

Other (income) and expense	(114)	454	(674)	957	367	796	(50)	644
Provision (benefit) for income taxes	513	(810)	268	285	1,697	418	1,152	932
Loss on sale of property and equipment	2,613	—	—	—	133	240	—	—
Impairment of intangible assets	2,430	—	—	—	—	—	—	—
Adjusted EBITDA	<u>\$ (11,553)</u>	<u>\$ (27,782)</u>	<u>\$ (16,220)</u>	<u>\$ (13,047)</u>	<u>\$ (10,692)</u>	<u>\$ (20,129)</u>	<u>\$ 859</u>	<u>\$ (15,776)</u>

Quarterly Trends

Transaction revenue is highly correlated with the level of GPV generated by sellers using our payments services. Historically our transaction revenue has been strongest in our fourth quarter and weakest in our first quarter, as our sellers typically generate additional GPV during the holiday season. We believe that this seasonality has affected and will continue to affect our quarterly results; however, to date its effect may have been masked by our rapid growth.

Software and data product revenue has demonstrated less seasonality than revenue from our payments services.

Hardware revenue generally demonstrates less seasonality than our payments services, with most fluctuations tied to periodic product launches, promotions, or other arrangements with our retail partners.

Changes in product development expenses primarily reflect the timing of additions of engineering and design personnel. To a lesser extent, they also reflect the timing of fees and supply costs related to maintenance and capacity expansion at third-party data center facilities and development and tooling costs related to the design, testing, and shipping of our hardware products, and fees for software licenses, consulting, legal, and other services that are directly related to growing and maintaining our products and services.

Changes in sales and marketing expense reflect the variable nature of the timing and magnitude of paid marketing and customer acquisition initiatives across our advertising channels, including online, mobile, email, direct mail, and direct response TV. Additionally, sales and marketing expense is affected by the total shipments of Square Readers for magnetic stripe cards in a given period, as it includes the cost of manufacturing and distributing those readers.

Changes in general and administrative expenses primarily reflect the timing of additions of finance, legal, risk operations, human resources, and administrative personnel, as well as the timing of tax payments and reserves. To a lesser extent they also reflect the timing of costs related to customer support personnel and systems, as well as fees paid for professional services, including legal and financial services.

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Liquidity and Capital Resources

Since inception through September 30, 2015, we have financed our operations primarily through private sales of equity securities for net proceeds of \$514.9 million. Prior to the third quarter of 2014, we funded the MCAs to our sellers entirely from our own cash balances. We currently fund a significant majority of these MCAs from arrangements with third parties that commit to purchase the future receivables related to these advances. We plan to continue to fund a substantial majority of future MCAs through third-party sales.

We believe that our existing cash and cash equivalents, availability under our line of credit and the net proceeds we expect to receive from this offering will be sufficient to meet our working capital needs and planned capital expenditures for at least the next 12 months. From time to time, we may seek to raise additional capital through equity, equity-linked, and debt financing arrangements. We cannot assure you that any additional financing will be available to us on acceptable terms or at all.

As of and for the Year Ended December 31,			As of and for the Nine Months Ended September 30,	
2012	2013	2014	2014	2015
(in thousands)				
(unaudited)				

Liquidity and Capital Resources