COUPONS.com Inc
Form 10-Q
August 13, 2015

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-Q

(Mark One)

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2015

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

Coupons.com Incorporated

(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, California (Address of Principal Executive Offices)	94043 (Zip Code)

(650) 605-4600

(Registrant's Telephone Number, Including Area Code)

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

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

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

Large accelerated filer ¨	Accelerated filer ¨
Non-accelerated filer x (Do not check if a smaller reporting company)	Smaller reporting company ¨

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

As of August 7, 2015, the registrant had 83,239,098 shares of common stock outstanding.

COUPONS.COM INCORPORATED

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REPORT ON FORM 10-Q

FOR THE QUARTER ENDED June 30, 2015

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

COUPONS.COM INCORPORATED

CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands, except share and per share data)

(Unaudited)

	June 30, 2015	December 31, 2014
Assets		
Current assets:		
Cash and cash equivalents	$210,035	$ 201,075
Accounts receivable, net of allowance for doubtful accounts of $245 and $408 at June 30, 2015 and December 31, 2014, respectively	48,846	51,061
Prefunded coupons cash deposits	642	740
Deferred tax assets	427	457
Prepaid expenses and other current assets	4,677	2,972
Total current assets	264,627	256,305
Property and equipment, net	25,952	25,399
Intangible assets, net	10,352	11,818
Goodwill	29,284	29,277
Other assets	8,398	9,008
Total assets	$338,613	$ 331,807
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$10,098	$ 6,358
Accrued compensation and benefits	9,467	14,861
Other current liabilities	17,879	15,790
Prefunded coupons cash obligations	642	740
Deferred revenues	6,992	6,219
Debt obligation	7,500	7,500
Total current liabilities	52,578	51,468
Other non-current liabilities	56	89
Deferred rent	806	738
Deferred tax liabilities	2,070	2,624
Total liabilities	55,510	54,919
Commitments and contingencies (Note 12)		
Stockholders' equity:		
Preferred stock, $0.00001 par value—10,000,000 shares authorized and no shares issued	—	—

or outstanding at June 30, 2015 and December 31, 2014		
Common stock, $0.00001 par value—250,000,000 shares authorized; 88,375,594 shares issued and 83,318,189 outstanding at June 30, 2015; 86,224,920 shares issued and 81,380,014 outstanding at December 31, 2014	1	1
Additional paid-in capital	552,675	531,018
Treasury stock, at cost	(64,017)	(61,935)
Accumulated other comprehensive loss	(18)	(1)
Accumulated deficit	(205,538)	(192,195)
Total stockholders' equity	283,103	276,888
Total liabilities and stockholders' equity	$338,613	$ 331,807

See Accompanying Notes to Condensed Consolidated Financial Statements

COUPONS.COM INCORPORATED

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share data)

(Unaudited)

	Three Months Ended		Six Months Ended	
	June 30, 2015	2014	June 30, 2015	2014
Revenues	$55,867	$51,715	$111,429	$103,216
Costs and expenses:				
Cost of revenues	22,122	20,884	43,989	41,403
Sales and marketing	21,834	17,621	42,918	37,132
Research and development	11,839	10,981	24,781	27,248
General and administrative	7,867	8,857	16,358	17,907
Change in fair value of contingent consideration	2,076	—	1,722	—
Total costs and expenses	65,738	58,343	129,768	123,690
Loss from operations	(9,871)	(6,628)	(18,339)	(20,474)
Interest expense	(82)	(300)	(162)	(602)
Gain on sale of a right to use a web domain name	—	—	4,800	—
Other income (expense), net	40	31	(21)	(107)
Loss before income taxes	(9,913)	(6,897)	(13,722)	(21,183)
Benefit from income taxes	(571)	—	(379)	(244)
Net loss	$(9,342)	$(6,897)	$(13,343)	$(20,939)
Net loss per share attributable to common stockholders, basic and diluted	$(0.11)	$(0.09)	$(0.16)	$(0.37)
Weighted-average number of common shares used in computing net loss per share attributable to common stockholders, basic and diluted	82,980	77,549	82,575	56,161

See Accompanying Notes to Condensed Consolidated Financial Statements

COUPONS.COM INCORPORATED

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(In thousands)

(Unaudited)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2015	2014	2015	2014
Net loss	$(9,342)	$(6,897)	$(13,343)	$(20,939)
Other comprehensive income (loss):				
Foreign currency translation adjustments	48	33	(17)	45
Comprehensive loss	$(9,294)	$(6,864)	$(13,360)	$(20,894)

See Accompanying Notes to Condensed Consolidated Financial Statements

COUPONS.COM INCORPORATED

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

(Unaudited)

	Six Months Ended June 30, 2015	2014
Cash flows from operating activities:		
Net loss	$(13,343)	$(20,939)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	7,780	6,822
Stock-based compensation	17,439	21,253
Accretion of debt discount	—	113
Amortization of debt issuance costs	38	38
Gain on sale of a right to use a web domain name	(4,800)	—
Allowance for doubtful accounts	(34)	79
Deferred income taxes	(525)	(244)
Change in fair value of contingent consideration	1,722	—
Changes in operating assets and liabilities:		
Accounts receivable	2,255	(1,755)
Prepaid expenses and other current assets	(1,213)	224
Accounts payable and other current liabilities	1,356	2,494
Accrued compensation and benefits	(5,391)	(3,298)
Deferred revenues	764	957
Other	2	313
Net cash provided by operating activities	6,050	6,057
Cash flows from investing activities:		
Purchases of property and equipment	(3,961)	(4,970)
Acquisitions, net of acquired cash	—	859
Purchase of intangible assets	(35)	(16)
Proceeds from sale of a right to use a web domain name	4,800	—
Net cash provided by (used in) investing activities	804	(4,127)
Cash flows from financing activities:		
Proceeds from issuance of common stock	4,218	3,031
Repurchases of common stock	(2,082)	—
Proceeds from initial public offering, net of offering costs	—	176,525
Exercise of warrant	—	1,610
Principal payments on capital lease obligations	(30)	(28)
Net cash provided by financing activities	2,106	181,138
Effect of exchange rates on cash and cash equivalents	—	(9)
Net increase in cash and cash equivalents	8,960	183,059
Cash and cash equivalents at beginning of period	201,075	38,972

Cash and cash equivalents at end of period	$210,035	$222,031

See Accompanying Notes to Condensed Consolidated Financial Statements

COUPONS.COM INCORPORATED

Notes to Condensed Consolidated Financial Statements

(Unaudited)

1. Description of Business

Coupons.com Incorporated (the "Company") connects great brands and retailers with consumers by delivering digital promotions and media to consumers. Many brands from leading consumer packaged goods companies ("CPGs") and many of the leading grocery, drug, dollar channel, club and mass merchandise retailers use the Company's digital platform to engage consumers at the critical moments when they are choosing which products they will buy and where they will shop. The Company delivers digital coupons, including coupon codes, and media through its platform. The Company's platform includes web, mobile and social channels, as well as those of the Company's CPGs, retailers and its extensive network of publishers that display the Company's coupon and media offerings on their websites and mobile applications. Consumers select coupons by either printing them for physical redemption at retailers or saving them to retailer loyalty accounts for automatic digital redemption.

2. Summary of Significant Accounting Policies

Basis of Presentation and Consolidation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP") and applicable rules and regulations of the Securities and Exchange Commission ("SEC") regarding interim financial reporting. Certain information and note disclosures normally included in the financial statements prepared in accordance with U.S. GAAP have been condensed or omitted pursuant to such rules and regulations. As such, the information included in this Quarterly Report on Form 10-Q should be read in conjunction with the audited consolidated financial statements and accompanying notes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2014.

The Company's condensed consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All significant intercompany transactions and balances have been eliminated. The accompanying unaudited condensed consolidated financial statements reflect all normal recurring adjustments necessary to present fairly the financial position, results of operations, comprehensive loss, and cash flows for the interim periods, but are not necessarily indicative of the results of operations to be anticipated for the full year ending December 31, 2015 or for any other period.

There have been no changes to the Company's significant accounting policies described in the Annual Report on Form 10-K that have had a material impact on its condensed consolidated financial statements and related notes.

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 condensed consolidated financial statements.

Reclassifications

Certain prior period financial statement amounts have been reclassified to conform to current period presentation.

Recently Issued Accounting Pronouncements

In April 2015, the Financial Accounting Standards Board (“FASB”) issued new guidance or Accounting Standards Update (“ASU”) 2015-03-Interest—Imputation of Interest (Subtopic 835-30) to simplify the presentation of debt issuance costs. This update requires that debt issuance costs be presented in the balance sheet as a direct deduction from the carrying amount of the associated debt liability, consistent with the required presentation for debt discounts. This update is effective for interim and annual periods beginning after December 15, 2015. The adoption of this standard will change the Company’s current practice of presenting debt issuance costs as an asset and will result in the reduction of total assets and total liabilities in an amount equal to the balance of unamortized debt issuance costs at each balance sheet date.

In August 2014, the FASB issued ASU 2014-15—Presentation of Financial Statements — Going Concern (Subtopic 205-40), related to the disclosures around going concern. The new standard provides guidance around management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern and to provide related footnote disclosures. The new standard is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2016. Early adoption is permitted.

In May 2014, the FASB issued ASU 2014-09—Revenue from Contracts with Customers (Topic 606), amended the existing accounting standards to achieve consistent application of revenue recognition. 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.

The Company is currently evaluating the impact of these amendments.

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 identical or similar assets or liabilities in 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.

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):

	June 30, 2015			
	Level 1	Level 2	Level 3	Total
Assets:				
Money market funds [1]	$14,935	$ —	$—	$14,935
Total	$14,935	$ —	$—	$14,935
Liabilities:				
Contingent consideration [2]	$—	$ —	$2,770	$2,770
Total	$—	$ —	$2,770	$2,770

	December 31, 2014			
	Level 1	Level 2	Level 3	Total
Assets:				
Money market funds [1]	$14,928	$ —	$—	$14,928
Total	$14,928	$ —	$—	$14,928
Liabilities:				
Contingent consideration [2]	$—	$ —	$1,048	$1,048
Total	$—	$ —	$1,048	$1,048

(1) Included in cash and cash equivalents
(2) Included in other current liabilities

The valuation technique used to measure the fair value of money market funds included using quoted prices in active markets for identical assets or liabilities.

The fair value of contingent consideration 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 Company's stock price, maximum earn-out shares, historical and projected financial results of Eckim, LLC. ("Eckim"), historical volatility of the Company's stock price and risk-free interest rate.

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

	Level 3
Balance as of December 31, 2014	$1,048
Change in fair value	1,722
Balance as of June 30, 2015	$2,770

For the three and six months ended June 30, 2015, the Company recorded a loss of $2.1 million and $1.7 million, respectively, due to the changes in fair value of the contingent consideration. The change in fair value of the contingent consideration during the period was primarily driven by the increase in the likelihood of achieving the revenue and profit milestones. No gain or loss from change in fair value of the contingent consideration was recognized during the three and six months ended June 30, 2014. Gains and losses as a result of the changes in the

fair value of the contingent consideration are included as a component of operations in the accompanying condensed consolidated statements of operations.

4. Allowance for Doubtful Accounts

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Balance at beginning of period	$407	$347	$408	$332
Bad debt expense (credit)	(43)	65	(34)	79
Recoveries (write-offs), net	(119)	(12)	(129)	(11)
Balance at end of period	$245	$400	$245	$400

5. Balance Sheet Components

Property and Equipment, Net

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

	June 30, 2015	December 31, 2014
Software	$31,996	$30,791
Computer equipment	18,130	17,325
Leasehold improvements	2,706	2,393
Furniture and fixtures	1,957	1,645
Total	54,789	52,154
Accumulated depreciation and amortization	(34,645)	(28,783)
Projects in process	5,808	2,028
Property and equipment, net	$25,952	$25,399

Depreciation and amortization expense of property and equipment was $3.2 million and $6.3 million for the three and six months ended June 30, 2015, respectively, and $3.3 million and $6.2 million for the three and six months ended June 30, 2014, respectively.

During the three and six months ended June 30, 2015, the Company capitalized internal use software development and enhancement costs related to the Coupons.com Retailer iQ platform (“Retailer iQ”) of $0.5 million and $0.9 million, respectively, compared to $0.9 million and $2.2 million during the three and six months ended June 30, 2014, respectively. During the three and six months ended June 30, 2015, the Company recognized $2.3 million and $4.6 million respectively, of amortization expense related to Retailer iQ in cost of revenues, and $2.0 million and $3.4 million during the three and six months ended June 30, 2014, respectively. The unamortized capitalized development and enhancement costs related to Retailer iQ was $15.3 million and $19.0 million as of June 30, 2015 and December 31, 2014, respectively.

Accrued Compensation and Benefits

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

	June 30, 2015	December 31, 2014
Bonus	$3,878	$ 6,909
Vacation	2,338	2,427
Commissions	2,175	3,458
Payroll and related expenses	1,076	2,067
Accrued compensation and benefits	$9,467	$ 14,861

Other Current Liabilities

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

	June 30, 2015	December 31, 2014
Distribution fees	$6,229	$ 5,805
Marketing expenses	2,904	3,415
Contingent consideration	2,770	1,048
Accrued property and equipment	1,986	687
Legal and professional fees	803	1,699
Deferred rent	247	536
Other	2,940	2,600
Other current liabilities	$17,879	$ 15,790

6. 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 change in the carrying value of goodwill is as follows (in thousands):

	Goodwill
Balance as of December 31, 2014	$ 29,277
Foreign currency translation	7
Balance as of June 30, 2015	$ 29,284

Intangible assets consist of the following (in thousands):

	June 30, 2015 Gross	Accumulated Amortization	Foreign Currency Translation	June 30, 2015 Net	Weighted Average Amortization Period (Years)
Customer relationships	$7,164	$ (2,629)	$ 24	$4,559	4
Domain names	5,004	(3,127)	—	1,877	4
Developed technologies	4,117	(1,213)	—	2,904	4
Patents	1,050	(628)	—	422	6

Vendor relationships	890	(334)	—	556	3
Trade names	167	(135)	2	34	1
	$18,392	$ (8,066)	$ 26	$10,352	4

	December 31, 2014 Gross	Accumulated Amortization	Foreign Currency Translation	December 31, 2014 Net	Weighted Average Amortization Period (Years)
Customer relationships	$ 7,164	$ (1,978)	$ 21	$ 5,207	4
Domain names	4,968	(2,836)	—	2,132	4
Developed technologies	4,117	(834)	—	3,283	5
Patents	1,050	(570)	—	480	6
Vendor relationships	890	(223)	—	667	3
Trade names	167	(121)	3	49	2
	$ 18,356	$ (6,562)	$ 24	$ 11,818	4

Amortization expense related to intangible assets subject to amortization was $0.7 million and $1.5 million for the three and six months ended June 30, 2015, respectively and $0.3 million and $0.6 million during the three and six months ended June 30, 2014, respectively. Estimated future amortization expense of intangible assets as of June 30, 2015 is as follows (in thousands):

	Total
2015, remaining six months	$1,476
2016	2,814
2017	2,494
2018	2,249
2019	1,213
2020 and beyond	106
Total estimated amortization expense	$10,352

7. Debt Obligation

In September 2013, the Company entered into an agreement with a commercial bank to establish an accounts receivable based revolving line of credit. The maximum amount available for borrowing under the revolving credit facility is the lesser of $25.0 million (which can be increased to $30.0 million if certain conditions are met) or an amount equal to 85% of certain eligible accounts, which excludes accounts that are over 60 days outstanding from the original due date. The revolving line of credit has a maturity date of September 30, 2016 and may be repaid and redrawn at any time prior to the maturity date. Interest is charged at a floating interest rate based on the daily three month LIBOR, plus % applicable margin. In May 2014, the Company entered into an amendment, which revised the applicable margin from 2.75% to 2.00% per annum and the financial reporting intervals from monthly to quarterly reporting. Interest was 2.375% at June 30, 2015. The Company is also required to pay a commitment fee on the unused portion of the revolving credit facility equal to 0.25% per annum. As of June 30, 2015 and December 31, 2014, $7.5 million was outstanding under the revolving line of credit. The revolving credit facility is secured by substantially all of the Company's assets, and is subject to certain financial and non-financial covenants, including financial reporting. As of June 30, 2015, the Company was in compliance with the financial and non-financial covenants under the credit and security agreement.

8. 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"). 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.

Stock Options

The fair value of each option was estimated on the date of grant for the period presented using the following assumptions:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Expected life (in years)	5.50 - 6.08	—	5.50 - 6.08	6.08
Risk-free interest rate	1.82% - 1.89%	—	1.82% - 1.89%	2.33%
Volatility	55%	—	55%	55%
Dividend yield	—	—	—	—

The weighted-average grant-date fair value of options granted was $6.72 per share during the three and six months ended June 30, 2015 and $8.60 per share during the six months ended June 30, 2014. There were no option grants during the three months ended June 30, 2014.

Restricted Stock Units

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

A summary of the Company's stock option and RSUs award activity under the 2013 Plan 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	(53,680)	53,680	13.04				
Options exercised	—	(822,045)	3.89		7,828		
Options canceled or expired	14,562	(14,562)	7.73				
RSUs granted	(2,641,120)					2,641,120	14.22
RSUs released	—					(1,233,379)	11.93
RSUs canceled or expired	873,049					(873,049)	13.83
Balance as of June 30, 2015	3,273,123	8,711,836	7.32	6.19	45,201	7,344,107	13.31
Vested and expected to vest as of June 30, 2015		8,320,312	7.06	6.10	44,375		
Vested and exercisable as of June 30, 2015		6,643,537	5.48	5.57	45,201		

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 which vested during the three and six months ended June 30, 2015 was $1.0 million and $2.2 million, respectively, and during the three and six months ended June 30, 2014 was $0.9 million and $1.9 million, respectively.

Employee Stock Purchase Plan

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, with the exception of the initial offering period which commenced in March 2014 and ended in November 2014. 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:

	Six Months Ended June 30,	
	2015	2014
Expected life (in years)	0.50	0.62
Risk-free interest rate	0.08%	0.08%
Volatility	63%	55%
Dividend yield	—	—

95,251 shares of common stock was issued under the 2014 Employee Stock Purchase Plan (“ESPP”) in May 2015. As of June 30, 2015, 1,332,472 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 condensed consolidated statements of operations (in thousands):

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2015	2014	2015	2014
Cost of revenues	$433	$523	$882	$2,100
Sales and marketing	3,432	1,284	6,373	5,401
Research and development	2,266	1,760	5,050	7,270
General and administrative	2,376	3,094	5,134	6,482
Total stock-based compensation expense	$8,507	$6,661	$17,439	$21,253

As of June 30, 2015, there was $69.1 million of unrecognized stock-based compensation expense (net of estimated forfeitures), of which $5.7 million is related to stock options and ESPP shares and $63.4 million is related to RSUs. The total unrecognized stock-based compensation expense related to stock options and ESPP as of June 30, 2015 will be amortized over a weighted-average period of 2.4 years. The total unrecognized stock-based compensation expense related to RSUs as of June 30, 2015 will be amortized over a weighted-average period of 3.1 years.

The amount of stock-based compensation cost capitalized in property and equipment, net on the accompanying condensed consolidated balance sheets was immaterial for all periods presented.

9. Common Stock Repurchases

In February 2015, the Company's Board of Directors authorized the repurchase of up to $50.0 million of the Company's common stock through February 2016, subject to certain limitations. During the three and six months ended June 30, 2015, 3,000 and 212,300 shares were repurchased at an aggregate cost of $30,000 and $2.1 million, respectively. During the three and six months ended June 30, 2014, no shares of our common stock were repurchased.

10. Income Taxes

The Company recorded an income tax benefit of $0.6 million, and $0.4 million during the three and six months ended June 30, 2015, respectively, and $0 and $0.2 million during the three and six months ended June 30, 2014, respectively. The income tax benefit during for the three and six months ended June 2015 is attributable to the net decrease in deferred tax liabilities primarily associated with the change in fair value of contingent consideration from prior acquisitions. The income tax benefit for the three and six months ended June 2014 was attributable to a release of a portion of the Company's valuation allowance due to acquired deferred tax liabilities from prior year acquisitions.

11. Net Loss per Share

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

	Three Months Ended		Six Months Ended	
	June 30, 2015	2014	June 30, 2015	2014
Net loss	$(9,342)	$(6,897)	$(13,343)	$(20,939)
Weighted-average number of common shares used in computing net loss per share attributable to common stockholders, basic and diluted	82,980	77,549	82,575	56,161
Net loss per share attributable to common stockholders, basic and diluted	$(0.11)	$(0.09)	$(0.16)	$(0.37)

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

	Three and Six Months Ended June 30,	
	2015	2014
Stock options and ESPP	8,819	11,349
Restricted stock units	7,344	7,345
	16,163	18,694

12. Commitments and Contingencies

Leases

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

Aggregate Future Contractual Obligations and Lease Commitments

As of June 30, 2015, the Company's minimum payments under its non-cancelable operating and capital leases are as follows (in thousands):

	Operating Leases	Capital Leases
2015, remaining six months	$ 1,768	$ 34
2016	3,577	52
2017	1,524	22
2018	1,478	18
2019	1,460	1
2020 and thereafter	1,352	—
Total minimum payments	$ 11,159	$ 127
Less: Amount representing interest		8
Present value of capital lease obligations		119
Less: Current portion		57
Capital lease obligation, net of current portion		$ 62

Other Future Commitments

The Company has other long-term commitments for the years 2015 to 2034 in the amount of $7.2 million for marketing arrangements.

The Company entered into service agreements under which the Company is obligated to prepay non-refundable payments upon the achievement of certain milestones. As of June 30, 2015, the Company made payments of $8.9 million under these arrangements and has remaining obligations for payment of $5.2 million which are expected to be paid over two years. These prepayments will be recognized as cost of revenues over the related service period. The unamortized balance is included in other assets on the accompanying condensed 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 including retailers. 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

On March 11, 2015, a putative stockholder class action lawsuit was filed against us, the members of our board of directors, certain of our executive officers and the underwriters of our initial public offering ("IPO"): Nguyen v. Coupons.com Incorporated, Case No. CGC-15-544654 (California Superior Court, San Francisco County). The complaint asserts claims under the Securities Act and seeks unspecified damages and other relief on behalf of a putative class of persons and entities who purchased stock pursuant or traceable to the registration statement and prospectus for our IPO. Plaintiff Nguyen requested and obtained a dismissal without prejudice of his San Francisco action and filed another complaint with substantially the same allegations in the Santa Clara County Superior Court, Nguyen v. Coupons.com Incorporated, Case No. 1-15-CV-278777 (California Superior Court, Santa Clara County) (Mar. 30, 2015). Three other complaints with substantially the same allegations have also been filed: O'Donnell v. Coupons.com Incorporated, Case No. 1-15-CV-278399 (California Superior Court, Santa Clara County) (Mar. 20, 2015); So v. Coupons.com Incorporated, Case No. 1-15-CV-278774 (California Superior Court, Santa Clara County) (Mar. 30, 2015); and Silverberg v. Coupons.com Incorporated, Case No. 1-15-CV-278891 (California Superior Court, Santa Clara County) (Apr. 2, 2015). On May 7, 2015, the Santa Clara court consolidated the Nguyen, So and Silverberg actions with the O'Donnell action. On July 23, 2015, defendants filed a demurrer to the consolidated complaint. We intend to defend this litigation vigorously. Based on information currently available, we believe that the potential for liability for the above claims is remote.

In addition, 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 June 30, 2015 and December 31, 2014.

13. 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 condensed consolidated financial statements taken as a whole.

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

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the condensed consolidated financial statements and the related notes thereto included elsewhere in this Quarterly Report on Form 10-Q and with our Annual Report on Form 10-K filed on March 19, 2015 with the SEC. In addition to historical financial information, the following discussion contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. The forward looking statements 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 are described in "Risk Factors" set forth in our Annual Report on Form 10-K and elsewhere in this Quarterly Report on Form 10-Q.

Overview

We connect great brands and retailers with consumers by delivering digital promotions and media to consumers. Over 2,000 brands from approximately 700 consumer packaged goods companies ("CPGs") and many of the leading grocery, drug, dollar channel, club and mass merchandise retailers use our digital platform to engage consumers at the critical moments when they are choosing which products they will buy and where they will shop. We deliver digital coupons, including coupon codes, and media and advertising through our platform. Our platform includes our web, mobile and social channels, as well as those of our CPGs and retailers, and our extensive network of approximately 30,000 publishers that display our coupon and media offerings on their websites and mobile applications.

Our platform distributes digital promotions and media at scale across multiple channels enabling CPGs and retailers to deliver promotions and media to consumers at the point when they are most engaged and likely to make a purchasing decision. Our platform is comprised of promotional channels, including our Digital Free Standing Insertion Network, which is our network of publishers that display our coupons and media offerings, our retail point of sale solutions which includes Retailer iQ, mobile solutions, publishing tools, which enhance the effectiveness of the promotions we offer, and media. Our technology gives CPGs control over the number of coupons distributed and the number of CPG-authorized activations per coupon, which enhances the security of digital coupons.

We generate promotion revenues from digital transactions on our network. Each time a consumer activates a digital coupon on our platform by either printing it for physical redemption at a retailer or saving it to a retailer loyalty account for automatic digital redemption, we are generally paid a fee. For coupon codes, we are generally paid a fee when a consumer makes a purchase using a coupon code from our platform. We generally pay a distribution fee to retailers or publishers when a consumer activates a digital promotion on their website or mobile app. These distribution fees are included in our cost of revenues. We also generate media revenue through the placement of online advertisements from CPGs and retailers that are displayed on our websites and mobile apps, as well as those of our publishers, retailers and other third parties.

Our CPG customers include many of the leading food, beverage, drug, personal and household product manufacturers. We primarily generate revenue from CPGs through coupons and media offered through our platform and our publisher network. Retailers on our platform include leading grocery, drug, dollar channel, club and mass market retailers. We also service a broad range of specialty stores, including clothing, electronics, home improvement and many others through which we generate revenue primarily from offering coupon codes through our platform.

Second Quarter 2015 Overview

Quarterly revenues of $55.9 million for the second quarter of 2015 increased $4.2 million or 8% from revenues of $51.7 million in the second quarter of 2014. Our net loss of $9.3 million increased $2.4 million for the second quarter of 2015 compared to the net loss of $6.9 million for the corresponding period of 2014. The year over year increase in our quarterly revenues was primarily related to increases in our revenues from digital promotion transactions and to a lesser extent, increases in our revenues from digital media campaigns. The increase in our net loss in the second

quarter of 2015 compared to the same period in 2014 was primarily driven by increased expenses from the changes in fair value of the contingent consideration from the acquisition of Eckim. Our Adjusted EBITDA for the second quarter of 2015 and 2014 was $4.6 million and $3.7 million, respectively.

Our operating expenses may increase in the future as we continue to invest in research and development to enhance our platform and in sales and marketing to acquire new CPG and retailer customers and increase revenues from our existing customers.

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 the expenses eliminated 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.

We define a “transaction” as the distribution of a digital coupon through our platform that generates revenues. While the number of transactions on our platform has been an important indicator of our ability to grow our revenues, as our business continues to evolve, we believe transaction volume on our platform may become a less predictive indicator of future operating performance.

Adjusted EBITDA and number of transactions for each of the periods presented were as follows (in thousands):

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2015	2014	2015	2014
Adjusted EBITDA	$4,584	$3,683	$8,602	$7,601
Transactions	372,006	383,693	784,647	791,478

Our use of Adjusted EBITDA as an analytical tool has limitations, and should not be considered 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 interest, income taxes, gain on sale of a right to use a web domain name, other income (expense), net and change in fair value of contingent consideration; 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 (in thousands):

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2015	2014	2015	2014
Net loss	$(9,342)	$(6,897)	$(13,343)	$(20,939)

Adjustments:				
Interest expense	82	300	162	602
Gain on sale of a right to use a web domain name	—	—	(4,800)	—
Other income (expense), net	(40)	(31)	21	107
Benefit from income taxes	(571)	—	(379)	(244)
Depreciation and amortization	3,872	3,650	7,780	6,822
Stock-based compensation	8,507	6,661	17,439	21,253
Change in fair value of contingent consideration	2,076	—	1,722	—
Total adjustments	$13,926	$10,580	$21,945	$28,540
Adjusted EBITDA	$4,584	$3,683	$8,602	$7,601

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 other GAAP based financial performance measures, including various cash flow metrics, net loss, and our other GAAP financial results.

Factors Affecting Our Performance

Obtain and increase the number of high quality coupons. Our growth in revenues will depend upon our ability to continue to obtain and increase the number of high quality coupons available through our platform. If we are unable to obtain and increase the number of high quality coupons the growth in our revenues will be adversely affected.

Increasing revenue from CPGs on our platform. Our future revenue growth depends upon our ability to continue to increase revenues from existing CPGs on our platform. This includes increasing our share of CPG spending on overall coupons, media and trade promotions; increasing the number of brands that are using our platform within each CPG; increasing media spending on our platform; and maximizing lifetime value of consumers across all platforms.

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 growth in revenues will depend upon our ability to successfully implement and scale Retailer iQ among retailers. If we are unable to successfully implement Retailer iQ, 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, which in turn could impact the recoverability of prepaid non-refundable payments with some of our Retailer iQ partners. Our future revenue growth 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 future revenue growth will depend on our ability to innovate and invest in promotion and media solutions, including Retailer iQ, mobile solutions and digital promotion offerings for specialty/franchise retail, including coupon codes, and leverage our reach to consumers and the strength of our platform to broaden the selection and use of coupon codes by consumers.

International Growth and Acquisitions. Our growth in revenues will also depend on our ability to grow our operations and offerings in existing international markets and expand our business through selective acquisitions.

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 (in thousands, except percentages):

	Three Months Ended June 30,				Six Months Ended June 30,			
	2015		2014		2015		2014	
Revenues	$55,867	100.0%	$51,715	100.0%	$111,429	100.0%	$103,216	100.0%
Cost of revenues	22,122	39.6 %	20,884	40.4 %	43,989	39.5 %	41,403	40.1 %
Gross profit	33,745	60.4 %	30,831	59.6 %	67,440	60.5 %	61,813	59.9 %
Operating expenses:								
Sales and marketing	21,834	39.1 %	17,621	34.1 %	42,918	38.5 %	37,132	36.0 %
Research and development	11,839	21.2 %	10,981	21.2 %	24,781	22.2 %	27,248	26.4 %
General and administrative	7,867	14.1 %	8,857	17.1 %	16,358	14.7 %	17,907	17.3 %
Change in fair value of contingent consideration	2,076	3.7 %	—	— %	1,722	1.6 %	—	— %
Total operating expenses	43,616	78.1 %	37,459	72.4 %	85,779	77.0 %	82,287	79.7 %
Loss from operations	(9,871)	(17.7)%	(6,628)	(12.8)%	(18,339)	(16.5)%	(20,474)	(19.8)%
Interest expense	(82)	(0.1)%	(300)	(0.6)%	(162)	(0.1)%	(602)	(0.6)%
Gain on sale of a right to use a web domain name	—	(—)%	—	— %	4,800	4.3 %	—	— %
Other income (expense), net	40	0.1 %	31	0.1 %	(21)	(—)%	(107)	(0.1)%
Loss before income taxes	(9,913)	(17.7)%	(6,897)	(13.3)%	(13,722)	(12.3)%	(21,183)	(20.5)%
Benefit from income taxes	(571)	(1.0)%	—	— %	(379)	(0.3)%	(244)	(0.2)%
Net loss	$(9,342)	(16.7)%	$(6,897)	(13.3)%	$(13,343)	(12.0)%	$(20,939)	(20.3)%

Comparison of the Three and Six Months Ended June 30, 2015 and 2014

Revenues

	Three Months Ended June 30,				Six Months Ended June 30,			
	2015	2014	$ Change	% Change	2015	2014	$ Change	% Change
	(in thousands, except percentages)				(in thousands, except percentages)			
Revenues	$55,867	$51,715	$ 4,152	8%	$111,429	$103,216	$ 8,213	8%

Revenues for the quarter ended June 30, 2015 increased approximately $4.2 million, or 8% compared to the same period in 2014. Revenues generated from our digital promotion transactions represented 56% of the year over year increase in quarterly revenues, with the balance of the increase driven by our revenues from digital media campaigns. Revenues from digital promotion transactions and digital media campaigns were 73% and 27% respectively, of total revenues for the three months ended June 30, 2015, compared to 74% and 26%, respectively, of total revenues during the same period in 2014. Transactions during the quarter ended June 30, 2015 were 372.0 million compared to 383.7 million during the same period in 2014.

Revenues for the six months ended June 30, 2015 increased approximately $8.2 million, or 8% compared to the same period in 2014. Revenues generated from our digital promotion transactions represented 51% of the year over year increase in year-to-date revenues, with the balance of the increase driven by our revenues from digital media campaigns. Revenues from digital promotion transactions and digital media campaigns were 75% and 25% respectively, of total revenues for the six months ended June 30, 2015, compared to 77% and 23%, respectively, of total revenues during the same period in 2014. Transactions during the six months ended June 30, 2015 were 784.6 million compared to 791.5 million during the same period in 2014.

We expect revenue growth in the second-half of 2015 from deployments of Retailer iQ and the anticipated related marketing campaigns, particularly in the fourth quarter of 2015. We also expect to see effects of seasonality on our business from quarter over quarter in the future as we integrate our digital promotions and media solutions into retailers' in-store and point of sale systems and consumer channels.

Cost of Revenues and Gross Profit

	Three Months Ended June 30,				Six Months Ended June 30,			
	2015	2014	$ Change	% Change	2015	2014	$ Change	% Change
	(in thousands, except percentages)				(in thousands, except percentages)			
Cost of revenues	$22,122	$20,884	$ 1,238	6 %	$43,989	$41,403	$ 2,586	6 %
Gross profit	$33,745	$30,831	$ 2,914	9 %	$67,440	$61,813	$ 5,627	9 %
Gross margin	60 %	60 %			61 %	60 %		

Cost of revenues increased approximately $1.2 million, or 6%, during the quarter ended June 30, 2015 compared to the same period in 2014. The increase was related to increases in distribution fees, third party service fees, and costs associated with the deployment of Retailer iQ, The increase in distribution fees and third party service fees were primarily related to the increase in the number of transactions completed through our platform, that are subject to fees on third party sites. The increases in costs related to Retailer iQ were primarily related to increased amortization expense as a result of the deployment of Retailer iQ in the first quarter of 2014 and our ongoing development of new features and functionality of the platform.

Gross margin for the quarter ended June 30, 2015 remained flat compared to the same period in 2014, as the $1.4 million increase in distribution fees, third party service fees, and costs associated with the deployment of Retailer iQ,

were partially offset by improvements in our operational efficiencies.

Cost of revenues for the six months ended June 30, 2015 increased approximately $2.6 million, or 6%, compared to the same period in 2014. The year over increase was primarily related to the net impact from higher distribution fees, increased costs associated with the deployment of Retailer iQ and increased expenses related to amortization of intangibles, partially offset by net decreases in headcount related expenses. The increase in distribution fees were primarily related to the increase in the number of transactions subject to fees completed through our platform. The increases in costs related to Retailer iQ were primarily related to increased amortization expense as a result of the deployment of Retailer iQ in the first quarter of 2014 and our ongoing development of new features and functionality of the platform. The increased expenses related to amortization of intangibles was primarily as a result of our acquisitions of Yub, Eckim, and Padopolis, Inc, in the first, third and fourth quarter of 2014, respectively. The net decrease in headcount

related costs was primarily due to the decreased stock-based compensation costs, partially offset by higher salaries and related costs. During the six months ended June 30, 2015, distributions fees increased approximately $1.5 million, costs associated with the deployment of Retailer iQ increased approximately $1.2 million, and expenses related to amortization of intangibles increased approximately $0.8 million, partially offset by net decreases in headcount related expenses of approximately $0.9 million which included a decrease in stock based compensation of $1.2 million, compared to the same period in 2014.

Gross margin for the first six months of 2015 slightly increased to 61% from 60% compared to the same period in 2014. The increase was primarily due to the net benefit from decrease in stock based compensation costs, expense leverage from fixed costs, and increase in media revenues, partially offset by higher costs from Retailer iQ, higher costs for distribution fees, and increased expenses related to amortization of intangibles.

We expect the costs associated with Retailer iQ to continue to increase in the future in absolute dollars as we continue to deploy and scale Retailer iQ across retailers, with a higher increase in cost expected in the second-half of 2015, especially in the fourth quarter. We also expect the costs associated with distribution fees, third party service fees and expenses related to amortization of intangibles to continue to increase in the future as we continue to expand and scale our distribution network and reach, and to pursue opportunities to expand our business through selective acquisitions. We also believe that as the number of transactions in connection with Retailer iQ increases our cost of revenues as percentage of revenues will decrease over time as we achieve increased operational efficiencies.

Sales and Marketing

	Three Months Ended June 30,				Six Months Ended June 30,			
	2015	2014	$ Change	% Change	2015	2014	$ Change	% Change
	(in thousands, except percentages)				(in thousands, except percentages)			
Sales and marketing	$21,834	$17,621	$ 4,213	24 %	$42,918	$37,132	$ 5,786	16 %
Percent of revenues	39 %	34 %			39 %	36 %		

Sales and marketing expenses for the second quarter of 2015 increased approximately $4.2 million, or 24%, compared to the same period in 2014. The increase was primarily due to combined increases in headcount related expenses, promotional and advertising expenses and third party consultation services. The increase in headcount and related expenses were primarily related to increased expenses for stock-based compensation and to a lesser extent, higher salaries and expenses related to hiring additional employees to support our growth and business objectives, including deployments of Retailer iQ across our network. The increase in our promotional and advertising costs were required to support our business objectives and the growth in revenues. The increase in expenses related to third party consultation services were a result of our efforts to improve the effectiveness of our distribution channels, including consumer awareness of our brand. During the quarter ended June 30, 2015, headcount and related expenses increased approximately $2.5 million which included increased stock-based compensation expenses of $2.1 million, and promotional and advertising costs and third party consultation services increased approximately $1.2 million which included increased promotional and advertising expenses of $0.8 million.

Sales and marketing expenses for the six months ended June 30, 2015 increased approximately $5.8 million, or 16%, compared to the same period in 2014. The increase was primarily due to combined increases in headcount related expenses, promotional and advertising expenses and third party consultation services. The increase in headcount and related expenses were primarily related to increased expenses for stock-based compensation and to a lesser extent, higher salaries and expenses related to hiring additional employees required to support our growth and business objectives, including deployments of Retailer iQ across our network. The increase in our promotional and advertising costs were required to support our business objectives and the growth in revenues. The increase in expenses related to third party consultation services were a result of our efforts to improve the effectiveness of our distribution channels, including consumer awareness of our brand. During the six months ended June 30, 2015, headcount and related

expenses increased approximately $1.5 million which included increased stock-based compensation expenses of $1.0 million, promotional and advertising costs increased approximately $3.1 million and third party consultation services increased approximately $0.6 million.

We expect sales and marketing expenses to increase in future periods as we continue to incur costs to support our growth and business objectives, with a higher increase in cost in the second-half of 2015.

Research and Development

	Three Months Ended June 30,				Six Months Ended June 30,			
	2015	2014	$ Change	% Change	2015	2014	$ Change	% Change
	(in thousands, except percentages)				(in thousands, except percentages)			
Research and development	$11,839	$10,981	$ 858	8 %	$24,781	$27,248	$ (2,467)	(9)%
Percent of revenues	21 %	21 %			22 %	26 %		

Research and development expenses for the quarter ended June 30, 2015 increased approximately $0.9 million, or 8%, compared to the same period in 2014. The increase was primarily due to combined increases totaling approximately $1.2 million from increased in stock-based compensation expense and to a lesser extent, higher salaries and related costs. During the second quarter of 2015, headcount related costs increased $0.7 million and stock based compensation expense increased approximately $0.5 million compared to the same period in 2014. During the quarter ended June 30, 2015, we capitalized internal use software development costs related to Retailer iQ of $0.5 million compared to $0.9 million during the same period in 2014.

Research and development expenses for the six months ended June 30, 2015 decreased approximately $2.5 million, or 9%, compared to the same period in 2014. The decrease was primarily related to net decreased headcount related costs and decreased costs for third party research and development consultation and support services. The net decrease in headcount related expenses was primarily as a result of a decrease in stock-based compensation expense partially offset by higher salaries and related costs. The decrease in third party research and development consultation and support services was primarily related to a decrease in our use of third party services facilitated by the investment we made previously in our internal business technology infrastructure. During the six months ended June 30, 2015, net headcount related costs decreased by $1.2 million, including a decrease in stock-based compensation of $2.2 million, and third party research and development consultation and support services decreased $1.8 million.

While we anticipate that we will decrease our use of third-party services in the future, we believe that continued investment in technology is critical to attaining our strategic objectives, and, as a result, we expect research and development expenses to increase in absolute dollars in future periods. As a result, we expect our research and development costs to increase moderately as we continue to invest in our business technology objectives. For example, in January 2015 we opened a research and development center in Bangalore, India and anticipate increased hiring at that location in second half of 2015.

General and Administrative

	Three Months Ended June 30,				Six Months Ended June 30,			
	2015	2014	$ Change	% Change	2015	2014	$ Change	% Change
	(in thousands, except percentages)				(in thousands, except percentages)			
General and administrative	$7,867	$8,857	$ (990)	(11)%	$16,358	$17,907	$ (1,549)	(9)%
Percent of revenues	14 %	17 %			15 %	17 %		

General and administrative expenses for the quarter ended June 30, 2015 decreased approximately $1.0 million, or 11%, compared to the same period in 2014. The decrease was primarily related to a net decrease in headcount related costs and costs for third party consultation services. The net decrease in headcount related costs were primarily related to decreased stock-based compensation expense of $0.7 million partially offset by higher salaries and expenses

related to hiring additional employees. The increase in salaries and expenses related to hiring additional employees was required to support our growth as well as to support our activities as we transitioned from a private to a public company.

General and administrative expenses for the six months ended June 30, 2015 decreased approximately $1.5 million, or 9%, compared to the same period in 2014. The decrease was primarily related to a net decrease in headcount related costs and expenses for third party consultation services. The net decrease in headcount related costs were primarily related to decreased stock-based compensation expense of $1.3 million partially offset by higher salaries and new hire costs of $0.7 million. The increase in salaries and new hire costs was required to support our growth as well as to support our transition from a private to 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 in March 2014. We expect general and administrative expenses to increase in absolute dollars 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 costs, investor relations costs, higher insurance premiums and compliance costs associated with Section 404 of the Sarbanes-Oxley Act.

Change in Fair Value of Contingent Consideration

	Three Months Ended June 30,				Six Months Ended June 30,			
	2015	2014	$ Change	% Change	2015	2014	$ Change	% Change
	(in thousands, except percentages)				(in thousands, except percentages)			
Change in fair value of contingent consideration	$2,076	$ —	$ 2,076	(100)%	$1,722	$ —	$ 1,722	(100)%
Percent of revenues	4 %	-%			2 %	-%		

For the three and six months ended June 30, 2015, the Company recorded a loss of $2.1 million and $1.7 million, respectively, due to the changes in fair value of the contingent consideration. The change in fair value of the contingent consideration during the period was primarily driven by the increase in the likelihood of achieving the post-acquisition contractual revenue and profit milestones. No gain or loss from change in fair value of the contingent consideration was recognized during the three and six months ended June 30, 2014.

Non-Operating Income (Expense)

	Three Months Ended June 30,				Six Months Ended June 30,			
	2015	2014	$ Change	% Change	2015	2014	$ Change	% Change
	(in thousands, except percentages)				(in thousands, except percentages)			
Interest expense	$(82)	$(300)	$ 218	(73)%	$(162)	$(602)	$ 440	(73)%
Gain on sale of a right to use a web domain name	—	—	—	100%	4,800	—	4,800	100%
Other income (expense), net	40	31	9	*%	(21)	(107)	86	*%
	$(42)	$(269)	$ 227	*%	$4,617	$(709)	$ 5,326	*%
Percent of revenues	0 %	(1)%			4 %	(1)%		

*Not meaningful.

The decreases in interest expense during the three and six months ended Jun 30, 2015 compared to the same periods in 2014 were primarily a result of the early repayment of borrowings of $15.0 million in the third quarter of 2014. The gain on sale of a right to use a web domain name during the three and six months ended Jun 30, 2015 were as a result of a $4.8 million gain realized in the first quarter of 2015 from the sale of a right to use a web domain name through a

competitive public auction process.

Benefit from Income Taxes

	Three Months Ended June 30,				Six Months Ended June 30,			
	2015	2014	$ Change	% Change	2015	2014	$ Change	% Change
	(in thousands, except percentages)				(in thousands, except percentages)			
Benefit from income taxes	$(571)	$ —	$ (571)	100 %	$(379)	$(244)	$ (135)	55%
Percent of revenues	— %	— %			— %	— %		

Our income tax benefits during the three and six months ended Jun 30 2015 is attributable to a net decrease in deferred tax liabilities primarily associated with the change in fair value of contingent consideration prior year acquisitions.

Our income tax benefit during the three and six months ended Jun 30, 2014 was attributable to a releases of a portion of our valuation allowance due to acquired deferred tax liabilities from prior year acquisitions.

Liquidity and Capital Resources

As of June 30, 2015 we had $210.0 million in cash and cash equivalents, 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 a 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 costs, investor relations costs, higher insurance premiums and compliance costs associated with Section 404 of the Sarbanes-Oxley Act. In addition, we may use cash to fund acquisitions or invest in other businesses, leasehold improvements or technologies.

Prior to June 30, 2015, we have financed our operations and capital expenditures through private sales of preferred stock, term debt financing, exercise of stock options and cash flows from operations. In March 2014, we completed our IPO in which we issued and sold 12,075,000 shares of common stock at a public offering price of $16.00 per share for which we received proceeds of $179.7 million, which is net of underwriting discounts and commissions of $13.5 million, but before deducting offering expenses of $5.4 million.

As of June 30, 2015, we had available a revolving line of credit facility with a commercial bank that provided for advances of up to $30.0 million (if certain conditions are met) which is based on eligible accounts receivable. As of June 30, 2015, we had $7.5 million outstanding on this credit facility and we were in compliance with the financial and non-financial covenants under the credit agreement.

Cash Flows

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

	Six Months Ended June 30,	
	2015	2014
Cash flows provided by operating activities	$6,050	$6,057
Cash flows provided by (used in) investing activities	804	(4,127)
Cash flows provided by financing activities	2,106	181,138
Effects of exchange rates on cash	—	(9)
Increase in cash and cash equivalents	$8,960	$183,059

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, particularly accounts receivable and accrued liabilities, adjusted for non-cash expense items such as depreciation and amortization, stock-based compensation, change in fair value of contingent consideration and gain on sale of a right to use a web domain name.

During the six months ended June 30, 2015, net cash provided by operating activities was approximately $6.1 million, reflecting our net loss of $13.3 million, offset by net non-cash expenses of $21.6 million, which included depreciation and amortization, stock-based compensation, amortization of debt issuance costs, and change in the fair value of the contingent consideration, offset by a gain on sale of a right to use a web domain name, deferred income taxes and recovery from allowance for doubtful accounts. The non-cash expenses increased primarily due to capital expenditures and headcount growth, primarily related to continued investment in our business. The remaining use of cash was from the net change in working capital items, most notably a decrease in accrued compensation and benefits of $5.4 million and an increase in prepaid expenses and other assets of $1.2 million related to the timing of payments, offset by a decrease in accounts receivable of $2.3 million due to an increase in billing for media campaigns as well as timing of payments, increase in accounts payable and other current liabilities of $1.4 million and increase in deferred revenues of $0.8 million.

During the six months ended June 30, 2014, net cash provided by operating activities was $6.1 million, reflecting our net loss of $20.9 million, offset by net non-cash expenses of $28.2 million, which included depreciation and amortization, accretion of debt discount, allowance for doubtful accounts, loss on disposal of property and equipment and stock-based compensation, offset by deferred income taxes. The non-cash expenses increased primarily due to capital expenses and headcount growth, primarily related to continued investment in our business and recording of stock-based compensation expense for RSUs. The remaining use of cash was from the net change in working capital items, most notably a decrease in accrued compensation and benefits of $3.3 million and increase in accounts receivable of $1.8 million, offset by an increase in accounts payable and other current liabilities of $2.5 million and increase in deferred revenues of $1.0 million. The changes in working capital items were primarily due to the timing of payments and receipt of invoices, timing of the receipt of payments and prepayment of expenses.

Investing Activities

During the six months ended June 30, 2015, net cash provided by investing activities was $0.8 million, reflecting proceeds of $4.8 million from the sale of a right to use a web domain name, offset by $4.0 million in purchases of property and equipment. Purchases of property and equipment includes technology hardware and software to support our growth as well as capitalized development and enhancement costs related to Retailer iQ. Purchases of property and equipment may vary from period-to-period due to the timing of the expansion of our operations, the addition of headcount and the development cycles of Retailer iQ. 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 the six months ended June 30, 2014, net cash used in investing activities consisted primarily of purchases of property and equipment, including technology hardware and software to support our growth as well as capitalized development and enhancement costs related to Retailer iQ, offset by $0.9 million in net cash acquired from the Yub acquisition.

Financing Activities

Historically our financing activities have consisted primarily of net proceeds from the issuance of preferred stock, net borrowings under term debt and a line of credit, and the issuance of shares of common stock upon the exercise of stock options. More recently in March 2014, we completed our IPO in which we issued and sold 12,075,000 shares of common stock at a public offering price of $16.00 per share for which we received proceeds of $179.7 million which is net of underwriting discounts and commissions paid of $13.5 million, but before deducting estimated offering expenses of $5.4 million.

During the six months ended June 30, 2015, net cash provided by financing activities reflects $4.2 million of proceeds received from exercises of stock options, partially offset by $2.1 million in repurchases of our common stock.

During the six months ended June 30, 2014, net cash provided by financing activities amounted to $181.1 million, consisting primarily of $176.5 million in proceeds from our IPO and exercises of stock options and warrant of $4.6 million.

Off-Balance Sheet Arrangements

We did not have any off-balance sheet arrangements as of June 30, 2015.

Contractual Obligations and Commitments

Refer to Notes 7 and 12 of our notes to condensed consolidated financial statements contained in this Quarterly Report on Form 10-Q for further information. There have been no significant changes during the three and six months ended June 30, 2015. For additional information on contractual obligations and commitments, please refer to our Annual Report on Form 10-K filed on March 19, 2015 with the SEC.

Critical Accounting Policies and Estimates

Our consolidated financial statements are prepared in accordance with U.S. GAAP. 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.

There were no significant changes in our critical accounting policies and estimates during the three and six months ended June 30, 2015 as compared to the critical accounting policies and estimates disclosed in Management's Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report on Form 10-K filed on March 19, 2015 with the SEC.

Recently Issued and Adopted Accounting Pronouncements

Refer to Note 2 of our notes to condensed consolidated financial statements contained in this Quarterly Report on Form 10-Q for further information.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

During the six months ended June 30, 2015, there were no significant changes to our quantitative and qualitative disclosures about market risk. Please refer to Quantitative and Qualitative Disclosures About Market Risk included in our Annual Report on Form 10-K for the year ended December 31, 2014 filed on March 19, 2015 with the SEC for a more complete discussion on the market risks we encounter.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

Our Chief Executive Officer and our Chief Financial Officer, after evaluating the effectiveness of our "disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, or the Exchange Act, as of June 30, 2015, have concluded that our disclosure controls and procedures were effective at the reasonable assurance level based on their evaluation of these controls and procedures.

Limitations on the Effectiveness of Controls

Our disclosure controls and procedures or our internal controls are not designed to prevent all errors and all frauds. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

On March 11, 2015, a putative stockholder class action lawsuit was filed against us, the members of our board of directors, certain of our executive officers and the underwriters of our IPO: Nguyen v. Coupons.com Incorporated, Case No. CGC-15-544654 (California Superior Court, San Francisco County). The complaint asserts claims under the Securities Act and seeks unspecified damages and other relief on behalf of a putative class of persons and entities who purchased stock pursuant or traceable to the registration statement and prospectus for our IPO. Plaintiff Nguyen requested and obtained a dismissal without prejudice of his San Francisco action and filed another complaint with substantially the same allegations in the Santa Clara County Superior Court, Nguyen v. Coupons.com Incorporated, Case No. 1-15-CV-278777 (California Superior Court, Santa Clara County) (Mar. 30, 2015). Three other complaints with substantially the same allegations have also been filed: O'Donnell v. Coupons.com Incorporated, Case No. 1-15-CV-278399 (California Superior Court, Santa Clara County) (Mar. 20, 2015); So v. Coupons.com Incorporated, Case No. 1-15-CV-278774 (California Superior Court, Santa Clara County) (Mar. 30, 2015); and Silverberg v. Coupons.com Incorporated, Case No. 1-15-CV-278891 (California Superior Court, Santa Clara County) (Apr. 2, 2015). On May 7, 2015, the Santa Clara court consolidated the Nguyen, So and Silverberg actions with the O'Donnell action. On July 23, 2015, defendants filed a demurrer to the consolidated complaint. We intend to defend this litigation vigorously. Based on information currently available, we believe that the potential for liability for the above claims is remote.

In addition, 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 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 $23.4 million, $11.2 million and $59.2 million in 2014, 2013 and 2012, respectively, and had net losses of $13.3 million for the six months ended June 30, 2015. We have an accumulated deficit of $205.5 million as of June 30, 2015. 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 and maintaining Retailer iQ, which we launched in the early part of 2014. These efforts may prove more expensive than we currently anticipate, and we may not succeed in increasing our revenues sufficiently to offset these expenses which could impact the recoverability of prepaid non-refundable payments with some of our Retailer iQ partners. 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 maintain our recent revenue growth.

We may not be able to maintain our rate of 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. In addition, our revenues may fluctuate due to changes in promotional spending budgets of CPGs and retailers and the timing of their promotional spending and we may not always be able to anticipate such fluctuations. For example, our revenue growth was adversely affected in the fourth quarter of 2014 when a few large CPGs did not repeat holiday campaigns that they ran in December 2013 or moved campaigns from Q4 2014 to Q3 2014. Decisions by major CPGs or retailers to delay or reduce their promotional spending or divert spending away from digital promotions, or changes in our fee arrangements with CPGs and retailers, could slow our revenue growth or reduce our revenues. For example, if our arrangements with CPGs required 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, increase media and advertising spending on our platform, increase our share of retailer spending on coupon codes and maximize the lifetime value of our consumers across all of our products;
- further integrate our digital promotions and media solutions into retailers' in-store and point of sale systems and consumer channels;
- support retailers in the continued marketing and rollout of Retailer iQ;
- 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;
- 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;
- increase the awareness of our brand and earn and preserve our reputation;
- hire, integrate and retain talented personnel;
- effectively manage growth in our personnel and operations; and
- successfully compete with existing and new competitors.

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

If we are unable to successfully respond to changes in the digital promotions market and continue to grow the 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, including digital print 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 continued 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, does not occur including in the second half of fiscal 2015 or is slower than expected, our business, financial condition, results of operations and prospects will be harmed. A variety of factors could slow the adoption of Retailer iQ on this timeline and 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 Retailer iQ, our inability to monetize enhanced Retailer iQ functionality, and our inability to efficiently integrate Retailer iQ with a retailer's system. 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. Also, if our continued innovation and implementation of new initiatives associated with the growth of digital print coupons, does not continue to grow as we expect, our business will 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.

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 our operating results may vary from quarter-to-quarter and may 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 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 continue to grow our revenues by increasing our share of CPG spending and the number of brands using our platform, including Retailer iQ, within each CPG, increasing media and advertising spending on our platform, further integrating with our retailers and increasing the use of retailer coupon codes by consumers, adding new CPGs and retailers to our network and growing our core current customer 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;
- the costs of investing in and 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;

the success of our sales and marketing efforts;

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;
the effectiveness of our internal controls; and
changes in accounting rules, tax laws or interpretations thereof.

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 and advertising spending on our platform, increase the number of brands that are using our platform within each CPG, increase our share of retailer spending on coupon codes, maximize the lifetime value of our consumers across all of our products, and increase adoption and scale of Retailer iQ, especially in the second half of 2015. It also depends on our ability to further integrate our digital promotions and media solutions into retailers' in-store and point of sale systems and consumer channels. 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 and advertising 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 on our platform and media, 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 provides a less effective means of connecting 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 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. 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 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.

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, we pay a distribution fee to the retailer or 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 adversely affected. Additionally, if the adoption and usage of Retailer iQ does not meet projections, there is a risk that certain prepaid distribution fees with some of the retailers may not be recoverable.

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 personalized 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. 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 and 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. Either of these would adversely affect our operating results.

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

A 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 advertising and promotions, and each third-party advertising agency generally allocates advertising and promotion spend from CPGs and retailers across numerous channels. We 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 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.

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, 2014, total revenue from The Procter and Gamble Company accounted for more than 10% of our total revenue. No other customer generated revenues for more than 10% of our total revenue for the year ended December 31, 2014. For the years ended December 31, 2013 and December 31, 2012, no single customer represented more than 10% of our total revenue. 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.

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 Interactive, Inc., News America Marketing Interactive, Inc. and Catalina Marketing Corporation;

providers of digital coupons such as Valassis' Redplum.com, Catalina Marketing Corporation's Cellfire and News America Marketing's SmartSource, companies that offer coupon codes such as RetailMeNot, Inc., Exponential Interactive, Inc.'s TechBargains.com, Savings.com, Inc. and Ebates Performance Marketing, Inc., 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 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;
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 potential competition from large, well-established companies which have significantly greater financial, marketing and other resources than we do and have current offerings that may 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 potential competitors may 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 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 potential competition from smaller companies that launch 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, 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 coupon codes 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.

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. Our retailers could be more successful than we are at marketing their own digital coupons or 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.

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 on our platform, develop and improve our operational, financial, legal and management controls, and enhance our reporting systems and procedures. For example, our revenue growth was adversely affected in the first half of 2012 because as we scaled our technology infrastructure to support our growth, our technology for securely identifying unique users and devices inadvertently prevented our personalization algorithms from optimally displaying our digital coupons to consumers. Additionally, our revenue growth was adversely affected in the fourth quarter of 2014 when a few large CPGs did not repeat holiday campaigns that they ran in December 2013 or moved campaigns from Q4 2014 to Q3 2014. 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 quality and scalability of our platform 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 team, we may be unable to add new CPGs and retailers or increase sales to our existing CPGs and retailers and our business will be adversely affected.

We continue to be substantially dependent on our sales team 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 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 personnel to support our growth. New hires require significant training and it may take significant 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 team will be new to the company and our solution. If we are unable to hire and train sufficient numbers of effective sales personnel, or the sales 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 on 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 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. For example, in 2012, as we scaled our technology infrastructure to support our growth, our technology for securely identifying unique users and devices inadvertently prevented our personalization algorithms from optimally displaying our digital coupons to consumers. 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.

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 in the second-half of 2015, particularly in the fourth quarter, or it is not adopted 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.

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.

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 to mobile platforms such as smartphones and other connected devices. 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, iOS and Windows Mobile, 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.

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, a search engine may change its ranking algorithms, methodologies or design layouts. As a result, links to our websites may not be prominent enough to drive traffic to our websites, 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. 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. Any reduction in the number of consumers directed to our websites could reduce the effectiveness of our digital promotions for CPGs and retailers and could adversely impact our business and results of operations.

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

A portion of our business is based upon consumers using coupon codes 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 CPGs and retailers with affiliate tracking links for revenues attributable to publishers and the ability to distribute digital promotions to multiple publishers. When a consumer executes a purchase on a CPG's, a retailer's or 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 retailers 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 makes a purchase from their mobile device 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;
- refund rates for products delivered by CPGs and retailers that 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 collect 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;
- 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 CPGs and retailers, it may create challenges to building our own brand awareness and affinity with CPGs and retailers, and the termination of our relationship with the performance marketing networks would terminate our ability to receive payments from CPGs and retailers we service through that network; and
- performance marketing networks may compete with us.

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 and 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. 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 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. 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 if our platform is subject to attacks that degrade or deny the ability of consumers to access our content, CPGs, retailers and consumers may curtail or stop use of our platform.

We deliver digital coupons via our platform and we collect and maintain data about consumers, including personally identifiable information, as well as other confidential or proprietary information. Like all online services, 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 or the loss or unauthorized 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, disable or degrade service or sabotage systems change frequently, often are not recognized until launched against a target and may originate from less regulated or remote areas around the world, we may be unable to proactively address these techniques or to implement adequate preventative measures. In addition, consumer information including email addresses and data on consumer usage of our websites could be hacked, hijacked, altered or otherwise claimed or controlled by unauthorized persons. Also, security breaches can also occur as a result of non-technical issues, including intentional or inadvertent breaches by

our employees or by persons with whom we have commercial relationships. Any or all of these issues 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.

Failure to deal effectively with fraudulent 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 seek to create counterfeit digital coupons or coupon codes in order to fraudulently claim discounts or credits for redemption. While we use advanced anti-fraud technologies, it is possible that individuals will attempt to circumvent our anti-fraud systems using increasingly sophisticated methods or methods that our anti-fraud systems are not prepared to counteract. 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 measures do not succeed, our business will suffer.

We are a defendant in a purported class action lawsuit arising out of our initial public offering ("IPO") and we may be involved in additional litigation in the future.

On March 11, 2015, a purported class action lawsuit alleging violations of federal securities laws was filed in the Superior Court of the State of California, naming us as defendants and certain of our executive officers and directors. Plaintiffs also named as defendants the underwriters in our IPO. Since then, several other actions making substantially the same allegations have been filed, and these actions have since been consolidated. The plaintiffs in these cases generally allege that our registration statements related to our IPO contained material misstatements and omissions.

The outcomes of litigation are difficult to predict. Plaintiffs may seek recovery of a substantial amount of cash. The monetary and other impact of this action may remain unknown for substantial periods of time. The cost to defend, settle or otherwise resolve this matter may be significant and divert management's attention. We cannot assure you that we will prevail in this lawsuit. If we are ultimately unsuccessful in this matter, we could be required to pay substantial amounts of cash to the other parties. The amount and timing of any of these payments could materially adversely affect our business, operating results and financial condition.

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 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. 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 and marketing laws, regulations and industry standards, or the expansion of current or the enactment or adoption of new privacy and marketing 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 and marketing, which address the collection, storing, sharing, using, processing, disclosure and protection of personal information 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. Our practices are designed to comply with these guidelines as described in our published privacy policy. We believe our policies and practices comply with applicable privacy 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.

We have posted privacy policies and descriptions of our practices concerning the collection, use and disclosure of consumer data on our websites and platform. Several Internet companies have incurred penalties for failing to abide by the representations made in their privacy policies or other statements to consumers. In addition, several states have adopted legislation that requires businesses to implement and maintain reasonable security procedures and practices to protect sensitive personal information and nearly all states require businesses to provide notice to consumers in the event of a breach of security measures that compromises certain personally identifiable information about consumers. 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 privacy-related obligations to third parties (including voluntary third-party certification bodies such as TRUSTe). We strive to comply with applicable laws, policies, and legal obligations and certain applicable industry standards of conduct relating to privacy and data protection. However, it is possible that these obligations may be interpreted and applied in new ways and/or in a manner that is inconsistent from one jurisdiction to another and may conflict with other rules or our practices or that new regulations could be enacted. Any failure, or perceived failure, by us to comply with our posted privacy policies or with any data-related consent orders, FTC requirements or orders or other federal, state or, as we continue to expand internationally, international privacy or consumer protection-related laws, regulations 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, which could adversely affect our business.

In addition, a failure or perceived failure to comply with such legal requirements and industry standards or with our own privacy policies and practices could result in a loss of consumers using our digital coupons or loss of CPGs and retailers and adversely affect our business. Federal, state and international governmental authorities continue to evaluate the privacy implications inherent in the use of third-party web “cookies” for behavioral advertising. The regulation of these cookies and other current online advertising practices could adversely affect our business. Additionally, 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. In addition, certain laws impose restrictions on our ability to send electronic communications to consumers. We strive to comply with applicable laws and other legal obligations; however, it is possible that these obligations may be interpreted and applied in new ways and/or in a manner that is inconsistent from one jurisdiction to another.

In addition, various federal, state and, as we continue to expand internationally, foreign legislative and regulatory bodies may expand current or enact new laws and regulations regarding privacy matters. For instance, many foreign countries and governmental bodies have laws and regulations concerning the collection and use of personally identifiable information obtained from their residents or by businesses operating within their jurisdiction, which are often more restrictive than those in the United States. Laws and regulations in these jurisdictions apply broadly to the collection, use, storage, disclosure and security of personally identifiable information that identifies or may be used to identify an individual, such as names, email addresses and, in some jurisdictions, Internet Protocol, or IP, addresses. Although we will aim to comply with those laws and regulations that apply to us, these and other obligations may be modified, they may be interpreted and applied in an inconsistent manner from one jurisdiction to another, and they may conflict with one another, other regulatory requirements or our internal practices. Public scrutiny of Internet privacy and security issues may result in increased regulation and different industry standards and other legal obligations, which could deter or prevent us from delivering digital coupons on our platform consistent with our current business practices and may require changes to these practices or the design of our platform, thereby harming our business.

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 privacy or data security measures fail to comply with current or future laws, regulations, policies, legal obligations or industry standards, 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 and our business, financial condition and operating results could be harmed.

We may not be able to adequately protect our intellectual property rights or may be accused of infringing intellectual property rights of third parties.

We regard our trademarks, service marks, copyrights, patents, trade dress, trade secrets, proprietary technology and similar intellectual property as critical to our success, and we rely on trademark, copyright and patent law, trade secret protection and confidentiality and/or license agreements with our employees and others to protect our proprietary rights. Effective intellectual property protection may not be available in every country in which we offer digital promotions. We also may not be able to acquire or maintain appropriate domain names or trademarks 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 and using domain names that are similar to, infringe upon or diminish the value of our trademarks and other proprietary rights. We may be unable to prevent third parties from using and registering our trademarks, or trademarks that are similar to, or diminish the value of, our trademark in some countries.

We may not be able to discover or determine the extent of any unauthorized use of our proprietary rights. Third parties that license our proprietary rights also may take actions that diminish the value of our proprietary rights or reputation. The protection of our intellectual property may require the expenditure of significant financial and managerial resources. For example, from time to time we have identified and shut down websites that have attempted to

misappropriate our brand and proprietary rights and sell fraudulent digital coupons. Moreover, the steps we take to protect our intellectual property may not adequately protect our rights or prevent third parties from infringing or misappropriating our proprietary rights. We are currently subject to litigation and disputes related to our intellectual property and service offerings. We may in the future be subject to additional litigation and disputes. The costs of supporting such litigation and disputes are considerable, and there can be no assurances that favorable outcomes will be obtained.

In the past, we have been subject to third-party claims of infringement and we expect to be subject to infringement claims in the future. 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 by us. 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. These risks have been amplified by the increase in third parties whose sole or primary business is to assert such claims.

Failure to protect or enforce our intellectual property rights could harm our business and results of operations.

We regard the protection of our trade secrets, copyrights, trademarks and domain names as critical to our success. In particular, we must maintain, protect and enhance the Coupons.com brand. We pursue the registration of our domain names, trademarks, and service marks in the United States and in certain jurisdictions abroad. We strive to protect our intellectual property rights by relying on federal, state and common law rights, as well as contractual restrictions. 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. 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 nor deter independent development of similar technologies by others.

Effective trade secret, copyright, trademark and domain name protection is expensive to develop and maintain, both in terms of initial and ongoing registration requirements and expenses and the costs of defending our rights. We are seeking to protect our trademarks and domain names in an increasing number of jurisdictions, a process that is expensive and may not be successful or which we may not pursue in every location. 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. We may incur significant costs in enforcing our trademarks against those who attempt to imitate our Coupons.com brand. If we fail to maintain, protect and enhance our intellectual property rights, our business and operating results may be harmed.

Our business depends on a strong brand, and if we are not able to maintain and enhance our brand, 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 brand may require us to make substantial investments and these investments may not be successful. If we fail to promote and maintain the Coupons.com brand, 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 brand may become increasingly difficult and expensive. Maintaining and enhancing our brand 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.

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 have registered domain names for our websites that we use in our business, such as Coupons.com. If we lose the ability to use a domain name, whether due to trademark claims, failure to renew the 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. 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.

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.

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.

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. 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:

- 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; 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.

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, which could adversely affect 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 and continental 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, 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 particular, there is uncertainty in relation to the U.S. tax legislation in terms of the future corporate tax rate but also in terms of the U.S. tax consequences of income derived from intellectual property earned overseas in low tax jurisdictions.

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 Chief Executive Officer. Mr. Boal is one of our founders and his leadership has played an integral role in our growth. 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. 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.

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 recently opened a research and development facility in Bangalore, India. 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 as the financial results are translated from the local currency into U.S. dollars upon consolidation. If the U.S. dollar weakens against foreign currencies, the translation 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 translation of these foreign currency denominated transaction 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 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 in-development new point of sale solution. 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 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 financing 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. For these reasons, we may not be able to utilize all of our NOLs, even if we attain profitability.

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 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 Securities and Exchange Commission, or 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 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 83,318,189 shares of common stock outstanding as of June 30, 2015, assuming no exercise of our outstanding options or vesting of our outstanding RSUs.

All of the shares of common stock sold in our IPO are freely tradable without restrictions or further registration under the Securities Act, except for any shares held by our affiliates as defined in Rule 144 under the Securities Act.

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 59.8% of our outstanding common stock, based on the number of shares outstanding as of June 30, 2015. 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.

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.

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.

We are not currently required to comply with the SEC rules that implement Section 404 of the Sarbanes-Oxley Act, and are therefore not required to make a formal assessment of the effectiveness of our internal control over financial

reporting for that purpose. As a public company, we will be required to provide an annual management report on the effectiveness of our internal control over financial reporting commencing with our second annual report on Form 10-K. 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 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 $1.0 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. 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. The terms of our credit and security agreement also restrict our ability to pay dividends. 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 supermajority 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 2. Unregistered Sales of Equity Securities and Use of Proceeds.

Unregistered Sales of Equity Securities

Not applicable.

Use of Proceeds from Public Offering of Common Stock

In March 2014, the Company completed its IPO in which it issued and sold 12,075,000 shares of common stock at a public offering price of $16.00 per share. The Company received net proceeds of $179.7 million after deducting underwriting discounts and commissions of $13.5 million, but before deducting offering expenses of $5.4 million.

There has been no material change in the planned use of proceeds from our IPO as described in our final prospectus filed with the SEC on March 7, 2014 pursuant to Rule 424(b) under the Securities Act. Pending the uses described, we maintain the cash received in cash and cash equivalents.

Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Program [1]	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Program [1]
April 1, 2015 to April 30, 2015	—	$ —	—	$ —
May 1, 2015 to May 31, 2015	—	—	—	—
June 1, 2015 to June 30, 2015	3,000	10.00	3,000	47,893,000

Total	3,000	$ 10.00	3,000	$47,893,000

(1) On February 5, 2015, the Company's Board of Directors approved a stock repurchase program authorizing the Company to repurchase up to $50.0 million of the Company's common stock during the period commencing February 20, 2015 and ending February 20, 2016. Through the end of first quarter ended March 31, 2015, the Company had repurchased 209,300 shares of its common stock for an aggregate of $2.0 million.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

Not applicable.

Item 6. Exhibits.

The exhibits listed in the accompanying Exhibit Index are filed or incorporated by reference as part of this Quarterly Report on Form 10-Q.

SIGNATURES

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

COUPONS.COM INCORPORATED

Dated: August 13, 2015 By: /s/ Steven R. Boal
Steven R. Boal
President and Chief Executive Officer
(Principal Executive Officer)

Dated: August 13, 2015 By: /s/ Mir Aamir
Mir Aamir
Chief Financial Officer and Chief Operating Officer
(Principal Financial Officer and Principal Accounting Officer)

Exhibit Index

Number	Exhibit Title	Incorporated by Reference Form	File No.	Exhibit	Filing Date	Filed Herewith
31.1	Certification of Principal Executive Officer required by Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					X
31.2	Certification of Principal Financial Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					X
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.					X
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.					X
101.INS	XBRL Instance Document.					X
101.SCH	XBRL Taxonomy Extension Schema Document.					X
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.					X
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.					X
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.					X
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.					X