

income and expense historically consisted primarily of changes in the fair value of our customer warrant liability measurements, and to a lesser extent, interest expense on our capital lease financings, interest income on cash balances, and foreign currency-related gains and losses.

Provision (Benefit) for Income Taxes

The provision (benefit) for income taxes consists primarily of local, state, federal, and foreign tax. Our effective tax rate fluctuates from period to period due to changes in the mix of income and losses in jurisdictions with a wide range of tax rates, the effect of acquisitions, the change resulting from the amount of recorded valuation allowance, the permanent difference between GAAP and local tax laws, certain one-time items, and changes in tax contingencies.

As of December 31, 2014, we had \$45.7 million of federal, \$123.3 million of state, and \$31.3 million of foreign net operating loss carryforwards, which will begin to expire in 2032 for federal and 2019 for state tax purposes. The foreign net operating loss carryforwards do not expire. An annual limitation may apply to the use of net operating loss carryforwards under provisions of the Internal Revenue Code and similar state tax provisions that are applicable if we experience an ownership change. As of December 31, 2014, we have performed an analysis on the potential limitations on the utilization of net operating losses and determined that as of such date they were not subject to any material limitations that would preclude the use of the net operating losses. We have not conducted an analysis to determine if an ownership change will occur as a result of this offering. Substantially all of our net operating loss carryforwards were subject to a valuation allowance as of September 30, 2015.

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Results of Operations

The results of operations presented below should be reviewed in conjunction with the consolidated financial statements and notes included elsewhere in this prospectus. The following table sets forth our consolidated results of operations for the periods shown:

	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	203,449	552,433	850,192	599,298	892,758
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	138,898	423,648	624,118	441,551	631,821
Gross profit	64,551	128,785	226,074	157,747	260,937
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	149,912	233,727	376,565	273,673	387,578