

	(in thousands)				
Provision for income taxes	\$ —	\$ 513	\$ 1,440	NM	181%

Provision for income taxes for the year ended December 31, 2014, increased by \$0.9 million, or 181%, compared to the year ended December 31, 2013. Our current provision for income taxes for the year ended December 31, 2014, included state, federal, and foreign expense of \$4.1 million offset by a state and federal deferred benefit of \$2.7 million. Our provision for income taxes for the year ended December 31, 2013, included state and foreign expense of \$0.5 million. No provision was recorded for the year ended December 31, 2012.

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Quarterly Results of Operations

The following tables set forth selected unaudited quarterly statements of operations data for the last eight quarters. The information for each of these quarters has been prepared on the same basis as the audited annual financial statements included elsewhere in this prospectus and, in the opinion of management, includes all adjustments, which consist only of normal recurring adjustments, necessary for the fair presentation of the results of operations for these periods. This data should be read in conjunction with our audited consolidated financial statements and related notes included elsewhere in this prospectus. These quarterly operating results are not necessarily indicative of the results we may achieve in future periods.

	Three Months Ended,							
	Dec. 31, 2013	Mar. 31, 2014	Jun. 30, 2014	Sep. 30, 2014	Dec. 31, 2014	Mar. 31, 2015	June 30, 2015	Sep. 30, 2015
	(in thousands) (unaudited)							
Revenue:								
Transaction revenue	\$ 130,978	\$ 137,014	\$ 172,894	\$ 191,560	\$ 206,331	\$ 211,110	\$ 259,864	\$ 280,955
Starbucks transaction revenue	33,754	26,466	30,147	29,895	36,516	29,237	33,630	32,332
Software and data product revenue	—	523	1,766	3,733	6,024	8,006	12,928	14,694
Hardware revenue	1,244	1,079	1,989	2,232	2,023	2,204	3,591	4,207
Total net revenue	<u>165,976</u>	<u>165,082</u>	<u>206,796</u>	<u>227,420</u>	<u>250,894</u>	<u>250,557</u>	<u>310,013</u>	<u>332,188</u>
Cost of revenue:								
Transaction costs	84,833	86,275	109,801	122,425	132,357	132,107	165,823	182,007
Starbucks transaction costs	39,819	33,016	37,496	37,377	43,066	36,211	40,921	41,410
Software and data product costs	—	14	31	987	1,941	3,155	5,072	5,593
Hardware costs	2,877	3,441	4,924	5,162	4,803	4,197	6,713	5,726
Amortization of acquired technology	—	80	192	330	400	602	1,142	1,142
Total cost of revenue	<u>127,529</u>	<u>122,826</u>	<u>152,444</u>	<u>166,281</u>	<u>182,567</u>	<u>176,272</u>	<u>219,671</u>	<u>235,878</u>
Gross profit	<u>38,447</u>	<u>42,256</u>	<u>54,352</u>	<u>61,139</u>	<u>68,327</u>	<u>74,285</u>	<u>90,342</u>	<u>96,310</u>
Operating expenses:								
Product development	26,261	30,933	34,551	39,483	39,670	39,545	45,887	55,020
Sales and marketing	16,377	26,070	29,720	25,914	30,873	36,181	31,730	39,259
General and administrative	19,828	23,402	20,669	24,514	25,635	28,119	31,804	37,820
Transaction and advance losses	3,946	6,128	4,840	6,858	6,255	16,322	8,513	16,005
Amortization of acquired customer assets	—	68	162	361	459	468	482	423
Impairment of intangible assets	2,430	—	—	—	—	—	—	—
Total operating expenses	<u>68,842</u>	<u>86,601</u>	<u>89,942</u>	<u>97,130</u>	<u>102,892</u>	<u>120,635</u>	<u>118,416</u>	<u>148,527</u>
Operating loss	<u>(30,395)</u>	<u>(44,345)</u>	<u>(35,590)</u>	<u>(35,991)</u>	<u>(34,565)</u>	<u>(46,350)</u>	<u>(28,074)</u>	<u>(52,217)</u>
Interest (income) and expense	(4)	2	180	433	443	414	444	137
Other (income) and expense	(114)	454	(674)	957	367	796	(50)	644
Loss before income tax	<u>(30,277)</u>	<u>(44,801)</u>	<u>(35,096)</u>	<u>(37,381)</u>	<u>(35,375)</u>	<u>(47,560)</u>	<u>(28,468)</u>	<u>(52,998)</u>
Provision (benefit) for income taxes	513	(810)	268	285	1,697	418	1,152	932
Net loss	<u>\$ (30,790)</u>	<u>\$ (43,991)</u>	<u>\$ (35,364)</u>	<u>\$ (37,666)</u>	<u>\$ (37,072)</u>	<u>\$ (47,978)</u>	<u>\$ (29,620)</u>	<u>\$ (53,930)</u>

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