

notes included elsewhere in this prospectus. The unaudited interim consolidated financial statements have been prepared on the same basis as the audited financial statements and reflect, in the opinion of management, all adjustments, which include only normal, recurring adjustments that are necessary to present fairly the unaudited interim consolidated financial statements. Our historical results are not necessarily indicative of the results that may be expected in the future, and the results in the nine months ended September 30, 2015, are not necessarily indicative of results to be expected for the full year or any other period, in part because we do not intend to renew our payment processing agreement with Starbucks when it expires in the third quarter of 2016. Further, in August 2015 we amended our payment processing agreement with Starbucks to eliminate the exclusivity provision in order to permit Starbucks to begin transitioning to another payment processor starting October 1, 2015. Under the amendment, Starbucks also agreed to pay increased processing rates to us for as long as they continue to process transactions with us. Starbucks has announced that it will transition to another payment processor and will cease using our payment processing services altogether prior to the scheduled expiration of the agreement in the third quarter of 2016. As a result, Starbucks payment processing volumes will decrease meaningfully in the future. You should read the consolidated financial and other data below in conjunction with the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and related notes included elsewhere in this prospectus.

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	Year Ended December 31,			Nine Months Ended September 30,	
	2012	2013	2014	2014	2015
	(in thousands)			(unaudited)	
Consolidated Statement of Operations Data:					
Revenue:					
Transaction revenue	\$ 193,978	\$ 433,737	\$ 707,799	\$ 501,468	\$ 751,929
Starbucks transaction revenue	9,471	114,456	123,024	86,508	95,199
Software and data product revenue	—	—	12,046	6,022	35,628
Hardware revenue	—	4,240	7,323	5,300	10,002
Total net revenue	<u>203,449</u>	<u>552,433</u>	<u>850,192</u>	<u>599,298</u>	<u>892,758</u>
Cost of revenue:					
Transaction costs	126,351	277,833	450,858	318,501	479,937
Starbucks transaction costs	12,547	139,803	150,955	107,889	118,542
Software and data product costs	—	—	2,973	1,032	13,820
Hardware costs	—	6,012	18,330	13,527	16,636
Amortization of acquired technology	—	—	1,002	602	2,886
Total cost of revenue	<u>138,898</u>	<u>423,648</u>	<u>624,118</u>	<u>441,551</u>	<u>631,821</u>
Gross profit	<u>64,551</u>	<u>128,785</u>	<u>226,074</u>	<u>157,747</u>	<u>260,937</u>
Operating expenses:					
Product development	46,568	82,864	144,637	104,967	140,452
Sales and marketing	56,648	64,162	112,577	81,704	107,170
General and administrative	36,184	68,942	94,220	68,585	97,743
Transaction and advance losses	10,512	15,329	24,081	17,826	40,840
Amortization of acquired customer assets	—	—	1,050	591	1,373
Impairment of intangible assets	—	2,430	—	—	—
Total operating expenses	<u>149,912</u>	<u>233,727</u>	<u>376,565</u>	<u>273,673</u>	<u>387,578</u>
Operating loss	<u>(85,361)</u>	<u>(104,942)</u>	<u>(150,491)</u>	<u>(115,926)</u>	<u>(126,641)</u>
Interest (income) and expense	5	(12)	1,058	615	995
Other (income) and expense	(167)	(950)	1,104	737	1,390
Loss before income tax	<u>(85,199)</u>	<u>(103,980)</u>	<u>(152,653)</u>	<u>(117,278)</u>	<u>(129,026)</u>
Provision (benefit) for income taxes	—	513	1,440	(257)	2,502