

North America Direct Revenue grew by \$42.5 million, or 10.9%, in 2015 versus 2014, driven by 10.3% growth in Average PMC and a 0.5% increase in ARPPU. Average PMC growth was driven by an increase in the percentage of new users becoming paid members, growth in new users, and higher beginning PMC. ARPPU increased due to increases in mix-adjusted rates, offset by mix shifts to lower rate brands.

International Direct Revenue increased by \$0.4 million, or 0.2%, in 2015 versus 2014, driven by 23.8% growth in Average PMC, offset by a 19.1% decline in ARPPU. Average PMC growth was driven by an increase in the percentage of new users becoming paid members, growth in new users, and higher beginning PMC. ARPPU decreased primarily due to the effects of foreign exchange. Adjusting for foreign exchange effects, International Direct Revenue grew 18.5%, and International ARPPU declined 4.4% due to a mix shift to lower rate brands, partially offset by mix-adjusted rate increases.

The Non-dating revenue increase of \$59.4 million, or 235.0%, was driven by the acquisition of The Princeton Review.

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**Cost of revenue (exclusive of depreciation)**

	<b>Nine months ended September 30,</b>			%
	<b>2014</b>	<b>2015</b>	<b>change</b>	
<b>(dollars in thousands)</b>				
Cost of revenue	\$ 82,079	\$ 131,118		59.7%
Percentage of revenue	12.6%	17.4%		

Cost of revenue increased \$49.0 million, or 59.7%, in 2015 versus 2014.

Dating cost of revenue increased \$28.5 million, or 41.9%, meaningfully more than growth in revenue, driven primarily by a significant increase in in-app purchase fees given that our native mobile apps were largely introduced in the second quarter of 2014, as well as higher hosting fees driven by growth in users and product features.

Non-dating cost of revenue increased \$20.5 million, or 147.4%, driven by the acquisition of The Princeton Review, for which cost of revenue represents a meaningfully larger percentage of revenue than in Dating.

**Selling and marketing expense**

	<b>Nine months ended September 30,</b>			%
	<b>2014</b>	<b>2015</b>	<b>change</b>	
<b>(dollars in thousands)</b>				
Selling and marketing expense	\$ 271,236	\$ 289,844		6.9%
Percentage of revenue	41.8%	38.5%		

Selling and marketing expense increased \$18.6 million, or 6.9%, in 2015 versus 2014.

Dating selling and marketing expense increased \$11.9 million, or 4.5%, largely in line with Dating revenue, driven by a decline in advertising as a percent of revenue, generally offset by an increase in stock-based compensation expense.

Non-dating selling and marketing expense increased \$6.7 million, or 110.8%, primarily driven by the acquisition of The Princeton Review, for which selling and marketing represents a smaller percentage of revenue than in Dating.

**General and administrative expense**

	<b>Nine months ended September 30,</b>			%
	<b>2014</b>	<b>2015</b>	<b>change</b>	
<b>(dollars in thousands)</b>				
General and administrative expense	\$ 74,351	\$ 121,303		63.1%
Percentage of revenue	11.5%	16.1%		

General and administrative expense increased \$47.0 million, or 63.1%, in 2015 versus 2014.

Dating general and administrative expense increased \$20.4 million, or 34.0%, driven primarily by an increase of \$5.9 million in severance expense and costs in the current year related to our ongoing consolidation and streamlining of technology systems and European operations, as well as an increase in

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