

effective income tax rate was lower than the statutory rate of 35% due primarily to non-taxable contingent consideration fair value adjustments and non-taxable foreign currency exchange gains.

At December 31, 2013 and 2014, we had unrecognized tax benefits, including interest, of \$12.4 million and \$12.1 million, respectively. Included in unrecognized tax benefits at December 31, 2013 and 2014, is approximately \$0.5 million and \$0.7 million, respectively, for tax positions included in IAC's consolidated tax return filings. Unrecognized tax benefits, including interest, for the year ended December 31, 2014 decreased by \$0.3 million due principally to foreign statute expirations. If unrecognized tax benefits at December 31, 2014 are subsequently recognized, \$11.8 million, net of related deferred tax assets and interest, would reduce income tax expense. The comparable amount as of December 31, 2013 is \$12.0 million. We believe that it is reasonably possible that its unrecognized tax benefits could decrease by approximately \$1.2 million by December 31, 2015, primarily due to expirations of statutes of limitations.

[Table of Contents](#)

Results of operations for the years ended December 31, 2012 and 2013

Revenue

	Years ended December 31,		% change
	2012	2013	
(dollars in thousands, except ARPPU)			
Direct Revenue:			
North America	\$ 454,996	\$ 493,729	8.5%
International	233,531	260,340	11.5%
Total Direct Revenue	688,527	754,069	9.5%
Indirect Revenue	24,922	34,128	36.9%
Total Dating Revenue	713,449	788,197	10.5%
Non-dating Revenue	—	14,892	NA
Total Revenue	\$ 713,449	\$ 803,089	12.6%
Percentage of Total Revenue:			
Direct Revenue:			
North America	63.8%	61.5%	
International	32.7%	32.4%	
Total Direct Revenue	96.5%	93.9%	
Indirect Revenue	3.5%	4.2%	
Total Dating Revenue	100.0%	98.1%	
Non-dating Revenue	—%	1.9%	
Total Revenue	100.0%	100.0%	
Average PMC:			
North America	1,920	2,169	13.0%
International	876	1,020	16.6%
Total	2,796	3,189	14.1%
ARPPU:			
North America	\$ 0.65	\$ 0.62	(3.7)%
International	\$ 0.73	\$ 0.70	(4.1)%
Total	\$ 0.67	\$ 0.65	(3.7)%

Revenue increased \$89.6 million, or 12.6%, in 2013 versus 2012.

North America Direct Revenue increased by \$38.7 million, or 8.5%, in 2013 versus 2012, driven by 13.0% growth in Average PMC, partially offset by a 3.7% decline in ARPPU. Average PMC growth was driven by growth in new users, as well as an increase in beginning PMC, partially offset by mix shift to brands where a lower percentage of users become paid members. ARPPU decreased due to mix shifts to lower rate brands as well as a decline in mix-adjusted rates.

International Direct Revenue grew by \$26.8 million, or 11.5%, in 2013 versus 2012, driven by 16.6% growth in Average PMC, partially offset by a 4.1% decline in ARPPU. Average PMC growth was driven by the acquisition of Twoo as well as new user growth, partially offset by mix shift to brands where a lower

[Table of Contents](#)

percentage of users become paid members. ARPPU decreased due to mix shifts to lower rate brands as well as a decline in mix-adjusted rates.

Non-dating revenue was \$14.9 million in 2013 due to the contribution of Tutor.com (now The Princeton Review), which was acquired December 14, 2012.

Cost of revenue (exclusive of depreciation)