CPG customers and retail partners.

We expect a number of factors to cause our operating results to fluctuate on a quarterly and annual basis, which may make it difficult to predict our future performance.

Historically, our revenue growth has varied from quarter-to-quarter and year-to-year, and we expect that variability to continue. In addition, our operating costs and expenses have fluctuated in the past, and we anticipate that our costs and expenses will increase over time as we continue to invest in growing our business and incur additional costs of being a public company. Our operating results could vary significantly from quarter-to-quarter and year-to-year as a result of these and other factors, many of which are outside of our control, and as a result we have a limited ability to forecast the amount of future revenues and expenses, which may adversely affect our ability to predict financial results accurately, and we expect our operating results to vary from quarter-to-quarter, which may cause results to fall below our estimates or the expectations of public market analysts and investors. Fluctuations in our quarterly operating results may lead analysts to change their long-term models for valuing our common stock, cause us to face short-term liquidity issues, impact our ability to retain or attract key personnel or cause other unanticipated issues, all of which could cause our stock price and the trading price of the convertible senior notes to decline. As a result of the potential variations in our quarterly revenues and operating results, we believe that quarter-to-quarter comparisons of our revenues and operating results may not be meaningful and the results of any one quarter or historical patterns should not be considered indicative of our future sales activity, expenditure levels or performance.

In addition to other factors discussed in this section, factors that may contribute to the variability of our quarterly and annual results include:

- our ability to grow our revenues by increasing our share of CPG spending and the number of brands using our platform, including Retailer iQ, increasing media spending on our platform, further integrating with our retailers, adding new CPGs and retailers to our network and growing our current consumer base and expanding into new industry segments such as convenience, specialty/franchise retail, restaurants and entertainment;
- our ability to successfully respond to changes in the digital promotions and media market and continue to grow the market and demand for our platform;
- our ability to grow consumer selection and use of our digital promotion offerings and attract new consumers to our platform;
- the amount and timing of digital promotions and marketing campaigns by CPGs, which are affected by budget cycles, economic conditions, seasonality and other factors;
- the impact of global business or macroeconomic conditions, including the resulting effects on the level of coupon and trade promotion spending by CPGs and spending by consumers;
- the impact of competitors or competitive products and services, and our ability to compete in the digital promotions market;
- our ability to obtain and increase the number of high quality coupons;
- changes in consumer behavior with respect to digital promotions and how consumers access digital coupons and our ability to develop applications that are widely accepted and generate revenues for CPGs, retailers and us;
- the costs of investing, maintaining and enhancing our technology infrastructure;
- the costs of developing new products and solutions and enhancements to our platform;

- our ability to manage our growth, including scaling Retailer iQ, deploying and developing Quotient Insights, and growing QMX;

- the success of our sales and marketing efforts;
- the costs of acquiring new companies which we anticipate will help us grow our business;
- the costs of successfully integrating acquired companies and employees into our operations, including costs related to the integration of Crisp Mobile;
- government regulation of e-commerce and m-commerce and requirements to comply with security and privacy laws and regulations affecting our business, and changes in government regulation affecting our business or our becoming subject to new government regulation;
- our ability to deal effectively with fraudulent transactions or customer disputes;
- the attraction and retention of qualified employees and key personnel, which can be affected by changes in U.S. immigration policies;
- the effectiveness of our internal controls;
- increased legal, accounting and compliance costs associated with Section 404 of the Sarbanes-Oxley Act if we do not retain our "emerging growth company" status under the Jumpstart Our Business Startup Act of 2012, or the JOBS Act; and
- changes in accounting rules, tax laws or interpretations thereof.

The effects of these factors individually or in combination could cause our quarterly and annual operating results to fluctuate, and affect our ability to forecast those results and our ability to achieve those forecasts. 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 an indication of our future performance. This variability and unpredictability could also result in our failing to meet the expectations of our investors or financial analysts for any period. In addition, we may release guidance in our quarterly earnings conference calls, quarterly earnings releases, or otherwise, based on predictions of our management, which are necessarily uncertain in nature. Our guidance may vary materially from actual results. If our revenue or operating results, or the rate of growth of our revenue or operating results, fall below the expectations of our investors or financial analysts, or below any forecasts or guidance we may provide to the market, or if the forecasts we provide to the market are below the expectations of analysts or investors, the price of our common stock could decline substantially. Such a stock price decline could occur even when we have met our own or other publicly stated revenue or earnings forecasts. Our failure to meet our own or other publicly stated revenue or earnings forecasts, or even when we meet our own forecasts but fall short of analyst or investor expectations, could cause our stock price to decline and expose us to costly lawsuits, including securities class action suits. Such litigation against us could impose substantial costs and divert our management's attention and resources.

Our gross margins are dependent on many factors, some of which are not directly controlled by the Company.

The factors potentially affecting our gross margins include:

- our product mix since we have significant variations in our gross margin among products. Any substantial change in product mix could change our gross margin,
- evolving fee arrangements, because as we continue to scale customers on Retailer IQ we will continue to experiment with various fee arrangements (including volume based fees) which might have an impact on our gross margins;
- success of our pricing strategies, including our ROI-based pricing strategy; and
- pricing and acceptance of higher-margin new products.

Our inability to control any one of these factors could negatively impact our gross margins and operating results.

If the distribution fees that we pay as a percentage of our revenues increase, our gross profit and business will be harmed.

When we deliver a digital coupon on a retailer's website or mobile app or through its loyalty program, or the website or mobile app of a publisher, or through our Retailer iQ platform, and the consumer takes certain actions, we pay a distribution fee to the retailer or other publisher, which, in some cases may be prepaid prior to being incurred. Such fees have increased as a percentage of our revenues in recent periods. If such fees as a percentage of our revenues continue to increase, our cost of revenues as a percentage of revenues could increase and our operating results would be

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adversely affected. Additionally, if the adoption and usage of Retailer iQ does not meet projections, certain prepaid distribution fees with some of the retailers will not be recoverable and the distribution fee will increase as a percentage of revenue. During the third quarter of 2016, we recorded a one-time charge associated with certain distribution fees under an arrangement with a retailer partner that were deemed unrecoverable. We considered various factors in our assessment including our historical experience with the transaction volumes through the retailer and comparative retailers, ongoing communications with the retailer to increase its marketing efforts to promote the digital platform, as well as the projected revenues, and associated revenue share payments. Accordingly, during the third quarter of 2016, we recognized a loss of $7.4 million related to such distribution fee arrangement. At December 31, 2017 we had no prepaid non-refundable payments with our Retailer iQ partners.

If we fail to maintain and expand the use by consumers of digital coupons on our platform, our revenues and business will be harmed.

We must continue to maintain and expand the use by consumers of digital coupons in order to increase the attractiveness of our platform to CPGs and retailers and to increase revenues and achieve profitability. If consumers do not perceive that we offer a broad selection of relevant and high quality digital coupons, or that the usage of digital coupons is easy and convenient through our platform, we may not be able to attract or retain consumers on our platform. For instance, we are retiring our coupon printing software and if consumers who use that software do not move to our upgraded print solution or other products or their transition to our other products is slower than anticipated, our revenues could be adversely affected. Further, if there is increased competition for the trade promotions and marketing budgets of CPGs and retailers, the result could be increased pricing pressure. If we are unable to maintain and expand the use by consumers of digital coupons on our platform, including through our software-free print solution, updated Coupons.com mobile application and mobile cash back application, or if we do not do so to a greater extent than our competitors, CPGs may find that offering digital promotions on our platform does not reach consumers with the scale and effectiveness that is compelling to them. Likewise, if retailers find that using our platform, including Retailer iQ, does not increase sales of the promoted products and consumer loyalty to the retailer to the extent they expect, then the revenues we generate may not increase to the extent we expect or may decrease. Any of these would adversely affect our operating results.

If we are not successful in responding to changes in consumer behavior and do not develop products and solutions that are widely accepted and generate revenues, our results of operations and business could be adversely affected.

The methods by which consumers access digital coupons are varied and evolving. Our platform has been designed to engage consumers at the critical moments when they are choosing the products they will buy and where they will shop. Consumers can select our digital coupons both online through web and mobile and in-store. In order for us to maintain and increase our revenues, we must be a leading provider of digital coupons in each of the forms by which consumers access them. As consumer behavior in accessing digital coupons changes and new distribution channels emerge, if we do not successfully respond and do not develop products or solutions that are widely accepted and generate revenues we may be unable to retain consumers or attract new consumers and as a result, CPGs and retailers, and our business may suffer. As another example, we are seeing a transition from digital print coupons to digital paperless coupons. If we do not manage this transition and digital print transactions decline faster than digital paperless transactions increase, our revenues may be harmed.

Consumers are increasingly using mobile devices to access our content, and if we are unsuccessful in expanding the capabilities of our digital coupon solutions for our mobile platforms to allow us to generate net revenues as effectively as our website platforms, our net revenues could decline.

Web usage and the consumption of digital content are increasingly shifting from desktop to mobile platforms such as smartphones. The growth of our business depends in part on our ability to drive engagement, activation and shopping behavior for our retailers and CPGs through these new mobile channels. Our success on mobile platforms will be dependent on our interoperability with popular mobile operating systems that we do not control, such as Android and iOS, and any changes in such systems that degrade our functionality, ease of convenience or that give preferential treatment to competitive services could adversely affect usage of our services through mobile devices.

Further, to deliver high quality mobile offerings, it is important that our platform integrates with a range of other mobile technologies, systems, networks and standards that we do not control. We may not be successful in developing relationships with key participants in the mobile industry or in developing products that operate effectively with these technologies, systems, networks or standards. If we fail to achieve success with our mobile applications and mobile website, or if we otherwise fail to deliver effective solutions to CPGs and retailers for mobile platforms and other emerging platforms, our ability to monetize these growth opportunities will be constrained, and our business, financial condition and operating results would be adversely affected.

Our success on mobile platforms will also be dependent on our ability to develop features or products that will make our mobile platform attractive to, and drive engagement by, consumers. For example, we launched an updated Coupons.com mobile application in January 2017 providing enhanced functionality and features; however, there is no guarantee that consumers will adopt our mobile application or that it will result in increased engagement. If we fail to develop such features or products after investing in their development, our ability to monetize these growth opportunities will be constrained, and our business, financial condition and operating results would be adversely affected.

We depend in part on third-party advertising agencies as intermediaries, and if we fail to develop and maintain these relationships, our business may be harmed.

A growing portion of our business is conducted indirectly with third-party advertising agencies acting on behalf of CPGs and retailers. Third-party advertising agencies are instrumental in assisting CPGs and retailers to plan and purchase media and promotions, and each third-party advertising agency generally allocates media and promotion spend from CPGs and retailers across numerous channels. We are still developing relationships with, and do not have exclusive relationships with, third-party advertising agencies and we depend in part on third-party agencies to work with us as they embark on marketing campaigns for CPGs and retailers. While in most cases we have developed relationships directly with CPGs and retailers, we nevertheless depend in part on third-party advertising agencies to present to their CPG and retailer clients the merits of our platform. Inaccurate descriptions of our platform by third-party advertising agencies, over whom we have no control, negative recommendations regarding use of our service offerings or failure to mention our platform at all could hurt our business. In addition, if a third-party advertising agency is disappointed with our platform on a particular campaign or generally, we risk losing the business of the CPG or retailer for whom the campaign was run, and of other CPGs and retailers represented by that agency. Since many third-party advertising agencies are affiliated with other third-party agencies in a larger corporate structure, if we fail to develop and maintain good relations with one third-party advertising agency in such an organization, we may lose business from the affiliated third-party advertising agencies as well.

Our sales could be adversely impacted by industry changes relating to the use of third-party advertising agencies. For example, if CPGs or retailers seek to bring their campaigns in-house rather than using an agency, we would need to develop direct relationships with the CPGs or retailers, which we might not be able to do and which could increase our sales and marketing expenses. Moreover, to the extent that we do not have a direct relationship with CPGs or retailers, the value we provide to CPGs and retailers may be attributed to the third-party advertising agency rather than to us, further limiting our ability to develop long-term relationships directly with CPG and retailers. CPGs and retailers may move from one third-party advertising agency to another, and we may lose the underlying business. The presence of third-party advertising agencies as intermediaries between us and the CPGs and retailers thus creates a challenge to building our own brand awareness and affinity with the CPGs and retailers that are the ultimate source of our revenues. In addition, third-party advertising agencies conducting business with us may offer their own digital promotion solutions. As such, these third-party advertising agencies are, or may become, our competitors. If they further develop their own capabilities they may be more likely to offer their own solutions to advertisers, and our ability to compete effectively could be significantly compromised and our business, financial condition and operating results could be adversely affected.

Competition presents an ongoing threat to the success of our business.

We expect competition in digital promotions to continue to increase. The market for digital promotions is competitive, fragmented and rapidly changing. We compete against a variety of companies with respect to different aspects of our business, including:

- traditional offline coupon and discount services, as well as newspapers, magazines and other traditional media companies that provide coupon promotions and discounts on products and services in free standing inserts or other forms, including Valassis Communications, Inc., News America Marketing Interactive, Inc. and Catalina Marketing

Corporation;

- providers of digital coupons such as Valassis' Redplum.com, Catalina Marketing Corporation's Cellfire, News America Marketing's SmartSource., Inmar, You Technology, and companies that offer coupon codes such as RetailMeNot, Inc., Groupon, Inc., Exponential Interactive, Inc.'s TechBargains.com, Savings.com, Inc and Ebates Performance Marketing, Inc., companies that offer cash back solutions such as iBotta, Inc., and News America Marketing's Checkout 51, and companies providing other e-commerce based services that allow consumers to obtain direct or indirect discounts on purchases;
- Internet sites and blogs that are focused on specific communities or interests that offer coupons or discount arrangements related to such communities or interests;

- companies offering online and marketing services to retailers and CPGs, such as MyWebGrocer, Inc. and Flipp Corp.; and
- companies offering media services, such as Triad Media Inc. and Rich Relevance, Inc.

We believe the principal factors that generally determine a company's competitive advantage in our market include the following:

- scale and effectiveness of reach in connecting CPGs and retailers to consumers in a digital manner, through web, mobile and other online properties;
- ability to attract consumers to use digital coupons delivered by it;
- platform security, scalability, reliability and availability;
- number of channels by which a company engages with consumers;
- integration of products and solutions;
- rapid deployment of products and services for customers;
- breadth, quality and relevance of the Company's digital coupons;
- ability to deliver high quality and increasing number of digital coupons that are widely available and easy to use in consumers' preferred form;
- integration with retailer applications and point of sales systems;
- brand recognition and reputation;
- quality of tools, reporting and analytics for planning, development and optimization of promotions; and
- breadth and expertise of the Company's sales organization.

We are subject to competition from large, well-established companies which have significantly greater financial, marketing and other resources than we do and have offerings that compete with our platform or may choose to offer digital promotions as an add-on to their core business on their own or in partnership with one of our competitors that would directly compete with ours. Many of our larger actual and potential competitors have the resources to significantly change the nature of the digital promotions industry to their advantage, which could materially disadvantage us. For example, Google, Yahoo!, Microsoft and Facebook and online retailers such as Amazon have highly trafficked industry platforms which they have leveraged, or could leverage, to distribute digital coupons or other digital promotions that could negatively affect our business. In addition, these potential competitors may be able to respond more quickly than we can to new or emerging technologies and changes in consumer habits. These competitors may engage in more extensive research and development efforts, undertake more far-reaching marketing campaigns and adopt more aggressive pricing policies, which may allow them to attract more consumers and, as a result, more CPGs and retailers, or generate revenues more effectively than we do. Our competitors may offer digital coupons that are similar to the digital coupons we offer or that achieve greater market acceptance than those we offer. We are also subject to competition from smaller companies that launch similar or new products and services that we do not offer and that could gain market acceptance.

Our success depends on the effectiveness of our platform in connecting CPGs and retailers with consumers and with attracting consumer use of the digital coupons delivered through our platform. To the extent we fail to provide digital coupons for high quality, relevant products, or otherwise fail to successfully reach consumers on their mobile device or elsewhere, consumers may become dissatisfied with our platform and decide not to use our digital coupons and elect to use the digital coupons distributed by one of our competitors. As a result of these factors, our CPGs and retailers may not receive the benefits they expect, and CPGs may use the offerings of one of our competitors, and retailers may elect to handle coupons themselves or exclude us from integrating with their in-store and point of sale systems or consumer channels, and our operating results would be adversely affected. Similarly, if retailers elect to use a competitive distribution network or platform, and we do not have, or fail to maintain, an agreement to distribute content through that network or platform, CPGs may elect to provide digital coupons directly to that network or platform, instead of through our platform. If retailers and CPGs require our platform to integrate with competitive offerings instead of using our products, we could lose some of our competitive advantage and our business could be harmed.

We also face significant competition for trade promotion and marketing spending. We compete against online and mobile businesses, including those referenced above, and traditional advertising outlets, such as television, radio and print, for trade promotion and marketing spending. In order to grow our revenues and improve our operating results, we must increase our share of CPG spending on digital coupons and media relative to traditional sources and relative to our competitors, many of whom are larger companies that offer more traditional and widely accepted media products.

We also directly and indirectly compete with retailers for consumer traffic. Many retailers market and offer their own digital coupons directly to consumers using their own websites, email newsletters and alerts, mobile applications and social media channels. Additionally, some retailers also market and offer their own digital coupons directly to consumers using our platform for which we earn no revenue. Our retailers could be more successful than we are at marketing their own digital coupons and could decide to terminate their relationship with us.

We may face competition from companies we do not yet know about. If existing or new companies develop, market or offer competitive digital coupon solutions, acquire one of our existing competitors or form a strategic alliance with one of our competitors, our ability to compete effectively could be significantly compromised and our operating results could be harmed.

The success and scale of Retailer iQ depends, in part, on the level of commitment and support by retailers.

If retailers do not commit sufficient time, resources and funds towards the marketing of their digital promotions and programs on Retailer iQ, the growth and scale of Retailer iQ and its penetration into the consumer market will be adversely affected. Further, the successful implementation of Retailer iQ requires integration with a retailer's point of sales system, loyalty programs and consumer channels. These integration efforts require time and effort from both the retailer and ourselves, which also involves our working with third-party systems and solutions, some of whom may be our competitors. We may not be able to integrate and launch Retailer iQ with a retailer's systems in a timely and efficient manner. If we are unable to successfully implement Retailer iQ, which includes increased consumer adoption of Retailer iQ, or it is not adopted, marketed and supported with sufficient resources by retailers, the success and scale of Retailer iQ will be adversely affected, impacting the recoverability of certain prepaid non-refundable payments with some of our retail partners and our revenues and business may suffer.

Acquisitions, joint ventures and strategic investments could result in operating difficulties, dilution and other harmful consequences.

We expect to evaluate and consider a wide array of potential strategic transactions, including acquisitions and dispositions of businesses, joint ventures, technologies, services, products and other assets and strategic investments. At any given time, we may be engaged in discussions or negotiations with respect to one or more of these types of transactions. Any of these transactions could be material to our financial condition and results of operations. We have limited experience managing acquisitions and integrating acquired businesses and our ability to successfully integrate acquisitions is unproven. The process of integrating any acquired business may create unforeseen operating difficulties and expenditures and is itself risky. The areas where we may face difficulties include:

- expected and unexpected costs incurred in identifying and pursuing strategic transactions and performing due diligence regarding potential strategic transactions that may or may not be successful;
- failure of an acquired company to achieve anticipated revenue, earnings, cash flows or other desired technological and business goals;
- effectiveness of our due diligence review and our ability to evaluate the results of such due diligence, which are dependent upon the accuracy and completeness of statements and disclosures made by the acquired company;
- diversion of management time, as well as a shift of focus from operating the businesses to issues related to integration and administration;
- the need to integrate the acquired company's accounting, management, information, human resource and other administrative systems to permit effective management, and the lack of control if such integration is delayed or not implemented;
- retention of key employees from the acquired company and cultural challenges associated with integrating employees from the acquired company into our organization;

- the need to implement or improve controls, procedures and policies appropriate for a public company at companies that prior to acquisition had lacked such controls, procedures and policies;
- in some cases, the need to transition operations and customers onto our existing platforms;
- liability for activities of the acquired company before the acquisition, including violations of laws, rules and regulations, commercial disputes, tax liabilities and other known and unknown liabilities;

- write-offs or charges related to acquired assets or goodwill; and
- litigation or other claims in connection with the acquired company, including claims from terminated employees, users, former stockholders or other third parties and intellectual property infringement claims.

For example, we have acquired businesses whose technologies are new to us and with which we did not have significant experience. We have made and are making investments of resources to support such acquisitions, which will result in ongoing operating expenses and may divert resources and management attention from other areas of our business. We cannot assure you that these investments and the integration of these acquisitions will be successful. If we fail to successfully integrate the companies we acquire, we may not realize the benefits expected from the transaction and our business may be harmed.

Our failure to address these risks or other problems encountered in connection with our past or future acquisitions and investments could cause us to fail to realize the anticipated benefits of any or all of our acquisitions or joint ventures, or we may not realize them in the time frame expected or cause us to incur unanticipated liabilities, and harm our business. Future acquisitions or joint ventures may require us to issue dilutive additional equity securities, spend a substantial portion of our available cash, incur debt or contingent liabilities, amortize expenses related to intangible assets or incur incremental operating expenses or write-offs of goodwill or impaired acquired intangible assets, which could adversely affect our results of operations and harm our business.

If we fail to effectively manage our growth, our business and financial performance may suffer.

We have significantly expanded our operations and anticipate expanding further to pursue our growth strategy. Such expansion increases the complexity of our business and places significant demands on our management, operations, technical performance, financial resources and internal control over financial reporting functions. Continued growth could strain our ability to deliver digital coupons and media on our platform, develop and improve our operational, financial, legal and management controls, and enhance our reporting systems and procedures. Failure to manage our expansion may limit our growth, damage our reputation and negatively affect our financial performance and harm our business.

To effectively manage this growth, we will need to continue to improve our operational, financial and management controls, and our reporting systems and procedures. If we do not effectively manage the growth of our business and operations the scalability of our business and our operating results could suffer.

Our current and planned personnel, systems, procedures and controls may not be adequate to support and effectively manage our future operations. We may not be able to hire, train, retain, motivate and manage required personnel. As we continue to grow, we must effectively integrate, develop and motivate a large number of new employees. We intend to continue to expand our research and development, sales and marketing, and general and administrative organizations, and over time, expand our international operations. To attract top talent, we have had to offer, and believe we will need to continue to offer, highly competitive compensation packages before we can validate the productivity of those employees. If we fail to effectively manage our hiring needs and successfully integrate our new hires, our efficiency and ability to meet our forecasts and our employee morale, productivity and retention could suffer, and our business and operating results could be adversely affected.

Providing our products and services to our CPGs, retailers and consumers is costly and we expect our expenses to continue to increase in the future as we grow our business with existing and new CPGs and retailers and develop new products and services that require enhancements to our technology infrastructure. In addition, our operating expenses, such as our sales, marketing and engineering expenses are expected to continue to grow to support our anticipated future growth. As a result of the requirements of being a public company we incur significant legal, accounting and other expenses. Our expenses may grow faster than our revenues, and our expenses may be greater than we anticipate. Managing our growth will require significant expenditures and allocation of valuable management resources. If we fail to achieve the necessary level of efficiency in our organization as it grows, our business, operating results and financial condition would be harmed.

If we do not effectively grow and train our sales and media teams, we may be unable to grow our business with CPGs and retailers and our business will be adversely affected.

We continue to be dependent on our sales and media teams to obtain new CPGs and retailers and to drive sales from our existing CPGs and retailers. We believe that there is significant competition for sales and media personnel with the skills and technical knowledge that we require. Our ability to achieve significant revenue growth will depend, in large part, on our success in recruiting, training, integrating and retaining sufficient numbers of sales and media personnel to support our growth. New hires require significant training and it may take time before they achieve full productivity. Our recent hires and planned hires may not become productive as quickly as we expect, and we may be unable to hire or retain sufficient numbers of qualified individuals in the markets where we do business or plan to do business. In addition, if we continue to grow rapidly, a large percentage of our sales and media teams will be new to the Company and our solution. If we are unable to hire and train sufficient numbers of effective sales and media personnel, or the sales and media personnel are not successful in obtaining new CPGs and retailers or increasing sales to our existing CPGs and retailers, our business will be adversely affected.

Our sales cycle with new CPGs and retailers is long and unpredictable and may require us to incur expenses before executing a customer agreement, which makes it difficult to project when, if at all, we will obtain new CPGs and retailers and when we will generate additional revenues from those customers.

We market our services and products directly to CPGs and retailers. New CPG and retailer relationships typically take time to obtain and finalize. A significant time period may pass between selection of our services and products by key decision-makers and the signing of a contract. The length of time between the initial sales call and the realization of a final contract is difficult to predict. As a result, it is difficult to predict when we will obtain new CPGs and retailers and when performance and delivery of services will be initiated with these potential CPGs and retailers. As part of our sales cycle, we may incur significant expenses before executing a definitive agreement with a prospective CPG or retailer and before we are able to generate any revenues from such agreement. If conditions in the marketplace generally or with a specific prospective CPG or retailer change negatively, it is possible that no definitive agreement will be executed, and we will be unable to recover any expenses incurred before a definitive agreement is executed, which would in turn have an adverse effect on our business, financial condition and results of operations.

Our business depends on our ability to maintain and scale the network infrastructure necessary to operate our platform, including our websites, mobile applications and Retailer iQ platform, and any significant disruption in service could result in a loss of CPGs, retailers and consumers.

We deliver digital coupons via our platform, including over our websites and mobile applications, as well as through those of our CPGs and retailers and our publishers and other third parties. Our reputation and ability to acquire, retain and serve CPGs and retailers, as well as consumers who use digital coupons or view media on our platform are dependent upon the reliable performance of our platform. As the number of our CPG customers, retailers and consumers and the number of digital promotions and information shared through our platform continue to grow, we will need an increasing amount of network capacity and computing power. Our technology infrastructure is hosted across two data centers in co-location facilities in California and Nevada. In addition, we use two other co-location facilities in California and Virginia to host our Retailer iQ platform. We have spent and expect to continue to spend substantial amounts in our data centers and equipment and related network infrastructure to handle the traffic on our platform. The operation of these systems is expensive and complex and could result in operational failures. In the event that the number of transactions or the amount of traffic on our platform grows more quickly than anticipated, we may be required to incur significant additional costs. Interruptions in these systems or service disruptions, whether due to system failures, computer viruses, malware, ransomware, denial of service attacks, attempts to degrade or disrupt services, or physical or electronic break-ins, could affect the security or availability of our websites and platform, and prevent CPGs, retailers or consumers from accessing our platform. A substantial portion of our network infrastructure is hosted by third-party providers. Any disruption in these services or any failure of these providers to handle existing or increased traffic could significantly harm our business. Any financial or other difficulties these providers face may adversely affect our business, and we exercise little control over these providers, which increases our vulnerability to problems with the services they provide. If we do not maintain or expand our network infrastructure successfully or if we experience operational failures, we could lose current and potential CPGs and retailers and consumers, which could harm our operating results and financial condition.

If our websites or those of our publishers fail to rank prominently in unpaid search results from search engines like Google, Yahoo! and Bing, traffic to our websites could decline and our business would be adversely affected.

Our success depends in part on our ability to attract consumers through unpaid Internet search results on search engines like Google, Yahoo! and Bing. The number of consumers we attract to our websites from search engines is due in large part to how and where our websites rank in unpaid search results. These rankings can be affected by a number of factors, many of which are not in our direct control, and they may change frequently. For example, major search engines frequently modify their ranking algorithms, methodologies or design layouts. As a result, links to our websites may not be prominent enough to drive traffic to our websites or we may receive less favorable placement which could reduce traffic to our website, and we may not know how or otherwise be in a position to influence the results. In some instances, search engine companies may change these rankings in order to promote their own competing products or services or the products or services of one or more of our competitors. Our websites have experienced fluctuations in search result rankings in the past, and we anticipate fluctuations in the future. For example, the search result rankings of our websites have fallen relative to the same time last year. In addition, websites must comply with search engine guidelines and policies. These guidelines and policies are complex and may change at any time. If we fail to follow such guidelines and policies properly, search engines may rank our content lower in search results or could remove our content altogether from their index. Moreover, the use of voice recognition technology, such as Alexa, Google Assistant or Siri, may drive traffic away from search engines, which could reduce traffic to our website. Any reduction in the number of consumers directed to our websites could reduce the effectiveness of our coupon codes for specialty retailers and digital promotions for CPGs and retailers and could adversely impact our business and results of operations. It could also reduce our ability to sell media advertising on our sites, which would negatively impact revenues and harm our business.

If we fail to continue to obtain and increase the number of high quality coupons through our platform, our revenue growth or our revenues may be harmed.

We generally generate revenues as consumers select, or activate, a digital coupon through our platform. Our business model depends upon the availability of high quality and increasing number of digital coupons. CPGs and retailers have a variety of channels through which to promote their products and services. If CPGs and retailers elect to distribute their digital coupons through other channels or not to promote digital coupons at all, or if our competitors are willing to accept lower prices than we are, our ability to obtain high quality digital coupons available on our platform may be impeded and our business, financial condition and operating results will be adversely affected. If we cannot maintain sufficient digital coupons inventory to offer through our platform, consumers may perceive our service as less relevant, consumer traffic to our websites and those of our publishers will decline and, as a result, CPGs and retailers may decrease their use of our platform to deliver digital coupons and our revenue growth or revenues may be harmed.

Our business relies in part on electronic messaging, including emails and SMS text messages, and any technical, legal or other restrictions on the sending of electronic messages or an inability to timely deliver such communications could harm our business.

Our business is in part dependent upon electronic messaging. We provide emails, mobile alerts and other messages to consumers informing them of the digital coupons on our websites, and we believe these communications help generate a significant portion of our revenues. We also use electronic messaging, in part, as part of the consumer sign-up and verification process. Because electronic messaging services are important to our business, if we are unable to successfully deliver electronic messages to consumers, if there are legal restrictions on delivering these messages to consumers, or if consumers do not or cannot open our messages, our revenues and profitability could be adversely affected. Changes in how webmail applications or other email management tools organize and prioritize email may result in our emails being delivered or routed to a less prominent location in a consumer’s inbox or viewed as “spam” by consumers and may reduce the likelihood of that consumer opening our emails. Actions taken by third parties that block, impose restrictions on or charge for the delivery of electronic messages could also harm our business. From time to time, Internet service providers or other third parties may block bulk email transmissions or otherwise experience technical difficulties that result in our inability to successfully deliver emails or other messages to consumers.

Changes in laws or regulations, or changes in interpretations of existing laws or regulations, including the Telephone Consumer Protection Act, “or the TCPA” in the United States and laws regarding commercial electronic messaging in other jurisdictions, that would limit our ability to send such communications or impose additional requirements upon us in connection with sending such communications could also adversely impact our business. For example, the Federal Communications Commission amended certain of its regulations under the TCPA in recent years in a manner that could increase our exposure to liability for certain types of telephonic communication with customers, including but not limited to text messages to mobile phones. Under the TCPA, plaintiffs may seek actual monetary loss or statutory damages of $500 per violation, whichever is greater, and courts may treble the damage award for willful or knowing violations. Given the enormous number of communications we send to consumers, a determination that there have been violations of the TCPA or other communications-based statutes could expose us to significant damage awards that could, individually or in the aggregate, materially harm our business. Moreover, even if we prevail, such litigation against us could impose substantial costs and divert our management’s attention and resources.

We also rely on social networking messaging services to send communications. Changes to these social networking services' terms of use or terms of service that limit promotional communications, restrictions that would limit our ability or our customers' ability to send communications through their services, disruptions or downtime experienced by these social networking services or reductions in the use of or engagement with social networking services by customers and potential customers could also harm our business.

We rely on a third-party service for the delivery of daily emails and other forms of electronic communication, and delay or errors in the delivery of such emails or other messaging we send may occur and be beyond our control, which could damage our reputation or harm our business, financial condition and operating results. If we were unable to use our current electronic messaging services, alternate services are available; however, we believe our sales could be impacted for some period as we transition to a new provider, and the new provider may be unable to provide equivalent or satisfactory electronic messaging service. Any disruption or restriction on the distribution of our electronic messages, termination or disruption of our relationship with our messaging service providers, including our third-party service that delivers our daily emails, or any increase in our costs associated with our email and other messaging activities could harm our business.

We are dependent on technology systems and electronic communications networks that are supplied and managed by third parties, which could result in our inability to prevent or respond to disruptions in our services.

Our ability to provide services to consumers depends on our ability to communicate with CPGs, retailers and customers through the public Internet and electronic networks that are owned and operated by third parties. Our products and services also depend on the ability of our users to access the public Internet. In addition, in order to provide services promptly, our computer equipment and network servers must be functional 24 hours per day, which requires access to telecommunications facilities managed by third parties and the availability of electricity, which we do not control. A severe disruption of one or more of these networks, including as a result of utility or third-party system interruptions, could impair our ability to process information, which could impede our ability to provide digital promotions to consumers, harm our reputation, result in a loss of customers or CPGs and retailers and adversely affect our business and operating results.

If our security measures are compromised or information we collect and maintain otherwise is compromised or publicly exposed, CPGs, retailers and consumers may curtail or stop using our platform.

We collect and maintain data about consumers, including personally identifiable information, as well as other confidential or proprietary information. Like all businesses that use computer systems and the Internet, our security measures, and those of our third-party service providers, may not detect or prevent all attempts to hack our systems, denial-of-service attacks, viruses, malicious software, break-ins, phishing attacks, social engineering, security breaches or other attacks and similar disruptions that may jeopardize the security of information stored in or transmitted by our systems or solutions or that we or our third-party service providers otherwise maintain, including payment systems, any of which could lead to interruptions, delays, or website shutdowns, causing loss of critical data or the unauthorized disclosure or use of personally identifiable or other confidential information, or subject us to fines or higher transaction fees or limit or result in the termination of our access to certain payment methods. If we experience compromises to our security that result in performance or availability problems, the complete shutdown of one or more of our websites and mobile applications or the loss or unauthorized access to or disclosure of confidential information, CPGs, retailers, and consumers may lose trust and confidence in us and decrease their use of our platform or stop using our platform entirely.

Because the techniques used to obtain unauthorized access are often sophisticated and change frequently, neither we nor third-party service providers can guarantee that our systems will not be breached. In addition, consumer information including email addresses, phone numbers and data on consumer usage of our websites and mobile applications could be hacked, hijacked, altered or otherwise claimed or controlled by unauthorized persons. Security breaches can also occur as a result of nontechnical issues, including intentional or inadvertent breaches by our employees or by persons with whom we have commercial relationships. Any or all of these issues, or the perception that any of them has occurred, even if inaccurate, could negatively impact our reputation and our ability to attract and retain CPGs and retailers as well as consumers or could reduce the frequency with which our platform is used, cause existing or potential CPG or retailer customers to cancel their contracts or subject us to third-party lawsuits, regulatory fines or other action or liability, thereby harming our results of operations.

Remediation of any potential cyber security breach may involve significant time, resources, and expenses, which may result in potential regulatory inquiries, litigation or other investigations, and can affect our financial and operational condition.

Failure to deal effectively with fraudulent or other improper transactions could harm our business.

Digital coupons are issued in the form of redeemable coupons or coupon codes with unique identifiers. It is possible that third parties may create counterfeit digital coupons or coupon codes or exceed print or use limits in order to fraudulently or improperly claim discounts or credits for redemption. It is possible that individuals will circumvent our anti-fraud systems using increasingly sophisticated methods or methods that our anti-fraud systems are not able to counteract. Further, we may not detect any of these unauthorized activities in a timely manner. Third parties who succeed in circumventing our anti-fraud systems may sell the fraudulent or fraudulently obtained digital coupons on social networks, which would damage our brand and relationships with CPGs and harm our business. Legal measures we take or attempt to take against these third parties may be costly and may not be ultimately successful. In addition, our service could be subject to employee fraud or other internal security breaches, and we may be required to reimburse CPGs and retailers for any funds stolen or revenues lost as a result of such breaches. Our CPGs and retailers could also request reimbursement, or stop using digital coupons, if they are affected by buyer fraud or other types of fraud. We may incur significant losses from fraud and counterfeit digital coupons. If our anti-fraud technical and legal measures do not succeed, our business will suffer.

Factors adversely affecting performance marketing programs and our relationships with performance marketing networks and brand partners, or the termination of these relationships, may adversely affect our ability to attract and retain merchants and our coupon codes business.

A portion of our business is based upon consumers using coupon codes from specialty retailers in connection with the purchase of goods or services. The commissions we earn for coupon codes accessed through our platform are tracked by performance marketing networks. Third-party performance marketing networks provide publishers with affiliate tracking links that allow for revenues to be attributed to publishers. When a consumer executes a purchase on a publisher’s website as a result of a performance marketing program, most performance marketing conversion tracking tools credit the most recent link or ad clicked by the consumer prior to that purchase. This practice is generally known as “last-click attribution.” We generate revenues through transactions for which we receive last-click attribution. Risks that may adversely affect our performance marketing programs and our relationships with performance marketing networks include the following, some of which are outside our control:

- we may not be able to adapt to changes in the way in which CPGs and merchants attribute credit to us in their performance marketing programs, whether it be “first-click attribution” or “multichannel attribution,” which applies weighted values to each of a retailer’s advertisements and tracks how each of those advertisements contributed to a purchase, or otherwise;
- we may not receive revenue if consumers make purchases from their mobile devices as many retailers currently do not recognize affiliate tracking links on their mobile-optimized websites or applications, and tracking mechanisms on mobile websites or applications may not function to allow retailers to properly attribute sales to us;
- we may not generate revenue if consumers use mobile devices for shopping research but make purchases using coupon codes found on our sites in ways where we do not get credit;
- refund rates for products delivered on merchant sites may be greater than we estimate;
- performance marketing networks may not provide accurate and timely reporting on which we rely, we could fail to properly recognize and report revenues and misstate financial reports, projections and budgets and misdirect our advertising, marketing and other operating efforts for a portion of our business;
- we primarily rely on a small number of performance marketing networks in non-exclusive arrangements, the loss of which could adversely affect our coupon codes business;
- we primarily rely, in connection with our search engine marketing business, on a small number of brand partners that work with us in non-exclusive arrangements, the loss of which could adversely affect our coupon codes business;
- industry changes relating to the use of performance marketing networks could adversely impact our commission revenues;

- to the extent performance marketing networks serve as intermediaries between us and merchants, it may create challenges to building our own brand awareness and affinity with merchants, and the termination of our relationship with the performance marketing networks would terminate our ability to receive payments from merchants we service through that network; and
- performance marketing networks may compete with us.

While coupon codes from specialty retailers represent a declining portion of our business, any of these risks could adversely affect our revenues in this area.

Our business is subject to complex and evolving laws, regulations and industry standards, and unfavorable interpretations of, or changes in, or failure by us to comply with these laws, regulations and industry standards could substantially harm our business and results of operations.

We are subject to a variety of federal, state, local and municipal laws, regulations and industry standards that relate to privacy, electronic communications, data protection, intellectual property, e-commerce, competition, price discrimination, consumer protection, taxation, and the use of promotions. Many of these laws, regulations, and standards are still evolving and being tested in courts and industry standards are still developing. Our business, including our ability to operate and expand, could be adversely affected if legislation, regulations or industry standards are adopted, interpreted or implemented in a manner that is inconsistent with our current business practices and that require changes to these practices or the design of our platform. Existing and future laws, regulations and industry standards could restrict our operations, and our ability to retain or increase our CPGs and retailers and consumers’ use of digital promotions delivered on our platform may be adversely affected and we may not be able to maintain or grow our revenues as anticipated.

If the use of third-party cookies is rejected by Internet users, restricted by third parties outside of our control, or otherwise subject to unfavorable regulation, our performance could decline and we could lose customers and revenue.

We use small text files (referred to as "cookies"), placed through an Internet browser on an Internet user's computer and correspond to a data set that we keep on our servers, to gather important data to help deliver our solution. Certain of our cookies, including those that we predominantly use in delivering our solution, are known as "third-party" cookies because they are delivered where we do not have a direct relationship with the Internet user. Our cookies collect anonymous information, such as when an Internet user views an advertisement, clicks on an advertisement, or visits one of our advertisers' websites. On mobile devices, we may also obtain location based information about the user's device through our cookies. We use these cookies to achieve our customers' campaign goals, to ensure that the same Internet user does not unintentionally see the same media too frequently, to report aggregate information to our customers regarding the performance of their digital promotions and marketing campaigns, and to detect and prevent fraudulent activity throughout our network. We also use data from cookies to help us decide whether and how much to bid on an opportunity to place an advertisement in a certain Internet location and at a given time in front of a particular Internet user. A lack of data associated with or obtained from cookies may significantly detract from our ability to make decisions about which inventory to purchase for an advertiser's campaign and may undermine the effectiveness of our solution and harm our business.

Cookies may easily be deleted or blocked by Internet users. All of the most commonly used Internet browsers (including Chrome, Firefox, Internet Explorer, and Safari) allow Internet users to prevent cookies from being accepted by their browsers. Internet users can also delete cookies from their computers at any time. Some Internet users also download "ad blocking" software that prevents cookies from being stored on a user's computer. If more Internet users adopt these settings or delete their cookies more frequently than they currently do, our business could be harmed. In addition, the Safari browser blocks third-party cookies by default, the developers of the Firefox browser have announced that a future version of the Firefox browser will also block third-party cookies by default, and other browsers may do so in the future. Unless such default settings in browsers were altered by Internet users to permit the placement of third-party cookies, we would be able to set fewer of our cookies in users’ browsers, which could adversely affect our business. In addition, companies such as Google have publicly disclosed their intention to move away from cookies to another form of persistent unique identifier, or ID, to identify individual Internet users or Internet-connected devices in the bidding process on advertising exchanges. If companies do not use shared IDs across the entire ecosystem, this could have a negative impact on our ability to find the same anonymous user across different web properties, and reduce the effectiveness of our solution.

In addition, in the European Union, or EU, Directive 2009/136/EC, commonly referred to as the "Cookie Directive," directs EU member states to ensure that accessing information on an Internet user's computer, such as through a cookie, is allowed only if the Internet user has appropriately given his or her consent. Additionally, an ePrivacy Regulation, which would replace the Cookie Directive with requirements that would be stricter in certain respects, apply directly to activities within the EU, and would impose stricter requirements and additional penalties for noncompliance, has been proposed, although at this time it is unclear whether it will be approved or when its requirements would be effective. We may experience challenges in obtaining appropriate consent to our use of cookies from consumers within the EU, which may affect our operating results and business in European markets, and we may not be able to develop or implement additional tools that compensate for the lack of data associated with cookies. Moreover, even if we are able to do so, such additional tools may be subject to further regulation, time consuming to develop or costly to obtain, and less effective than our current use of cookies.

Failure to comply with federal, state and international privacy, data protection, marketing and consumer protection laws, regulations and industry standards, or the expansion of current or the enactment or adoption of new privacy, data protection, marketing and consumer protection laws, regulations or industry standards, could adversely affect our business.

We are subject to a variety of federal, state and international laws, regulations and industry standards regarding privacy, data protection, data security, marketing and consumer protection, which address the collection, storing, sharing, using, processing, disclosure and protection of data relating to individuals, as well as the tracking of consumer behavior and other consumer data. Many of these laws, regulations and industry standards are changing and may be subject to differing interpretations, costly to comply with or inconsistent among countries and jurisdictions. For example, the Federal Trade Commission, or the FTC, expects companies like ours to comply with guidelines issued under the Federal Trade Commission Act that govern the collection, use, disclosure, and storage of consumer information, and establish principles relating to notice, consent, access and data integrity and security. The laws and regulations in many foreign countries relating to privacy, data protection, data security, marketing and consumer protection often are more restrictive than in the United States, and may in some cases be interpreted to have a greater scope. Additionally, the laws, regulations and industry standards, both foreign and domestic, relating to privacy, data protection, data security, marketing and consumer protection are dynamic and may be expanded or replaced by new laws, regulations or industry standards. We believe our policies and practices comply in all material respects with applicable privacy, data protection, data security, marketing and consumer protection guidelines, laws and regulations. However, if our belief is incorrect, or if these guidelines, laws or regulations or their interpretation change or new legislation or regulations are enacted, we may be compelled to provide additional disclosures to our consumers, obtain additional consents from our consumers before collecting, using, or disclosing their information or implement new safeguards to help our consumers manage our use of their information, among other changes.

Various industry standards on privacy have been developed and are expected to continue to develop, which may be adopted by industry participants at any time. We are subject to the terms of our privacy policies and obligations to third parties relating to privacy, data protection and data security, including contractual obligations relating to privacy rights, data protection, data use and data security measures. Certain of our solutions, including Retailer iQ and Quotient Insights, depend in part on our ability to use data that we obtain in connection with our offerings, and our ability to use this data may be subject to restrictions in our commercial agreements and subject to the privacy policies of the entities that provide us with this data. Our failure to adhere to these third-party restrictions on data use may result in claims, proceedings or actions against us by our business counterparties or other parties, or other liabilities, including loss of business, reputational damage, and remediation costs, which could adversely affect our business.

We strive to comply with applicable laws, policies, contractual and other legal obligations and certain applicable industry standards of conduct relating to privacy, data security, data protection, marketing and consumer protection. However, these obligations and standards of conduct often are complex and difficult to comply with fully, and it is possible that these obligations and standards of conduct may be interpreted and applied in new ways and/or in a manner that is inconsistent with each other or that new laws, regulations or other obligations may be enacted. It is possible that our practices may be argued or held to conflict with applicable laws, policies, contractual or other legal obligations, or applicable industry standards of conduct relating to privacy, data security, data protection, marketing or consumer protection. Any failure, or perceived failure, by us to comply with our posted privacy policies or with any data-related consent orders, FTC, other regulatory requirements or orders or other federal, state or, as we continue to expand internationally, international privacy, data security, data protection, marketing or consumer protection-related laws, regulations, contractual obligations or self-regulatory principles or other industry standards could result in claims, proceedings or actions against us by governmental entities or others or other liabilities or could result in a loss of consumers using our digital coupons or loss of CPGs and retailers. Any of these circumstances could adversely affect our business. Further, if third parties we work with violate applicable laws, our policies or other privacy-related obligations, such violations may also put our consumers' information at risk and could in turn have an adverse effect on our business.

With respect to personal data transfers from the European Economic Area, or EEA, we have previously relied on compliance with the U.S.-EU and U.S.-Swiss Safe Harbor Frameworks as agreed to and set forth by the U.S. Department of Commerce, and the EU and Switzerland, which legitimized the transfer of personally identifiable information by U.S. companies doing business in Europe from the EEA and Switzerland to the U.S. In October 2015, a decision of the Court of Justice of the European Union, or CECJ, deemed the U.S.-EU Safe Harbor Framework an invalid method of compliance with restrictions set forth in the Data Protection Directive (and member states' implementations thereof) regarding the transfer of data outside of the EEA. U.S. and EU authorities reached a political agreement in February 2016 regarding a new means for legitimizing personal data transfers from the EEA to the U.S., the EU-U.S. Privacy Shield. It is unclear, however whether the EU-U.S. Privacy Shield will serve as an appropriate means for us to legitimize personal data transfers from the EEA and Switzerland to the U.S. We have engaged in certain actions in an effort to legitimize our transfers of personal data from Europe to the U.S., and we anticipate engaging in additional activities in an effort to do so going forward. We may continue to be unsuccessful in establishing legitimate means of transferring all personal data from Europe to the U.S., we may experience reluctance or refusal by European consumers, retailers or CPGs to continue to use our solutions due to the potential risk exposure to such individuals and organizations as a result of the CECJ's ruling, and we and our CPG and retailer partners are at risk of enforcement actions taken by an European data protection authority until we ensure that all applicable data transfers to us from the EEA and Switzerland are legitimized. In addition, legislators in the EU recently adopted the General Data Protection Regulation, or GDPR, a new regulation set to become effective in May 2018 that will supersede the 1995 EU Data Protection Directive, and include more stringent operational requirements for processors and controllers of personal data, including payment card information, and impose significant penalties for non-compliance of up to the greater of €20 million or 4% of global annual revenues. Additionally, in June 2016, United Kingdom voters approved an exit from the EU, commonly referred to as "Brexit," which could also lead to further legislative and regulatory changes. In March 2017, the United Kingdom began the process to leave the EU by April 2019. A Data Protection Bill has been introduced to the United Kingdom's House of Lords that proposes to substantially implement the GDPR. Nevertheless, the Data Protection Bill must complete the legislative process, so it remains unclear what modifications will be made to the final legislation. We may incur liabilities, expenses, costs, and other operational losses when the GDPR and the UK Data Protection Bill are effective and in connection with any measures we take to comply with them.

We expect that there will continue to be new proposed laws, regulations and industry standards concerning privacy, data protection and information security in the United States and other jurisdictions, and we cannot yet determine the impact such future laws, regulations and standards may have on our business. Future laws, regulations, standards and other obligations could, for example, impair our ability to collect or use information that we utilize to provide targeted digital promotions and media to consumers, CPGs and retailers, thereby impairing our ability to maintain and grow our total customers and increase revenues. Future restrictions on the collection, use, sharing or disclosure of our users' data or additional requirements for express or implied consent of users for the use and disclosure of such information could require us to modify our solutions, possibly in a material manner, and could limit our ability to develop new solutions and features. Any such new laws, regulations, other legal obligations or industry standards, or any changed interpretation of existing laws, regulations or other standards may require us to incur additional costs and restrict our business operations. If our measures fail to comply with current or future laws, regulations, policies, legal obligations or industry standards relating to privacy, data protection, data security, marketing or consumer protection, we may be subject to litigation, regulatory investigations, fines or other liabilities, as well as negative publicity and a potential loss of business. Moreover, if future laws, regulations, other legal obligations or industry standards, or any changed interpretations of the foregoing limit our users' or CPGs' or retailers' ability to use and share personally identifiable information or our ability to store, process and share personally identifiable information or other data, demand for our solutions could decrease, our costs could increase, our revenue growth could slow, and our business, financial condition and operating results could be harmed.

Indemnity provisions in various agreements potentially expose us to substantial liability for intellectual property infringement and other losses.

Our agreements with CPGs, retailers and other third parties may include indemnification provisions under which we agree to indemnify them for losses suffered or incurred as a result of claims of intellectual property infringement or other liabilities relating to or arising from our products, services or other contractual obligations. The term of these indemnity provisions generally survives termination or expiration of the applicable agreement. Large indemnity payments could harm our business.

We may not be able to adequately protect our intellectual property rights

We regard our trademarks, service marks, copyrights, patents, trade dress, trade secrets, proprietary technology, and similar intellectual property as critical to our success.

We strive to protect our intellectual property rights in a number of jurisdictions, a process that is expensive and may not be successful or which we may not pursue in every location. We strive to protect our intellectual property rights by relying on federal, state and common law rights, contractual restrictions as well as rights provided under foreign laws. These laws are subject to change at any time and could further restrict our ability to protect our intellectual property rights.

We also may not be able to acquire or maintain appropriate domain names in all countries in which we do business. Furthermore, regulations governing domain names may not protect our trademarks and similar proprietary rights. We may be unable to prevent third parties from acquiring domain names that are similar to, infringe upon, or diminish the value of our trademarks and other proprietary rights.

We typically enter into confidentiality and invention assignment agreements with our employees and contractors, and confidentiality agreements with parties with whom we conduct business in order to limit access to, and disclosure and use of, our proprietary information. Also, from time to time, we make our intellectual property rights available to others under license agreements. However, these contractual arrangements and the other steps we have taken to protect our intellectual property may not prevent the misappropriation or disclosure of our proprietary information, infringement of our intellectual property rights or deter independent development of similar technologies by others and may not provide an adequate remedy in the event of such misappropriation or infringement. Third parties that license our proprietary rights also may take actions that diminish the value of our proprietary rights or reputation.

Obtaining and maintaining effective intellectual property rights is expensive, including the costs of defending our rights. Even where we have such rights, they may be later found to be unenforceable or have a limited scope of enforceability. We may not be able to discover or determine the extent of any unauthorized use of our proprietary rights. Litigation may be necessary to enforce our intellectual property rights, protect our respective trade secrets or determine the validity and scope of proprietary rights claimed by others. Any litigation of this nature, regardless of outcome or merit, could result in substantial costs and diversion of management and technical resources, any of which could adversely affect our business and operating results. If we fail to maintain, protect and enhance our intellectual property rights, our business and operating results may be harmed.

We may be accused of infringing intellectual property rights of third parties.

Other parties may claim that we infringe their proprietary rights. We are, have been subject to, and expect to continue to be subject to, claims and legal proceedings regarding alleged infringement by us of the intellectual property rights of third parties. Such claims, whether or not meritorious, may result in the expenditure of significant financial and managerial resources, injunctions against us, or the payment of damages, including to satisfy indemnification obligations. We may need to obtain licenses from third parties who allege that we have infringed their rights, but such licenses may not be available on terms acceptable to us or at all. In addition, we may not be able to obtain or utilize on terms that are favorable to us, or at all, licenses or other rights with respect to intellectual property we do not own. These risks have been amplified by the increase in third parties whose sole or primary business is to assert such claims.

We may be unable to continue to use the domain names that we use in our business, or prevent third parties from acquiring and using domain names that infringe on, are similar to, or otherwise decrease the value of our brand or our trademarks or service marks.

We may lose significant brand equity in our “Coupons.com” domain name, our “Quotient.com” domain name, and other valuable domain names. If we lose the ability to use a domain name, whether due to trademark claims, failure to renew an applicable registration, or any other cause, we may be forced to market our products under new domain names, which could cause us substantial harm, or to incur significant expense in order to purchase rights to the domain names in question. In addition, our competitors and others could attempt to capitalize on our brand recognition by using domain names similar to ours. We also may not be able to acquire or maintain appropriate domain names or trademarks in all countries in which we do business. Domain names similar to ours have been registered in the United States and elsewhere. We may be unable to prevent third parties from acquiring and using domain names that infringe on, are similar to, or otherwise decrease the value of our brand or our trademarks or service marks. Protecting and enforcing our rights in our domain names may require litigation, which could result in substantial costs and diversion of management’s attention and harm our business.

Our business depends on strong brands, and if we are not able to maintain and enhance our brands, or if we receive unfavorable media coverage, our ability to retain and expand our number of CPGs, retailers and consumers will be impaired and our business and operating results will be harmed.

We believe that the brand identity that we have developed has significantly contributed to the success of our business. We also believe that maintaining and enhancing our brands are critical to expanding our base of CPGs, retailers and consumers. Maintaining and enhancing our brands may require us to make substantial investments and these investments may not be successful. If we fail to promote and maintain our brands, or if we incur excessive expenses in this effort, our business would be harmed. We anticipate that, as our market becomes increasingly competitive, maintaining and enhancing our brands may become increasingly difficult and expensive. Maintaining and enhancing our brands will depend on our ability to continue to provide sufficient quantities of reliable, trustworthy and high quality digital coupons, which we may not do successfully.

Unfavorable publicity or consumer perception of our websites, platform, practices or service offerings, or the offerings of our CPGs and retailers, could adversely affect our reputation, resulting in difficulties in recruiting, decreased revenues and a negative impact on the number of CPGs and retailers we feature and our user base, the loyalty of our consumers and the number and variety of digital coupons we offer. As a result, our business could be harmed.

Some of our solutions contain open source software, which may pose particular risks to our proprietary software and solutions.

We use open source software in our solutions and will use open source software in the future. From time to time, we may face claims from third parties claiming ownership of, or demanding release of, the open source software and/or derivative works that we developed using such software (which could include our proprietary source code), or otherwise seeking to enforce the terms of the applicable open source license. These claims could result in litigation and could require us to purchase a costly license or cease offering the implicated solutions unless and until we can re-engineer them to avoid infringement. This re-engineering process could require significant additional research and development resources. In addition to risks related to license requirements, use of certain open source software can lead to greater risks than use of third-party commercial software, as open source licensors generally do not provide warranties or controls on the origin of software. Any of these risks could be difficult to eliminate or manage, and, if not addressed, could have a negative effect on our business and operating results.

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.

If we fail to expand effectively in international markets, our revenues and our business may be harmed.

We currently generate almost all of our revenues from the United States. We also operate to a limited extent in the United Kingdom, France and other countries in Europe. Many CPGs and retailers on our platform have global operations and we plan to grow our operations and offerings through expansion in existing international markets and by partnering with our CPGs and retailers to enter new geographies that are important to them. Further expansion into international markets will require management attention and resources and we have limited experience entering new geographic markets. Entering new foreign markets will require us to localize our services to conform to a wide variety of local cultures, business practices, laws and policies. The different commercial and Internet infrastructure in other countries may make it more difficult for us to replicate our business model. In some countries, we will compete with local companies that understand the local market better than we do, and we may not benefit from first-to-market advantages. We may not be successful in expanding into particular international markets or in generating revenues from foreign operations. As we expand internationally, we will be subject to risks of doing business internationally, including the following:

- competition with strong local competitors and preference for local providers, or foreign companies entering the same markets;
- the cost and resources required to localize our platform;
- burdens of complying with a wide variety of different laws and regulations, including intellectual property laws and regulation of digital coupon terms, Internet services, privacy and data protection, marketing and consumer protection laws, anti-competition regulations and different liability standards, which may limit or prevent us from offering of our solutions in some jurisdictions or limit our ability to enforce contractual obligations;

- differences in how trade promotion spending is allocated;
- differences in the way digital coupons and advertising are delivered and how consumers access and use digital coupons;
- technology compatibility;
- difficulties in recruiting and retaining qualified employees and managing foreign operations;
- different employee/employer relationships and the existence of workers' councils and labor unions;
- shorter payment cycles, different accounting practices and greater problems in collecting accounts receivable;
- higher product return rates;
- seasonal reductions in business activity;
- adverse tax effects and foreign exchange controls making it difficult to repatriate earnings and cash; and
- political and economic instability.

Changes in the U.S. taxation of international activities may increase our worldwide effective tax rate and harm our financial condition and results of operations. The taxing authorities of the jurisdictions in which we plan to operate may challenge our methodologies for valuing developed technology or intercompany arrangements, including our transfer pricing, or determine that the manner in which we operate our business does not achieve the intended tax consequences, which could increase our worldwide effective tax rate and harm our financial position and results of operations. Significant judgment will be required in evaluating our tax positions and determining our provision for income taxes. During the ordinary course of business, there will be many transactions and calculations for which the ultimate tax determination is uncertain. As we expand our business to operate in numerous taxing jurisdictions, the application of tax laws may be subject to diverging and sometimes conflicting interpretations by tax authorities of these jurisdictions. It is not uncommon for taxing authorities in different countries to have conflicting views. In addition, tax laws are dynamic and subject to change as new laws are passed and new interpretations of the law are issued or applied. In the United States, legislation commonly known as the Tax Cuts and Jobs Act (the "Tax Act") was enacted on December 22, 2017, which included a number of changes, such as a reduction in the corporate tax rate, a one-time transition tax on the mandatory deemed repatriation of cumulative foreign earnings as of December 31, 2017 and provided for the transition of U.S. international taxation from a worldwide tax system to a territorial system. These changes, or future changes in tax laws applicable to us, could materially increase our future income tax expense.

Our planned corporate structure and intercompany arrangements will be implemented in a manner we believe is in compliance with current prevailing tax laws. However, the tax benefits which we intend to eventually derive could be undermined if we are unable to adapt the manner in which we operate our business and due to changing tax laws.

Our failure to manage these risks and challenges successfully could materially and adversely affect our business, financial condition and results of operations.

The loss of one or more key members of our management team, or our failure to attract, integrate and retain other highly qualified personnel in the future, could harm our business.

We currently depend on the continued services and performance of the key members of our management team, including Steven R. Boal, our Executive Chairman, and Mir Aamir, our President and Chief Executive Officer. Mr. Boal is one of our founders and his leadership has played an integral role in our growth. Mr. Aamir's deep industry experience and long-standing relationships with both CPGs and retailers are key to our growth and developing our business strategy. Key institutional knowledge remains with a small group of long-term employees and directors whom we may not be able to retain. The loss of key personnel, including key members of management as well as our marketing, sales, product development and technology personnel, could disrupt our operations and have an adverse effect on our ability to grow our business. Moreover, some of our management are new to our team.

As we become a more mature company, we may find our recruiting and retention efforts more challenging. We are seeking to continue to hire a significant number of personnel, including certain key management personnel. We may be limited in our ability to recruit global talent by U.S. immigration laws, including those related to H1-B visas. The demand for H1-B visas to fill highly-skilled IT and computer science jobs is greater than the number of H-1B visas available each year; for the U.S. government's 2018 fiscal year, the U.S. issued 85,000 H-1B visas out of 199,000 requests. In addition, the regulatory environment related to immigration under the current presidential administration may increase the likelihood that immigration laws may be modified to further limit the availability of H1-B visas. If a new or revised visa program is

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implemented, it may impact our ability to recruit, hire and retain qualified skilled personnel, which could adversely impact our business, operating results and financial condition. If we do not succeed in attracting, hiring and integrating excellent personnel, or retaining and motivating existing personnel, we may be unable to grow effectively.

Changes to financial accounting standards or SEC's rules and regulations may affect our results of operations and cause us to change our business practices.

We prepare our financial statements to conform to generally accepted accounting principles in the United States. These accounting principles are subject to interpretation by the Financial Accounting Standards Board, American Institute of Certified Public Accountants, the SEC and various bodies formed to interpret and create appropriate accounting policies. A change in those policies can have a significant effect on our reported results and may affect our reporting of transactions completed before a change is announced. Changes to those rules or the questioning of current practices may adversely affect our reported financial results or the way we conduct our business. For example, in February 2016, the Financial Accounting Standards Board issued a new standard which will require us to record most of our leases on our balance sheets. This guidance will be applicable to us at the beginning of our first quarter of fiscal year 2019.

We are currently or could be exposed in the future to fluctuations in currency exchange rates and interest rates.

To date, we have generated almost all of our revenues from within the United States. As a result, we currently do not have significant revenues or expenses in our international operations and we do not hedge our foreign currency exchange risk. However, we plan to grow our operations and offerings through expansion in existing international markets and by partnering with our existing CPGs and retailers to enter new geographies that are important to them. For example, we opened a research and development facility in Bangalore, India and acquired Shopmium S.A., which has research and development operations in Paris, France. As we expand our business outside the United States we will face exposure to adverse movements in currency exchange rates. We will be exposed to foreign exchange rate fluctuations from the conversion of collections and expenses not denominated in U.S. dollars. If the U.S. dollar weakens against foreign currencies, the conversion of these foreign currency denominated transactions will result in increased revenues, operating expenses and net income. Similarly, if the U.S. dollar strengthens against foreign currencies, the conversion of these foreign currency denominated transactions will result in decreased revenues, operating expenses and net income. As exchange rates vary, sales and other operating results, when translated, may differ materially from expectations. Our risks related to currency fluctuations will increase as our international operations become an increasing portion of our business. In addition, we face exposure to fluctuations in interest rates which may impact our investment income unfavorably.

Our use of and reliance on international research and development resources and operations may expose us to unanticipated costs or events

We have research and development centers in India and France. We expect to increase our headcount, development, and operations activity in India. There is no assurance that our reliance upon international research and development resources and operations will enable us to achieve our research and development and operational goals or greater resource efficiency. Further, our international research and development and operations efforts involve significant risks, including:

- difficulty hiring and retaining appropriate personnel due to intense competition for such resources and resulting wage inflation in the cities where our research and development activities and operations are located;
- the knowledge transfer related to our technology and resulting exposure to misappropriation of intellectual property or information that is proprietary to us, our customers and other third parties;
- heightened exposure to change in the economic, security and political conditions in the countries where our research and development activities and operations are located;
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fluctuations in currency exchange rates and regulatory compliance in the countries where our research and development activities and operations are located;

- delays and inefficiencies caused by geographical separation of our international research and development activities and operations; and
- interruptions to our operations in the countries where our research and development activities and operations are located as a result of floods and other natural catastrophic events as well as manmade problems such as power disruptions or terrorism.

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Difficulties resulting from the factors above could increase our research and development or operational expenses, delay the introduction of new products, or impact our product quality, the occurrence of any of which could adversely affect our business and operating results.

Our business is subject to interruptions, delays or failures resulting from earthquakes, other natural catastrophic events or terrorism.

Our headquarters is located in Mountain View, California. Our current technology infrastructure is hosted across two data centers in co-location facilities in California and Nevada. In addition, we use two other co-location facilities in California and Virginia to host our Retailer iQ platform. Our services, operations and the data centers from which we provide our services are vulnerable to damage or interruption from earthquakes, fires, floods, power losses, telecommunications failures, terrorist attacks, acts of war, human errors, break-ins and similar events. A significant natural disaster, such as an earthquake, fire or flood, could have a material adverse impact on our business, financial condition and results of operations and our insurance coverage may be insufficient to compensate us for losses that may occur. Acts of terrorism could cause disruptions to the Internet, our business or the economy as a whole. We may not have sufficient protection or recovery plans in certain circumstances, such as natural disasters affecting areas where data centers upon which we rely are located, and our business interruption insurance may be insufficient to compensate us for losses that may occur. Such disruptions could negatively impact our ability to run our websites, which could harm our business.

Our management team has limited experience managing a public company, and regulatory compliance may divert its attention from the day-to-day management of our business.

Our management team has limited experience managing a publicly-traded company and limited experience complying with the increasingly complex laws pertaining to public companies. Our management team may not successfully or efficiently manage our transition to being a public company that will be subject to significant regulatory oversight and reporting obligations under the federal securities laws. In particular, these new obligations will require substantial attention from our senior management and could divert their attention away from the day-to-day management of our business, which could adversely impact our business operations.

Our ability to raise capital in the future may be limited, and our failure to raise capital when needed could prevent us from growing.

We may in the future be required to raise additional capital through public or private financing or other arrangements. Such financing may not be available on acceptable terms, or at all, and our failure to raise capital when needed could harm our business. Additional equity or equity-linked financing such as the convertible senior notes may dilute the interests of our stockholders, and debt financing, if available, may involve restrictive covenants and could reduce our profitability. If we cannot raise funds on acceptable terms, we may not be able to grow our business or respond to competitive pressures.

Our ability to use our net operating losses to offset future taxable income may be subject to certain limitations.

In general, under Section 382 of the U.S. Internal Revenue Code of 1986, as amended, or the Code, and similar state law provisions, a corporation that undergoes an "ownership change" is subject to limitations on its ability to utilize its pre-change net operating losses, or NOLs, to offset future taxable income. If our existing NOLs are subject to limitations arising from ownership changes, our ability to utilize NOLs could be limited by Section 382 of the Code. Future changes in our stock ownership, some of which are outside of our control, also could result in an ownership change under Section 382 of the Code. There is also a risk that our NOLs could expire, or otherwise be unavailable to offset future income tax liabilities due to changes in the law, including regulatory changes, such as suspensions on the use of NOLs or other unforeseen reasons. In addition, the Tax Act includes changes to the U.S. federal corporate income tax rate, and our net operating loss carryforwards and other deferred tax assets will be revalued at the newly enacted rate. We do not expect this to have a material impact on our financials because we currently maintain a full valuation allowance on our U.S. deferred tax assets. For these reasons, we may not be able to utilize all of our NOLs, even if we attain profitability.

State and foreign laws regulating money transmission could impact our mobile shopping and receipt scanning cash-back application platform.

Many states and certain foreign jurisdictions impose license and registration obligations on those companies engaged in the business of money transmission, with varying definitions of what constitutes money transmission. If our mobile shopping and receipt scanning cash-back platform were to subject us to any applicable state or foreign laws, it could subject us to increased compliance costs and delay our ability to offer this product in certain jurisdictions pending receipt of any necessary licenses or registrations. If we need to make product and operational changes in light of these laws, the growth and adoption of this product may be adversely impacted and our revenues may be harmed.

Risks Related to Our Convertible Senior Notes

We are leveraged financially, which could adversely affect our ability to adjust our business to respond to competitive pressures and to obtain sufficient funds to satisfy our future growth, business needs and development plans.

In November 2017, we issued $200 million aggregate principal amount of convertible senior notes (the "notes"). Our leveraged capital structure could have negative consequences, including, but not limited to, the following:

- we may be more vulnerable to economic downturns, less able to withstand competitive pressures and less flexible in responding to changing business and economic conditions;
- our ability to obtain additional financing in the future for working capital, capital expenditures, acquisitions, general corporate or other purposes may be limited;
- a substantial portion of our cash flow from operations in the future may be required for the payment of the principal amount of our existing indebtedness when it becomes due; and
- we may elect to make cash payments upon any conversion of the convertible notes, which would reduce our cash on hand.

Our ability to meet our payment obligations under our notes depends on our ability to generate significant cash flow in the future. This, to some extent, is subject to general economic, financial, competitive, legislative, and regulatory factors as well as other factors that are beyond our control. There can be no assurance that our business will generate cash flow from operations, or that additional capital will be available to us, in an amount sufficient to enable us to meet our debt payment obligations and to fund other liquidity needs. If we are unable to generate sufficient cash flow to service our debt obligations, we may need to refinance or restructure our debt, sell assets, reduce or delay capital investments, or seek to raise additional capital. If we were unable to implement one or more of these alternatives, we may be unable to meet our debt payment obligations, which could have a material adverse effect on our business, results of operations, or financial condition.

The conditional conversion feature of the notes, if triggered, may adversely affect our financial condition and operating results.

In the event the conditional conversion feature of the notes is triggered, holders of the notes will be entitled to convert their notes at any time during specified periods at their option. If one or more holders elect to convert their notes, unless we elect to satisfy our conversion obligation by delivering solely shares of our common stock (other than paying cash in lieu of delivering any fractional share), we would be required to settle a portion or all of our conversion obligation in cash, which could adversely affect our liquidity. In addition, even if holders of notes do not elect to convert their notes, we could be required under applicable accounting rules to reclassify all or a portion of the outstanding principal of the notes as a current rather than long-term liability, which would result in a material reduction of our net working capital.

The accounting method for convertible debt securities that may be settled in cash, such as the notes, could have a material effect on our reported financial results.

Under Accounting Standards Codification 470-20, Debt with Conversion and Other Options ("ASC 470-20"), an entity must separately account for the liability and equity components of the convertible debt instruments (such as the notes) that may be settled entirely or partially in cash upon conversion in a manner that reflects the issuer's economic interest cost. The effect of ASC 470-20 on the accounting for the notes is that the equity component is required to be included in the additional paid-in capital section of stockholders' equity on our consolidated balance sheet at the issuance date and the value of the equity component would be treated as debt discount for purposes of accounting for the debt component of the notes. As a result, we will be required to record a greater amount of non-cash interest expense as a result of the amortization of the discounted carrying value of the notes to their face amount over the term of the notes. We will report larger net losses (or lower net income) in our financial results because ASC 470-20 will require interest to include both the amortization of the debt discount and the instrument's nonconvertible coupon interest rate, which could adversely affect our reported or future financial results, the trading price of our common stock and the trading price of the notes.

The Company uses the treasury stock method for calculating any potential dilutive effect of the conversion spread on diluted net income per share, if applicable. The effect of which is that the shares issuable upon conversion of such notes are not included in the calculation of diluted earnings per share except to the extent that the conversion value of such notes exceeds their principal amount. Under the treasury stock method, for diluted earnings per share purposes, the transaction is accounted for as if the number of shares of common stock that would be necessary to settle such excess, if we elected to settle such excess in shares, are issued. We cannot be sure that the accounting standards in the future will continue to permit the use of the treasury stock method. If we are unable or otherwise elect not to use the treasury stock method in accounting for the shares issuable upon conversion of the notes, then our diluted earnings per share could be adversely affected.

Conversion of our notes will dilute the ownership interest of existing stockholders and may depress the price of our common stock.

The conversion of some or all of our notes, if such conversion occurs, will dilute the ownership interests of then-existing stockholders to the extent we deliver shares upon conversion of any of the notes. Any sales in the public market of the common stock issuable upon such conversion could adversely affect prevailing market prices of our common stock. In addition, the existence of the notes may encourage short selling by market participants because the conversion of the notes could be used to satisfy short positions, or anticipated conversion of the notes into shares of our common stock could depress the price of our common stock.

Risks Related to 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.

The price of our common stock may change in response to variations in our operating results and also may change in response to other factors, including factors specific to technology companies, many of which are beyond our control. As a result, our stock price may experience significant volatility. Among other factors that could affect our stock price are:

- the financial projections that we or analysts may choose to provide to the public, any changes in these projections or our failure for any reason to meet these projections;
- actual or anticipated changes or fluctuations in our results of operations;
- whether our results of operations meet the expectations of securities analysts or investors;
- the development and sustainability of an active trading market for our common stock;
- price and volume fluctuations in the overall stock market from time to time;
- fluctuations in the trading volume of our shares or the size of our public float;
- success of competitive products or services;
- the public’s response to press releases or other public announcements by us or others, including our filings with the SEC;
- announcements relating to litigation;
- speculation about our business in the press or the investment community;
- future sales of our common stock by our significant stockholders, officers and directors;
- changes in our capital structure, such as future issuances of debt or equity securities;
- our entry into new markets;
- regulatory developments in the United States or foreign countries;
- strategic actions by us or our competitors, such as acquisitions or restructurings; and
- changes in accounting principles.

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 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

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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.

Substantial future sales of shares by our stockholders could negatively affect our stock price.

Sales of a substantial number of shares of our common stock in the public market could depress the market price of our common stock and could impair our ability to raise capital through the sale of additional equity securities. We have approximately 93,199,718 shares of common stock outstanding as of December 31, 2017, assuming no exercise of our outstanding options or vesting of our outstanding RSUs.

Our equity incentive plans allow us to issue, among other things, stock options, restricted stock and restricted stock units and we have filed a registration statement under the Securities Act to cover the issuance of shares upon the exercise or vesting of awards granted under those plans.

The concentration of our common stock ownership with our executive officers, directors and affiliates will limit your ability to influence corporate matters.

Our executive officers, directors and owners of 5% or more of our outstanding common stock together beneficially own approximately 52% of our outstanding common stock, based on the number of shares outstanding as of December 31, 2017. These stockholders therefore have significant influence over management and affairs and over all matters requiring stockholder approval, including the election of directors and significant corporate transactions, such as a merger or other sale of our company or its assets, for the foreseeable future. This concentrated control limits your ability to influence corporate matters and, as a result, we may take actions that our stockholders do not view as beneficial. This ownership could affect the value of your shares of common stock.

Our stock repurchase program could affect the price of our common stock and increase volatility and may be suspended or terminated at any time, which may result in a decrease in the trading price of our common stock.

Our Board of Directors has approved share repurchase programs for us to repurchase shares of our stock. In April 2017, our Board of Directors authorized a share repurchase program ("2017 Program") for us to repurchase up to $50.0 million of the Company's common stock. The 2017 Program has a one year duration beginning on May 5, 2017. During the year ended December 31, 2017, the Company did not repurchase any shares of its common stock. As of December 31, 2017, $50.0 million remains available for future share repurchases under the 2017 Program. The timing and actual number of shares repurchased will depend on a variety of factors including the timing of open trading windows, price, corporate and regulatory requirements, an assessment by management and our Board of Directors of cash availability and other market conditions. The stock repurchase program may be suspended or discontinued at any time without prior notice. Repurchases pursuant to our stock repurchase program could affect the price of our common stock and increase its volatility. The existence of our stock repurchase program could also cause the price of our common stock to be higher than it would be in the absence of such a program and could potentially reduce the market liquidity for our common stock. Additionally, repurchases under our stock repurchase program will diminish our cash reserves, which could impact our ability to further develop our technology, access and/or retrofit additional facilities and service our indebtedness. There can be no assurance that any stock repurchases will enhance stockholder value because the market price of our common stock may decline below the levels at which we repurchased such shares. Any failure to repurchase shares after we have announced our intention to do so may negatively impact our reputation and investor confidence in us and may negatively impact our stock price. Although our stock repurchase program is intended to enhance long-term stockholder value, short-term stock price fluctuations could reduce the program's effectiveness.

If we fail to maintain an effective system of disclosure controls and internal control over financial reporting, our ability to produce timely and accurate financial statements or comply with applicable regulations could be impaired.

As a public company, we are subject to the reporting requirements of the Exchange Act, the Sarbanes-Oxley Act and the rules and regulations of the New York Stock Exchange, or the NYSE. We expect that the requirements of these rules and regulations will continue to increase our legal, accounting and financial compliance costs, make some activities more difficult, time consuming and costly, and place significant strain on our personnel, systems and resources.

The Sarbanes-Oxley Act requires, among other things, that we maintain effective disclosure controls and procedures and internal control over financial reporting. We are continuing to develop and refine our disclosure controls and other procedures that are designed to ensure that information required to be disclosed by us in the reports that we will file with the SEC is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, and that information required to be disclosed in reports under the Exchange Act is accumulated and communicated to our principal executive and financial officers. We are also continuing to improve our internal control over financial reporting. In order to maintain and improve the effectiveness of our disclosure controls and procedures and internal control over financial reporting, we have expended, and anticipate that we will continue to expend, significant resources, including accounting-related costs and significant management oversight. Any failure to implement and maintain effective internal control over financial reporting also could adversely affect the results of periodic management evaluations and annual independent registered public accounting firm attestation reports regarding the effectiveness of our internal control over financial reporting that we will be required to include in our periodic reports we will file with the SEC under Section 404 of the Sarbanes-Oxley Act. In the event that we are not able to demonstrate compliance with Section 404 of the Sarbanes-Oxley Act, that our internal control over financial reporting is perceived as inadequate or that we are unable to produce timely or accurate financial statements, investors may lose confidence in our operating results and our stock price could decline.

Our current controls and any new controls that we develop may become inadequate because of changes in conditions in our business. Further, weaknesses in our disclosure controls or our internal control over financial reporting may be discovered in the future. Any failure to develop or maintain effective controls, or any difficulties encountered in their implementation or improvement, could harm our operating results or cause us to fail to meet our reporting obligations and could result in a restatement of our financial statements for prior periods. Any failure to implement and maintain effective internal control over financial reporting also could adversely affect the results of management evaluations and independent registered public accounting firm audits of our internal control over financial reporting that we will eventually be required to include in our periodic reports that will be filed with the SEC. Ineffective disclosure controls and procedures and internal control over financial reporting could also cause investors to lose confidence in our reported financial and other information, which would likely have a negative effect on the trading price of our common stock. In addition, if we are unable to continue to meet these requirements, we may not be able to remain listed on the NYSE.

Our independent registered public accounting firm is not required to audit the effectiveness of our internal control over financial reporting until after we are no longer an “emerging growth company,” as defined in the Jumpstart Our Business Startups Act of 2012, or the JOBS Act. At such time, our independent registered public accounting firm may issue a report that is adverse in the event it concludes that our internal control over financial reporting is not effective.

Any failure to maintain effective disclosure controls and internal control over financial reporting could have a material and adverse effect on our business and operating results, and cause a decline in the price of our common stock.

We are an “emerging growth company” and the reduced disclosure requirements applicable to emerging growth companies may make our common stock less attractive to investors.

We are an “emerging growth company”, as defined in the JOBS Act, and we may take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not “emerging growth companies” including, but not limited to, not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act, reduced financial disclosure obligations, 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 any golden parachute payments not previously approved. We may take advantage of these provisions for up to five years or such earlier time that we are no longer an “emerging growth company.” We would cease to be an “emerging growth company” upon the earliest to occur of: the last day of the fiscal year in which we have more than $1.07 billion in annual revenues; the date we are deemed a “large accelerated filer” as defined in the Exchange Act; and the last day of the fiscal year ending after the fifth anniversary of our IPO. If we do not retain our “emerging growth company” status, we may incur increased legal, accounting and compliance costs associated with Section 404 of the Sarbanes-Oxley Act. We may choose to take advantage of some but not all of these reduced reporting burdens. If we take advantage of any of these reduced reporting burdens in future filings, the information that we provide our security holders may be different than you might get from other public companies in which you hold equity interests. We cannot predict if investors will find our common stock less attractive because we may 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.

If securities analysts do not publish research or if securities analysts or other third parties publish inaccurate or unfavorable research about us, the price of our common stock could decline.

The trading market for our common stock will rely in part on the research and reports that securities analysts and other third parties choose to publish about us. We do not control these analysts or other third parties. The price of our common stock could decline if one or more securities analysts downgrade our common stock or if one or more securities analysts or other third parties publish inaccurate or unfavorable research about us or cease publishing reports about us.

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

We intend to retain all of our earnings for the foreseeable future to finance the operation and expansion of our business and do not anticipate paying cash dividends on our common stock. As a result, you can expect to receive a return on your investment in our common stock only if the market price of the stock increases.

Provisions in our charter documents and under Delaware law could discourage a takeover that stockholders may consider favorable.

Provisions in our certificate of incorporation and by-laws may have the effect of delaying or preventing a change of control or changes in our management. Amongst other things, these provisions:

- authorize the issuance of “blank check” preferred stock that could be issued by our Board of Directors to defend against a takeover attempt;
- establish a classified Board of Directors, as a result of which the successors to the directors whose terms have expired will be elected to serve from the time of election and qualification until the third annual meeting following their election;
- require that directors only be removed from office for cause and only upon a majority stockholder vote;
- provide that vacancies on the Board of Directors, including newly created directorships, may be filled only by a majority vote of directors then in office rather than by stockholders;
- prevent stockholders from calling special meetings; and
- prohibit stockholder action by written consent, requiring all actions to be taken at a meeting of the stockholders.

In addition, we are governed by the provisions of Section 203 of the Delaware General Corporation Law, which generally prohibits a Delaware corporation from engaging in a broad range of business combinations with any “interested” stockholder for a period of three years following the date on which the stockholder becomes an “interested” stockholder.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

Our principal executive offices are located in Mountain View, California, and include two buildings totaling approximately 65,000 square feet under leases expiring from December 2019 to December 2020. We maintain additional leased spaces in Marina Del Rey, California as well as Cincinnati, Ohio, New York, New York, Bangalore, India, Paris, France, and London, the United Kingdom. We believe our properties are generally suitable to meet our needs for the foreseeable future. In addition, to the extent we require additional space in the future, we believe that it would be readily available on commercially reasonable terms.

Item 3. Legal Proceedings.

We are a party to litigation and subject to claims incident to the ordinary course of business. Although the results of litigation and claims cannot be predicted with certainty, we currently believe that the final outcome of these matters will not have a material adverse effect on our business, financial condition or results of operations. Regardless of the outcome, litigation can have an adverse impact on our business because of defense and settlement costs, diversion of management resources and other factors.

Item 4. Mine Safety Disclosures.

None.

PART II

Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Market Information

Our common stock, $0.00001 par value, began trading on the New York Stock Exchange under the symbol “COUP” on March 7, 2014, the date of our IPO. We changed our name to Quotient Technology Inc. on October 20, 2015. Our common stock began trading on the New York stock Exchange under the symbol “QUOT” on October 21, 2015.

The following table sets forth for the indicated periods from the date our common stock commenced trading in connection with our IPO, the high and low closing sales prices of our common stock as reported on the New York Stock Exchange.

	High	Low
Year ended December 31, 2017		
Fourth quarter	$17.60	$11.30
Third quarter	$16.55	$11.20
Second quarter	$11.90	$9.20
First quarter	$13.20	$9.55
Year ended December 31, 2016		
Fourth quarter	$13.28	$9.85
Third quarter	$13.97	$12.05
Second quarter	$13.98	$10.33
First quarter	$10.60	$5.23

Holders

As of February 13, 2018, there were 70 holders of record of our common stock. Because most of our shares of common stock are held by brokers and other institutions on behalf of stockholders, we are unable to estimate the total number of beneficial stockholders represented by these record holders.

Dividend Policy

We have never declared or paid any dividends on our common stock and do not anticipate that we will pay any dividends to holders of our common stock in the foreseeable future. Instead, we currently plan to retain any earnings to finance the growth of our business. Any future determination relating to dividend policy will be made at the discretion of our Board of Directors and will depend on our financial condition, results of operations and capital requirements as well as other factors deemed relevant by our Board of Directors.

Issuer Purchases of Equity Securities

The following is a summary of stock repurchases for each month during the fourth quarter ended December 31, 2017.

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased Under Publicly Announced Program (1)	Approximate Dollar Value of Shares That May Yet Be Purchased Under the Program (1)
October 1 - 31, 2017	—	$ —	—	$50,000,000
November 1 - 30, 2017	—	—	—	50,000,000
December 1 - 31, 2017	—	—	—	50,000,000
	—	$ —	—	$50,000,000

(1) In April 2017, the Company's Board of Directors authorized the 2017 Program to repurchase up to $50.0 million of the Company's common stock through April 2018. During the fourth quarter ended December 31, 2017, the Company did not repurchase any shares of its common stock.

Performance Graph

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

This chart compares the cumulative total return on our common stock with that of the Russell 3000 and the S&P North American Technology Sector Index. The chart assumes $100 was invested at the close of market on March 7, 2014, in our common stock, the Russell 3000 and the S&P North American Technology Sector Index, and assumes the reinvestment of any dividends. The stock price performance on the following graph is not necessarily indicative of future stock price performance.

	Base Period	INDEXED RETURNS Quarter Ending															
Company / Index	3/7/2014	Q1'14	Q2'14	Q3'14	Q4'14	Q1'15	Q2'15	Q3'15	Q4'15	Q1'16	Q2'16	Q3'16	Q4'16	Q1'17	Q2'17	Q3'17	Q4'17
Quotient Technology Inc.	$100	$82	$88	$40	$59	$39	$36	$30	$23	$35	$45	$44	$36	$32	$38	$52	$39
Russell 3000 Index	$100	$99	$104	$103	$108	$110	$109	$101	$107	$107	$109	$113	$118	$124	$127	$132	$140
S&P North American Technology Sector Index	$100	$98	$103	$106	$110	$111	$112	$108	$119	$120	$119	$134	$134	$150	$156	$168	$182

Unregistered Sales of Equity Securities

Not applicable.

Item 6. Selected Financial Data

	Year Ended December 31,				
	2017	2016	2015	2014	2013
	(in thousands, except per share data)				
Revenues	$322,115	$275,190	$237,309	$221,761	$167,892
Costs and expenses:					
Cost of revenues (1)	140,752	114,870	92,203	86,186	52,080
Sales and marketing (1)	92,833	92,596	92,454	78,865	61,793
Research and development (1)	50,009	50,503	48,367	49,583	40,102
General and administrative (1)	48,124	43,404	34,833	33,392	24,232
Change in fair value of escrowed shares and contingent consideration, net	5,515	(6,450)	1,231	(5,741)	—
Total costs and expenses	337,233	294,923	269,088	242,285	178,207
Loss from operations	(15,118)	(19,733)	(31,779)	(20,524)	(10,315)
Interest expense	(1,589)	—	(290)	(922)	(953)
Gain on sale of a right to use a web domain name	—	—	4,800	—	—
Other income (expense), net	928	495	(22)	(72)	19
Loss before income taxes	(15,779)	(19,238)	(27,291)	(21,518)	(11,249)
Provision for (benefit from) income taxes	(702)	241	(561)	1,926	—
Net loss	$(15,077)	$(19,479)	$(26,730)	$(23,444)	$(11,249)
Net loss per share, basic and diluted	$(0.17)	$(0.23)	$(0.32)	$(0.35)	$(0.57)
Weighted-average number of common shares used in computing net loss per share, basic and diluted	89,505	84,157	82,807	67,828	19,626

(1) The stock-based compensation expense included above was as follows:

	Year Ended December 31,				
	2017	2016	2015	2014	2013
	(in thousands)				
Cost of revenues	$2,000	$1,821	$1,728	$3,086	$300
Sales and marketing	6,621	5,776	10,658	9,464	1,492
Research and development	7,949	7,286	9,680	11,536	1,015
General and administrative	15,682	13,403	10,280	11,424	2,374
Total stock-based compensation	$32,252	$28,286	$32,346	$35,510	$5,181

	Year Ended December 31,				
	2017	2016	2015	2014	2013
Consolidated Balance Sheet Data:	(in thousands)				
Cash, cash equivalents and short-term investments	$394,537	$175,346	$159,947	$201,075	$38,972
Working capital	404,145	207,694	177,547	204,837	21,420
Property and equipment, net	16,610	16,376	25,128	25,399	29,942

Total assets	629,075	362,756	321,071	331,807	134,236
Deferred revenues	6,276	6,856	7,342	6,219	6,751
Debt obligations	—	—	—	7,500	23,077
Convertible senior notes, net	145,821	—	—	—	—
Total liabilities	231,034	51,007	55,581	54,919	66,220
Redeemable convertible preferred stock	—	—	—	—	270,262
Total stockholder's equity (deficit)	$398,041	$311,749	$265,490	$276,888	$(202,246)

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

You should read the following discussion and analysis of our financial condition and results of operations in conjunction with the consolidated financial statements and the related notes to consolidated financial statements included elsewhere in this annual report on Form 10-K. In addition to historical financial information, the following discussion contains forward-looking statements that reflect our plans, estimates, beliefs and expectations that involve risks and uncertainties. Our actual results and the timing of events could differ materially from those discussed in these forward-looking statements. Factors that could cause or contribute to these differences include those discussed below and elsewhere in this prospectus, particularly in "Risk Factors" and "Special Note Regarding Forward-Looking Statements."

Overview

Quotient Technology Inc., is a provider of an industry leading digital marketing platform that drives sales by delivering personalized and targeted coupons and ads to shoppers at the right moment on their path to purchase. We've built a scaled network of consumer packaged goods ("CPG") brands, retailers and shoppers, all digitally connected through our core platform, called Retailer iQ. Using proprietary and licensed data, including online behaviors, purchase intent, and retailers' in-store point-of-sale ("POS") shopper data, we target shoppers with the most relevant digital coupons and ads, as well as measure campaign performance, including attribution of dollars spent on digital marketing to in-store sales. Customers and partners use our digital platform as a more effective channel to influence shoppers.

We operate our platform across a broad distribution network, reaching over approximately 60 million shoppers at critical moments in their path to purchase. Our network includes the app and website of our flagship consumer brand, Coupons.com, our other owned and operated properties, and thousands of our publisher partners. In addition, we operate Retailer iQ on a co-branded or white label basis with our retail partners, providing them a digital platform to directly engage with their shoppers across their websites, mobile, ecommerce, and social channels.

Our network is made up of three constituencies: over 2,000 brands from approximately 700 CPGs; retail partners across multiple classes of trade such as grocery retailers, drug, dollar, club, and mass merchandise channels; and consumers visiting our web, mobile properties, social channels, as well as those of our CPGs, retailers, and publishing partners.

We primarily generate revenue by providing digital coupons and media solutions to our customers and partners.

We generate revenue from promotions, in which CPGs pay us to deliver coupons to consumers through our network of publishers and retail partners. Each time a consumer activates a digital coupon on our platform or in some cases redeems a digital coupon, we are generally paid a fee. Activation of a digital coupon can include: saving it to a retailer loyalty account or printing it for physical redemption at a retailer.

As our business evolves, we will continue to experiment with different pricing models and fee arrangements with CPGs and retailers which may impact how we monetize transactions. For example, we have recently experimented with pricing strategies based on return on investment, or ROI, some of which require us to receive fees upon redemption of digital coupons rather than activation, as further discussed below in "Risk Factors". We generally pay a distribution fee to retailers or publishers when a shopper activates a digital promotion on their website or mobile app. These distribution fees are included in our cost of revenues. See Management's Discussion and Analysis of Financial Condition and Results of Operations – "Non-GAAP Financial Measure and Key Operating Metrics" for more information.

Promotion revenues also include our Specialty Retail business, in which specialty stores including clothing, electronics, home improvement and many others offer coupon codes that we distribute. Each time a consumer makes a purchase using a coupon code, a transaction occurs and a distribution fee is generally paid.

We also generate revenues from digital advertising. CPGs, advertising agencies, and retailers who use our platform to deliver digital advertising. Using data on our Quotient Media Exchange (QMX) platform, we target audiences with digital ad campaigns. These ads are delivered to shoppers through our network, including our websites and mobile apps, as well as those of our publishers, retailers and other third parties.

Our operating expenses may increase in the future as we continue to (1) invest in (i) research and development to enhance our platform and investments in newer product offerings including Quotient Insights; (ii) sales and marketing to acquire new CPG and retailer customers and increase revenues from our existing customers; and; (iii) corporate infrastructure; (2) incur additional general and administrative expenses associated with being a public company, including increased legal and accounting expenses, and compliance costs associated with the Sarbanes-Oxley Act; (3) amortize expenses related to intangibles assets associated with a services and data agreement and other strategic acquisitions; and (4) remeasure the fair value of shares held in escrow until released and changes in fair value of contingent consideration over the earnout periods.

For 2017, 2016 and 2015, our revenues were $322.1 million, $275.2 million, and $237.3 million, respectively. Our net loss for 2017, 2016 and 2015 was $15.1 million, $19.5 million, and $26.7 million, respectively.

Seasonality

Some of our products experience seasonal sales and buying patterns mirroring those in the CPG, retail, and e-commerce markets, including back-to-school and holiday campaigns, where demand increases during the second half of the Company's fiscal year. We believe that this seasonality pattern has affected, and will continue to affect, our business and the associated revenues during the first half and second half of our fiscal year. We recognized 54%, 52% and 53% of our annual revenue during the second half of 2017, 2016 and 2015, respectively.

Non- GAAP Financial Measure and Key Operating Metrics

Adjusted Earnings Before Income Taxes, Depreciation and Amortization ("Adjusted EBITDA"), a non-GAAP financial measure, is a key metric used by our management and Board of Directors to understand and evaluate our core operating performance and trends, to prepare and approve our annual budget, to develop short and long-term operational plans, and to determine bonus payouts. In particular, we believe that the exclusion of certain income and expenses in calculating Adjusted EBITDA can provide a useful measure for period-to-period comparisons of our core business. Additionally, Adjusted EBITDA is a key financial metric used by the compensation committee of our Board of Directors in connection with the determination of compensation for our executive officers. Accordingly, we believe that Adjusted EBITDA provides useful information to investors and others in understanding and evaluating our operating results in the same manner as our management and Board of Directors.

Adjusted EBITDA excludes non-cash charges, such as depreciation, amortization and stock-based compensation, because such non-cash expenses in any specific period may not directly correlate to the underlying performance of our business operations and can vary significantly between periods. Additionally, it excludes the effects of interest expense, income taxes, gain on sale of a right to use a web domain name, other (income) expense, net, one-time charge for certain distribution fees, change in fair value of escrowed shares and contingent consideration, net, charges related to Enterprise Resource Planning ("ERP") software implementation costs, certain acquisition related costs and restructuring charges.

We define a "transaction" as any action that generates revenue, directly or indirectly, including per item transaction fees, set up fees, volume-based fixed fees and revenue sharing. Transactions continue to exclude retailer offers that generate no direct revenue. Transactions indirectly generate revenue when the action is not paid for on a per item basis, but is part of an agreement which generates revenue for offer services; for example, transactions after a fixed fee cap has been reached would be included in our definition. This definition of transaction does not impact the number of transactions reported in prior filings. While the number of transactions on our platform has been an important indicator of our ability to grow our revenues historically, as our business continues to evolve with the shift to digital paperless and we experiment with different pricing models to monetize transactions, we believe transaction volume on our platform may become a less predictive indicator of future operating performance.

Net loss, Adjusted EBITDA and number of transactions for each of the periods presented were as follows:

	Year Ended December 31,		
	2017	2016	2015
	(in thousands)		
Net loss	$(15,077)	$(19,479)	$(26,730)
Adjusted EBITDA	47,040	32,476	18,298
Transactions	3,546,294	2,445,455	1,657,039

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Our use of Adjusted EBITDA has limitations as an analytical tool, and you should not consider it in isolation or as a substitute for analysis of our results as reported under GAAP. Some of these limitations are:

- although depreciation and amortization are non-cash charges, the assets being depreciated and amortized may have to be replaced in the future, and Adjusted EBITDA does not reflect cash capital expenditure requirements for such replacements or for new capital expenditure requirements;
- Adjusted EBITDA does not reflect changes in, or cash requirements for, our working capital needs;
- Adjusted EBITDA does not consider the potentially dilutive impact of stock-based compensation;
- Adjusted EBITDA does not reflect tax payments that may represent a reduction in cash available to us;
- Adjusted EBITDA also does not include the effects of charges related to ERP software implementation costs, one-time charge for certain distribution fees, change in fair value of escrowed shares and contingent consideration, net, interest expense, other (income) expense, net, income taxes, gain on sale of a right to use a web domain name, certain acquisition related costs, and restructuring charges and;
- other companies, including companies in our industry, may calculate Adjusted EBITDA differently, which reduces its usefulness as a comparative measure.

A reconciliation of Adjusted EBITDA to net loss, the most directly comparable GAAP financial measure, for each of the periods presented is as follows:

	Year Ended December 31,		
	2017	2016	2015
	(in thousands)		
Net loss	$(15,077)	$(19,479)	$(26,730)
Adjustments:			
Stock-based compensation	32,252	28,286	32,346
Depreciation, amortization and other [1]	24,391	22,938	16,500
One-time charge for certain distribution fees	—	7,435	—
Change in fair value of escrowed shares and contingent consideration, net	5,515	(6,450)	1,231
Interest expense	1,589	—	290
Other (income) expense, net	(928)	(495)	22
Provision for (benefit from) income taxes	(702)	241	(561)
Gain on sale of a right to use a web domain name	—	—	(4,800)
Total adjustments	$62,117	$51,955	$45,028
Adjusted EBITDA	$47,040	$32,476	$18,298

[1] For the year ended December 31, 2017, Other includes ERP software implementation costs related to service agreements of $1.2 million, certain acquisition costs of $1.9 million, and restructuring charges of $3.4 million. For the year ended December 31, 2016, Other includes ERP software implementation costs related to service agreements of $0.2 million.

This non-GAAP financial measure is not intended to be considered in isolation from, as substitute for, or as superior to, the corresponding financial measure prepared in accordance with GAAP. Because of these and other limitations, Adjusted EBITDA should be considered along with GAAP based financial performance measures, including various cash flow metrics, net loss, and our other GAAP financial results.

Factors Affecting Our Performance

Obtaining high quality coupons and increasing the number of CPG-authorized activations. Our ability to grow revenue will depend upon our ability to shift more dollars to our platform from our CPG customers, continue to obtain high quality coupons and increase the number of CPG-authorized activations available through our platform. If we are unable to do any of these, growth in our revenue will be adversely affected.

Increasing revenue from CPGs on our platform. Our ability to grow our revenue in the future depends upon our ability to continue to increase revenues from existing CPGs on our platform through national brand coupons, targeted media and measurement, trade promotions, and increasing the number of brands that are using our platform within each CPG. As CPGs spend more on our platform, volume discounts that we offer to our existing CPGs may slow our revenue growth or reduce our revenues on a per transaction basis.

Variability in promotional spend by CPGs. Our revenues may fluctuate due to changes in promotional spending budgets of CPGs and retailers and the timing of their promotional spending. Decisions by major CPGs or retailers to delay or reduce their promotional and media spending, move campaigns, or divert spending away from digital promotions or media could slow our revenue growth or reduce our revenues.

Ability to scale Retailer iQ and further integrate with Retailers. Our ability to grow our revenues will depend upon our ability to continue to successfully implement and scale Retailer iQ among retailers. If we are unable to continue to successfully implement Retailer iQ, or if the implementation or marketing of Retailer iQ is delayed or it is not adopted and supported with sufficient resources by retailers, the growth in our revenues will be adversely affected. Our ability to grow our revenue in the future is also dependent upon our ability to further integrate digital promotions and media into retailers' loyalty or point of sale systems and other channels so that CPGs and retailers can more effectively engage consumers and drive their own sales.

Growth of our consumer selection and digital offerings. Our ability to grow our revenue in the future will depend on our ability to innovate and invest in promotion and media solutions, including Retailer iQ, Quotient Media Exchange ("QMX"), mobile solutions for consumers, including digital print, mobile solutions and digital promotion offerings for specialty/franchise retail, leverage our reach to consumers and the strength of our platform to broaden the selection and use of digital coupons by consumers, manage the transition from digital print coupons to digital paperless coupons as well as the transition from desktop to mobile platforms, and invest in emerging solutions around our data and analytic capabilities, referred to as Quotient Insights, for CPGs and retailers.

International Growth and Acquisitions. Our ability to grow our revenues will also depend on our ability to grow our operations and offerings in existing international markets and expand our business through selective acquisitions, similar to our acquisition of Crisp Mobile and Shopmium, and their integration with the core business of the company.

Components of Our Results of Operations

Revenues

We generate revenues by delivering digital coupons, including coupons and coupon codes, and digital media through our platform. CPGs and retailers choose one or more of our offerings and are charged a fee for each selected offering. Our customers generally submit insertion orders that outline the terms and conditions of a campaign, including the channels through which the campaign will be run, the offerings for each selected channel, the type of content to be delivered, the timeframe of the campaign, the number of authorized activations and the pricing of the campaign. Substantially all of our revenues are generated from sales in the United States.

Coupons. We generate revenues, as consumers select, activate, or redeem a coupon through our platform by either printing it for physical redemption at a retailer or saving it to a retailer loyalty account for automatic digital redemption. For setup fees, we recognize revenues proportionally, on a per activation basis, using the number of authorized activations per insertion order, commencing on the date of the first coupon activation. For coupons, the pricing is generally determined on a per unit activation basis. Setup fees charged to customers represent charges for the creation of digital coupons and related activation, tracking and security features. Insertion orders generally include a limit on the number of activations, or times consumers may select a coupon.

Coupon Codes. We generally generate revenues when a consumer makes a purchase using a coupon code from our platform and completion of the order is reported to us. In the same period that we recognize revenues for the delivery of coupon codes, we also estimate and record a reserve, based upon historical experience, to provide for end-user cancelations or product returns which may not be reported until a subsequent date.

Digital Media. Our media services enable CPGs and retailers to distribute digital media to promote their brands and products on our websites, and mobile apps, and through a network of our publishers and non-publisher third parties that display our media offerings on their websites or mobile apps. We charge a fee for these media campaigns, the pricing of which is based on the advertisement size and position. Related fees are generally billed monthly, based on a per-campaign, per-impressions or per-click basis.

Cost of Revenues

Cost of revenues includes the costs resulting from distribution fees. If we deliver a digital coupon or media on a retailer's website or mobile apps or through its loyalty program, or the website or mobile apps of a publisher, we generally pay a distribution fee to the retailer or publisher which is included in our cost of revenues. These costs are expensed as incurred. We generally do not pay a distribution fee for a coupon or code which is offered through the website of the CPG or retailer that is offering the coupon or coupon code. From time to time, we have entered into arrangements pursuant to which we have agreed to the payment of minimum distribution or other service fees that are included in our cost of revenues. Distribution fees as a percent of total revenues were 26%, 23% and 16% during the years ended December 31, 2017, 2016 and 2015, respectively.

Cost of revenues also includes personnel costs, depreciation and amortization expense of equipment, software and acquired intangible assets incurred on revenue producing technologies, data center costs and third-party service fees including traffic acquisition costs and purchase of third-party data. Personnel costs related to costs of revenues include salaries, bonuses, stock-based compensation and employee benefits. These costs are primarily attributable to individuals maintaining our data centers and members of our network operations group, which initiates, sets up and delivers digital promotion and media campaigns. Cost of revenues also includes third-party data center costs. We capitalize costs related to software that is developed or obtained for internal use, including Quotient Insights. Costs incurred in connection with internal software development for revenue producing technologies are capitalized and are amortized in cost of revenues over the internal use software's useful life. The amortization of these costs begins when the internally developed software is ready for its intended use.

Operating Expenses

We classify our operating expenses primarily into three categories: sales and marketing, research and development and general and administrative. Our operating expenses consist primarily of personnel costs and, to a lesser extent, professional fees and facilities expense. Personnel costs for each category of operating expenses generally include salaries, bonuses, stock-based compensation and employee benefits.

Sales and marketing. Our sales and marketing expenses consist primarily of personnel costs (including commissions), brand marketing, and, to a lesser extent, costs associated with professional services, travel, trade shows and marketing materials. We expect to continue to invest in sales and marketing in order to support our growth and business objectives, while continuing to optimize our investment in promotional and advertising activities.

Research and development. Our research and development expenses consist primarily of personnel and related headcount costs and costs of professional services associated with the ongoing development of our technology. Personnel costs include salaries, bonuses, stock-based compensation expense and employee benefit costs. Our developers reside in our Mountain View, California headquarters, New York which was acquired as part of our Crisp acquisition, Paris, France, which was acquired as part of our acquisition of Shopmium and our research and development center in Bangalore, India which we opened in January 2015. We anticipate growing employee headcount in India during 2018.

We believe that continued investment in technology is critical to attaining our strategic objectives. Our investment in research and development will be balanced with our continued operational and cost optimization efforts, as it provides us with the ability to invest in strategic areas, while managing growth in future periods.

General and administrative. Our general and administrative expenses consist primarily of personnel costs associated with our executive, finance, legal, human resources, compliance and other administrative personnel, as well as accounting and legal professional services fees and other corporate expenses.

We expect to continue to incur additional general and administrative expenses in future periods as we continue to invest in corporate infrastructure and incur additional expenses associated with being a public company, including increased legal and accounting expenses, and compliance costs associated with the Sarbanes-Oxley Act.

Change in fair value of escrowed shares and contingent consideration, net. The change in fair value of escrowed shares relates to the acquisition of certain exclusivity rights under a services and data agreement whereby a certain amount of shares were issued and placed in escrow. Those shares are subject to re-measurement until released from escrow. The change in fair value of contingent consideration is due to the re-measurement contingent consideration liabilities, from the acquisition of the assets of Eckim in August 2014, acquisition of Shopmium in October 2015 and acquisition of Crisp in May 2017, resulting from the expected achievement of certain financial metrics over the contingent consideration period.

Interest expense

Interest expense primarily relates to our debt obligations under our convertible senior notes issued during the fourth quarter of 2017, as well as under a credit agreement that was fully repaid in the third quarter of 2015 and terminated. We expect interest expense to increase in the future as we continue to amortize the debt discount and issuance costs, and incur interest expense associated with the convertible senior notes.

Other Income (Expense), Net

Other income (expense), net, includes interest income and foreign currency exchange gains and losses.

Provision for (Benefit from) Income Taxes

On December 22, 2017, the Tax Cuts and Jobs Act of 2017 (the “Act”) was signed into law making significant changes to the Internal Revenue Code. Changes include, but are not limited to, a federal corporate tax rate decrease from 35% to 21%, effective for tax years beginning after December 31, 2017, the transition of U.S. international taxation from a worldwide tax system to a territorial system, and a one-time transition tax on the mandatory deemed repatriation of cumulative foreign earnings. We have calculated our best estimate of the impact of the Act in our year end income tax provision in accordance with our understanding of the Act and guidance available as of the date of this filing and as a result have recorded $0.7 million as an income tax benefit in the fourth quarter of 2017, the period in which the legislation was enacted. The provisional amount related to the re-measurement of certain deferred tax assets and liabilities, based on the rates at which they are expected to reverse in the future, was $27.7 million, with a corresponding provisional valuation allowance of $28.4 million, resulting in a provisional income tax benefit of $0.7 million attributable to the re-measurement of certain indefinite lived deferred tax liabilities related to tax deductible goodwill. The provisional amount related to the one-time transition tax on the mandatory deemed repatriation of foreign earnings was immaterial based on cumulative foreign deficits from our foreign subsidiaries.

We recorded a benefit from income taxes of $0.7 million for the year ended December 31, 2017, a provision for income taxes of $0.2 million for the year ended December 31, 2016, and a benefit from income taxes of $0.6 million for the year ended December 31, 2015. The benefit from income taxes of $0.7 million for the year ended December 31, 2017 was primarily attributable to the provisional impact of the re-measurement of certain indefinite lived deferred tax liabilities related to tax deductible goodwill, as a result of the Act. The provision for income taxes of $0.2 million for the year ended December 31, 2016 was primarily attributable to a net increase in deferred tax liabilities associated with the change in fair value of contingent consideration from prior year acquisitions and a decrease in foreign income taxed at non-US tax rates. The benefit from income taxes of $0.6 million for the year ended December 31, 2015 was primarily attributable to a decrease in deferred tax liabilities that arose from a loss the Company recorded from a change in the fair value of contingent consideration from prior year acquisitions and net foreign tax benefit, partially offset by state income taxes.

Results of Operations

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

	Year Ended December 31,					
	2017		2016		2015	
	(in thousands, except percentages)					
Revenues	$322,115	100.0%	$275,190	100.0%	$237,309	100.0%
Cost of revenues	140,752	43.7 %	114,870	41.7 %	92,203	38.9 %
Gross profit	181,363	56.3 %	160,320	58.3 %	145,106	61.1 %
Operating expenses:						
Sales and marketing	92,833	28.8 %	92,596	33.6 %	92,454	38.9 %
Research and development	50,009	15.5 %	50,503	18.4 %	48,367	20.4 %
General and administrative	48,124	14.9 %	43,404	15.8 %	34,833	14.7 %
Change in fair value of escrowed shares and contingent consideration, net	5,515	1.7 %	(6,450)	(2.3)%	1,231	0.5 %
Total operating expenses	196,481	60.9 %	180,053	65.5 %	176,885	74.5 %
Loss from operations	(15,118)	(4.6)%	(19,733)	(7.2)%	(31,779)	(13.4)%
Interest expense	(1,589)	(0.5)%	—	(—)%	(290)	(0.1)%
Gain on sale of a right to use a web domain name	—	(—)%	—	(—)%	4,800	2.0 %
Other income (expense), net	928	0.3 %	495	0.2 %	(22)	(—)%
Loss before income taxes	(15,779)	(4.8)%	(19,238)	(7.0)%	(27,291)	(11.5)%
Provision for (benefit from) income taxes	(702)	(0.2)%	241	0.1 %	(561)	(0.2)%
Net loss	$(15,077)	(4.6)%	$(19,479)	(7.1)%	$(26,730)	(11.3)%

Revenues

	Year Ended December 31,			2016 to 2017		2015 to 2016	
(in thousands, except percentages)	2017	2016	2015	$ Change	% Change	$ Change	% Change
Revenues	$322,115	$275,190	$237,309	$46,925	17 %	$37,881	16 %

2017 Compared to 2016

Revenues increased by $46.9 million, or 17%, during the year ended December 31, 2017, as compared to the year ended December 31, 2016. The increase was due to growth in digital promotions revenue driven by the continued growth of Retailer iQ transactions and increase in media revenues, which included revenues related to the Crisp acquisition. During 2017, total transactions were 3.5 billion, as compared to 2.4 billion during 2016. Revenues generated from digital promotion transactions represented 53% of the 17% year over year increase, with the balance of the increase driven by our revenues from digital media campaigns. During 2017, revenues from digital promotion transactions and digital media were 74% and 26% of total revenues, respectively, as compared to 77% and 23% of total revenues, respectively, for 2016.

2016 Compared to 2015

Revenues increased by $37.9 million, or 16%, during the year ended December 31, 2016, as compared to the year ended December 31, 2015. This increase was primarily attributable to an increase in the number of transactions on our platform during 2016 to 2.4 billion from 1.7 billion during 2015. Revenues generated from digital promotion transactions represented 94% of the 16% year over year increase, with the balance of the increase driven by our revenues from digital media campaigns. During 2016, revenues from digital promotion transactions and digital media were 77% and 23% of total revenues, respectively, as compared to 74% and 26% of total revenues, respectively, for 2015.

We expect to see variability in our results quarter over quarter in the future as we continue to integrate our digital promotions and media solutions into retailers' in-store and point of sale systems and consumer channels, and as we continue to manage digital print trends. We expect revenue growth in 2018 from increased media revenues as well as promotions revenues with continued deployment of Retailer iQ and the anticipated marketing campaigns as well as adoption of our platform by consumers.

Cost of Revenues and Gross Profit

(in thousands, except percentages)	Year Ended December 31, 2017	2016	2015	2016 to 2017 $ Change	% Change	2015 to 2016 $ Change	% Change
Cost of revenues	$140,752	$114,870	$92,203	$25,882	23 %	$22,667	25 %
Gross profit	$181,363	$160,320	$145,106	$21,043	13 %	$15,214	10 %
Gross margin	56 %	58 %	61 %				

2017 Compared to 2016

Cost of revenues for the year ended December 31, 2017 increased by $25.9 million, or 23%, as compared to the year ended December 31, 2016. The increase was primarily due to an increase of $29.0 million in distribution fees as well as third-party services fees related to the Crisp acquisition, an increase in third-party media service fees of $5.9 million, an increase in amortization expense of $4.5 million related to intangibles acquired from the services and data agreement and Crisp acquisition, an increase in data center expenses of $2.5 million, an increase in salaries and related expenses of $0.5 million, an increase in stock-based compensation of $0.2 million, an increase in restructuring charges of $0.2 million primarily related to severance for the impacted employees, and an increase in other revenue related expenses of $0.3 million. These increases were partially offset by a decrease in amortization expense of $9.8 million associated with our Retailer iQ platform spend which was fully amortized, and the benefit from the non-recurring one-time charge of $7.4 million, recorded during the third quarter of 2016, associated with certain distribution fees under an arrangement with a retailer partner, as discussed in detail in Note 2 (Summary of Significant Accounting Policies).

Gross margin for the year ended December 31, 2017 decreased to 56% from 58%, as compared to the year ended December 31, 2016. The decrease was primarily due an increase in distribution fees of $29.0 million resulting from a greater number of Retailer iQ transactions completed through our platform, attributable to an increase in digital promotion revenues, an increase in third-party media service fees of $5.9 million, an increase in amortization expense of $4.5 million related to intangibles acquired from the services and data agreement and Crisp acquisition and due to the shift in our product mix; partially offset by a decrease in amortization expense of $9.8 million associated with our Retailer iQ platform, and the benefit from the non-recurring one-time charge of $7.4 million, recorded during the third quarter of 2016, associated with certain distribution fees under an arrangement with a retailer partner.

We expect the costs associated with distribution and third-party service fees to continue to increase in the future as we continue to expand and scale our distribution network and reach, and as we continue to pursue opportunities to expand our business through selective acquisitions.

2016 Compared to 2015

Cost of revenues for the year ended December 31, 2016 increased by $22.7 million, or 25%, as compared to the year ended December 31, 2015. The increase was primarily due to higher distribution fees of $23.0 million attributable to an increase in fees of $15.6 million primarily due to higher number of transactions completed through our platform that are subject to fees on third-party sites, a one-time charge of $7.4 million associated with certain distribution fees under an arrangement with a retailer partner, an increase in amortization expense of $2.5 million related to certain exclusive rights acquired under a services and data agreement executed during the third quarter of 2016, an increase in expenses related to Shopmium of $1.5 million and an increase in amortization expense of $1.0 million associated with our Retailer iQ platform, partially offset by a decrease in outsourced data center services fees used to support our business of $5.0 million and reduction in expensed computer supplies of $0.3 million.

Gross margin for the year ended December 31, 2016 decreased to 58% from 61%, as compared to the year ended December 31, 2015. The decrease was primarily due to a one-time charge associated with certain distribution fees under an arrangement with a retailer partner, increase in amortization expense related to certain exclusive rights acquired under a services and data agreement, partially offset by decreased outsourced data center services fees and the benefit from leveraging fixed costs.

Sales and Marketing

	Year Ended December 31,			2016 to 2017		2015 to 2016	
(in thousands, except percentages)	2017	2016	2015	$ Change	% Change	$ Change	% Change
Sales and marketing	$92,833	$92,596	$92,454	$237	0 %	$142	0 %
Percent of revenues	29 %	34 %	39 %				

50

2017 Compared to 2016

Sales and marketing expenses increased by $0.2 million during the year ended December 31, 2017, as compared to the year ended December 31, 2016. The increase was primarily due an increase in salaries and related expenses of $1.9 million from hiring additional employees to support our growth and business objectives, an increase in stock-based compensation of $0.8 million, and an increase in restructuring costs of $0.4 million primarily related to severance for the impacted employees, partially offset by a reduction in promotional and advertising costs of $2.9 million resulting from our expense management efforts.

We expect to continue to invest in sales and marketing in order to support our growth and business objectives, while continuing to optimize our investment in promotional and advertising activities.

2016 Compared to 2015

Sales and marketing expenses increased modestly by $0.1 million during the year ended December 31, 2016, as compared to the year ended December 31, 2015. The modest increase was primarily due to an increase in personnel costs related to Shopmium of $2.1 million, an increase in headcount and related expenses of $1.4 million, from hiring additional employees, an increase in promotional and advertising costs of $1.0 million, as a result of our efforts to improve the effectiveness of our distribution channels, and an increase in facility related costs of $0.5 million due to increased headcount, partially offset by a decrease in stock-based compensation expense of $4.9 million.

Research and Development

	Year Ended December 31,			2016 to 2017		2015 to 2016	
(in thousands, except percentages)	2017	2016	2015	$ Change	% Change	$ Change	% Change
Research and development	$50,009	$50,503	$48,367	$(494)	(1)%	$2,136	4%
Percent of revenues	16%	18%	20%				

2017 Compared to 2016

Research and development expenses decreased by $0.5 million, or 1%, during the year ended December 31, 2017, as compared to the year ended December 31, 2016. The decrease was primarily due to the increase in capitalization of Quotient Insights software development costs of $3.1 million, partially offset by an increase in research and development support activities of $1.3 million, an increase in stock-based compensation expense of $0.7 million, an increase in restructuring costs of $0.4 million, and an increase in salaries and related expenses of $0.2 million.

During the year ended December 31, 2017, we capitalized internal use software development costs of $3.8 million, as compared to $0.7 million during the year ended December 31, 2016.

We believe that continued investment in technology is critical to attaining our strategic objectives. We intend to balance our investment in research and development with our continued operational and cost optimization efforts, as it provides us with the ability to invest in strategic areas, while managing growth in future periods.

2016 Compared to 2015

Research and development expenses increased by $2.1 million, or 4%, during the year ended December 31, 2016, as compared to the year ended December 31, 2015. The increase was primarily due to higher third-party consultation and support services of $1.6 million related to the investment we made in our internal business technology infrastructure, an increase in investment in research and development facilities of $1.6 million, and an increase in fixed assets depreciation expense of $0.4 million, partially offset by a decrease in headcount and related expenses of $1.5 million, and a decrease in stock-based compensation expense of $2.4 million.

During the year ended December 31, 2016, we capitalized internal use software development costs of $0.7 million, as compared to $1.5 million during the year ended December 31, 2015.

General and Administrative

(in thousands, except percentages)	Year Ended December 31, 2017	2016	2015	2016 to 2017 $ Change	% Change	2015 to 2016 $ Change	% Change
General and administrative	$48,124	$43,404	$34,833	$4,720	11 %	$8,571	25 %
Percent of revenues	15 %	16 %	15 %				

2017 Compared to 2016

General and administrative expenses increased by $4.7 million, or 11%, during the year ended December 31, 2017, as compared to the year ended December 31, 2016. The increase was primarily due to an increase in restructuring costs of $2.4 million primarily related to facility exit costs and severance for the impacted employees, an increase in stock-based compensation expense of $2.3 million, certain acquisition related fees of $1.9 million due to the Crisp acquisition, an increase in ERP software implementation costs of $1.1 million, an increase in salaries and related expenses of $0.4 million, partially offset by a decrease in third-party consultation services of $2.1 million, and a decrease in allowance for doubtful accounts of $1.3 million due to collection efforts.

The increase in personnel costs relating to salaries, stock-based compensation, and employee-related expenses, was due to an increase in employee headcount required to support our business growth. The increase in third-party consultation services relating to legal, accounting and regulatory compliance costs was due to our continued effort to invest in corporate infrastructure and incur additional expenses associated with being a public company.

We expect to continue to incur additional general and administrative expenses in future periods as we continue to invest in corporate infrastructure and incur additional expenses associated with being a public company, including increased legal and accounting expenses, and compliance costs associated with the Sarbanes-Oxley Act.

2016 Compared to 2015

General and administrative expenses increased by $8.6 million, or 25%, during the year ended December 31, 2016, as compared to the year ended December 31, 2015. The increase was primarily due to an increase in headcount related costs of $6.2 million, which includes an increase in stock-based compensation expense of $2.2 million; an increase in expense of $1.0 million relating to a modification of stock options and RSUs granted to a former employee; an increase in third-party consultation services of $0.8 million; an increase in personnel costs of $0.4 million due to Shopmium; and an increase of $0.2 million related to Enterprise Resource software implementation costs.

Change in Fair Value of Escrowed Shares and Contingent Consideration, Net

(in thousands, except percentages)	Year Ended December 31, 2017	2016	2015	2016 to 2017 $ Change	% Change	2015 to 2016 $ Change	% Change
Change in fair value of escrowed shares and contingent consideration, net	$5,515	$(6,450)	$1,231	$11,965	(186)%	$(7,681)	(624)%
Percent of revenues	2 %	(2)%	1 %				

2017 Compared to 2016

During the year ended December 31, 2017, we recorded a loss of $3.7 million due to the change in fair value of Crisp contingent consideration related to the increase in expected achievement of certain financial metrics over the contingent consideration period, as discussed in Note 3 (Fair Value Measurements), a loss of $2.0 million due to the decrease in fair value of certain escrowed shares related to a decrease in the Company's stock price, as discussed in Note 7 (Goodwill and Intangible Assets), partially offset by a gain of $0.2 million due to the change in fair value of the Shopmium contingent consideration related Shopmium not meeting its revenue and profit milestones during the contingent consideration measurement period, as discussed in Note 3 (Fair Value Measurements).

During the year ended December 31, 2016, we recorded a gain of $4.9 million due to the decrease in fair value of certain escrowed shares related to the change in the Company's stock price, as discussed in Note 7 (Goodwill and Intangible Assets), a gain of $1.2 million due to the change in fair value of Shopmium contingent consideration related to a decline in the expected revenue and profit milestones for the years ending December 31, 2016 and December 31, 2017, as discussed in Note 3 (Fair Value Measurements), and a gain of $0.3 million due to the change in fair value of Eckim contingent consideration related to a decrease in the Company's stock price when the Company and the sellers of Eckim agreed on the performance against the milestones and when the shares were issued.

2016 Compared to 2015

During the year ended December 31, 2016, we recorded a gain of $4.9 million due to the decrease in fair value of certain escrowed shares related to the change in the Company's stock price, a gain of $1.2 million due to the change in fair value of Shopmium contingent consideration related to a decline in the expected revenue and profit milestones for the years ending December 31, 2016 and December 31, 2017 and a gain of $0.3 million due to the change in fair value of Eckim contingent consideration related to a decrease in the Company's stock price when the Company and the sellers of Eckim agreed on the performance against the milestones and when the shares were issued.

During the year ended December 31, 2015, we recorded a loss of $1.2 million resulting from the change in fair value of the Eckim contingent consideration. The change in fair value of the contingent consideration was primarily driven by Eckim achieving certain post-acquisition contractual revenue and profit milestones, partially offset by a decrease in our stock price. We remeasured the Eckim liability based on the number of shares issuable as of December 31, 2015.

Interest Expense and Other Income (Expense), Net

	Year Ended December 31,			2016 to 2017		2015 to 2016	
(in thousands, except percentages)	2017	2016	2015	$ Change	% Change	$ Change	% Change
Interest expense	$(1,589)	$—	$(290)	$(1,589)	*%	$290	(100)%
Gain on sale of a right to use a web domain name	—	—	4,800	—	*%	(4,800)	*%
Other income (expense), net	928	495	(22)	433	87%	517	(2,350)%
	$(661)	$495	$4,488	$(1,156)	(234)%	$(3,993)	(89)%

* not meaningful

2017 Compared to 2016

The increase in interest expense during the year ended December 31, 2017, as compared to the year ended December 31, 2016, was due to the issuance of the convertible senior notes during the fourth quarter of 2017. The increase in other income (expense), net during the year ended December 31, 2017, as compared to the year ended December 31, 2016 was due to interest income earned on short-term certificate of deposits, net of the effect of re-measuring balances in foreign currency due to exchange rate fluctuations.

We expect interest expense to increase in the future as we continue to amortize the debt discount and issuance costs, and incur interest expense associated with the convertible senior notes.

2016 Compared to 2015

The decrease in interest expense during the year ended December 31, 2016, as compared to the year ended December 31, 2015, was due to repayment in full of $7.5 million in borrowings in the third quarter of 2015. The gain on sale of a right to use a web domain name during the year ended December 31, 2015 was the result of a $4.8 million gain realized from the sale of a right to use a web domain name through a competitive public auction process. The change in other income (expense), net during the year ended December 31, 2016, as compared to 2015, is associated with interest income earned on short-term certificate of deposits and foreign currency exchange rate fluctuations.

Provision for (benefit from) Income Taxes

(in thousands, except percentages)	Year Ended December 31, 2017	2016	2015	2016 to 2017 $ Change	% Change	2015 to 2016 $ Change	% Change
Provision for (benefit from) income taxes	$(702)	$241	$(561)	$(943)	(391)%	$802	(143)%

2017 Compared to 2016

The income tax benefit of $0.7 million for the year ended December 31, 2017 was primarily attributable to the provisional impact of the re-measurement of certain indefinite lived deferred tax liabilities related to tax deductible goodwill recorded on our consolidated balance sheets due to the Tax Cuts and Jobs Act enacted December 22, 2017. The provision for income taxes of $0.2 million for the year ended December 31, 2016 was primarily attributable to a net increase in deferred tax liabilities associated with the change in fair value of contingent consideration from acquisitions and a decrease in foreign income taxed at non-U.S. tax rates

2016 Compared to 2015

The income tax provision of $0.2 million for the year ended December 31, 2016 was primarily attributable to a net increase in deferred tax liabilities associated with the change in fair value of contingent consideration from prior year acquisitions and a decrease in foreign income taxed at non-US tax rates. The benefit from income taxes during 2015 was primarily attributable to a decrease in deferred tax liabilities that arose from a loss the Company recorded from a change in the fair value of contingent consideration from prior year acquisitions and net foreign tax benefit, partially offset by state income taxes.

Liquidity and Capital Resources

We financed our operations and capital expenditures through the issuance of common stock in our IPO in March 2014, private sales of preferred stock, term debt financing, exercise of stock options and cash flows from operations. In November 2017, we raised additional cash by the issuance of $200.0 million convertible senior notes. As of December 31, 2017, our principal source of liquidity were cash and cash equivalents, and short-term investments totaling $394.5 million, which were held for working capital purposes.

In the near term, although we intend to continue to manage our operating expenses in line with our existing cash and available financial resources, we anticipate we will incur increased spending in future periods in order to execute our long-term business plan and to support our growth and the costs associated with being a public company. As a public company, we have incurred and expect to continue to incur significant legal, accounting, regulatory compliance and other costs that we did not incur in the periods prior to our IPO with higher increases in future periods as we continue to invest in corporate infrastructure and incur additional expenses associated with being a public company, including increased legal and accounting expenses, and compliance costs associated with the Sarbanes-Oxley Act. In addition, we may use cash to fund acquisitions or invest in other business, repurchase the Company’s common stock under the publicly announced share repurchase program or incur capital expenditures including leasehold improvements or technologies.

Our Board of Directors previously approved programs for us to repurchase shares of our common stock. In April 2017, our Board of Directors authorized a share repurchase program (“2017 Program”) for us to repurchase up to $50.0 million of the Company’s common stock. The 2017 Program has a one year duration beginning on May 5, 2017. Stock repurchases may be made from time-to-time and the timing of any repurchases and the actual number of shares repurchased will depend on a variety of factors. The Company may suspend, modify or terminate this repurchase program at any time without prior notice. During the year ended December 31, 2017, the Company did not repurchase any shares of its common stock. As of December 31, 2017, a total of $50.0 million remains available for future share repurchases under the 2017 Program.

During the fourth quarter of 2017, we retired 9,647,708 shares of our treasury stock upon authorization of our Board of Directors. We accounted for the retirement of treasury stock by allocating the excess repurchase price over par value of the repurchased shares between additional paid-in capital and accumulated deficit. When the repurchase price of the shares repurchased is greater than the original issue proceeds, the excess is charged to accumulated deficit.

We believe our existing cash, cash equivalents and cash flow from operations will be sufficient to meet our working capital and capital expenditure needs for at least the next 12 months and the foreseeable future. To the extent that current and anticipated future sources of liquidity are insufficient to fund our future business activities and requirements, we may be required to seek additional equity or debt financing. In the event additional financing is required from outside sources, we may not be able to raise it on terms acceptable to us or at all.

Cash Flows

The following table summarizes our cash flows for the periods presented (in thousands):

	Year Ended December 31,		
	2017	2016	2015
Cash flows provided by operating activities	$48,457	$21,815	$9,231
Cash flows used in investing activities	(18,253)	(50,559)	(50,812)
Cash flows provided by (used in) financing activities	198,276	(26)	(24,577)
Effects of exchange rates on cash	(19)	(3)	30
Net increase (decrease) in cash and cash equivalents	$228,461	$(28,773)	$(66,128)

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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 our revenues. Cash provided by (used in) operating activities has typically been due to our net losses and by changes in our operating assets and liabilities.

During 2017, net cash provided by operating activities of $48.5 million reflects our net loss of $15.1 million, adjusted for net non-cash expenses of $57.6 million, and cash provided as a result of changes in working capital of $6.0 million. Non-cash expenses included stock-based compensation, depreciation and amortization, change in the fair value of escrowed shares and contingent consideration, restructuring charge related to facility exit costs, amortization of debt issuance costs, loss on disposal of property and equipment, deferred income taxes and recovery from allowance for doubtful accounts. The cash from the net change in working capital items included, most notably an increase in accounts payable and other current liabilities of $12.8 million and an increase in accrued compensation and benefits of $0.7 million, partially offset by an increase in accounts receivable of $4.4 million due to timing of invoicing and collections, an increase in prepaid expenses and other current assets of $2.5 million related to prepaid subscription and support fees, and a decrease in deferred revenue of $0.6 million.

During 2016, net cash provided by operating activities of $21.8 million reflects our net loss of $19.5 million, adjusted for net non-cash expenses of $53.4 million, partially offset by cash used as a result of changes in working capital of $12.1 million. Non-cash expenses included depreciation and amortization, stock-based compensation, one-time charge for certain distribution fees under an arrangement with a retailer partner, change in the fair value of escrowed shares and contingent consideration, loss on disposal of property and equipment, deferred income taxes and provision for allowance for doubtful accounts. The use of cash from the net change in working capital items included, an increase in accounts receivable of $9.4 million, a decrease in accrued compensation and benefits of $1.9 million, a decrease in accounts payable and other current liabilities of $1.7 million, and a decrease in deferred revenues of $0.5 million, partially offset by a decrease in prepaid expenses and other assets of $1.4 million related to the timing of payments.

During 2015, cash provided by operating activities of $9.2 million reflects our net loss of $26.7 million, adjusted for net non-cash expenses of $45.7 million, partially offset by cash used as a result of changes in working capital of $9.7 million. Non-cash expenses included depreciation and amortization, stock-based compensation, amortization of debt issuance costs, and change in the fair value of the contingent consideration, a gain on sale of a right to use a web domain name which is a reclassification of cash flows to investing activities, deferred income taxes, provision for allowances for doubtful accounts and loss on disposal of property and equipment. The use of cash from the net change in working capital items included an increase in accounts receivable of $12.8 million due to an increase in billing for media campaigns as well as timing of payments and an increase in prepaid expenses and other assets of $1.2 million related to the timing of payments, offset by an increase in accounts payable and other current liabilities of $3.0 million and increase in deferred revenues of $1.2 million and accrued compensation and benefits of $0.1 million.

Investing Activities

Purchases of property and equipment may vary from period-to-period due to the timing of the expansion of our operations and the development activities related to our future offerings including Quotient Insights. We expect to continue to invest in property and equipment and in the further development and enhancement of our software platform for the foreseeable future. In addition, from time to time, we may consider potential acquisitions that would complement our existing service offerings, enhance our technical capabilities or expand our marketing and sales presence. Any future transaction of this nature could require potentially significant amounts of capital or could require us to issue our stock and dilute existing stockholders.

During 2017, net cash used in investing activities of $18.2 million was primarily due to purchases of certificates of deposits of $114.2 million, net cash consideration paid for the Crisp acquisition of $21.0 million, purchases of property, equipment and intangible assets of $6.5 million, which includes capitalized software development costs related to Quotient Insights, and technology hardware and software to support our growth, partially offset by proceeds from the maturities of certificates of deposits of $123.5 million.

During 2016, net cash used in investing activities of $50.6 million was primarily due to purchases of certificates of deposits of $88.2 million, purchases of property, equipment and intangible assets of $6.4 million that includes technology hardware and software, and leasehold improvements to support our growth as well as capitalized development and enhancement costs related to Retailer iQ and Quotient Insights, partially offset by proceeds from the maturity of a certificate of deposit of $44.0 million.

During 2015, net cash used in investing activities of $50.8 million was primarily due to the purchase of a certificate of deposit investment of $25.0 million, net cash consideration paid for the acquisition of Shopmium of $16.8 million, purchases of property and equipment of $13.2 million, partially offset by proceeds from the sale of a right to use a web domain name of $4.8 million.

Financing Activities

Our financing activities consisted primarily of net proceeds from the issuance of net borrowings under term debt, a line of credit and convertible senior notes, the issuance of shares of common stock upon the exercise of stock options and repurchases of common stock.

During 2017, net cash provided by financing activities of $198.3 million was primarily due the issuance of $200.0 million principal amount of convertible senior notes due 2022, net of issuance costs of $6.2 million, proceeds received from exercises of stock options under stock plans of $8.8 million, partially offset by payments for taxes related to shares withheld to cover the required payroll withholding taxes for the settlement of equity awards of $4.0 million, and payments on promissory note and capital lease obligations of $0.3 million.

During 2016, net cash used in financing activities was insignificant, primarily due to repurchases of our common stock of $11.9 million, offset by proceeds received from exercises of stock options of $12.0 million.

During 2015, net cash used in financing activities of $24.6 million was primarily due to repurchases of our common stock of $22.7 million and cash used to terminate and pay off the total debt outstanding on our line of credit of $7.5 million, partially offset by proceeds received from exercises of stock options of $5.7 million.

Off-Balance Sheet Arrangements

We did not have any off-balance sheet arrangements as of December 31, 2017.

Contractual Obligations

The following table summarizes our future minimum payments under contractual commitments as of December 31, 2017 (in thousands):

	Payments Due by Period				
	Total	Less Than 1 Year	1 - 3 Years	3 - 5 Years	More Than 5 Years
Convertible senior notes (1)	$200,000	$—	$—	$200,000	$—
Interest obligations (2)	17,208	3,500	7,000	6,708	—
Capital leases	61	48	13	—	—
Operating leases (3)	14,153	4,691	6,498	1,634	1,330
Purchase obligations (4)	14,221	4,767	3,419	1,315	4,720
Total	$245,643	$13,006	$16,930	$209,657	$6,050

(1) Represents aggregate principal amount of the convertible senior notes, without the effect of associated discounts.

(2) Represents the estimated interest obligation for our outstanding convertible senior notes that is payable in cash.

(3) We lease various office facilities, including our corporate headquarters in Mountain View, California and various sales offices, under operating lease agreements that expire through September 2024. The terms of the lease agreements provide for rental payments on a graduated basis. We recognize rent expense on a straight-line basis over the lease periods.

(4) We have an unconditional purchase commitment for the years 2018 to 2034 in the amount of $6.5 million for marketing arrangements relating to the purchase of a 20-year suite license for a professional sports team which we use for sales and marketing purposes. We have unconditional purchase commitments, primarily related to software license fees and marketing services, of $7.7 million.

The contractual commitment amounts in the table above are associated with agreements that are enforceable and legally binding. Obligations under contracts that we can cancel without a significant penalty are not included in the table above.

Critical Accounting Policies and Estimates

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

We believe that the assumptions and estimates associated with business combinations, goodwill and intangible assets, net, impairment of long lived assets, convertible senior notes, revenue recognition, stock-based compensation, and income taxes have the greatest potential impact on our consolidated financial statements. Therefore, we consider these to be our critical accounting policies and estimates. For further information on all of our significant accounting policies, see the notes to our consolidated financial statements.

Business Combinations

We account for acquisitions of entities that include inputs and processes and have the ability to create outputs as business combinations. Under the acquisition method of accounting, the total consideration is allocated to the tangible and identifiable intangible assets acquired and liabilities assumed based on their estimated fair values at the acquisition dates. The excess of the consideration transferred over those fair values is recorded as goodwill. During the measurement period, which may be up to one year from the acquisition date, we may record adjustments to the assets acquired and liabilities assumed with the corresponding offset to goodwill.

In determining the fair value of assets acquired and liabilities assumed in a business combination, we use recognized valuation methods, including the income approach, market approach and cost approach, and apply present value modeling. Our significant estimates in the income, market or cost approach include identifying business factors such as size, growth, profitability, risk and return on investment and assessing comparable net revenues and operating income multiples in estimating the fair value. We also make certain assumptions specific to present value modeling valuation techniques which include risk-adjusted discount rates, rates of increase in operating expenses, weighted-average cost of capital, long-term growth rate assumptions and the future effective income tax rates.

The valuations of our acquired businesses have been performed by valuation specialists under our management's supervision. We believe that the estimated fair value assigned to the assets acquired and liabilities assumed are based on reasonable assumptions and estimates that marketplace participants would use. However, such assumptions are inherently uncertain and actual results could differ from those estimates. Future changes in our assumptions or the interrelationship of those assumptions may negatively impact future valuations. In future measurements of fair value, adverse changes in discounted cash flow assumptions could result in an impairment of goodwill or intangible assets that would require a non-cash charge to the consolidated statements of operations and may have a material effect on our financial condition and operating results.

Acquisition related costs are not considered part of the consideration, and are expensed as general and administrative expense as incurred. Contingent consideration, if any is measured at fair value initially on the acquisition date as well as subsequently at the end of each reporting period, typically based on the expected achievement of certain financial metrics, until, the assessment period is over and it gets finally settled.

Goodwill and Intangible Assets

Goodwill is tested for impairment at least annually, and more frequently upon the occurrence of certain events that may indicate that the carrying value of goodwill may not be recoverable. Events or circumstances that could trigger an impairment test include, but are not limited to, a significant adverse change in the business climate or in legal factors, an adverse action or assessment by a regulator, a loss of key personnel, significant changes in our use of the acquired assets or the strategy for our overall business, significant negative industry or economic trends, significant underperformance relative to operating performance indicators, a significant decline in market capitalization and significant changes in competition. We complete our annual impairment test during the fourth quarter of each year, at the reporting unit level, which is at the company level as a whole, since we operate in one single reporting segment.

Intangible assets with a finite life are amortized over their estimated useful lives. Intangible assets are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount of intangible assets may not be recoverable. 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. When such events occur, we compare the carrying amounts of the assets to their undiscounted cash flows. If this comparison indicates that there is impairment, the amount of the impairment is calculated as the difference between the carrying value and the fair value.

Impairment of Long-Lived Assets

Such assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Recoverability of assets to be held and used is measured first by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, an impairment loss would be recognized for an amount by which the carrying amount of the asset exceeds the fair value of the asset.

During the third quarter of 2016, we recorded a one-time charge associated with certain distribution fees under an arrangement with a retailer partner that were deemed unrecoverable. When we deliver a digital coupon on a retailer’s website or mobile app or through its loyalty program, or the website or mobile app of a publisher, or through its Retailer iQ platform, and the consumer takes certain actions, we pay a distribution fee to the retailer or other publisher, which, in some cases may be prepaid prior to being incurred. We considered various factors in its assessment including its historical experience with transaction volumes through the retailer and other comparative retailers, ongoing communications with the retailer to increase its marketing efforts to promote the digital platform, as well as the projected revenues, and associated revenue share payments. Accordingly, during the three months ended September 30, 2016, we recognized a one-time charge of $7.4 million related to such distribution fees in cost of revenues on the accompanying consolidated statement of operations. As of December 31, 2017, we had no prepaid non-refundable payments with our Retailer IQ partners.

Convertible Senior Notes

In accounting for the issuance of the notes, we separated the notes into liability and equity components. The carrying amount of the liability component was calculated by measuring the fair value of a similar liability that does not have an associated convertible feature. The carrying amount of the equity component representing the conversion option was determined by deducting the fair value of the liability component from the par value of the notes as a whole. This difference represents a debt discount that is amortized to interest expense over the terms of the notes. The equity component is not remeasured as long as it continues to meet the conditions for equity classification. In accounting for the issuance costs related to the notes, we allocated the total amount incurred to the liability and equity components. Issuance costs attributable to the liability components are being amortized to expense over the contractual term of the notes, and issuance costs attributable to the equity component were netted with the equity component in additional paid-in capital.

Revenue Recognition

We recognize revenues primarily from the set-up and activation of coupons and coupons codes, and digital media services when all four of the following criteria are met:

- Persuasive evidence of an arrangement exists;
- Delivery has occurred or a service has been provided;
- Customer fees are fixed or determinable; and
- Collection is reasonably assured.

Coupons. We generate revenues, as consumers select, activate, or redeem a coupon through our platform by either printing it for physical redemption at a retailer or saving it to a retailer loyalty account for automatic digital redemption. In the case of the setup fees, we recognize revenues proportionally, on a per activation basis, using the number of authorized activations per insertion order, commencing on the date of the first coupon activation. For coupons, the pricing is generally determined on a per unit activation basis. Setup fees charged to customers represent charges for the creation of digital coupons and related activation, tracking and security features. Insertion orders generally include a limit on the number of activations, or times consumers may select a coupon.

Coupon Codes. We generally generate revenues when a consumer makes a purchase using a coupon code from our platform and completion of the order is reported to us. In the same period that we recognize revenues for the delivery of coupon codes, we also estimate and record a reserve, based upon historical experience, to provide for end-user cancelations or product returns which may not be reported until a subsequent date.

Digital Media. Our media services enable CPGs and retailers to distribute digital media to promote their brands and products on our websites, and mobile apps, and through those of our affiliate publishers and non-publisher third parties. We charge a fee for these media campaigns, the pricing of which is based on the advertisement size and position. Related fees are generally billed monthly, based on per campaign, per impressions or a per click basis.

We do not offer rights of refund of previously paid or delivered amounts, rebates, rights of return or price protection. In all instances, we limit the amount of revenue recognized to the amounts for which we have the right to bill our customers.

Gross versus Net Revenue Reporting

In the normal course of business and through our distribution network, we deliver digital coupons and media on retailers' websites, through retailers' loyalty programs, and on the websites of digital publishers. In these situations, we generally pay a distribution fee to the retailers or digital publishers which is included in our cost of revenues. The determination of whether revenues should be reported on a gross or net basis is based on our assessment of whether we are the principal or an agent in the transaction. In determining whether we are the principal or an agent, we follow the accounting guidance for principal-agent considerations. Because we are the primary obligor and are responsible for (i) fulfilling the digital coupon and media delivery, (ii) establishing the selling prices for delivery of the digital coupons and media, and (iii) performing all billing and collection activities including retaining credit risk, we have concluded that we are the principal in these arrangements, and therefore report revenues and cost of revenues on a gross basis.

Multiple-element Arrangements

For arrangements with multiple-deliverables, we determine whether each of the individual deliverables qualify as a separate unit of accounting. In order to treat deliverables in a multiple element arrangement as a separate unit of accounting, the deliverable must have standalone value upon delivery.

We allocate the arrangement fee to all the deliverables (separate units of accounting) using the relative selling price method in accordance with the selling price hierarchy, which includes vendor-specific objective evidence (“VSOE”) if available, third-party evidence (“TPE”), if VSOE is not available and best estimate of selling price (“BESP”), if neither VSOE nor TPE is available. VSOE and TPE do not currently exist for any of our deliverables. Accordingly, for arrangements with multiple deliverables that can be separated into different units of accounting, we allocate the arrangement fee to the separate units of accounting based on BESP. We determine BESP for deliverables by considering multiple factors, including, but not limited to, prices we charge for similar offerings, market conditions, competitive landscape and pricing practices. We limit the amount of allocable arrangement consideration to amounts that are fixed or determinable and that are not contingent on future performance or future deliverables.

Stock-based Compensation

We account for stock-based compensation using the fair value method, which requires us to measure the stock-based compensation based on the grant-date fair value of the awards and recognize the compensation expense over the requisite service period. We adopted ASU 2016-09 Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting in the first quarter of 2017. Upon adoption, we elected to change our accounting policy to account for forfeitures as they occur. The change was applied on a modified retrospective basis with a cumulative effect adjustment related to estimated forfeitures of $3.4 million recorded to accumulated deficit balance as of January 1, 2017. Equity awards issued to nonemployees are recorded at fair value on their measurement date and are subject to adjustment each period as the awards vest.

The fair value of each stock option award is estimated on the grant date using the Black-Scholes option-pricing model. The fair value of RSUs equals the market value of our common stock on the date of grant. Our option-pricing model requires the input of highly subjective assumptions, the expected term of the option, the expected volatility of the price of our common stock, risk-free interest rates, and the expected dividend yield of our common stock.

Income Taxes

We account for our income taxes using the liability method. Deferred tax assets and liabilities are recognized for the expected tax consequences of temporary differences between the tax bases of assets and liabilities and their reported amounts using enacted tax rates in effect for the year the differences are expected to reverse. In evaluating our ability to recover our deferred tax assets we consider all available positive and negative evidence including our past operating results, the existence of cumulative losses in past fiscal years, and our forecast of future taxable income in the jurisdictions.

We have placed a valuation allowance on the U.S. deferred tax assets and certain non-U.S. deferred tax assets, because realization of these tax benefits through future taxable income does not meet the more-likely-than-not threshold.

We account for uncertainty in income taxes using a two-step approach to recognizing and measuring uncertain tax positions. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates that it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit as the largest amount that is more than 50% likely of being realized upon settlement.

On December 22, 2017, the Tax Cuts and Jobs Act of 2017 (the “Act”) was signed into law making significant changes to the Internal Revenue Code. Changes include, but are not limited to, a federal corporate tax rate decrease from 35% to 21%, effective for tax years beginning after December 31, 2017, the transition of U.S. international taxation from a worldwide tax system to a territorial system, and a one-time transition tax on the mandatory deemed repatriation of cumulative foreign earnings. We have calculated our best estimate of the impact of the Act in our year end income tax provision in accordance with our understanding of the Act and guidance available as of the date of this filing and as a result have recorded $0.7 million as an income tax benefit in the fourth quarter of 2017, the period in which the legislation was enacted. The provisional amount related to the re-measurement of certain deferred tax assets and liabilities, based on the rates at which they are expected to reverse in the future, was $27.7 million, with a corresponding provisional valuation allowance of $28.4 million, resulting in a provisional income tax benefit of $0.7 million attributable to the re-measurement of certain indefinite lived deferred tax liabilities related to tax deductible goodwill. The provisional amount related to the one-time transition tax on the mandatory deemed repatriation of foreign earnings was immaterial based on cumulative foreign deficits from our foreign subsidiaries.

On December 22, 2017, Staff Accounting Bulletin No. 118 ("SAB 118") was issued to address the application of U.S. GAAP in situations when a registrant does not have the necessary information available, prepared, or analyzed (including computations) in reasonable detail to complete the accounting for certain income tax effects of the Act. In accordance with SAB 118, we have determined that the $27.7 million recorded in connection with the re-measurement of certain deferred tax assets and liabilities, and corresponding valuation allowance of $28.4 million, was a provisional amount and a reasonable estimate at December 31, 2017. Additional work is necessary for a more detailed analysis of our deferred tax assets and liabilities. Any subsequent adjustment to these amounts may be recorded to current tax expense in the quarter of 2018 when the analysis is complete.

Tax laws are dynamic and subject to change as new laws are passed and new interpretations of the law are issued or applied. The U.S. recently enacted significant tax reform, and certain provisions of the new law may adversely affect us. In addition, governmental tax authorities are increasingly scrutinizing the tax positions of companies. Many countries in the European Union, as well as a number of other countries and organizations such as the Organization for Economic Cooperation and Development, are actively considering changes to existing tax laws that, if enacted, could increase our tax obligations in countries where we do business. If U.S. or other foreign tax authorities change applicable tax laws, our overall taxes could increase, and our business, financial condition or results of operations may be adversely impacted.

Foreign Currency

Foreign currency denominated assets and liabilities of foreign subsidiaries, where the local currency is the functional currency, are translated into U.S. Dollars using the exchange rates in effect at the balance sheet dates, and income and expenses are translated using average exchange rates during the period. The resulting foreign currency translation adjustments are recorded in accumulated other comprehensive income (loss), a component of stockholders’ equity.

Prior to the first quarter of 2016, the functional currency of each of the Company’s international subsidiaries was the local currency, as its international subsidiaries negotiated and managed business locally with minimal involvement from the U.S. parent entity.

Beginning the first quarter of 2016, the functional currency of certain international subsidiaries changed from its local currency to U.S. Dollar (“USD”). The change in functional currency was the result of changes in the Company’s international strategy primarily resulting from the acquisition of Shopmium S.A. (a private company based in France). The Company acquired Shopmium S.A. as part of its strategy to broaden international operations and subsequently, the Company reviewed its international strategy, including management of its relationships with international CPG brands, evaluation of worldwide competition and international pricing strategy, its plan to manage future billings and collections for international customers and plan to further develop the acquired technology for its subsequent use by various entities. Consequently, as part of the Company’s new international strategy and changes to the way the Company runs its business internationally, it modified its existing international structure and entered into various inter-company licensing agreements between its U.S. entity and certain international entities. As these changes were significant, the Company considered the economic factors outlined in ASC 830, Foreign Currency Matters, for the determination of the functional currency. The Company concluded that most of the factors pointed to the use of the parent’s currency (USD) as the functional currency, which resulted in a change in functional currency to USD for such international subsidiaries.

The change in functional currency is applied on a prospective basis beginning with our first quarter of 2016 and translation adjustments for prior periods will continue to remain as a component of accumulated other comprehensive loss.

Gains and losses from foreign currency transactions are included in other income (expense), net in the accompanying consolidated statements of operations. Foreign currency transaction gains (losses) were immaterial for all the periods presented in the accompanying consolidated financial statements.

Recently Issued Accounting Pronouncements

Accounting Pronouncements Not Yet Adopted

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standard Update (“ASU”) 2014-09, Revenue from Contracts with Customers (Topic 606). In addition, the FASB issued subsequent ASUs, which serve to clarify certain aspects of ASU 2014-09. The amendments are based on the principle that revenue should be recognized to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Additionally, the standard requires reporting companies to also disclose the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. In July 2015, the FASB agreed to delay the effective date of this amendment by one year; accordingly, the Company is required to adopt the amendments in the first quarter of 2018. The amendments may be applied retrospectively to each prior period presented or retrospectively with the cumulative effect recognized as of the date of initial application. Early adoption is permitted, but not before the original effective date of the amendment, which was the first quarter of 2017.

The Company has completed its evaluation of the overall impact of the new standard on its accounting policies, processes, system requirements, and internal controls over financial reporting. In addition to internal resources, the Company engaged third-party service providers to assist with the evaluation. The Company has made and will continue to make investments in systems to enable timely and accurate reporting under the new standard. The Company will adopt the new revenue standard in the first quarter of 2018 using the modified retrospective method, and does not expect a material impact on the amount and timing of revenue recognized in its consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). The guidance requires lessees to put most leases on their balance sheets but recognize expenses on their income statements in a manner similar to today's accounting. Lessees initially recognize a lease liability for the obligation to make lease payments and a right-of-use asset for the right to use the underlying asset for the lease term. The lease liability is measured at the present value of the lease payments over the lease term. The right-of-use asset is measured at the lease liability amount, adjusted for lease prepayments, lease incentives received and the lessee's initial direct costs. The standard is effective for public business entities for annual reporting periods beginning after December 15, 2018, and interim periods within that reporting period, which is the first quarter of 2019 for the Company. Early adoption is permitted. ASU 2016-02 is required to be adopted using a modified retrospective approach. The Company is currently evaluating the impact of adopting this new accounting guidance on the consolidated financial statements.

In August 2016, the FASB issued ASU 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments (ASU 2016-15), which clarifies how companies present and classify certain cash receipts and cash payments in the statement of cash flows. The standard is effective for public business entities for annual reporting years beginning after December 15, 2017, and interim periods within that reporting period, which is the first quarter of 2018 for the Company. Early adoption is permitted. The Company is currently evaluating the impact of adopting this new accounting guidance on the consolidated financial statements.

Accounting Pronouncements Adopted

In March 2016, the FASB issued ASU 2016-09, Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting. The guidance requires all of the tax effects related to share based payments to be recorded through the income statement. The guidance also removes the present requirement to delay recognition of an excess tax benefit ("windfall tax benefit") until it reduces current taxes payable; instead it is recognized at the time of settlement, subject to normal valuation allowance consideration. While the simplification will eliminate some administrative complexities, it will increase the volatility of income tax expense. The standard was effective for the Company beginning January 1, 2017, and interim periods within that reporting period. Early adoption was permitted. The Company adopted ASU 2016-09 in the first quarter of 2017. Upon adoption, the Company elected to change its accounting policy to account for forfeitures as they occur. The change was applied on a modified retrospective basis with a cumulative effect adjustment of $3.4 million recorded to accumulated deficit balance as of January 1, 2017. The amendments related to accounting for previously unrecognized excess tax benefits as deferred tax assets have been adopted on a modified retrospective basis with a cumulative-effect adjustment to opening retained earnings of $25.5 million, fully offset by a valuation allowance. This adjustment resulted in no impact to retained earnings upon adoption. The amendments related to accounting for excess tax benefits have been adopted prospectively, resulting in no impact as the Company is in a net operating loss position with a full valuation allowance.

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

We have operations both within the United States and internationally, and we are exposed to market risks in the ordinary course of our business. These risks include primarily interest rate, foreign exchange risks and inflation. We do not hold or issue financial instruments for trading purposes.

Interest Rate Fluctuation Risk

Our cash and cash equivalents consist of cash and money market funds. Our borrowings under capital lease obligations are generally at fixed interest rates.

The primary objective of our investment activities is to preserve principal while maximizing income without significantly increasing risk. Because our cash and cash equivalents have a relatively short maturity, our portfolio's fair value is relatively insensitive to interest rate changes. We do not believe that an increase or decrease in interest rates of 100 basis points would have a material effect on our operating results or financial condition. In future periods, we will continue to evaluate our investment policy in order to ensure that we continue to meet our overall objectives.

Market Risk and Market Interest Risk

In November 2017, we issued $200.0 million aggregate principal amount of 1.75% convertible senior notes due 2022. The fair value of our convertible senior notes is subject to interest rate risk, market risk and other factors due to the convertible feature. The fair value of the convertible senior notes will generally increase as our common stock price increases and will generally decrease as our common stock price declines in value. The interest and market value changes affect the fair value of our convertible senior notes but do not impact our financial position, cash flows or results of operations due to the fixed nature of the debt obligation.

Foreign Currency Exchange Risk

We have limited foreign currency risks related to our revenues and operating expenses denominated in currencies other than the U.S. dollar, principally the British Pound Sterling and the Euro. The volatility of exchange rates depends on many factors that we cannot forecast with reliable accuracy. Although we have experienced and will continue to experience fluctuations in our net income (loss) as a result of transaction gains (losses) related to revaluing certain cash balances, trade accounts receivable balances and intercompany balances that are denominated in currencies other than the U.S. dollar, we believe such a change will not have a material impact on our results of operations. In the event our foreign sales and expenses increase, our operating results may be more greatly affected by fluctuations in the exchange rates of the currencies in which we do business. At this time, we do not, but we may in the future, enter into derivatives or other financial instruments in an attempt to hedge our foreign currency exchange risk. It is difficult to predict the impact hedging activities would have on our results of operations.

Inflation Risk

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

Item 8. Financial Statements and Supplementary Data.
Financial Statements

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and the Board of Directors of Quotient Technology Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Quotient Technology Inc. (the Company) as of December 31, 2017 and 2016, the related consolidated statements of operations, comprehensive loss, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2017, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2017 and 2016, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2017, in conformity with U.S. generally accepted accounting principles

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 2009.

San Jose, California
February 16, 2018

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QUOTIENT TECHNOLOGY INC.

CONSOLIDATED BALANCE SHEETS

(in thousands, except share and per share data)

	December 31, 2017	December 31, 2016
Assets		
Current assets:		
Cash and cash equivalents	$334,635	$106,174
Short-term investments	59,902	69,172
Accounts receivable, net of allowance for doubtful accounts of $786 and $1,338 at December 31, 2017 and 2016, respectively	81,189	71,945
Prepaid expenses and other current assets	8,737	6,293
Total current assets	484,463	253,584
Property and equipment, net	16,610	16,376
Intangible assets, net	46,490	47,987
Goodwill	80,506	43,895
Other assets	1,006	914
Total assets	$629,075	$362,756
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$6,090	$4,968
Accrued compensation and benefits	13,914	13,202
Other current liabilities	35,538	20,864
Deferred revenues	6,276	6,856
Contingent consideration related to acquisitions	18,500	—
Total current liabilities	80,318	45,890
Other non-current liabilities	3,205	2,548
Convertible senior notes, net	145,821	—
Deferred tax liabilities	1,690	2,569
Total liabilities	231,034	51,007
Commitments and contingencies (Note 13)		
Stockholders' equity:		
Preferred stock, $0.00001 par value—10,000,000 shares authorized and no shares issued or outstanding at December 31, 2017 and 2016	—	—
Common stock, $0.00001 par value—250,000,000 shares authorized and 93,199,718 shares issued and outstanding at December 31, 2017; 250,000,000 shares authorized and 98,208,117 shares issued and 88,560,409 outstanding at December 31, 2016	1	1
Additional paid-in capital	686,025	647,474
Treasury stock, at cost	—	(96,574)
Accumulated other comprehensive loss	(700)	(748)
Accumulated deficit	(287,285)	(238,404)
Total stockholders' equity	398,041	311,749

Total liabilities and stockholders’ equity	$629,075	$362,756

See Accompanying Notes to Consolidated Financial Statements

QUOTIENT TECHNOLOGY INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per share data)

	Year Ended December 31,		
	2017	2016	2015
Revenues	$322,115	$275,190	$237,309
Costs and expenses:			
Cost of revenues	140,752	114,870	92,203
Sales and marketing	92,833	92,596	92,454
Research and development	50,009	50,503	48,367
General and administrative	48,124	43,404	34,833
Change in fair value of escrowed shares and contingent consideration, net	5,515	(6,450)	1,231
Total costs and expenses	337,233	294,923	269,088
Loss from operations	(15,118)	(19,733)	(31,779)
Interest expense	(1,589)	—	(290)
Gain on sale of a right to use a web domain name	—	—	4,800
Other income (expense), net	928	495	(22)
Loss before income taxes	(15,779)	(19,238)	(27,291)
Provision for (benefit from) income taxes	(702)	241	(561)
Net loss	$(15,077)	$(19,479)	$(26,730)
Net loss per share, basic and diluted	$(0.17)	$(0.23)	$(0.32)
Weighted-average number of common shares used in computing net loss per share, basic and diluted	89,505	84,157	82,807

See Accompanying Notes to Consolidated Financial Statements

QUOTIENT TECHNOLOGY INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(in thousands)

	Year Ended December 31,		
	2017	2016	2015
Net loss	$(15,077)	$(19,479)	$(26,730)
Other comprehensive income (loss):			
Foreign currency translation adjustments	48	(1)	(746)
Comprehensive loss	$(15,029)	$(19,480)	$(27,476)

See Accompanying Notes to Consolidated Financial Statements

QUOTIENT TECHNOLOGY INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS’ EQUITY

(in thousands, except share data)

	Common Stock		Additional Paid-In	Treasury Stock		Accumulated Other Comprehensive Income	Accumulated	Total Stockholders'
	Shares	Amount	Capital	Shares	Amount	(Loss)	Deficit	Equity
Balance as of December 31, 2014	81,380,014	$ 1	$ 531,018	4,844,906	$ (61,935)	$ (1)	$ (192,195)	$ 276,888
Exercise of employee stock options	1,232,184	—	4,081	—	—	—	—	4,081
Vesting of restricted stock units	2,006,143	—	—	—	—	—	—	—
Issuance of common stock, stock purchase plan	193,495	—	1,599	—	—	—	—	1,599
Issuance of common stock, acquisition	278,639	—	1,544	—	—	—	—	1,544
Stock-based compensation	—	—	32,346	—	—	—	—	32,346
Repurchases of common stock	(3,095,189)	—	—	3,095,189	(23,492)	—	—	(23,492)
Other comprehensive loss	—	—	—	—	—	(746)	—	(746)
Net loss	—	—	—	—	—	—	(26,730)	(26,730)
Balance as of December 31, 2015	81,995,286	$ 1	$ 570,588	7,940,095	$ (85,427)	$ (747)	$ (218,925)	$ 265,490
Exercise of employee stock options	2,328,197	—	10,578	—	—	—	—	10,578
Vesting of restricted stock units	2,422,146	—	—	—	—	—	—	—
Issuance of common stock, stock purchase plan	185,066	—	1,388	—	—	—	—	1,388
Issuance of common stock, acquisition	337,327	—	1,944	—	—	—	—	1,944
Issuance of common stock related to a services and data agreement	3,000,000		39,570	—	—	—	—	39,570
Stock-based compensation	—	—	28,286	—	—	—	—	28,286
Change in fair value of escrowed shares related to a services and data agreement	—	—	(4,880)	—	—	—	—	(4,880)
Repurchases of common stock	(1,707,613)	—	—	1,707,613	(11,147)	—	—	(11,147)
Other comprehensive loss	—	—	—	—	—	(1)	—	(1)

Net loss	—	—	—	—	—	—	(19,479)	(19,479)
Balance as of December 31, 2016	88,560,409	$ 1	$ 647,474	9,647,708	$ (96,574)	$ (748)	$ (238,404)	$ 311,749
Exercise of employee stock options	1,435,484	—	6,200	—	—	—	—	6,200
Vesting of restricted stock units	1,750,137	—	—	—	—	—	—	—
Issuance of common stock, stock purchase plan	275,761	—	2,563	—	—	—	—	2,563
Payments for taxes related to net share settlement of equity awards	—	—	(4,012)	—	—	—	—	(4,012)
Issuance of common stock, acquisition	1,177,927	—	12,957	—	—	—	—	12,957
Cumulative-effect of accounting change	—	—	3,381	—	—	—	(3,381)	—
Conversion feature of convertible senior notes, net of issuance costs	—	—	49,090	—	—	—	—	49,090
Retirement of treasury stock	—	—	(66,151)	(9,647,708)	96,574	—	(30,423)	—
Stock-based compensation	—	—	32,523	—	—	—	—	32,523
Change in fair value of escrowed shares related to a services and data agreement	—	—	2,000	—	—	—	—	2,000
Other comprehensive loss	—	—	—	—	—	48	—	48
Net loss	—	—	—	—	—	—	(15,077)	(15,077)
Balance as of December 31, 2017	93,199,718	$ 1	$ 686,025	—	$ —	$ (700)	$ (287,285)	$ 398,041

See Accompanying Notes to Consolidated Financial Statements

QUOTIENT TECHNOLOGY INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

	Year Ended December 31,		
	2017	2016	2015
Cash flows from operating activities:			
Net loss	$(15,077)	$(19,479)	$(26,730)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Depreciation and amortization	17,840	22,770	16,500
Stock-based compensation	32,252	28,286	32,346
Amortization of debt discount and issuance cost	1,148	—	134
Restructuring charge related to facility exit costs	2,074	—	—
Gain on sale of a right to use a web domain name	—	—	(4,800)
Loss on disposal of property and equipment	85	476	146
Allowance for doubtful accounts	(655)	652	680
Deferred income taxes	(702)	241	(561)
One-time charge for certain distribution fees	—	7,435	—
Change in fair value of escrowed shares and contingent consideration, net	5,515	(6,450)	1,231
Changes in operating assets and liabilities:			
Accounts receivable	(4,382)	(9,358)	(12,792)
Prepaid expenses and other current assets	(2,553)	1,360	(1,231)
Accounts payable and other current liabilities	12,834	(1,718)	2,967
Accrued compensation and benefits	658	(1,914)	146
Deferred revenues	(580)	(486)	1,189
Other liabilities	—	—	6
Net cash provided by operating activities	48,457	21,815	9,231
Cash flows from investing activities:			
Purchases of property and equipment	(6,475)	(6,281)	(13,170)
Purchases of intangible assets	—	(106)	(636)
Proceeds from sale of a right to use a web domain name	—	—	4,800
Acquisitions, net of cash acquired	(21,048)	—	(16,806)
Purchases of short-term investments	(114,239)	(88,172)	(25,000)
Proceeds from maturities of short-term investment	123,509	44,000	—
Net cash used in investing activities	(18,253)	(50,559)	(50,812)
Cash flows from financing activities:			
Proceeds from borrowings on convertible senior notes, net of issuance costs	193,763	—	—
Proceeds from issuances of common stock under stock plans	8,763	11,966	5,680
Payments for taxes related to net share settlement of equity awards	(4,012)	—	—
Repayment of debt obligations	—	—	(7,500)
Repurchases of common stock	—	(11,944)	(22,695)
Principal payments on promissory note and capital lease obligations	(238)	(48)	(62)
Net cash provided by (used in) financing activities	198,276	(26)	(24,577)

Effect of exchange rates on cash and cash equivalents	(19)	(3)	30
Net increase (decrease) in cash and cash equivalents	228,461	(28,773)	(66,128)
Cash and cash equivalents at beginning of period	106,174	134,947	201,075
Cash and cash equivalents at end of period	$334,635	$106,174	$134,947
Supplemental disclosures of cash flow information			
Cash paid for income taxes	$168	$140	$14
Cash paid for interest	29	3	196
Supplemental disclosures of noncash investing and financing activities			
Fair value of common stock issued in connection with a services and data agreement	—	39,570	—
Computer equipment acquired under promissory note	819	—	797
Issuance of shares related to Crisp acquisition	12,957	1,944	1,544
Property and equipment acquired under capital leases	31	22	—
Fixed asset purchases not yet paid	973	1,324	1,365

See Accompanying Notes to Consolidated Financial Statements

QUOTIENT TECHNOLOGY INC.

Notes to Consolidated Financial Statements

1. Background

Description of Business

Quotient Technology Inc., is a provider of an industry leading digital marketing platform that drives sales by delivering personalized and targeted coupons and ads to shoppers at the right moment on their path to purchase. The Company has built a scaled network of consumer packaged goods ("CPG") brands, retailers and shoppers, all digitally connected through our core platform, called Retailer iQ. Using proprietary and licensed data, including online behaviors, purchase intent, and retailers' in-store point-of-sale ("POS") shopper data, the Company targets shoppers with the most relevant digital coupons and ads, as well as measure campaign performance, including attribution of dollars spent on digital marketing to in-store sales. Customers and partners use the Company's digital platform as a more effective channel to influence shoppers.

2. Summary of Significant Accounting Policies

Basis of Presentation and Consolidation

The accompanying consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP"). The Company's consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All significant intercompany transactions and balances have been eliminated.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements as well as the reported amounts of revenues and expenses during the reporting period. Actual results may differ from the Company's estimates, and such differences may be material to the accompanying consolidated financial statements.

Cash, Cash Equivalents and Short-term Investments

The Company considers all highly liquid investments with original maturities of three months or less at the time of purchase to be cash equivalents. The Company's short-term investments consists of certificates of deposits with original maturities of greater than three months and remaining maturities less than one year as of the balance sheet date.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable are recorded at invoiced amounts and do not bear interest. The Company generally does not require collateral and performs ongoing credit evaluations of its customers and maintains allowances for potential credit losses. The Company maintains an allowance for doubtful accounts based upon the expected collectability of its accounts receivable. The allowance is determined based upon specific account identification and historical experience of uncollectable accounts. The expectation of collectability is based on the Company’s review of credit profiles of customers, contractual terms and conditions, current economic trends, and historical payment experience. When the Company determines that the amounts are uncollectible, the Company writes them off against the allowance for doubtful accounts.

Property and Equipment, net

Property and equipment, net, are stated at cost less accumulated depreciation and amortization. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets, which are three years for computer equipment and software and five years for all other asset categories except leasehold improvements, which are amortized over the shorter of the lease term or the expected useful life of the improvements. Equipment leased under capital leases is amortized over the shorter of the lease term or the asset’s estimated useful life.

Internal-Use Software Development Costs

For costs incurred for computer software developed or obtained for internal use, the Company begins to capitalize its costs to develop software when preliminary development efforts are successfully completed, management has authorized and committed project funding, and it is probable that the project will be completed and the software will be used as intended. These costs are amortized to cost of revenues over the estimated useful life of the related asset, generally estimated to be three years. Costs incurred prior to meeting these criteria together with costs incurred for training and maintenance are expensed as incurred and recorded in research and development expense on the Company’s consolidated statements of operations.

Leases

Leases meeting certain criteria are accounted for as capital leases. The imputed interest is included in interest expense in the accompanying consolidated statements of operations, and the capitalized value is amortized as part of the Company’s property and equipment, net. Obligations under capital leases are reduced by lease payments, net of imputed interest. All other leases are accounted for as operating leases. When an operating lease contains a predetermined fixed escalation of the minimum rent, or if tenant allowances have been received, the related rent expense is recognized on a straight-line basis over the term of the lease, with the difference between the recognized rent expense and amounts payable under the lease recorded as deferred rent liability.

Business Combinations

The Company accounts for acquisitions of entities that include inputs and processes and have the ability to create outputs as business combinations. Under the acquisition method of accounting, the total consideration is allocated to the tangible and identifiable intangible assets acquired and liabilities assumed based on their estimated fair values at the acquisition dates. The excess of the consideration transferred over those fair values is recorded as goodwill. During the measurement period, which may be up to one year from the acquisition date, the Company may record adjustments to the assets acquired and liabilities assumed with the corresponding offset to goodwill. Acquisition related costs are not considered part of the consideration, and are expensed as general and administrative expense as incurred. Contingent consideration, if any is measured at fair value initially on the acquisition date as well as subsequently at the end of each reporting period, typically based on the expected achievement of certain financial metrics, until, the assessment period is over and it gets finally settled.

Goodwill and Intangible Assets

Intangible assets with a finite life are amortized over their estimated useful lives. Goodwill is tested for impairment at least annually, and more frequently upon the occurrence of certain events that may indicate that the carrying value of goodwill may not be recoverable. The Company completes its annual impairment test during the fourth quarter of each year, at the reporting unit level, which is at the company level as a whole, since the Company operates in one single reporting segment. There was no impairment of goodwill for the years ended December 31, 2017, 2016 and 2015.

Impairment of Long-Lived Assets

Such assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Recoverability of assets to be held and used is measured first by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, an impairment loss would be recognized for an amount by which the carrying amount of the asset exceeds the fair value of the asset.

During the third quarter of 2016, the Company recorded a one-time charge associated with certain distribution fees under an arrangement with a retailer partner that were deemed unrecoverable. When the Company delivers a digital coupon on a retailer's website or mobile app or through its loyalty program, or the website or mobile app of a publisher, or through its Retailer iQ platform, and the consumer takes certain actions, the Company pays a distribution fee to the retailer or other publisher, which, in some cases may be prepaid prior to being incurred. The Company considered various factors in its assessment including its historical experience with transaction volumes through the retailer and other comparative retailers, ongoing communications with the retailer to increase its marketing efforts to promote the digital platform, as well as the projected revenues, and associated revenue share payments. Accordingly, during the three months ended September 30, 2016, the Company recognized a one-time charge of $7.4 million related to such distribution fees in cost of revenues on the accompanying consolidated statement of operations. As of December 31, 2017, the Company had no prepaid non-refundable payments with our Retailer iQ partners. The Company has not recognized any impairment of long-lived assets during the years ended December 31, 2017 and 2015.

Fair Value of Financial Instruments

The carrying values of the Company's financial instruments, including cash equivalents, accounts receivable, accounts payable, accrued compensation and benefits, and other current liabilities, approximate fair value due to their short-term nature. The Company records money market funds, short-term investments and contingent consideration at fair value. See Note 3 (Fair Value Measurements).

Convertible Senior Notes

In November 2017, the Company issued $200.0 million aggregate principal amount of 1.75% convertible senior notes due 2022 (the "notes"). In accounting for the issuance of the notes, the Company separated the notes into liability and equity components. The carrying amount of the liability component was calculated by measuring the fair value of a similar liability that does not have an associated convertible feature. The carrying amount of the equity component representing the conversion option was determined by deducting the fair value of the liability component from the par value of the notes as a whole. This difference represents a debt discount that is amortized to interest expense over the terms of the notes. The equity component is not remeasured as long as it continues to meet the conditions for equity classification. In accounting for the issuance costs related to the notes, the Company allocated the total amount incurred to the liability and equity components. Issuance costs attributable to the liability components are being amortized to expense over the contractual term of the notes, and issuance costs attributable to the equity component were netted with the equity component in additional paid-in capital.

Revenue Recognition

The Company derives revenues primarily from the set-up and activation of coupons and coupons codes, and digital media services.

The Company recognizes revenue when all four of the following criteria are met:

- Persuasive evidence of an arrangement exists;
- Delivery has occurred or a service has been provided;
- Customer fees are fixed or determinable; and
- Collection is reasonably assured.

Coupons. The Company generates revenues, as consumers select, activate, or redeem a coupon through our platform by either printing it for physical redemption at a retailer or saving it to a retailer loyalty account for automatic digital redemption. In the case of the setup fees, it recognizes revenues proportionally, on a per activation basis, using the number of authorized activations per insertion order, commencing on the date of the first coupon activation. For coupons, the pricing is generally determined on a per unit activation basis. Setup fees charged to customers represent charges for the creation of digital coupons and related activation, tracking and security features. Upfront insertion orders generally include a limit on the number of activations, or times consumers may select a coupon.

Coupon Codes. The Company generally generates revenues when a consumer makes a purchase using a coupon code from its platform and completion of the order is reported to the Company. In the same period that the Company recognize revenues for the delivery of coupon codes, it also estimates and record a reserve, based upon historical experience, to provide for end-user cancelations or product returns which may not be reported until a subsequent date.

Digital Media - The Company's media services enable CPGs and retailers to deliver digital media to promote their brands and products on the Company's websites and mobile apps, and through the Company's affiliate publishers and non-publisher third parties. The Company charges a fee for these media campaigns, the pricing of which is based on the advertisement size and position. Related fees are generally billed monthly, based on a per-campaign, per-impression or per-click basis.

The Company does not offer rights of refund of previously paid or delivered amounts, rebates, rights of return or price protection. In all instances, the Company limits the amount of revenue recognized to the amounts for which it have the right to bill its' customers.

Gross versus Net Revenue Reporting

In the normal course of business and through its distribution network, the Company delivers digital coupons and media on retailers' websites, through retailers' loyalty programs, and on the websites of digital publishers. In these situations, the Company generally pays a distribution fee to the retailers or publishers which is included in the Company's cost of revenues. The determination of whether revenues should be reported on a gross or net basis is based on an assessment of whether the Company is acting as the principal or an agent in the transaction. In determining whether the Company is the principal or an agent, the Company follows the accounting guidance for principal-agent considerations. Because the Company is the primary obligor and is responsible for (i) fulfilling the digital coupon and media delivery, (ii) establishing the selling prices for delivery of the digital coupons and media, and (iii) performing all billing and collection activities including retaining credit risk, the Company has concluded that it is the principal in these arrangements and therefore the Company reports revenues and cost of revenues on a gross basis.

Multiple-element Arrangements

For arrangements with multiple-deliverables, the Company determines whether each of the individual deliverables qualify as a separate unit of accounting. In order to treat deliverables in a multiple element arrangement as a separate unit of accounting, the deliverable must have standalone value upon delivery.

The Company allocates the arrangement fee to all the deliverables (separate units of accounting) using the relative selling price method in accordance with the selling price hierarchy, which includes vendor-specific objective evidence ("VSOE") if available, third-party evidence ("TPE") if VSOE is not available and best estimate of selling price ("BESP") if neither VSOE nor TPE is available. VSOE and TPE do not currently exist for any of the Company's deliverables. Accordingly, for arrangements with multiple deliverables that can be separated into different units of accounting, the Company allocates the arrangement fee to the separate units of accounting based on BESP. The Company determines BESP for deliverables by considering multiple factors, including, but not limited to, prices it charges for similar offerings, market conditions, competitive landscape and pricing practices. The Company limits the amount of allocable arrangement consideration to amounts that are fixed or determinable and that are not contingent on future performance or future deliverables.

Deferred Revenues

Deferred revenues consist of coupon setup fees, activation fees, and digital media fees that are expected to be recognized upon coupon activations, or delivery of media impressions or clicks, which generally occurs within the next twelve months.

Cost of Revenues

Cost of revenues consist primarily of distribution fees, personnel costs and depreciation and amortization expense, software and acquired intangible assets incurred on revenue producing technologies, data center costs, third-party service fees including traffic acquisition costs and purchase of third party data. Distribution fees consist of payments to partners within the Company's network for their digital coupon publishing services. Personnel costs include salaries, bonuses, stock-based awards and employee benefits. The personnel costs are primarily attributable to individuals maintaining the Company's data centers and operations, which initiate, sets up and deliver digital coupon media campaigns. Depreciation and amortization expense includes depreciation of data center equipment and amortization of capitalized internal use software.

Research and Development Expense

The Company expenses the cost of research and development as incurred. Research and development expense consists primarily of personnel and related headcount costs and costs of professional services associated with the ongoing development of the Company’s technology.

Stock-based Compensation

The Company accounts for stock-based compensation using the fair value method, which requires the Company to measure the stock-based compensation based on the grant-date fair value of the awards and recognize the compensation expense over the requisite service period. The Company adopted ASU 2016-09 Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting in the first quarter of 2017. Upon adoption, the Company elected to change its accounting policy to account for forfeitures as they occur. The change was applied on a modified retrospective basis with a cumulative effect adjustment related to estimated forfeitures of $3.4 million recorded to accumulated deficit balance as of January 1, 2017. Equity awards issued to nonemployees are recorded at fair value on their measurement date and are subject to adjustment each period as the awards vest.

Advertising Expense

Advertising costs are expensed when incurred and are included in sales and marketing expense on the accompanying consolidated statements of operations. The Company incurred $1.0 million, $2.7 million and $1.4 million of advertising costs during the years ended December 31, 2017, 2016 and 2015, respectively. Advertising costs consist primarily of online marketing costs, such as sponsored search, advertising on social networking sites, e-mail marketing campaigns, loyalty programs, and affiliate programs.

Income Taxes

The Company accounts for income taxes in accordance with authoritative guidance, which requires the use of the liability method. Under this method, deferred income tax assets and liabilities are determined based upon the difference between the consolidated financial statement carrying amounts and the tax basis of assets and liabilities and are measured using the enacted tax rate expected to apply to taxable income in the years in which the differences are expected to reverse. A valuation allowance is provided when it is more likely than not that the deferred tax assets will not be realized.

The Company recognizes liabilities for uncertain tax positions based upon a two-step process. To the extent a tax position does not meet a more-likely-than-not level of certainty, no benefit is recognized in the consolidated financial statements. If a position meets the more-likely-than-not level of certainty, it is recognized in the consolidated financial statements at the largest amount that has a greater than 50% likelihood of being realized upon ultimate settlement. The Company accounts for any applicable interest and penalties as a component of income tax expense.

Foreign Currency

Foreign currency denominated assets and liabilities of foreign subsidiaries, where the local currency is the functional currency, are translated into U.S. Dollars using the exchange rates in effect at the balance sheet dates, and income and expenses are translated using average exchange rates during the period. The resulting foreign currency translation adjustments are recorded in accumulated other comprehensive income (loss), a component of stockholders' equity.

Prior to the first quarter of 2016, the functional currency of each of the Company's international subsidiaries was the local currency, as its international subsidiaries negotiated and managed business locally with minimal involvement from the U.S. parent entity.

Beginning the first quarter of 2016, the functional currency of certain international subsidiaries changed from its local currency to U.S. Dollar ("USD"). The change in functional currency was the result of changes in the Company's international strategy primarily resulting from the acquisition of Shopmium S.A. (a private company based in France). The Company acquired Shopmium S.A. as part of its strategy to broaden international operations and subsequently, the Company reviewed its international strategy, including management of its relationships with international CPG brands, evaluation of worldwide competition and international pricing strategy, its plan to manage future billings and collections for international customers and plan to further develop the acquired technology for its subsequent use by various entities. Consequently, as part of the Company's new international strategy and changes to the way the Company runs its business internationally, it modified its existing international structure and entered into various inter-company licensing agreements between its U.S. entity and certain international entities. As these changes were significant, the Company considered the economic factors outlined in ASC 830, Foreign Currency Matters, for the determination of the functional currency. The Company concluded that most of the factors pointed to the use of the parent's currency (USD) as the functional currency, which resulted in a change in functional currency to USD for such international subsidiaries.

The change in functional currency is applied on a prospective basis beginning with our first quarter of 2016 and translation adjustments for prior periods will continue to remain as a component of accumulated other comprehensive loss.

Gains and losses from foreign currency transactions are included in other income (expense), net in the accompanying consolidated statements of operations. Foreign currency transaction gains (losses) were immaterial for all the periods presented in the accompanying consolidated financial statements.

Other Comprehensive Income (Loss)

Other comprehensive income (loss) consists of foreign currency translation adjustments.

Net Income (Loss) per Share

The Company's basic net income (loss) per share attributable to common stockholders is computed by dividing the net income (loss) by the weighted-average number of shares of common stock outstanding during the period. The diluted net income (loss) per share is computed by giving effect to all potentially dilutive common share equivalents outstanding during the period. The dilutive effect of dilutive common share equivalents is reflected in diluted net income (loss) per share by application of the treasury stock method. Since the Company intends to settle the principal amount of its outstanding convertible senior notes in cash, the Company uses the treasury stock method for calculating any potential dilutive effect of the conversion spread on diluted net income per share, if applicable. The effects of options to purchase common stock, RSUs, certain shares held in escrow, and convertible senior notes are excluded from the computation of diluted net loss per share attributable to common stockholders because their effect is antidilutive.

Segments

The Company's chief operating decision maker, who is the Chief Executive Officer, reviews the Company's financial information presented on a consolidated basis for purposes of allocating resources and evaluating our financial performance. There are no segment managers who are held accountable by the chief operating decision maker, or anyone else, for operations, operating results, and planning for levels or components below the consolidated unit level. Accordingly, the Company has determined that it operates in one single reporting segment.

Concentration of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash, cash equivalents, short-term investments and accounts receivable. For cash, cash equivalents and short-term investments, the Company is exposed to credit risk in the event of default by the financial institutions to the extent of the amounts recorded on the accompanying consolidated balance sheets. Credit risk with respect to accounts receivable is dispersed due to the large number of customers. The Company does not require collateral for accounts receivable.

Recently Issued Accounting Pronouncements

Accounting Pronouncements Not Yet Adopted

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standard Update ("ASU") 2014-09, Revenue from Contracts with Customers (Topic 606). In addition, the FASB issued subsequent ASUs, which serve to clarify certain aspects of ASU 2014-09. The amendments are based on the principle that revenue should be recognized to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Additionally, the standard requires reporting companies to also disclose the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. In July 2015, the FASB agreed to delay the effective date of this amendment by one year, accordingly, the Company is required to adopt the amendments in the first quarter of 2018. The amendments may be applied retrospectively to each prior period presented or retrospectively with the cumulative effect recognized as of the date of initial application. Early adoption is permitted, but not before the original effective date of the amendment, which was the first quarter of 2017.

The Company has completed its evaluation of the overall impact of the new standard on its accounting policies, processes, system requirements, and internal controls over financial reporting. In addition to internal resources, the Company engaged third-party service providers to assist with the evaluation. The Company has made and will continue to make investments in systems to enable timely and accurate reporting under the new standard. The Company will adopt the new revenue standard in the first quarter of 2018 using the modified retrospective method, and does not expect a material impact on the amount and timing of revenue recognized in its consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). The guidance requires lessees to put most leases on their balance sheets but recognize expenses on their income statements in a manner similar to today's accounting. Lessees initially recognize a lease liability for the obligation to make lease payments and a right-of-use asset for the right to use the underlying asset for the lease term. The lease liability is measured at the present value of the lease payments over the lease term. The right-of-use asset is measured at the lease liability amount, adjusted for lease prepayments, lease incentives received and the lessee's initial direct costs. The standard is effective for public business entities for annual reporting periods beginning after December 15, 2018, and interim periods within that reporting period, which is the first quarter of 2019 for the Company. Early adoption is permitted. ASU 2016-02 is required to be adopted using a modified retrospective approach. The Company is currently evaluating the impact of adopting this new accounting guidance on the consolidated financial statements.

In August 2016, the FASB issued ASU 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments (ASU 2016-15), which clarifies how companies present and classify certain cash receipts and cash payments in the statement of cash flows. The standard is effective for public business entities for annual reporting years beginning after December 15, 2017, and interim periods within that reporting period, which is the first quarter of 2018 for the Company. Early adoption is permitted. The Company is currently evaluating the impact of adopting this new accounting guidance on the consolidated financial statements.

Accounting Pronouncements Adopted

In March 2016, the FASB issued ASU 2016-09, Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting. The guidance requires all of the tax effects related to share based payments to be recorded through the income statement. The guidance also removes the present requirement to delay recognition of an excess tax benefit ("windfall tax benefit") until it reduces current taxes payable; instead it is recognized at the time of settlement, subject to normal valuation allowance consideration. While the simplification will eliminate some administrative complexities, it will increase the volatility of income tax expense. The standard was effective for the Company beginning January 1, 2017, and interim periods within that reporting period. Early adoption was permitted. The Company adopted ASU 2016-09 in the first quarter of 2017. Upon adoption, the Company elected to change its accounting policy to account for forfeitures as they occur. The change was applied on a modified retrospective basis with a cumulative effect adjustment of $3.4 million recorded to accumulated deficit balance as of January 1, 2017. The amendments related to accounting for previously unrecognized excess tax benefits as deferred tax assets have been adopted on a modified retrospective basis with a cumulative-effect adjustment to opening retained earnings of $25.5 million, fully offset by a valuation allowance. This adjustment resulted in no impact to retained earnings upon adoption. The amendments related to accounting for excess tax benefits have been adopted prospectively, resulting in no impact as the Company is in a net operating loss position with a full valuation allowance.

3. Fair Value Measurements

The fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is estimated by applying the following hierarchy, which prioritizes the inputs used to measure fair value into three levels and bases the categorization within the hierarchy upon the lowest level of input that is available and significant to the fair value measurement:

Level 1—Quoted prices in active markets for identical assets or liabilities.

Level 2—Observable inputs other than quoted prices in active markets for identical assets and liabilities, quoted prices for similar assets or liabilities in active or inactive markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3—Inputs that are generally unobservable and typically reflect management’s estimate of assumptions that market participants would use in pricing the asset or liability.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

The Company's fair value hierarchy for its financial assets and liabilities that are measured at fair value on a recurring basis are as follows (in thousands):

	December 31, 2017			
	Level 1	Level 2	Level 3	Total
Assets:				
Money market funds[2]	100,152	—	—	100,152
Certificate of deposits [3]	—	59,902	—	59,902
Total	$100,152	$59,902	$—	$160,054
Liabilities:				
Contingent consideration related to Crisp acquisition [1]	—	—	18,500	18,500
Contingent consideration related to Shopmium acquisition [4]	—	—	—	—
Total	$—	$—	$18,500	$18,500

	December 31, 2016			
	Level 1	Level 2	Level 3	Total
Assets:				
Certificate of deposits [3]	—	69,172	—	69,172
Total	$—	$69,172	$—	$69,172
Liabilities:				
Contingent consideration related to Shopmium acquisition [4]	—	—	185	185
Total	$—	$—	$185	$185

(1) Included in contingent consideration related to acquisitions
(2) Included in cash and cash equivalents
(3) Included in short-term investments
(4) Included in other non-current liabilities

The valuation technique used to measure the fair value of money market funds included using quoted prices in active markets. The money market funds have a fixed net asset value (NAV) of $1. The valuation technique to measure the fair value of certificate of deposits included using quoted prices in active markets for similar assets.

The fair value of contingent consideration related to the acquisition of Crisp Media, Inc. ("Crisp") was estimated using an option pricing method and was based on significant inputs not observable in the market, thus classified as a Level 3 instrument. The inputs include expected achievement of certain financial metrics over the contingent consideration period, historical volatility and discount rate. Refer to Note 6 for further details related to the acquisition.

The fair value of contingent consideration related to the acquisition of Shopmium S.A. ("Shopmium") was estimated using a Monte Carlo simulation and was based on significant inputs not observable in the market, thus classified as a Level 3 instrument. The inputs include the expected achievement of certain revenue and profit milestones for the years ending December 31, 2016 and 2017, historical volatility and risk-free interest rate.

The following table represents the change in the contingent consideration (in thousands):

	Shopmium Level 3	Crisp Level 3
Balance as of December 31, 2016	$ 185	$—
Addition related to Crisp acquisition	—	14,800
Change in fair value	(185)	3,700
Balance as of December 31, 2017	$ —	$18,500

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For the year ended December 31, 2017, the Company recorded a loss of $3.5 million due to the changes in fair value of contingent consideration. The change in fair value of Crisp contingent consideration is due to an increase in expected achievement of certain financial metrics over the contingent consideration period. The change in fair value of Shopmium contingent consideration is due to it not meeting its revenue and profit milestones for the years ending December 31, 2016 and 2017. Accordingly, the Company has determined that there is no payout related to the Shopmium contingent consideration. The changes in the fair value of the contingent consideration are included as a component of operations in the accompanying consolidated statements of operations.

There were no transfers between fair value hierarchies during the year ended December 31, 2017.

Fair Value Measurements of Other Financial Instruments

As of December 31, 2017, the fair value of the 1.75% convertible senior notes due 2022 was $196.3 million. The fair value was determined based on a quoted price of the convertible senior notes in an over-the-counter market on the last trading day of the reporting period. Accordingly, these convertible senior notes are classified within Level 2 in the fair value hierarchy. Refer to Note 8 for additional information related to the Company’s convertible debt.

4. Allowance for Doubtful Accounts

The summary of activities in the allowance for doubtful accounts is as follows (in thousands):

	Year Ended December 31,		
	2017	2016	2015
Balance at beginning of period	$1,338	$833	$408
Additions related to Crisp acquisition	229	—	—
Bad debt expense (recovery)	(655)	652	680
Write-offs, net	(126)	(147)	(255)
Balance at end of period	$786	$1,338	$833

5. Balance Sheet Components

Property and Equipment, Net

Property and equipment consist of the following (in thousands):

	December 31,	
	2017	2016
Software	$33,198	$32,286
Computer equipment	24,342	22,664
Leasehold improvements	7,905	8,141
Furniture and fixtures	2,107	2,296

Total	67,552	65,387
Accumulated depreciation and amortization	(55,752)	(50,249)
Projects in process	4,810	1,238
Property and equipment, net	$16,610	$16,376

Depreciation and amortization expense of property and equipment was $6.9 million, $16.0 million and $13.1 million for the years ended December 31, 2017, 2016 and 2015, respectively. During the years ended December 31, 2017, 2016 and 2015, the Company disposed of equipment with an original cost of $1.5 million, $5.4 million and $2.9 million, resulting in a loss on disposal of $85,000, $476,000 and $146,000 for the years ended December 31, 2017, 2016 and 2015, respectively.

During the years ended December 31, 2017, 2016 and 2015, the Company capitalized $3.8 million, $0.7 million, and $1.5 million, respectively, of development costs related to internal software. The Company recognized $0.6 million, $10.5 million and $9.4 million of amortization expense related to internal use software, included in property and equipment depreciation and amortization expense above, and recorded as cost of revenues during the year ended December 31, 2017, 2016 and 2015 respectively. The unamortized capitalized development and enhancement costs related to internal software were $4.4 million and $1.2 million as of December 31, 2017 and 2016, respectively.

Accrued Compensation and Benefits

Accrued compensation and benefits consist of the following (in thousands):

	December 31, 2017	December 31, 2016
Bonus	$7,212	$5,985
Commissions	4,199	3,572
Vacation	371	1,916
Payroll and related expenses	2,132	1,729
Accrued compensation and benefits	$13,914	$13,202

Other Current Liabilities

Other current liabilities consist of the following (in thousands):

	December 31, 2017	December 31, 2016
Distribution fees	$18,485	$12,463
Marketing expenses	2,826	3,383
Prefunded Liability	2,151	1,345
Traffic Acquisition Cost	3,040	—
Other	9,036	3,673
Other current liabilities	$35,538	$20,864

6. Acquisitions

On May 31, 2017, the Company acquired all the outstanding shares of Crisp Media, Inc. (“Crisp”), a mobile marketing and advertising company, delivering shopper marketing media campaigns for consumer packaged goods brands (CPGs) and retailers. Crisp’s mobile media expertise complements Quotient’s proprietary shopper data, retail network and existing promotions and media offerings. The total preliminary acquisition consideration of $51.9 million consisted of $24.1 million in cash, 1,177,927 shares of the Company’s common stock with a fair value of $13.0 million or $11.00 per share, and contingent consideration of up to $24.5 million payable in cash with a fair value of $14.8 million, as of the acquisition date. The contingent consideration payout is based on Crisp achieving certain financial metrics over a period of one year after closing and is payable within 105 days after May 31, 2018. At the date of acquisition, the contingent consideration’s fair value of $14.8 million was determined by using an option pricing method. Refer to Footnote 3 for fair value of contingent consideration at December 31, 2017.

On October 30, 2015, the Company acquired all the outstanding shares of Shopmium S.A. (“Shopmium”), a company based in France, and creator of a mobile app for receipt-scanning and cash-back. The total acquisition consideration of $19.5 million consisted of $16.5 million in cash, 278,639 shares of the Company’s common stock with a fair value of $1.5 million or $5.54 per share, and contingent consideration of up to $4.8 million payable in cash with a fair value of $1.5 million. The contingent consideration payout is based on Shopmium achieving certain revenue and profit milestones for the years ended December 31, 2016 and 2017. At the date of acquisition, the contingent consideration’s fair value of $1.5 million was determined using a Monte Carlo simulation. The contingent consideration is payable on or before March 31, 2018. As of December 31, 2017, Shopmium did not meet its revenue and profit milestones during the contingent consideration measurement period. Accordingly, the fair value of the contingent consideration is zero since the Company has determined that there is no payout. Refer to Footnote 3 for fair value of contingent consideration at December 31, 2017 and 2016.

The acquisitions provide the Company with customer and vendor relationships, developed technologies, domain names, patents, registered users, trade names and backlog. The fair values of identifiable intangible assets were determined using discounted cash flow models. The fair values of developed technologies and trade names intangible assets were determined by using the relief from royalty methods. The excess of the consideration paid over the fair value of the net tangible assets and identifiable intangible assets acquired is recorded as goodwill. The goodwill is attributable to expected synergies from combined operations and the acquired companies’ knowhow.

Assets acquired and liabilities assumed were recorded at their fair values as of the respective acquisition dates. The following table summarizes the consideration paid for each acquisition and the related fair values of the assets acquired and liabilities assumed (in thousands):

	Purchase Consideration	Net Tangible Assets Acquired/ (Liabilities Assumed)	Identifiable Intangible Assets	Goodwill	Goodwill Deductible for Taxes	Acquisition Related Expenses (1)
Crisp	$ 51,904	$ 5,893	$ 9,400	$ 36,611	Not Deductible	$ 1,504
Shopmium	19,461	(1,383)	5,803	15,041	Not Deductible	333
	$ 71,365	$ 4,510	$ 15,203	$ 51,652		$ 1,837

(1) Expensed as general and administrative

The following table sets forth each component of identifiable intangible assets acquired in connection with the acquisitions: (in thousands):

	Crisp	Shopmium	Total	Estimated Useful Life (in Years)
Developed technologies	$5,000	$ 3,343	$8,343	4 - 5
Customer relationships	2,800	1,696	4,496	5 - 7
Domain names	—	344	344	5
Trade names	1,600	—	1,600	4
Vendor relationships	—	—	—	4
Registered users	—	420	420	4
Patents	—	—	—	5
Total identifiable intangible assets	$9,400	$ 5,803	$15,203	

The financial results of the acquired companies are included in the Company’s consolidated statements of operations from their respective acquisition dates and were insignificant to the Company’s operating results. The pro forma impact of these acquisitions on consolidated revenues, income (loss) from operations and net loss was not material.

7. Goodwill and Intangible Assets

Goodwill represents the excess of the consideration paid over the fair value of the net tangible and identifiable intangible assets acquired in a business combination. The changes in the carrying value of goodwill are as follows (in thousands):

	Goodwill
Balance as of December 31, 2016	$ 43,895
Acquisition of Crisp	36,611
Balance as of December 31, 2017	$ 80,506

On August 3, 2016, the Company entered into a services and data agreement, (the “Agreement”), which provides the Company with certain exclusive rights to provide promotion and media services, and the use of shopper data, for 5.5 years, with certain rights continuing on a non-exclusive basis for up to an additional 4.5 years. In exchange, the Company agreed to issue 3,000,000 shares of common stock.

The consideration for such services and data rights aggregated to $39.6 million based on the fair value of 3,000,000 shares of the Company's common stock at the date of entering into the Agreement. Out of the 3,000,000 shares issued, 1,000,000 shares were issued within five business days of execution of the Agreement and 2,000,000 shares are held in escrow and will be released in two equal installments, within 15 business days following the years ending December 31, 2017 and 2018. The fair value of the shares held in escrow was recorded in additional paid in capital and is subject to re-measurement until released from escrow. During the years ended December 31, 2017 and 2016, the Company recorded a loss of $2.0 million and a gain of $4.9 million, respectively, due to the change in the Company's stock price. Gains and losses as a result of the changes in the fair value of the shares that are being held in escrow are included in change in fair value of escrowed shares and contingent consideration, net on the accompanying consolidated statement of operations. As of December 31, 2017, the contingencies for the release of the first installment of 1,000,000 shares held in escrow have been met. Subsequent to December 31, 2017, a total of 1,000,000 shares were released from escrow.

The consideration of $39.6 million as well as the capitalized transaction costs of $0.1 million were allocated to the acquired intangible assets based on the respective fair values. The Company is amortizing the intangible assets on a straight-line basis over their respective estimated useful lives in cost of revenues on the accompanying consolidated statement of operations.

Intangible assets consist of the following (in thousands):

	December 31, 2017			
	Gross	Accumulated Amortization	Net	Weighted Average Amortization Period (Years)
Promotion service rights	$22,492	$ (4,252)	$18,240	6.1
Developed technologies	12,187	(5,013)	7,174	3.0
Customer relationships	11,660	(6,547)	5,113	4.3
Data access rights	10,801	(2,666)	8,135	4.3
Media service rights	6,383	(1,575)	4,808	4.3
Domain names	5,949	(4,689)	1,260	1.3
Trade names	1,767	(401)	1,366	3.4
Patents	975	(769)	206	4.5
Vendor relationships	890	(890)	—	—
Registered users	420	(232)	188	2.2
	$73,524	$ (27,034)	$46,490	4.7

As of December 31, 2017 and 2016, the Company has a domain name with a gross value of $0.4 million with an indefinite useful life that is not subject to amortization.

	December 31, 2016			
	Gross	Accumulated Amortization	Net	Weighted Average Amortization Period (Years)
Promotion service rights	$22,492	$ (1,256)	$21,236	7.1
Data access rights	10,801	(787)	10,014	5.3
Customer relationships	8,860	(4,951)	3,909	3.1
Developed technologies	7,187	(2,926)	4,261	3.3
Media service rights	6,383	(465)	5,918	5.3
Domain names	5,948	(4,070)	1,878	2.2
Patents	975	(718)	257	5.6
Vendor relationships	890	(667)	223	1.0
Registered users	420	(129)	291	3.3
Trade names	167	(167)	—	—
	$64,123	$ (16,136)	$47,987	5.6

Amortization expense related to intangible assets subject to amortization was $10.9 million, $6.8 million and $3.4 million for the years ended December 31, 2017, 2016 and 2015, respectively. Estimated amortization expense related to intangible assets is as follows (in thousands):

	Total
2018	$11,467
2019	10,378
2020	8,962
2021	7,104
2022	4,408
Thereafter	3,818
Total estimated amortization expense	$46,137

8. Debt Obligations

2017 Convertible Senior Notes

In November 2017, the Company issued $200.0 million aggregate principal amount of 1.75% convertible senior notes due 2022 in a private placement to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933, as amended, (the "notes"). The notes are unsecured obligations of the Company and bear interest at a fixed rate of 1.75% per annum, payable semi-annually in arrears on June 1 and December 1 of each year, commencing on June 1, 2018. The total net proceeds from the debt offering, after deducting transaction costs, were approximately $193.8 million.

The conversion rate for the notes will initially be 57.6037 shares of the Company's common stock per $1,000 principal amount of notes, which is equivalent to an initial conversion price of approximately $17.36 per share of common stock, subject to adjustment upon the occurrence of specified events.

Holders of the notes may convert their notes at their option at any time prior to the close of business on the business day immediately preceding September 1, 2022, only under the following circumstances: (1) during any calendar quarter commencing after the calendar quarter ending on March 31, 2018 (and only during such calendar quarter), if the last reported sale price of the Company's common stock for at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days ending on, and including, the last trading day of the immediately preceding calendar quarter is greater than or equal to 130% of the conversion price on each applicable trading day; (2) during the five-business day period after any five consecutive trading day period (the "measurement period") in which the trading price per $1,000 principal amount of notes for each trading day of the measurement period was less than 98% of the product of the last reported sale price of the Company's common stock and the conversion rate for the notes on each such trading day; (3) if the Company calls any or all of the notes for redemption, at any time prior to the close of business on the scheduled trading day immediately preceding the redemption date; or (4) upon the occurrence of specified corporate events. On or after September 1, 2022, holders may convert all or any portion of their notes at any time prior to the close of business on the scheduled trading day immediately preceding the maturity date regardless of the foregoing conditions. Upon conversion, the Company will pay or deliver, as the case may be, cash, shares of its common stock or a combination of cash and shares of its common stock, at its election. The Company intends to settle the principal amount of the notes with cash.

The Company may not redeem the notes prior to December 5, 2020. It may redeem for cash all or any portion of the notes, at its option, on or after December 5, 2020 if the last reported sale price of its common stock has been at least 130% of the conversion price then in effect for at least 20 trading days (whether or not consecutive) during any 30 consecutive trading day period (including the last trading day of such period) ending not more than three trading days preceding the date on which it provides notice of redemption at a redemption price equal to 100% of the principal amount of the notes to be redeemed, plus accrued and unpaid interest to, but excluding, the redemption date. No sinking fund is provided for the notes.

If the Company undergoes a fundamental change prior to the maturity date, holders may require the Company to repurchase for cash all or any portion of their notes at a fundamental change repurchase price equal to 100% of the principal amount of the notes to be repurchased, plus accrued and unpaid interest to, but excluding, the fundamental change repurchase date.

In accounting for the issuance of the notes, the Company separated the notes into liability and equity components. The carrying amount of the liability component of $149.3 million was calculated by measuring the fair value of a similar debt instrument that does not have an associated convertible feature. The carrying amount of the equity component of $50.7 million, representing the conversion option, was determined by deducting the fair value of the liability component from the par value of the notes. The excess of the principal amount of the liability component over its carrying amount ("debt discount") is amortized to interest expense over the term of the notes at an effective interest rate of 5.8%.

The Company allocated the total debt issuance costs incurred of $6.2 million to the liability and equity components of the notes in proportion to the respective values. Issuance costs attributable to the liability component of $4.6 million are being amortized to interest expense using the effective interest method over the contractual terms of the notes. Issuance costs attributable to the equity component of $1.6 million were netted with the equity component in additional paid-in capital.

The net carrying amount of the liability component of the notes recorded in convertible senior notes, net on the consolidated balance sheets was as follows (in thousands):

	December 31, 2017
Principal	$ 200,000
Unamortized debt discount	(49,631)
Unamortized debt issuance costs	(4,548)
Net carrying amount of the liability component	$ 145,821

The net carrying amount of the equity component of the notes recorded in additional paid-in capital on the consolidated balance sheets was as follows (in thousands):

	December 31, 2017
Debt discount related to value of conversion option	$ 50,670
Debt Issuance costs	(1,580)
Net carrying amount of the equity component	$ 49,090

The following table sets forth the interest expense related to the notes recognized in interest expense on the consolidated statements of operations (in thousands):

	Year Ended December 31, 2017
Contractual interest expense	$ 406
Amortization of debt discount	1,039
Amortization of debt issuance costs	109
Total interest expense related to the Notes	$ 1,554

9. Stock-based Compensation

2013 Equity Incentive Plan

In October 2013, the Company adopted the 2013 Equity Incentive Plan (the "2013 Plan"), which became effective in March 2014 and serves as the successor to the Company's 2006 Stock Plan (the "2006 Plan"). Pursuant to the 2013 Plan, 4,000,000 shares of common stock were initially reserved for grant, plus (1) any shares that were reserved and available for issuance under the 2006 Plan at the time the 2013 Plan became effective, and (2) any shares that become available upon forfeiture or repurchase by the Company under the 2006 Plan and 2000 Plan.

Under the 2013 Plan, the Company may grant stock options, stock appreciation rights, restricted stock and restricted stock units, performance shares and units to employees, directors and consultants. The shares available will be increased at the beginning of each year by lesser of (i) 4% of outstanding common stock on the last day of the immediately preceding year, or (ii) such number determined by the Board of Directors. Under the 2013 Plan, both the ISOs and NSOs are granted at a price per share not less than 100% of the fair market value on the effective date of the grant. The Board of Directors determines the vesting period for each option award on the grant date, and the options generally expire 10 years from the grant date or such shorter term as may be determined by the Board of Directors.

Stock Options

The fair value of each option was estimated using Black-Scholes model on the date of grant for the periods presented using the following assumptions:

	Year Ended December 31,		
	2017	2016	2015
Expected life (in years)	5.50 - 6.25	2.30 - 6.08	5.50 - 6.08
Risk-free interest rate	1.87% - 2.14%	0.68% - 1.34%	1.67% - 1.89%
Volatility	50%	55% - 70%	55% - 60%
Dividend yield	—	—	—

The weighted-average grant-date fair value of options granted was $6.33, $5.14 and $5.50 per share during the years ended December 31, 2017, 2016 and 2015, respectively.

Restricted Stock Units and Performance-Based Restricted Stock Units

The fair value of RSUs equals the market value of the Company's common stock on the date of grant. The RSUs are excluded from issued and outstanding shares until they are vested.

On September 28, 2017 (the "Grant Date"), the Company granted 128,205 performance-based RSUs ("PSU Award"), under the 2013 Equity Incentive Plan, to Mir Aamir, in connection with his promotion to President and Chief Executive Officer. The original PSU Award represented the right to receive shares of the Company's common stock upon meeting certain vesting conditions which were tied to achievement of certain Company stock price goals. The terms of the original PSU Award were subsequently modified to provide incentives based on targets directly tied to the Company's performance. The fair value of the original PSU Award of $1.6 million was measured using a Monte

Carlo simulation and will be recognized over the requisite service period. The incremental fair value of the modified award of $0.4 million was derived from the excess fair value of the modified PSU award, based on the Company’s stock price as of the modification date, over the fair value of the original PSU award, and will be recognized if the achievement of the performance condition is considered probable over the requisite service period. During the year ended December 31, 2017, the Company recognized $0.2 million stock-based compensation expense in the consolidated financial statements related to the PSU Award.

A summary of the Company's stock option and RSUs award activity under the Plans is as follows:

		Options Outstanding				RSUs Outstanding	
	Shares Available for Grant	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value (in thousands)	Number of Shares	Weighted Average Grant Date Fair Value
Balance as of December 31, 2014	1,825,112	9,494,763	$ 7.00	6.57	$ 107,913	6,809,415	$ 12.66
Increase in shares authorized	3,255,200	—	—	—	—	—	—
Options granted	(328,680)	328,680	10.05	—	—	—	—
Options exercised	—	(1,232,184)	3.31	—	10,246	—	—
Options canceled or expired	121,593	(121,593)	9.35	—	—	—	—
RSUs granted	(3,673,053)	—	—	—	—	3,673,053	12.43
RSUs released	—	—	—	—	—	(2,006,893)	11.64
RSUs canceled or expired	1,689,129	—	—	—	—	(1,689,129)	12.80
Balance as of December 31, 2015	2,889,301	8,469,666	$ 7.62	5.91	$ 19,231	6,786,446	$ 13.14
Increase in shares authorized	3,279,811	—	—	—	—	—	—
Options granted	(2,197,432)	2,197,432	8.99	—	—	—	—
Options exercised	—	(2,328,197)	4.54	—	15,485	—	—
Options canceled or expired	592,834	(592,834)	8.97	—	—	—	—
RSUs granted	(2,855,267)	—	—	—	—	2,855,267	10.37
RSUs released	—	—	—	—	—	(2,422,146)	11.92
RSUs canceled or expired	1,715,483	—	—	—	—	(1,715,483)	11.81
Balance as of December 31, 2016	3,424,730	7,746,067	$ 8.83	6.12	$ 30,507	5,504,084	$ 12.02
Increase in shares authorized	3,542,416	—	—	—	—	—	—
Options granted	(1,319,680)	1,319,680	$ 12.76	—	—	—	—
Options exercised	—	(1,435,484)	$ 4.32	—	$ 10,768	—	—
Options canceled or expired	218,035	(218,035)	$ 10.34	—	—	—	—
RSUs and PSUs granted	(2,517,721)	—	—	—	—	2,517,721	$ 12.04
RSUs released	—	—	—	—	—	(2,040,504)	$ 12.20
RSUs canceled or expired	787,009	—	—	—	—	(787,009)	$ 11.47
RSUs withheld for taxes	290,366	—	—	—	—	—	—
Balance as of December 31, 2017	4,425,155	7,412,228	$ 10.36	6.09	$ 25,415	5,194,292	$ 12.26
Vested and exercisable as of December 31, 2017		5,345,298	$ 10.02	5.08	$ 22,891		

The aggregate intrinsic value disclosed in the table above is based on the difference between the exercise price of the options and the fair value of the Company's common stock.

The aggregate total fair value of shares vested during the years ended December 31, 2017, 2016 and 2015 was $6.6 million, $3.7 million and $3.8 million, respectively.

Additional information for options outstanding and exercisable as of December 31, 2017 is as follows:

	Options Outstanding			Options Exercisable	
Exercise Prices	Number of Shares	Weighted Average Remaining Contractual Term (Years)	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
$0.15 - $5.33	1,810,210	2.69	$ 2.47	1,810,210	$ 2.47
$5.48 - $8.51	1,554,928	7.97	8.31	793,126	8.13
$8.65 - $13.00	2,392,355	7.43	10.94	1,224,054	9.17
$13.04 - $16.25	854,735	6.37	15.46	717,908	15.88
$ 25.00	800,000	5.87	$ 25.00	800,000	$ 25.00
	7,412,228			5,345,298	

Employee Stock Purchase Plan

The Company's Board of Directors adopted the 2013 Employee Stock Purchase Plan ("ESPP"), which became effective in March 2014, pursuant to which 1,200,000 shares of common stock were reserved for future issuance. In addition, ESPP provides for annual increases in the number of shares available for issuance on the first day of each year equal to the least of (i) 0.5% of the outstanding shares of common stock on the last day of the immediately preceding year, (ii) 400,000 shares or (iii) such other amount as may be determined by the Board of Directors. Eligible employees can enroll and elect to contribute up to 15% of their base compensation through payroll withholdings in each offering period, subject to certain limitations. Each offering period is six months in duration. The purchase price of the stock is the lower of 85% of the fair market value on (a) the first day of the offering period or (b) the purchase date.

The fair value of the option feature is estimated using the Black-Scholes model for the period presented based on the following assumptions:

	Year Ended December 31,		
	2017	2016	2015
Expected life (in years)	0.50	0.50	0.50
Risk-free interest rate	0.62% - 1.42%	0.38% - 0.62%	0.08% - 0.33%
Volatility	40% - 50%	50% - 74%	63% - 72%
Dividend yield	—	—	—

During the year ended December 31, 2017, a total of 825,848 shares of common stock were issued under the 2013 Employee Stock Purchase Plan ("ESPP"), since inception of the plan. As of December 31, 2017, a total of 1,574,152 shares are available for issuance under the ESPP.

Stock-based Compensation Expense

The following table sets forth the total stock-based compensation expense resulting from stock options, RSUs, and ESPP included in the Company's consolidated statements of operations (in thousands):

	Year Ended December 31,		
	2017	2016	2015
Cost of revenues	$2,000	$1,821	$1,728
Sales and marketing	6,621	5,776	10,658
Research and development	7,949	7,286	9,680
General and administrative	15,682	13,403	10,280
Total stock-based compensation expense	$32,252	$28,286	$32,346

During 2016, the Company recorded $1.0 million of stock-based compensation expense on account of modification of stock options and RSUs granted to a former employee pursuant to transitioning from an employee to a special advisor consulting arrangement. Under the original terms of the grant agreements, the unvested options and RSUs would be forfeited upon termination. The transition arrangement extended the period over which the vested awards can be exercised and allows for continued vesting of unvested options and RSUs subject to the former employee continuing to provide services in accordance with the special advisor consulting arrangement. The expense is included in general and administrative expense in the Company's consolidated statement of operations.

As of December 31, 2017, there was $56.0 million unrecognized stock-based compensation expense of which $11.1 million is related to stock options and ESPP and $44.9 million is related to RSUs and PSUs. The total unrecognized stock-based compensation expense related to stock options and ESPP as of December 31, 2017 will be amortized over a weighted-average period of 2.5 years. The total unrecognized stock-based compensation expense related to RSUs as of December 31, 2017 will be amortized over a weighted-average period of 2.5 years.

The Company capitalized stock-based compensation cost of $0.3 million in projects in process as part of property and equipment, net on the accompanying consolidated balance sheets during the year ended December 31, 2017.

10. Stockholders' Equity

Amended and Restated Certificate of Incorporation

In March 2014, the Company filed an amended and restated certificate of incorporation, which became effective immediately following the completion of the Company's IPO. Under the restated certificate of incorporation, the authorized capital stock consists of 250,000,000 shares of common stock and 10,000,000 shares of preferred stock.

Common Stock. The rights, preferences and privileges of the holders of common stock are subject to the rights of the holders of shares of any series of preferred stock which the Company may issue in the future. Subject to the foregoing, for as long as such stock is outstanding, the holders of common stock are entitled to receive ratably any dividends as may be declared by the Board of Directors out of funds legally available for dividends. Holders of common stock are entitled to one vote per share on any matter to be voted upon by stockholders. The amended and restated certificate of incorporation establishes a classified Board of Directors that is divided into three classes with staggered three year terms. Only the directors in one class will be subject to election at each annual meeting of stockholders, with the directors in other classes continuing for the remainder of their three year terms. Upon liquidation, dissolution or winding-up, the assets legally available for distribution to the Company's stockholders would be distributable ratably among the holders of common stock and any participating preferred stock outstanding at that time, subject to prior satisfaction of all outstanding debt and liabilities and the preferential rights of and the payment of liquidation preferences, if any, on any outstanding shares of preferred stock.

Preferred Stock. The Board of Directors is authorized to issue undesignated preferred stock in one or more series without stockholder approval and to determine for each such series of preferred stock the voting powers, designations, preferences, and special rights, qualifications, limitations, or restrictions as permitted by law, in each case without further vote of action by the stockholders. The Board of Directors can also increase or decrease the number of shares of any series of preferred stock, but not below the number of shares of that series then outstanding, without any further vote or action by the stockholders. The Board of Directors may authorize the issuance of preferred stock with voting or conversion rights that could adversely affect the voting power or other rights of the holders of common stock.

Amendment. The amendment of the provisions in the restated certificate requires approval by holders of at least 66 2/3% of the Company's outstanding capital stock entitled to vote generally in the election of directors.

Common Stock Repurchases

The Board of Directors has approved programs for the Company to repurchase shares of its common stock. In April 2017, the Board of Directors authorized a share repurchase program ("2017 Program") for the Company to repurchase up to $50.0 million of its common stock. The 2017 Program has a one year duration beginning on May 5, 2017. Stock repurchases may be made from time-to-time and the timing of any repurchases and the actual number of shares repurchased will depend on a variety of factors. The Company may suspend, modify or terminate this repurchase program at any time without prior notice. During the year ended December 31, 2017, the Company did not repurchase any shares of its common stock. During the year ended December 31, 2016, the Company repurchased 3,095,189 shares of its common stock at an aggregate cost of $23.5 million. As of December 31, 2017, $50.0 remains available for future share repurchases under the 2017 Program.

During the fourth quarter of 2017, the Company retired 9,647,708 shares of its treasury stock upon authorization of its Board of Directors. The Company accounted for the retirement of treasury stock by allocating the excess repurchase price over par value of the repurchased shares between additional paid-in capital and accumulated deficit. When the repurchase price of the shares repurchased is greater than the original issue proceeds, the excess is charged to accumulated deficit.

11. Income Taxes

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

	Year Ended December 31,		
	2017	2016	2015
Domestic	$12,770	$18,041	$25,385
Foreign	3,009	1,197	1,906
Total	$15,779	$19,238	$27,291

The components of the provision for (benefit from) income taxes are as follows (in thousands):

	Year Ended December 31,		
	2017	2016	2015
Current:			
Federal	$—	$43	$—
State	4	8	2
Foreign	173	84	91
Total current income tax expense (benefit)	177	135	93
Deferred:			
Federal	(673)	142	(317)
State	84	14	(23)
Foreign	(290)	(50)	(314)
Total deferred income tax expense (benefit)	(879)	106	(654)
Total	$(702)	$241	$(561)

A reconciliation of the federal statutory income tax rate to the Company's effective tax rate is as follows:

	Year Ended December 31,		
	2017	2016	2015
Federal tax	(34.00 %)	(34.00%)	(34.00%)
State income tax, net of federal tax benefit	0.56 %	0.11 %	(0.08 %)
Tax credits	(8.29 %)	(8.14 %)	(4.60 %)
Stock-based compensation	(0.54 %)	1.52 %	0.67 %
Foreign income taxes at other than U.S. rates	5.74 %	2.29 %	1.56 %
Acquisition related costs	1.66 %	—	0.76 %
Contingent consideration related to acquisitions	12.28 %	(9.04 %)	—
Other	2.93 %	2.77 %	0.41 %
IRS Settlement	—	(12.42%)	—
Tax Cuts and Jobs Act	175.93 %	—	—
Valuation allowance, net	(160.72%)	58.16 %	33.22 %
Effective tax rate	(4.45 %)	1.25 %	(2.06 %)

On December 22, 2017, the Tax Cuts and Jobs Act of 2017 (the "Act") was signed into law making significant changes to the Internal Revenue Code. Changes include, but are not limited to, a federal corporate tax rate decrease from 35% to 21%, effective for tax years beginning after December 31, 2017, the transition of U.S. international taxation from a worldwide tax system to a territorial system, and a one-time transition tax on the mandatory deemed repatriation of cumulative foreign earnings. The Company has calculated its best estimate of the impact of the Act in our year end income tax provision in accordance with its understanding of the Act and guidance available as of the date of this filing and as a result have recorded $0.7 million as an income tax benefit in the fourth quarter of 2017, the period in which the legislation was enacted. The provisional amount related to the re-measurement of certain deferred tax assets and liabilities, based on the rates at which they are expected to reverse in the future, was $27.7 million, with a corresponding provisional valuation allowance of $28.4 million, resulting in a provisional income tax benefit of $0.7 million attributable to the re-measurement of certain indefinite lived deferred tax liabilities related to tax deductible goodwill. The provisional amount related to the one-time transition tax on the mandatory deemed repatriation of foreign earnings was immaterial based on cumulative foreign deficits from our foreign subsidiaries.

The Act subjects a U.S. shareholder to tax on global intangible low-taxed income (“GILTI”) earned by certain foreign subsidiaries. The FASB Staff Q&A, Topic 740, No. 5, Accounting for Global Intangible Low-Taxed Income, states that an entity can make an accounting policy election to either recognize deferred taxes for temporary basis differences expected to reverse as GILTI in future years or provide for the tax expense related to GILTI in the year the tax is incurred. Given the complexity of the GILTI provisions, the Company is still evaluating the effects of the GILTI provisions and have not yet determined its accounting policy. At December 31, 2017, because the Company is still evaluating the GILTI provisions and its analysis of future taxable income that is subject to GILTI, it is unable to make a reasonable estimate and has not reflected any adjustments related to GILTI in its financial statements

On December 22, 2017, Staff Accounting Bulletin No. 118 ("SAB 118") was issued to address the application of U.S. GAAP in situations when a registrant does not have the necessary information available, prepared, or analyzed (including computations) in reasonable detail to complete the accounting for certain income tax effects of the Act. In accordance with SAB 118, the Company has determined that the $27.7 million recorded in connection with the re-measurement of certain deferred tax assets and liabilities, and corresponding valuation allowance of $28.4 million, was a provisional amount and a reasonable estimate at December 31, 2017. Additional work is necessary for a more detailed analysis of its deferred tax assets and liabilities. Any subsequent adjustment to these amounts may be recorded to current tax expense in the quarter of 2018 when the analysis is complete.

The Company recorded a benefit from income taxes of $0.7 million for the year ended December 31, 2017, a provision for income taxes of $0.2 million for the year ended December 31, 2016, and benefit from income taxes of $0.6 million for the year ended December 31, 2015. The benefit for income taxes for the year ended December 31, 2017 was primarily attributable to the provisional impact of the re-measurement of certain indefinite lived deferred tax liabilities related to tax deductible goodwill as a result of the Act. The provision for income taxes for the year ended December 31, 2016 was primarily attributable to an increase in deferred tax liabilities associated with the change in fair value of contingent consideration from prior year acquisitions and a decrease in foreign income taxed at non-US tax rates. The benefit from income taxes for the year ended December 31, 2015 was primarily attributable to a decrease in deferred tax liabilities that arose from a gain the Company recorded from the change in the fair value of contingent consideration from prior year acquisitions and net foreign tax benefit, partially offset by state income taxes.

Based on the Company’s provisional analysis, the one-time transition tax is expected to be immaterial. No additional income taxes have been provided for any remaining undistributed foreign earnings not subject to the transition tax, or any additional outside basis difference inherent in these entities, as these amounts continue to be indefinitely reinvested in foreign operations.

As a result of meeting certain employment and capital investment actions under Section 10AA of the India Income Tax Act, the Company’s India subsidiary is wholly exempt from income tax for tax years beginning April 1, 2014 through March 31, 2019 and partially exempt from income tax for tax years beginning April 1, 2019 through March 31, 2024. A portion of these tax incentives will expire at the beginning April 1, 2020.

In March 2016, the FASB issued ASU 2016-09, Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting. The guidance requires all of the tax effects related to share based payments to be recorded through the income statement. The guidance also removes the present requirement to delay recognition of an excess tax benefit (“windfall tax benefit”) until it reduces current taxes payable; instead it is recognized at the time of settlement, subject to normal valuation allowance consideration. As a result of adopting ASU 2016-09, in the first quarter of 2017, the Company recorded a cumulative-effect adjustment of $25.5 million to opening retained earnings and corresponding deferred tax assets, fully offset by a valuation allowance, for the previously unrecognized windfall tax benefit associated with stock-based compensation.

The components of the Company's deferred tax assets and liabilities are as follows (in thousands):

	Year Ended December 31,	
	2017	2016
Deferred tax assets:		
Credits and net operating loss carryforward	$90,729	$78,813
Accrued compensation	(31)	2,771
Deferred revenues	54	112
Stock-based compensation	7,416	9,910
Property and equipment	1,231	(898)
Other deferred tax assets	1,495	3,073
Total deferred tax assets	100,894	93,781
Valuation allowance	(84,619)	(87,190)
Deferred tax liabilities:		
Basis difference on purchased intangible assets	6,559	9,160
Other deferred tax liabilities	11,406	—
Total deferred tax liabilities	17,965	9,160
Net deferred tax assets (liabilities)	$(1,690)	$(2,569)

Other deferred tax assets and liabilities are primarily comprised of the tax effects of accounts receivable reserves, sales allowances, deferred rent, and other miscellaneous accruals. As of December 31, 2017 and 2016, the Company had gross deferred tax assets of $100.9 million and $93.8 million, respectively. The Company also had deferred tax liabilities of $18.0 million and $9.2 million as of December 31, 2017 and 2016, respectively. Realization of the deferred tax assets is dependent upon the generation of future taxable income, if any, the amount and timing of which is uncertain. Based on the available objective evidence, and historical operating performance, management believes that it is more likely than not that all U.S. and certain foreign deferred tax assets are not realizable. Accordingly, the net deferred tax assets have been fully offset with a valuation allowance. The net valuation allowance decreased by approximately $2.6 million and increased $1.4 million for the years ended December 31, 2017 and 2016, respectively.

As of December 31, 2017, the Company had federal net operating loss carryforwards of approximately $271.4 million which will begin to expire in 2018. The Company had state net and foreign operating loss carryforwards of approximately $187.1 million and $11.7 million, respectively, of which $7.4 million have expired in 2017. As of December 31, 2017, the Company has research credit carryforwards for federal income tax purposes of approximately $12.9 million which will begin to expire in the year 2032. The Company also had state net research credit carryforwards for income tax purposes of approximately $14.9 million which can be carried forward indefinitely.

A reconciliation of the gross unrecognized tax benefit is as follows (in thousands):

	Year Ended December 31,		
	2017	2016	2015
Unrecognized tax benefit - beginning balance	$6,447	$8,759	$1,366
Increases for tax positions taken in prior years	16	313	5,611
Decreases for tax positions taken in prior years	—	(785)	—

Increases for tax positions taken in current year	1,064	1,163	1,782
Settlements	—	(3,003)	—
Unrecognized tax benefit - ending balance	$7,527	$6,447	$8,759

The unrecognized tax benefits, if recognized, would not impact the Company's effective tax rate as the recognition of these tax benefits would be offset by changes in the Company's valuation allowance. The Company does not believe there will be any material changes in its unrecognized tax benefits over the next twelve months.

The Company’s policy is to recognize interest and penalties related to income tax matters in income tax expense. As of December 31, 2017 and 2016, the Company had no accrued interest or penalties related to uncertain tax positions. Due to the Company’s historical loss position, all tax years from inception through December 31, 2017 remain open due to unutilized net operating losses.

The Company files income tax returns in the United States and various states and foreign jurisdictions and is subject to examination by various taxing authorities including major jurisdiction like the United States. As such, all its net operating loss and research credit carryforwards that may be used in future years are subject to adjustment, if and when utilized.

Utilization of the net operating loss carryforwards and credits may be subject to a substantial annual limitation due to the ownership change limitations provided by the Internal Revenue Code of 1986, as amended, and similar state provisions. The annual limitation may result in the expiration of net operating losses and credits before their utilization.

During the year ended December 31, 2017, the Internal Revenue Service (IRS) and Quotient settled all outstanding items related to its federal income tax returns for the tax year 2014. The effect of the IRS settlement is zero as of December 31, 2017.

12. Net Income (Loss) per Share

Net Loss per Share Attributable to Common Stockholders

The computation of the Company's basic and diluted net loss per share is as follows (in thousands, except per share data):

	Year Ended December 31,		
	2017	2016	2015
Net loss	$(15,077)	$(19,479)	$(26,730)
Weighted-average number of shares used to compute net loss per share, basic and diluted	89,505	84,157	82,807
Net loss per share, basic and diluted	$(0.17)	$(0.23)	$(0.32)

Basic and diluted net loss per share is the same for each period presented, as the inclusion of all potential common shares outstanding would have been anti-dilutive.

The outstanding common equivalent shares excluded from the computation of the diluted net loss per share for the periods presented because including them would have been antidilutive are as follows (in thousands):

	Year Ended December 31,		
	2017	2016	2015
Stock options and ESPP	7,465	7,854	8,575
Restricted stock units	5,194	5,504	6,786
Shares held in escrow	1,000	2,000	—

Shares related to convertible senior notes	11,521	—	—
	25,180	15,358	15,361

13. Commitments and Contingencies

Leases

The Company leases office space under non-cancelable operating leases with lease terms ranging from one to seven years. Additionally, the Company leases certain equipment under non-cancelable operating leases at its facilities and its leased data center operations.

Rent expense was $4.3 million, $4.4 million and $3.1 million for the years ended December 31, 2017, 2016 and 2015, respectively.

During the fourth quarter of 2017, the Company recorded a restructuring charge of $2.1 million, related to facility exit costs which primarily relates to future contractual lease payments, in general and administrative expense on the consolidated statements of operations. As of December 31, 2017, the Company had a remaining restructuring accrual balance of $1.9 million included in other current liabilities and other non-current liabilities on the consolidated balance sheets.

Aggregate Future Contractual Obligations and Lease Commitments

As of December 31, 2017, the Company's unconditional purchase commitments and minimum payments under its non-cancelable operating and capital leases are as follows (in thousands):

	Operating Leases	Capital Leases
2018	$ 4,691	$ 48
2019	4,358	13
2020	2,140	—
2021	807	—
2022	827	—
2023 and thereafter	1,330	—
Total minimum payments	$ 14,153	$ 61
Less: Amount representing interest		2
Present value of capital lease obligations		59
Less: Current portion		47
Capital lease obligation, net of current portion		$ 12

Other Future Commitments

The Company has unconditional purchase commitments which expire through 2034 in the amount of $6.5 million for marketing arrangements relating to the purchase of a 20-year suite license for a professional sports team which it uses for sales and marketing purposes.

The Company also has unconditional purchase commitments, primarily related to software license fees and marketing services, of $7.7 million as of December 31, 2017.

Promissory Note

In January 2017, the Company entered into a promissory note agreement with a lender to finance the purchase of computer equipment for $0.8 million to be paid in quarterly installments over three years. As of December 31, 2017, the Company had a remaining balance of $0.6 million under the agreement, which is included in other current liabilities and other non-current liabilities on the consolidated balance sheets.

Indemnification

In the normal course of business, to facilitate transactions related to the Company's operations, the Company indemnifies certain parties, including CPGs, advertising agencies and other third parties. The Company has agreed to hold certain parties harmless against losses arising from claims of intellectual property infringement or other liabilities relating to or arising from our products, services or other contractual infringement. The term of these indemnity provisions generally survive termination or expiration of the applicable agreement. To date, the Company has not recorded any liabilities related to these agreements.

Litigation

In the ordinary course of business, the Company may be involved in lawsuits, claims, investigations, and proceedings consisting of intellectual property, commercial, employment, and other matters. The Company records a provision for these claims when it is both probable that a liability has been incurred and the amount of the loss, or a range of the potential loss, can be reasonably estimated. These provisions are reviewed regularly and adjusted to reflect the impacts of negotiations, settlements, rulings, advice of legal counsel, and other information or events pertaining to a particular case. In the event that one or more of these matters were to result in a claim against the Company, an adverse outcome, including a judgment or settlement, may cause a material adverse effect on the Company's future business, operating results, or financial condition.

The Company believes that liabilities associated with any claims are remote, therefore the Company has not recorded any accrual for claims as of December 31, 2017 and 2016. The Company expenses legal fees in the period in which they are incurred.

14. Employee Benefit Plan

The Company maintains a defined-contribution plan in United States that is intended to qualify under Section 401(k) of the Internal Revenue Code. The 401(k) plan provides retirement benefits for eligible employees. Eligible employees may elect to contribute to the 401(k) plan. The Company provides a match of up to the lesser of 3% of each employee's annual salary or $6,000, which vests fully after four years of continuous employment. The Company's matching contribution expense was $1.6 million, $1.7 million and $1.6 million for the years ended December 31, 2017, 2016 and 2015, respectively.

15. Concentrations

As of December 31, 2017, there was no customer with an accounts receivable balance greater than 10% of total accounts receivable. As of December 31, 2016, there was one customer with an accounts receivable balance greater than 10% of total accounts receivable.

For the year ended December 31, 2017, there was no customer that accounted for revenues greater than 10% of total revenues. For the years ended December 31, 2016 and 2015, there was one customer that accounted for revenues greater than 10% of total revenues.

16. Information About Geographic Areas

Revenues generated outside of the United States were insignificant for all periods presented. Additionally, as the Company's assets are primarily located in the United States, information regarding geographical location is not presented, as such amounts are immaterial to these consolidated financial statements taken as a whole.

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Supplementary Data

The following tables set forth our quarterly unaudited consolidated statements of operations for each of the eight quarters in the years ended December 31, 2017 and 2016 (in thousands, except per share data):

	Year Ended December 31, 2017				Year Ended December 31, 2016			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenues	$93,093	$81,950	$74,493	$72,579	$75,422	$66,470	$67,247	$66,051
Cost of revenues	44,018	37,501	30,021	29,212	29,370	35,126	25,162	25,212
Gross profit	49,075	44,449	44,472	43,367	46,052	31,344	42,085	40,839
Operating expenses:								
Sales and marketing	25,377	22,002	21,617	23,837	24,940	20,415	22,741	24,500
Research and development	11,860	12,255	12,774	13,120	12,084	12,414	12,473	13,532
General and administrative	12,726	11,702	11,803	11,893	11,010	10,041	11,103	11,250
Change in fair value of escrowed shares and contingent consideration, net	(5,500)	9,700	3,900	(2,585)	(5,487)	105	(966)	(102)
Total operating expenses	44,463	55,659	50,094	46,265	42,547	42,975	45,351	49,180
Income (loss) from operations	4,612	(11,210)	(5,622)	(2,898)	3,505	(11,631)	(3,266)	(8,341)
Other income (expense), net	(1,198)	276	134	127	77	398	(172)	192
Income (loss) before income taxes	3,414	(10,934)	(5,488)	(2,771)	3,582	(11,233)	(3,438)	(8,149)
Provision for (benefit from) income taxes	(768)	(107)	270	(97)	48	79	68	46
Net income (loss)	$4,182	$(10,827)	$(5,758)	$(2,674)	$3,534	$(11,312)	$(3,506)	$(8,195)
Net income (loss) per share:								
Basic	$0.05	$(0.12)	$(0.06)	$(0.03)	$0.04	$(0.13)	$(0.04)	$(0.10)
Diluted	$0.04	$(0.12)	$(0.06)	$(0.03)	$0.04	$(0.13)	$(0.04)	$(0.10)
Weighted-average number of common shares used in computing net income (loss) per share:								
Basic	91,002	90,492	88,985	87,490	86,160	84,732	83,186	82,518
Diluted	95,679	90,492	88,985	87,490	89,520	84,732	83,186	82,518

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

Item 9A. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

The phrase "disclosure controls and procedures" refers to controls and procedures designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act, such as this Annual Report on Form

10-K, is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the U.S. Securities and Exchange Commission (SEC). Disclosure controls and procedures are also designed to ensure that such information is accumulated and communicated to our management, including our chief executive officer (CEO) and chief financial officer (CFO), as appropriate to allow timely decisions regarding required disclosure.

Our management, under the supervision and with the participation of our CEO and CFO, evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a- 15(e) and 15d- 15(e) under the Exchange Act, as of the end of the period covered by this Annual Report on Form 10-K. Based upon such evaluation, our CEO and CFO concluded that as of December 31, 2017, our disclosure controls and procedures were effective to provide reasonable assurance that information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified by the SEC, and that such information is accumulated and communicated to our management, including our CEO and CFO, as appropriate, to allow timely decisions regarding required disclosure.

Management's Annual Report on Internal Controls Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act). Management conducted an assessment of the effectiveness of our internal control over financial reporting based on the criteria set forth in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework). Based on the assessment, management has concluded that its internal control over financial reporting was effective as of December 31, 2017 to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with GAAP. Our independent registered public accounting firm, Ernst & Young LLP, is not required to and has not issued an attestation report as of December 31, 2017 due to a transition period established by the rules of the SEC for newly public companies that have not lost their "emerging growth company" status as defined in the JOBS Act.

Changes in Internal Control over Financial Reporting

We implemented a new Enterprise Resource Planning ("ERP") system, during the fourth quarter of 2017, for our corporate operations including general ledger, procurement, payment and reporting functions. We expect to implement modules for our order management and revenue recognition functions during the first half of 2018. Our new ERP system is intended to provide us with enhanced transactional processing and management tools compared to our legacy system, and is intended to enhance internal controls over financial reporting. We have taken the necessary steps to monitor and maintain appropriate internal control over financial reporting during this period of system change and will continue that through the implementation of remaining modules. Additionally, we will continue to evaluate the operating effectiveness of related controls during subsequent periods.

There were no changes in our internal control over financial reporting, other than the implementation of a new ERP system, identified in management's evaluation pursuant to Rules 13a-15(d) or 15d-15(d) of the Exchange Act during the fourth quarter of 2017 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Limitations on Effectiveness of Controls and Procedures

In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply judgment in evaluating the benefits of possible controls and procedures relative to their costs.

Item 9B. Other Information.
None.

PART III

Item 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information called for by this item will be set forth in our Proxy Statement for the Annual Meeting of Stockholders to be filed with the SEC within 120 days after the end of the fiscal year ended December 31, 2017 and is incorporated herein by reference.

Our Board of Directors has adopted a code of business conduct and ethics that applies to all of our employees, officers and directors, including our Chief Executive Officer, Chief Financial Officer and other executive and senior financial officers. The full text of our code of business conduct and ethics is posted on the investor relations page on our website which is located at http://investor.quotient.com. We will post any amendments to our code of business conduct and ethics, or waivers of its requirements, on our website.

Item 11. EXECUTIVE COMPENSATION

The information called for by this item will be set forth in our Proxy Statement and is incorporated herein by reference.

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

The information required by this item will be set forth in our Proxy Statement and is incorporated herein by reference.

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

The information, if any, required by this item will be set forth in our Proxy Statement and is incorporated herein by reference.

Item 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information required by this item will be set forth in our Proxy Statement and is incorporated herein by reference.

PART IV

Item 15. Exhibits, Financial Statement Schedules.

Documents filed as part of this report are as follows:

1. Consolidated Financial Statements

Our consolidated financial statements are listed in the “Index To Consolidated Financial Statements” in Part II, Item 8 of this Annual Report on Form 10-K.

2. Financial Statement Schedules

Financial statement schedules have been omitted because they are not applicable or the required information has been provided in the consolidated financial statements or in the notes thereto of this Annual Report on Form 10-K.

3. Exhibits

The exhibits listed in the accompanying “Index to Exhibits” are filed or incorporated by reference as part of this report.

Exhibit Index

Exhibit Number	Exhibit Description	Incorporated by Reference Form	File No.	Exhibit	Filing Date	Filed Herewith
3.1	Amended and Restated Certificate of Incorporation of the Registrant, as amended effective October 20, 2015.	10-K	001-36331	3.1	3/11/2016	
3.2	Amended and Restated Bylaws of the Registrant.	8-K	001-36331	3.2	10/6/2015	
4.1	Form of Registrant's Common Stock Certificate.	S-1/A	333-193692	4.1	2/25/2014	
4.2	Eighth Amended and Restated Investors' Rights Agreement among the Registrant and certain holders of its capital stock, dated June 1, 2011.	S-1	333-193692	4.2	1/31/2014	
4.3	Indenture, dated November 17, 2017, between Quotient Technology, Inc. and U.S. Bank National Association	8-K	001-36331	4.1	11/17/2017	
4.4	Form of 1.75% Convertible Senior Note due 2022 (included in Exhibit 4.3)	8-K	001-36331	4.1	11/17/2017	
10.1†	Form of Indemnification Agreement for directors and officers.	S-1/A	333-193692	10.1	2/14/2014	
10.2†	2000 Stock Plan, as amended, and forms of agreement thereunder.	S-1	333-193692	10.2	1/31/2014	
10.3†	2006 Stock Plan, as amended, and forms of agreement thereunder.	S-1	333-193692	10.3	1/31/2014	
10.4†	2013 Equity Incentive Plan.	S-1	333-193692	10.4	1/31/2014	
10.5†	Form of Restricted Stock Unit Agreement	10-Q	001-36331	10.6	11/8/2016	
10.6†	Form of Restricted Stock Unit Agreement for Non-Employee Directors	10-Q	001-36331	10.1	11/3/2017	
10.7†	Form of Option Agreement for Employees	10-Q	001-36331	10.7	11/8/2016	
10.8†	Form of Option Agreement for Non-Employee Directors	10-Q	001-36331	10.8	11/8/2016	
10.9†	Notice of Grant of Restricted Stock Units for Employees – Initial Award					X

10.10†	Notice of Grant of Restricted Stock Units for Employees – Retention Award					X	
10.11†	Notice of Grant of Restricted Stock Units for Non-Employee Directors – Initial Award	10-Q	001-36331	10.2	11/3/2017		
10.12†	Notice of Grant of Restricted Stock Units for Non-Employee Directors – Annual Grant	10-Q	001-36331	10.3	11/3/2017		
10.13†	Amended and Restated 2013 Employee Stock Purchase Plan, dated April 25, 2017	10-Q	001-36331	10.1	5/5/2017		
10.14†	Executive Bonus Plan	S-1	333-193692	10.9	2/25/2014		
10.15†	Employment Offer Letter between the Registrant and Mir Aamir, dated February 18, 2014.	S-1/A	333-193692	10.6	2/25/2014		
10.16†	Offer Letter of Employment with Ronald J. Fior, dated July 25, 2016	10-Q	001-36331	10.2	11/8/2016		

Exhibit		Incorporated by Reference			Filing	Filed
Number	Exhibit Description	Form	File No.	Exhibit	Date	Herewith
10.17†	Transition Agreement, by and between the Registrant and Richard Hornstein, dated January 4, 2016.	10-K	001-36331	10.8	3/11/2016	
10.18†	Change of Control Severance Agreement with Steven R. Boal, dated August 2, 2016	10-Q	001-36331	10.3	11/8/2016	
10.19†	Change of Control Severance Agreement with Mir Aamir, dated August 2, 2016	10-Q	001-36331	10.4	11/8/2016	
10.20†	Change of Control Severance Agreement with Ronald J. Fior, dated August 2, 2016	10-Q	001-36331	10.5	11/8/2016	
10.21	Lease Agreement by and between the Registrant and 400 Logue LLC, successor in interest to MSCP Logue, LLC, successor in interest to Divco West Real Estate Services, Inc., dated August 11, 2006.	S-1	333-193692	10.14	1/31/2014	
10.22	Amendment No. 1 to Lease Agreement by and between the Registrant and 400 Logue LLC, successor in interest to MSCP Logue, LLC, dated March 19, 2009.	S-1	333-193692	10.15	1/31/2014	
10.23	Amendment No. 2 to Lease Agreement by and between the Registrant and 400 Logue LLC, dated February 25, 2015.	10-K	001-36331	10.15	3/19/2015	
10.24	Office Lease Mountain View Technology Park by and between Registrant and BP MV Technology Park LLC., dated December 22, 2010.	S-1	333-193692	10.16	1/31/2014	
10.25	Amendment No. 1 to Office Lease Mountain View Technology Park by and between Registrant and BP MV Technology Park LLC., dated May 31, 2012.	S-1	333-193692	10.17	1/31/2014	
10.26	Amendment No. 2 to Office Lease Mountain View Technology Park by and between Registrant and GOOGLE INC. successor in interest to BP MV Technology Park LLC., dated July 1, 2016.	10-Q	333-193692	10.1	8/8/2016	
10.27	Agreement and Plan of Merger by and among Quotient Technology Inc., Carrot Merger Sub, Inc., Crisp Media, Inc., and Shareholder Representative Services LLC, as Securityholder Representative, dated May 2, 2017	10-Q	001-36331	10.1	8/4/2017	
10.28		8-K	001-36331	10.1	11/17/2017	

	Purchase Agreement, dated as of November 14, 2017, Between Quotient Technology Inc. and Morgan Stanley & Co. LLC, as representative of the Initial Purchasers listed in Schedule I thereto	
21.1	List of Subsidiaries of Registrant.	X
23.1	Consent of Independent Registered Public Accounting Firm.	X
24.1	Power of Attorney (Included on the signature page to this report).	X
31.1	Certification of Chief Executive Officer pursuant to 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 Chief Financial Officer pursuant to 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

Exhibit Number	Exhibit Description	Incorporated by Reference Form	File No.	Exhibit	Filing Date	Filed Herewith
32.1*	Certification of Chief Executive Officer pursuant to Rule 13a014(b) or Rule 15d-14(b) of the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of The Sarbanes-Oxley Act of 2002.					X
32.2*	Certification of Chief Financial Officer pursuant to Rule 13a014(b) or Rule 15d-14(b) of the Securities Exchange Act of 1934 and 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

† Indicates a management contract or compensatory plan or arrangement.

* The certifications attached as Exhibit 32.1 and 32.2 that accompany this Annual Report on Form 10-K are not deemed filed with the Securities and Exchange Commission and are not to be incorporated by reference into any filing of Quotient under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date of this Form 10-K, irrespective of any general incorporation language contained in such filing.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

		Quotient Technology Inc.
Date: February 16, 2018	By:	/s/ Mir Aamir Mir Aamir President and Chief Executive Officer

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Mir Aamir, Ronald Fior and Connie Chen, jointly and severally, his attorney-in-fact, each with the full power of substitution, for such person, in any and all capacities, to sign any and all amendments to this Annual Report on Form 10-K, and to file the same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorney-in-fact and agent full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully to all intents and purposes as he might do or could do in person hereby ratifying and confirming all that each of said attorneys-in-fact and agents, or his substitute, may do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this Report has been signed below by the following persons on behalf of the Registrant in the capacities and on the dates indicated.

Name	Title	Date
/s/ Mir Aamir Mir Aamir	President, Chief Executive Officer and Director (Principal Executive Officer)	February 16, 2018
/s/ Ronald Fior Ronald Fior	Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	February 16, 2018
/s/ Steven Boal Steven Boal	Executive Chairman of the Board of Directors	February 16, 2018
/s/ Jody Gessow Jody Gessow	Director	February 16, 2018
/s/ Steve Horowitz	Director	February 16, 2018

Steve Horowitz		
/s/ Michelle McKenna-Doyle Michelle McKenna-Doyle	Director	February 16, 2018
/s/ David Oppenheimer David Oppenheimer	Director	February 16, 2018
/s/ Scott Raskin Scott Raskin	Director	February 16, 2018

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