UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

☒ **Annual Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the fiscal year ended December 31, 2017

OR

☐ **Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

Commission File Number: 001-35838

Marin Software Incorporated

(Exact name of registrant as specified in its charter)

Delaware	**20-4647180**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification Number)**

123 Mission Street, 27th Floor
San Francisco, CA 94105
(415) 399-2580

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common stock, par value $0.001 per share	**New York Stock Exchange**

Securities registered pursuant to section 12(g) of the Act:
Not applicable

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of Act. Yes ☐ No ☒

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☒
		Emerging growth company	☒

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. Yes ☐ No ☒

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

Based on the closing price of the Registrant's Common Stock on the New York Stock Exchange of $9.10 on the last business day of the Registrant's most recently completed second fiscal quarter, which was June 30, 2017, the aggregate market value of its shares held by non-affiliates was approximately $48 million. Shares of the Registrant's Common Stock held by each executive officer and director were excluded in that such persons may be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

As of February 26, 2018, there were approximately 5,734,000 shares of the Registrant's Common Stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's definitive proxy statement for its 2018 Annual Meeting of Stockholders ("Proxy Statement"), to be filed within 120 days of the Registrant's fiscal year ended December 31, 2017, are incorporated by reference in Part III of this Annual Report on Form 10-K. Except with respect to information specifically incorporated by reference in this Form 10-K, the Proxy Statement is not deemed to be filed as part of this Annual Report on Form 10-K.

MARIN SOFTWARE INCORPORATED

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For the Fiscal Year Ended December 31, 2017
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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K, including the "Management's Discussion and Analysis of Financial Condition and Results of Operations," contains forward-looking statements regarding future events and our future results, including statements regarding the capabilities of our technology platform and upgrades to the platform, product capabilities and their benefits for our customers, and expectations as to financial performance, that are subject to the safe harbors created under the Securities Act of 1933, as amended, and the Securities Exchange Act of 1934, as amended. All statements contained in this Annual Report on Form 10-K other than statements of historical fact, including statements regarding our future results of operations and financial position, our business strategy and plans, and our objectives for future operations, are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. The words "believe," "may," "potentially," "will," "estimate," "continue," "anticipate," "intend," "could," "should," "would," "project," "plan," "predict," "expect," "seek," and similar expressions are intended to identify forward-looking statements. We have based these forward-looking statements largely on our current expectations, estimates and projections about future events and trends that we believe may affect our financial condition, results of operations, business strategy, short-term and long-term business operations and objectives, and financial needs. These statements reflect our beliefs and certain assumptions based upon information available to us at the time we file this Annual Report on Form 10-K or the time of the documents incorporated by reference. Such forward-looking statements are only predictions, which may differ materially from actual results or future events. Although we believe that our expectations, estimates and projections reflected in the forward-looking statements are reasonable, we cannot be sure that they will be achieved. These forward-looking statements are subject to a number of risks, uncertainties and assumptions, including those described in the "Risk Factors" section. Moreover, we operate in a very competitive and rapidly changing environment. New risks emerge from time to time. It is not possible for our management to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. In light of these risks, uncertainties and assumptions, the future events and trends discussed in this report may not occur and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements. We undertake no obligation to revise or publicly release the results of any revision to these forward-looking statements, except as required by law. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements.

As used in this report, the terms "Marin," "Registrant," "we," "us," "our," and "the Company" mean Marin Software Incorporated and its subsidiaries unless the context indicates otherwise.

PART I

ITEM 1. BUSINESS

We provide a leading cross-channel, cross-device, enterprise marketing software platform for search, social and display advertising channels, offered as a software-as-a-service, or SaaS, solution for advertisers and agencies. Our platform is an analytics, workflow and optimization solution for marketing professionals, allowing them to effectively manage their digital advertising spend across search, social and display advertising channels. Our software solution is designed to help our customers:

- measure the effectiveness of their advertising campaigns through our proprietary reporting and analytics capabilities;
- manage and execute campaigns through our intuitive user interface and underlying technology that streamlines and automates key functions, such as advertisement creation and bidding, across multiple publishers and channels; and
- optimize campaigns across multiple publishers and channels based on market and business data to achieve desired revenue outcomes using our predictive bid management technology.

Advertisers use our platform to create, target and convert precise audiences based on recent buying signals from users' search, social and display interactions. Our platform is integrated with leading publishers such as Amazon, Baidu, Bing, Facebook, Google, Instagram, Pinterest, Twitter, Yahoo! Gemini, Yahoo! Japan and Yandex. Additionally, we have integrations with more than 50 leading web analytics and advertisement-serving solutions and key enterprise applications, enabling our customers to more accurately measure the return on investment of their marketing programs.

Our software platform serves as an integration point for advertising performance, sales and revenue data, allowing advertisers to connect the dots between advertising spend and revenue outcomes. Through an intuitive interface, we enable our customers to simultaneously run large-scale digital advertising campaigns across multiple publishers and channels, making it easy for marketers to create, publish, modify and optimize campaigns.

Our predictive bid management and optimization technology also allows advertisers to forecast outcomes and optimize campaigns across multiple publishers and channels to achieve their business goals. Our optimization technology can help advertisers increase advertisement spend on those campaigns, publishers and channels that are performing well while reducing investment in those that are not. This category of solutions, which we refer to as cross-channel bid and campaign optimization, helps businesses intelligently and efficiently measure, manage, and optimize their digital advertising spend to achieve desired business results.

We completed our acquisitions of SocialMoov S.A.S., or SocialMoov, and NowSpots, Inc., which conducted business as Perfect Audience, or Perfect Audience, in February 2015 and June 2014, respectively, to complement our product offerings. SocialMoov provides a software platform that offers advertisers and agencies social advertising tools designed to increase engagement and return on investment. Perfect Audience offers advertisers a SaaS demand-side platform to purchase display impressions and retarget audiences across the web, Facebook and Twitter. Perfect Audience expanded our cross-channel capabilities by adding new programmatic display and social advertising functionality while expanding our audience retargeting tools. The acquisition of SocialMoov is more fully described in Note 3 to the consolidated financial statements.

Headquartered in San Francisco, we were founded in 2006. The mailing address of our headquarters is 123 Mission Street, 27th Floor, San Francisco, California 94105 and our telephone number at that location is (415) 399-2580. Our customers collectively manage billions of dollars in advertising spend on our platform, which we believe makes us one of the largest providers of independent advertising cloud solutions.

Offered Solutions

Our cloud-based platform helps our customers to measure, manage and optimize their digital marketing campaigns to improve performance of their online advertising campaigns, realize efficiencies and time savings, and make better business decisions. We offer solutions for direct advertisers of all sizes and the agencies that represent them, including enterprise, mid-market or small businesses. We offer SaaS solutions and managed services for search, social and display.

Search and Social

We offer two editions of our search and social platform that leverage the same underlying technology.

- *Enterprise Edition* . Targeting large advertisers and agencies, *Marin Enterprise* is designed to provide digital advertisers with the power, scale and flexibility required to manage large-scale advertising campaigns.
- *Professional Edition* . Targeting mid-market advertisers and agencies, *Marin Professional* is designed for rapid deployment and offers customers a complete workflow, analysis and optimization solution for managing digital advertising.

Our platform is comprised of the following modules:

- *Optimization* . Our *Optimization* module helps advertisers manage bids across publishers to meet revenue goals and identify opportunities for campaign improvements, which we believe can improve financial performance and efficiencies. Forecasting capabilities help predict campaign performance, which simplifies the budgeting process for marketing departments.
- *Reporting and Analytics* . Our *Reporting and Analytics* module enables advertisers to report results at a business level and analyze cross-channel performance trends, which we believe can lead to improved visibility and generate significant time savings.
- *Campaign Management* . Our *Campaign Management* module provides the digital advertiser with a unified interface to create, manage and optimize campaigns across a broad range of publishers, creating greater efficiencies and increasing flexibility. Our goal is to complement and enhance the tools offered by these publishers to provide digital advertisers the ability to easily manage their campaigns on a global scale.
- *Connect* . Our *Connect* module enables advertisers to automate and streamline the capture of revenue, cost and audience data from a range of sources such as advertisement servers, analytics systems, CRM platforms, publishers and third party databases. Through integrations across multiple data sources, our *Connect* module can help advertisers have a holistic picture of their digital advertising campaigns.

Display – Perfect Audience

Targeting small businesses, Perfect Audience is designed for rapid deployment and offers customers an easy-to-use interface to implement and optimize campaigns across all major networks and across devices.

Technology & Supporting Platform

We designed our cloud-based platform to support large global advertisers. The majority of our software is written in Java. Our hardware consists of industry-standard servers and network infrastructure. Our standard operating system is Linux. Our software platform is character-set, language, currency, and time-zone independent. Our technology platform has the following key benefits:

- *Scalability* . Our platform is designed to handle billions of advertising units across thousands of advertisers, while delivering a responsive browsing and editing experience. If the number of advertisers and resulting computing and storage requirements changes, we can add or remove hardware to our platform to accommodate the demand.
- *Availability* . Our customers are highly dependent on the availability of our platform, which is designed to be available 24x7, 365 days a year. We operate our own hardware and use third-party data centers that offer server redundancy, back-up communications and power and physical security.
- *Security* . Our platform manages a large quantity of customer data. We employ technologies, policies and procedures to protect customer data. Our primary third-party data center has SOC 1 attestations.

We are in the process of upgrading our software platform, which we believe will cost-effectively extend the scalability, speed, resiliency and availability of our services and facilitate our ability to add new features to our products.

Customers

We market and sell our solutions to advertisers directly and through advertising agencies that use our platform on behalf of their customers. Advertisers that we serve through our relationships with agencies have historically represented between approximately one-third to one-half our overall revenues. There were no customers that accounted for greater than 10% of our revenues, net in 2017, 2016 or 2015.

Competition

The digital advertising cloud market is highly competitive, fragmented, and subject to changes in both technology and customer behavior. We face significant competition today and expect competition to intensify in the future. To maintain and improve our competitive position, we must keep pace with the evolving needs of our customers and continue to develop and introduce new modules, features and services in a timely and efficient manner. We currently compete with large, well-established companies, such as Adobe Systems Incorporated, Facebook, Inc. and Google Inc. (through its wholly owned subsidiary DoubleClick), and privately-held companies, such as Kenshoo Ltd. We also compete with in-house proprietary tools, tools from publishers and custom solutions, including spreadsheets. We believe the principal competitive factors in our market include the following:

- solution quality, breadth, stability, flexibility and functionality;
- tangible platform benefits;
- level of customer satisfaction and our ability to respond to customer needs rapidly;
- breadth and quality of advertiser and agency relationships;
- ability to innovate and develop new or improved products and features while maintaining platform speed and stability;
- ability to respond to changes in publishers' APIs;
- brand awareness and reputation; and
- size of customer base.

Apart from cross-channel platform competitors, we also compete with channel solutions in the display and social advertising markets. Competitors in the display advertising market include public companies such as Criteo S.A. and Sizmek, Inc., as well as privately held companies such as AdRoll Inc. and MediaMath, Inc., while in the social advertising market we compete with public companies such as Salesforce.com (through its wholly owned subsidiary Social.com) and privately-held companies such as Nanigans, Inc., Smartly.io Inc. and 4C Insights, Inc.

Our ability to remain competitive will largely depend on our ongoing performance in the areas of the quality, functionality and breadth of our solution and the availability and knowledgeability of our customer support.

Sales and Marketing

We sell our solutions directly to advertisers and to agencies in a wide range of industries through our global sales team. Our sales cycle can vary substantially by advertiser and agency, but can take up to nine months. We have a number of account executive sales teams organized by geography and market segments. We also have customer success professionals who are responsible for long-term customer satisfaction and retention, renewal, support and driving an increase in the volume of media managed by customers on our platform.

Our marketing team is focused on driving awareness and demand generation across major markets. This team provides thought leadership in the form of white papers, benchmarking reports, bylines, presenting at industry conferences and speaking to the press. In addition, they are responsible for the creation of field enablement assets such as case studies, blog posts and corporate and product collateral.

Research and Development

Our research and development team is responsible for the design, development, and maintenance of our platform. Our research and development process emphasizes frequent, iterative and incremental development cycles. Within our research and development organizations, we have several project teams that focus on platform and feature development for our advertising cloud solutions. Each of these project teams includes engineers, quality engineers and product managers, as needed, responsible for the initial and ongoing development for their projects. Total research and development expense was $26.6 million, $27.8 million and $33.3 million and for the years ended December 31, 2017, 2016 and 2015, respectively.

Employees

As of December 31, 2017, we had a total of 433 regular full-time employees, including 177 employees located outside the United States. Although we have statutory employee representation obligations in certain countries, our U.S. employees are not represented by a labor union. We have not experienced any work stoppages, and we consider our relations with our employees to be good.

In January 2018, we initiated a restructuring plan designed to reduce operating expenses and to address our decline in revenues, and to better align our efforts to return to growth. As part of this restructuring pl an and through ordinary attrition near the date of this restructuring plan, our headcount was reduced by 54 employees subsequent to December 31, 2017. This restructuring plan is more fully described in Note 17 of the accompanying consolidated financial sta tements.

Intellectual Property

Our intellectual property rights are a key component of our success. We rely on a combination of patent, trademark, copyright, unfair competition and trade secret laws, as well as confidentiality procedures and contractual restrictions, to establish, maintain and protect our proprietary rights.

As of December 31, 2017, we had three issued patents and seven patent applications pending in the United States.

We own and use trademarks on or in connection with our products and services, including two registered trademarks in the United States, the European Union, Australia, China and Japan, one registered mark in Canada and Russia, and unregistered common law marks and pending trademark applications in the United States, Canada, China, Russia, South Korea, and Singapore. We have also registered numerous Internet domain names.

Available Information

The mailing address of our headquarters is 123 Mission Street, 27th Floor, San Francisco, California 94105 and our telephone number at that location is (415) 399-2580. Our website is www.marinsoftware.com. Through a link on the Investor Center section of our website, we make available the following filings as soon as reasonably practicable after they are electronically filed with or furnished to the Securities and Exchange Commission ("SEC"): our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and any amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended. All such filings are free of charge. The information posted to our website is not incorporated into this Annual Report on Form 10-K. The public may read and copy any materials that we file with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Washington, DC 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC also maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC at www.sec.gov.

ITEM 1A. RI SK FACTORS

Our operations and financial results are subject to various risks and uncertainties, including those described below, which could adversely affect our business, results of operations, cash flows, financial conditions and the trading price of our common stock.

Risks Related to Our Business

We have a history of losses and we may not achieve or sustain profitability in the future.

We have incurred significant losses in each fiscal year since our incorporation in 2006. We experienced net losses of $31.5 million and $16.5 million during 2017 and 2016, respectively. As of December 31, 2017, we had an accumulated deficit of $227.7 million. The losses and accumulated deficit were due to the substantial investments we made to grow our business and acquire customers. Our cost of revenues and operating expenses could increase in the future due to investments to grow our business, acquire customers and develop our platform and new functionality. These efforts may prove more expensive than we currently anticipate, and we may not succeed in increasing our revenues sufficiently to offset these higher expenses. Many of our efforts to generate revenues from our business are new and unproven, and any failure to increase our revenues or generate revenues from new solutions or to maintain or increase revenues from existing products and customers could prevent us from attaining or increasing profitability. Furthermore, to the extent we are successful in increasing our customer base, we also could incur increased losses because costs associated with entering into customer contracts are generally incurred up front, while customers are billed over the term of the contract generally through our usage-based pricing model. We do not expect to be profitable in 2018 on the basis of generally accepted accounting principles in the United States, or GAAP, and we cannot be certain that we will be able to attain profitability on a quarterly or annual basis, or if we do, that we will sustain profitability.

We expect to continue to incur losses and experience negative cash flow, and may need to sell additional securities, borrow additional funds or reduce operating expenses to continue as a going concern.

We currently operate at a loss and we anticipate that we will continue to have operating losses in the near term. Our business has not generated enough cash flow to fund our sales and marketing activities, research and development initiatives, and other business activities. We anticipate that increasing our market share for our current services through sales and marketing efforts, continuing development of new platform features and delivering efficient service to customers will require additional capital and expenditures. If we continue to burn cash without a corresponding increase to revenue, we will need to sell additional securities or borrow additional funds or reduce operating expenses through successful cost-cutting measures to continue as a going concern. There is no guarantee that we will be able to issue additional securities in future periods or borrow additional funds on commercially reasonable terms, or at all, in order to meet our cash needs. Further, there is no guarantee that we will be able to successfully reduce our operating expenses through successful cost-cutting measures. Our ability to continue as a going concern may be adversely affected if we are unable to raise additional cash or reduce our operating expenses.

We might require additional capital to support business growth, and this capital might not be available on acceptable terms, if at all.

We intend to continue to make investments to support our business growth and may require additional funds to respond to business challenges, including the need to develop new features or enhance our existing platform, improve our operating infrastructure or acquire complementary businesses and technologies. Accordingly, we may need to engage in equity or debt financings to secure additional funds. If we raise additional funds through further issuances of equity or convertible debt securities, our existing stockholders could suffer significant dilution, and any new equity securities we issue could have rights, preferences and privileges superior to those of holders of our common stock. Any debt financing secured by us in the future could involve restrictive covenants relating to our capital raising activities and other financial and operational matters, which may make it more difficult for us to obtain additional capital and to pursue business opportunities, including potential acquisitions. In addition, we may not be able to obtain additional financing on terms favorable to us, if at all. If we are unable to obtain adequate financing or financing on terms satisfactory to us, when we require it, our ability to continue to support our business growth and to respond to business challenges could be significantly impaired.

We operate in a rapidly developing and changing industry, which makes it difficult to evaluate our current business and future prospects.

We have encountered and will continue to encounter risks and difficulties frequently experienced by companies in rapidly developing and changing industries, including challenges in forecasting accuracy, hiring and retaining qualified employees, determining appropriate investments of our limited resources, market acceptance of our existing and future solutions, effectively integrating acquired products, competition from established companies with greater financial and technical resources, acquiring and retaining customers, managing customer deployments, making improvements to our existing products and developing new solutions.

Our current operations infrastructure may require changes in order for us to achi eve profitability and scale our operations efficiently. For example, we may need to automate portions of our solution to decrease our costs, ensure our marketing infrastructure is designed to drive highly qualified leads cost effectively and implement chan ges in our sales model to improve the predictability of our sales and reduce our sales cycle. In addition, from time to time, we may need to make additional investments in product development to address market demands, which may increase our overall expens es and reduce our ability to achieve profitability. If we fail to implement these changes in a timely manner or are unable to implement them due to factors beyond our control, our business may suffer, our revenue may decline and we may not be able to achie ve growth or profitability. We cannot be assured that we will be successful in addressing these and other challenges we may face in the future.

Our usage-based pricing model makes it difficult to forecast revenues from our current customers and future prospects.

We primarily have a usage-based pricing model in which most of our fees are calculated as a percentage of customers' advertising spend managed on our platform. This pricing model makes it difficult to accurately forecast revenues because our customers' advertising spend managed by our platform may vary from month to month based on the variety of industries in which our advertisers operate, the seasonality of those industries and fluctuations in our customers' advertising budgets or other factors. Our subscription contracts with our direct advertiser customers generally contain a minimum monthly platform fee, which is generally greater than one-half of our estimated monthly revenues from the customer at the time the contract is signed, and, as a result, the minimum monthly platform fee may not be a good indicator of our revenues from that customer. In addition, advertisers that use our platform through our agency customers typically do not have a minimum monthly spend amount or a minimum term during which they must use our platform, and as a result, our ability to forecast revenues from these advertisers is difficult. If we incorrectly forecast revenues for these advertisers and the amount of revenue is less than projections we provide to investors, the price of our common stock could decline substantially. Additionally, if we overestimate usage, we may incur additional expenses in adding infrastructure, without a commensurate increase in revenues, which would harm our gross margins and other operating results.

We must develop and introduce enhancements and new features that achieve market acceptance or that keep pace with technological developments to remain competitive in our evolving industry.

We operate in a dynamic market characterized by rapidly changing technologies and industry and legal standards. The introduction of new advertising platform solutions by our competitors, the market acceptance of solutions based on new or alternative technologies, or the emergence of new industry standards could render our platform obsolete. Our ability to compete successfully, attract new customers and increase revenues from existing customers depends in large part on our ability to enhance and improve our existing cross-channel, cross-device, enterprise marketing software platform and to continually introduce or acquire new features that are in demand by the market we serve. We also must update our software to reflect changes in publishers' APIs and terms of use. We are in the process of a significant upgrade to our software platform infrastructure, and the success of this project or any other enhancement or new solution depends on several factors, including timely completion, adequate quality testing, effective migration of existing customers with minimal disruption and appropriate introduction and market acceptance. Any new platform or feature that we develop or acquire may not be introduced in a timely manner, may contain defects, may be more costly to compete than we anticipate or may not achieve the broad market acceptance necessary to generate significant revenues. If we are unable to complete the upgrade to our software platform infrastructure effectively or in a timely manner, or to anticipate or timely and successfully develop or acquire new offerings or features or enhance our existing platform to meet customer requirements, our business and operating results will be adversely affected.

If the market for digital advertising slows or declines, our business, growth prospects, and financial condition would be adversely affected.

The future growth of our business could be constrained by the level of acceptance and expansion of emerging cloud-based advertising channels, as well as the continued use and growth of existing channels, such as search and display advertising. Even if these channels become widely adopted, advertisers and agencies may not make significant investments in solutions such as ours that help them manage their digital advertising spend across publisher platforms and advertising channels. It is difficult to predict customer adoption rates, customer demand for our platform, the future growth rate and size of the advertising cloud solutions market or the entry of competitive solutions. The continued expansion of the market for advertising cloud solutions depends on a number of factors, including the continued growth of the cloud-based advertising market, the growth of social and mobile as advertising channels and the cost, performance and perceived value associated with advertising cloud solutions, as well as the ability of cloud computing companies to address security and privacy concerns. Further, the cloud computing market is less developed in many jurisdictions outside the United States. If we or other cloud computing providers experience security incidents, loss of customer data, disruptions in delivery or other problems, the market for cloud computing as a whole, including our applications, may be negatively affected.

If we are unable to maintain our relationships with, and access to, publishers, ad vertising exchange platforms and other platforms that aggregate the supply of advertising inventory, our business will suffer.

We currently depend on relationships with various publishers, including Amazon, Baidu, Bing, Facebook, Google, Instagram, Pinterest, Twitter, Yahoo! and Yahoo! Japan, as well as advertising exchange platforms and aggregators of advertising inventory, including Google's DoubleClick Ad Exchange, Yahoo! Gemini, Facebook's Exchange, Microsoft's Ad Exchange, Twitter's MoPub, OpenX, The Rubicon Project, PubMatic and AppNexus. Our subscription services interface with these publishers' platforms through APIs, such as the Google AdWords API or Facebook API. We are subject to the respective platforms' standard API terms and conditions, which govern the use and distribution of data from these platforms. Our business significantly depends on having access to these APIs, particularly the Google AdWords API, which the substantial majority of our customers use, on commercially reasonable terms and our business would be harmed if any of these publishers, advertising exchanges or aggregators of advertising inventory discontinues or limits access to their platforms, modifies their terms of use or other policies or place additional restrictions on us as API users, or charges API license fees for API access. Moreover, some of these publishers, such as Google, market competitive solutions for their platforms. Because the advertising inventory suppliers control their APIs, they may develop competitive offerings that are not subject to the limits imposed on us through the API terms and conditions. Currently, restrictions in these API agreements limit our ability to implement certain functionality, require us to implement functionality in a particular manner or require us to implement certain required minimum functionality, causing us to devote development resources to implement certain functionality that we would not otherwise include in our subscription services and to incur costs for personnel to provide services to implement functionality that we are prohibited from automating. Publishers, advertising exchanges and advertising inventory aggregators update their API terms of use from time to time and new versions of these terms could impose additional restrictions on us. In addition, publishers, advertising exchanges and advertising inventory aggregators continually update their APIs and may update or modify functionality, which requires us to modify our software to accommodate these changes and to devote technical resources and personnel to these efforts which could otherwise be used to focus on other priorities. Any of these outcomes could cause demand for our products to decrease, our research and development costs to increase, and our results of operations and financial condition to be harmed.

Our growth depends in part on the success of our relationships with advertising agencies.

Our future growth will depend, in part, on our ability to enter into successful relationships with advertising agencies. Identifying agencies and negotiating and documenting relationships with them requires significant time and resources. These relationships may not result in additional customers or enable us to generate significant revenues. Our contracts for these relationships are typically non-exclusive and do not prohibit the agency from working with our competitors or from offering competing services. Frequently, these agencies do in fact work with our competitors and compete with us. In addition, we often work with, or seek to work with, high-profile brands directly. This may not be possible where, for example, those brands obtain advertising services exclusively or primarily from advertising agencies.

We generally bill agencies for their customers' use of our platform, but in most cases the agency's customer has no direct contractual commitment to make payment to us. Furthermore, some of these agency contracts include provisions whereby the agency is not liable for making payment to us for our subscription services if the agency does not receive a corresponding payment from its client on whose behalf the subscription services were rendered. These provisions may result in longer collections periods or our inability to collect payment for some of our subscription services. If we are unsuccessful in establishing or maintaining our relationships with these agencies on commercially reasonable terms, or if these relationships are not profitable for us, our ability to compete in the marketplace or to grow our revenues could be impaired and our operating results would suffer.

We may not be able to compete successfully against current and future competitors.

The overall market for advertising cloud solutions is rapidly evolving, highly competitive, complex, fragmented, and subject to changing technology and shifting customer needs. We face significant competition in this market and we expect competition to intensify in the future. We currently compete with large, well-established companies, such as Adobe Systems Incorporated and Google Inc. (through its wholly owned subsidiary DoubleClick), and privately-held companies, such as Kenshoo Ltd. We also compete with channel-specific offerings, in-house proprietary tools, tools from publishers and custom solutions, including spreadsheets. Increased competition may result in reduced pricing for our solutions, longer sales cycles or a decrease of our market share, any of which could negatively affect our revenues and future operating results and our ability to grow our business.

A number of competitive factors could cause us to lose potential sales or to sell our solutions at lower prices or at reduced margins, including, among others:

- publishers generally offer their tools for free, or at a reduced price, as their primary compensation is via the sale of advertising on their own or syndicated websites;

- some of our competitors, such as Adobe and Google, have greater financial, marketing and technical resources than we do, allowing them to leverage a larger installed customer base, adopt more aggressive pricing policies, and devote greater resources to the development, promotion and sale of their products and services than we can;
- channel-specific competitors, such as AdRoll Inc., Criteo S.A., MediaMath Inc., Nanigans, Inc., Rocket Fuel Inc. and Salesforce.com (through its wholly owned subsidiary Social.com), may devote greater resources to the development, promotion and sale of their channel-specific products and services than we can;
- companies may enter our market by expanding their platforms or acquiring a competitor; and
- potential customers may choose to develop or continue to use internal solutions rather than paying for our solutions or may choose to use a competitor's solution that has different or additional technical capabilities.

We cannot assure you that we will be able to compete successfully against current and future competitors. If we cannot compete successfully, our business, results of operations and financial condition could be negatively impacted.

Our business depends on our customers' continued willingness to manage advertising spend on our platform.

In order for us to improve our operating results, it is important that our customers continue to manage their advertising spend on our platform, increase their usage and also purchase additional solutions from us. In the case of our direct advertiser customers, we offer our solutions primarily through subscription contracts and generally bill customers over the related subscription period, which is generally one year or longer. During the term of their contracts, our direct advertiser customers generally have no obligation to maintain or increase their advertising spend on our platform beyond a specified minimum monthly platform fee, which is typically set at the time the contract is signed and is generally greater than half of the monthly amount we anticipate the customer will spend. Our direct advertiser customers generally have no renewal obligation after the initial or then-current renewal subscription period expires, and even if customers renew contracts, they may decrease the level of their digital advertising spend managed through our platform, resulting in lower revenues from that customer. Advertisers that we serve through our arrangements with our advertising agencies generally do not have any contractual commitment to use our platform. Our customers' usage may decline or fluctuate as a result of a number of factors, including, but not limited to, their satisfaction with our platform and our customer support, the frequency and severity of outages, the pricing of our, or competing, solutions, the effects of global economic conditions and reductions in spending levels or changes in our customers' strategies regarding digital advertising. We may not be able to accurately predict future usage trends. If our customers renew on less favorable terms or reduce their advertising spend on our platform, our revenues may grow more slowly than expected or decline.

We incur upfront costs associated with onboarding advertisers to our platform and may not recoup our investment if we do not maintain the advertiser relationship over time.

Our operating results may be negatively affected if we are unable to recoup our upfront costs for onboarding new advertisers to our platform. Upfront costs when adding new advertisers generally include sales commissions for our sales force, expenses associated with entering customer data into our platform and other implementation-related costs. Because our customers, including direct advertisers and agencies, are billed over the term of the contract, if new customers sign contracts with short initial subscription periods and do not renew their subscriptions, or otherwise do not continue to use our platform to a level that generates revenues in excess of our upfront expenses, our operating results could be negatively impacted. In cases in which the implementation process is particularly complex, the revenues resulting from the customer under our contract may not cover the upfront investment, therefore if a significant number of these customers do not renew their contracts, it could negatively affect our operating results.

Because we generally bill our customers over the term of the contract, near term decline in new or renewed subscriptions may not be reflected immediately in our operating results.

Most of our revenues in each quarter are derived from contracts entered into with our customers during previous quarters. Consequently, a decline in new or renewed subscriptions in any one quarter may not be fully reflected in our revenues for that quarter. Such declines, however, would negatively affect our revenues in future periods and the effect of significant downturns in sales and market acceptance of our solutions, and potential changes in our rate of renewals or renewal terms, may not be fully reflected in our results of operations until future periods. In addition, we may be unable to adjust our cost structure rapidly, or at all, to take account of reduced revenues. Our subscription model also makes it difficult for us to rapidly increase our total revenues through additional sales in any period, as revenues from new customers must be earned over the applicable subscription term based on the value of their monthly advertising spend.

We have been dependent on our customers' use of search advertising. Any decrease in the use of search advertising or our ina bility to further penetrate social and display advertising channels would harm our business, growth prospects, operating results and financial condition.

Historically, our customers have primarily used our solutions for managing their search advertising, including mobile search advertising, and the substantial majority of our revenue is derived from advertisers that use our platform to manage their search advertising. We expect that search advertising will continue to be the primary channel used by our customers for the foreseeable future. Should our customers lose confidence in the value or effectiveness of search advertising, or if search advertising growth moderates or declines, the demand for our solutions may decline, and it may negatively impact our revenues. In addition, our failure to achieve market acceptance of our solution for the management of social and display advertising spend would harm our growth prospects, operating results and financial condition.

Our sales cycle can be long and unpredictable and require considerable time and expense, which may cause our operating results to fluctuate.

The sales cycle for our solutions, from initial contact with a potential lead to contract execution and implementation, varies widely by customer, but can take up to nine months. Some of our customers undertake a significant evaluation process that frequently involves not only our solutions but also those of our competitors, which has in the past resulted in extended sales cycles. Our sales efforts involve educating our customers about the use, technical capabilities and benefits of our platform. In addition, under certain circumstances, we sometimes offer an initial term, typically of a few months in duration, to new customers who may terminate their subscription at any time during this initial period before the fixed term contract commences. We have no assurance that the substantial time and money spent on our sales efforts will produce any sales. If our sales efforts result in a new customer subscription, the customer may terminate its subscription during the initial period, after we have incurred the expenses associated with entering the customer's data in our platform and related training and support. If sales expected from a customer are not realized in the time period expected or not realized at all, or if a customer terminates during the initial period, our business, operating results and financial condition could be adversely affected.

Our ability to generate revenue depends on our collection of significant amounts of data from various sources.

Our ability to optimize the delivery of Internet advertisements for our customers depends on our ability to successfully leverage data, including data that we collect from our customers as well as data provided by publishers and from third parties. Using cookies and similar tracking technologies, we collect information about the interaction of users with our advertisers' and publishers' websites. Our ability to successfully leverage such data is dependent upon our continued ability to access and utilize such data. Our ability to access and use such data could be restricted by a number of factors, including consumer choice, restrictions imposed by advertisers and publishers, changes in technology, and new developments in laws, regulations, and industry standards.

If consumer resistance to the collection and sharing of the data used to deliver targeted advertising, increased visibility of consent / Do Not Track mechanisms as a result of industry regulatory and/or legal developments, and/or the development and deployment of new technologies result in a material impact on our ability to collect data, this will materially impair the results of our operations.

Material defects or errors in our software platform could harm our reputation, result in significant costs to us and impair our ability to sell our subscription services.

The software applications underlying our subscription services are inherently complex and may contain material defects or errors, which may cause disruptions in availability, misallocation of advertising spend or other performance problems. Any such errors, defects, disruptions in service or other performance problems with our software platform, including those resulting from new versions or updates, could negatively impact our customers' businesses or the success of their advertising campaigns and cause harm to our reputation. If we have any errors, defects, disruptions in service or other performance problems with our software platform, customers could elect not to renew or reduce their usage or delay or withhold payment to us, which could result in an increase in our provision for doubtful accounts or an increase in the length of collection cycles for accounts receivable. Errors, defects, disruptions in service or other performance problems could also result in customers making warranty or other claims against us, our giving credits to our customers toward future advertising spend or costly litigation. As a result, material defects or errors in our platform could have a material adverse impact on our business and financial performance.

The costs incurred in correcting any material defects or errors in our software platform may be substantial and could adversely affect our operating results. After the release of new versions of our software, defects or errors may be identified from time to time by our internal team and by our customers. We implement bug fixes and upgrades as part of our regularly scheduled system maintenance. If we do not complete this maintenance according to schedule or if customers are otherwise dissatisfied with the frequency and/or duration of our maintenance services, customers could elect not to renew, or delay or withhold payment to us, or cause us to issue credits, make refunds or pa y penalties.

We primarily derive our revenues from a single software platform and any factor adversely affecting subscriptions to our platform could harm our business and operating results.

We primarily derive our revenues from sales of a single software platform. As such, any factor adversely affecting subscriptions to our platform, including product release cycles, market acceptance, product competition, performance and reliability, reputation, price competition, and economic and market conditions, could harm our business and operating results.

If mobile connected devices, their operating systems or content distribution channels, including those controlled by our competitors, develop in ways that prevent our advertising campaigns from being delivered to their users, our ability to grow our business will be impaired.

Our success in the mobile channel depends upon the ability of our technology platform to integrate with mobile inventory suppliers and provide advertising for most mobile connected devices, as well as the major operating systems that run on them and the applications that are downloaded onto them. The design of mobile devices and operating systems is controlled by third parties with whom we do not have any formal relationships. These parties frequently introduce new devices, and from time to time they may introduce new operating systems or modify existing ones. Network carriers may also impact the ability to access specified content on mobile devices. If our solution were unable to work on these devices or operating systems, either because of technological constraints or because an operating system or app developer, device maker or carrier wished to impair our ability to purchase inventory and provide advertisements, our ability to generate revenue could be significantly harmed.

We primarily use third-party data centers to deliver our services. Any disruption of service at these facilities could harm our business.

While we utilize two third-party data centers, we manage a significant portion of our services and serve substantially all of our customers from only a single third-party data center facility. While we control the actual computer, network and storage systems upon which our platform runs, and deploy them to the data center facility, we do not control the operation of the facility. The owner of the facility has no obligation to renew the agreement with us on commercially reasonable terms, or at all. If we are unable to renew the agreement on commercially reasonable terms, we may be required to transfer to a new facility or facilities, and we may incur significant costs and possible service interruption in connection with doing so.

The facility is vulnerable to damage or service interruption resulting from human error, intentional bad acts, earthquakes, hurricanes, floods, fires, war, terrorist attacks, power losses, hardware failures, systems failures, telecommunications failures and similar events. Moreover, while we have a disaster recovery plan in place, we do not maintain a “hot failover” instance of our software platform permitting us to immediately switch over in the event of damage or service interruption at our data center. The occurrence of a natural disaster or an act of terrorism, any outages or vandalism or other misconduct, or a decision to close the facility without adequate notice or other unanticipated problems could result in lengthy interruptions in our services.

Any changes in service levels at the facility or any errors, defects, disruptions or other performance problems at or related to the facility that affect our services could harm our reputation and may damage our customers’ businesses. For instance, in December 2017, researchers identified significant CPU architecture vulnerabilities commonly known as “Spectre” and “Meltdown” that have required software updates and patches to mitigate such vulnerabilities and such updates and patches may require severs to be offline and potentially slow their performance. Interruptions in our services might reduce our revenues, subject us to potential liability, or result in reduced usage of our platform. In addition, some of our customer contracts require us to issue credits for downtime in excess of certain levels and in some instances give our customers the ability to terminate their subscriptions.

We also depend on third-party Internet-hosting providers and continuous and uninterrupted access to the Internet through third-party bandwidth providers to operate our business. If we lose the services of one or more of our Internet-hosting or bandwidth providers for any reason or if their services are disrupted, for example due to viruses or “denial-of-service” or other attacks on their systems, or due to human error, intentional bad acts, power loss, hardware failures, telecommunications failures, fires, wars, terrorist attacks, floods, earthquakes, hurricanes, tornadoes or similar events, we could experience disruption in our ability to offer our solutions or we could be required to retain the services of replacement providers, which could increase our operating costs and harm our business and reputation.

If we cannot efficiently implement our solutions for customers, we may lose customers.

Our customers have a variety of different data formats, enterprise applications and infrastructure and our platform must support our customers’ data formats and integrate with complex enterprise applications and infrastructures. If our platform does not currently support a customer's required data format or appropriately integrate with a customer's application s and infrastructure, then we may choose to configure our platform to do so, which would increase our expenses. Additionally, we do not control our customers' implementation schedules. As a result, as we have experienced in the past, if our customers do no t allocate internal resources necessary to meet their implementation responsibilities or if we face unanticipated implementation difficulties, the implementation may be delayed. Further, in the past, our implementation capacity has at times constrained our ability to successfully implement our solutions for our customers in a timely manner, particularly during periods of high demand. If the customer implementation process is not executed successfully or if execution is delayed, we could incur significant co sts, customers could become dissatisfied and decide not to increase usage of our platform, not to use our platform beyond an initial period prior to their term commitment and revenue recognition could be delayed. In addition, competitors with more efficien t operating models with lower implementation costs could penetrate our customer relationships.

Additionally, large customers may request or require specific features or functions unique to their particular business processes, which increase our upfront investment in sales and deployment efforts and the revenues resulting from the customers under our typical contract length may not cover the upfront investments. If prospective large customers require specific features or functions that we do not offer, then the market for our solution will be more limited and our business could suffer. In addition, supporting large customers could require us to devote significant development services and support personnel and strain our personnel resources and infrastructure. If we are unable to address the needs of these customers in a timely fashion or further develop and enhance our solution, these customers may not renew their subscriptions, seek to terminate their relationship with us, renew on less favorable terms, or reduce their advertising spend on our platform. If any of these were to occur, our revenues may decline and our operating results could be adversely affected.

If we are unable to maintain or expand our sales and marketing capabilities, we may not be able to generate anticipated revenues.

Increasing our customer base and achieving broader market acceptance of our software platform will depend to a significant extent on our ability to expand our sales and marketing operations and activities. We are substantially dependent on our sales force to obtain new customers and our marketing organization to generate a sufficient pipeline of qualified sales leads. We may expand our sales team in order to increase revenues from new and existing customers and to further penetrate our existing markets and expand into new markets, but may not be able to attract and hire qualified sales personnel quickly enough or at all. Our solutions require a sophisticated sales force with specific sales skills and technical knowledge. Competition for qualified sales personnel is intense, and we may not be able to retain our existing sales personnel or attract, integrate, train or retain sufficient highly qualified sales personnel. In addition, we need to invest in lead generation activities to develop our pipeline of qualified opportunities for our sales force, which could increase our marketing expenses. If our lead generation activities do not increase our pipeline or if our sales force is unable to close opportunities at a high rate, then we may not generate an increase in revenues.

Any failure to offer high-quality technical support services may adversely affect our relationships with our customers and harm our financial results.

Our customers depend on our support organization to resolve any technical issues relating to our solutions. In addition, our sales process is highly dependent on the quality of our solutions, our business reputation and on strong recommendations from our existing customers. Any failure to maintain high-quality technical support, or a market perception that we do not maintain high-quality support, could harm our reputation, adversely affect our ability to sell our solutions to existing and prospective customers, and harm our business, operating results and financial condition.

We offer technical support services with our solutions and may be unable to respond quickly enough to accommodate short-term increases in customer demand for support services. We also may be unable to modify the format of our support services to compete with changes in support services provided by competitors. It is difficult to predict customer demand for technical support services and if customer demand increases significantly, we may be unable to provide satisfactory support services to our customers. Additionally, increased customer demand for these services, without corresponding revenues, could increase costs and adversely affect our operating results.

If our security measures are breached or unauthorized access to customer data or our data is otherwise obtained, our solutions may be perceived as not being secure, customers may reduce the use of or stop using our solutions and we may incur significant liabilities.

In the ordinary course of our business, we maintain sensitive data on our networks, including our intellectual property and proprietary or confidential business information relating to our business and that of our customers and business partners. The secure maintenance of this information is critical to our business and reputation. We believe that companies have been increasingly subject to a wide variety of security incidents, cyber-attacks and other attempts to gain unauthorized access. These threats can come from a variety of sources, ranging in sophistication from an individual hacker to a state-sponsored attack. Cyber threats may be generic, or they may be custom-crafted against our information systems. Over the past year, cyber-attacks have become more prevalent and much harder to detect and defend against. Our network and storage applications may be subject to unauthorized access by hackers or breached due to operator error, malfeasance or other system disruptions. It is often difficult to anticipate or immediately detect such incidents and the damage caused by such incidents. The se data breaches and any unauthorized access or disclosure of our information or intellectual property could result in the loss of information, litigation, indemnity obligations and other liability. While we have security measures in place, our systems and networks are subject to ongoing threats and therefore these security measures may be breached as a result of third-party action, including cyber-attacks or other intentional misconduct by computer hackers, employee error, malfeasance or otherwise. This co uld result in one or more third parties obtaining unauthorized access to our customers' data or our data, including intellectual property and other confidential business information. Because techniques used to obtain unauthorized access or to sabotage syst ems change frequently and generally are not recognized until launched against a target, we may be unable to anticipate these techniques or to implement adequate preventative measures. Third parties may also attempt to fraudulently induce employees or custo mers into disclosing sensitive information such as user names, passwords or other information in order to gain access to our customers' data or our data, including intellectual property and other confidential business information. If an actual or perceived breach of our security occurs, the market perception of the effectiveness of our security measures could be harmed, we could lose potential sales and existing customers or we could incur other liabilities, which could adversely affect our business.

Our growth depends in part on the success of our strategic relationships with third parties.

Our future growth will depend on our ability to enter into and retain successful strategic relationships with third parties. For example, we are seeking to establish relationships with third parties to develop integrations with complementary technology and content. These relationships may not result in additional customers or enable us to generate significant revenues. Identifying partners and negotiating and documenting relationships with them require significant time and resources. Our contracts for these relationships are typically non-exclusive and do not prohibit the other party from working with our competitors or from offering competing services. If we are unsuccessful in establishing or maintaining our relationships with these third parties, our ability to compete in the marketplace or to grow our revenues could be impaired and our operating results would suffer.

As a result of our customers' usage of our software platform, we will need to continually improve our hosting infrastructure to avoid service interruptions or slower system performance.

We have experienced growth in the number of transactions and data that our hosting infrastructure supports. We seek to maintain sufficient excess capacity in our infrastructure to meet the needs of all of our customers. We also seek to maintain excess capacity to facilitate the rapid provision of new customer deployments and the expansion of existing customer deployments. For example, if we secure a large customer or a group of customers that require significant amounts of bandwidth or storage, we may need to increase bandwidth, storage, power or other elements of our application architecture and our infrastructure, and our existing systems may not be able to scale in a manner satisfactory to our existing or prospective customers.

The amount of infrastructure needed to support our customers is based on our estimates of anticipated usage. If we were to experience unforeseen increases in usage, we could be required to increase our infrastructure investments resulting in increased costs or reduced gross margins, and if we do not accurately predict our infrastructure capacity requirements, our customers could experience service outages that may subject us to financial penalties and liabilities and result in customer losses. If our hosting infrastructure capacity fails to keep pace with increased sales, customers may experience service interruptions or slower system performance as we seek to obtain additional capacity, which could harm our reputation and adversely affect our revenue growth. As use of our software platform grows and as customers use it for more complicated tasks, we will need to devote additional resources to improving our application architecture and our infrastructure in order to maintain the performance of our software platform. We may need to incur additional costs to upgrade or expand our computer systems and architecture in order to accommodate increased demand if our systems cannot handle current or higher volumes of usage. In addition, increasing our systems and infrastructure in advance of new customers would cause us to have increased cost of revenues, which can adversely affect our gross margins until we increase revenues that are spread over the increased costs.

Any failure to protect our intellectual property rights could impair our ability to protect our proprietary technology and our brand.

Our success and ability to compete depends in part upon our intellectual property. We primarily rely on a combination of copyright, trade secret and trademark laws, as well as confidentiality procedures and contractual restrictions with our employees, customers, partners and others to establish and protect our intellectual property rights. However, the steps we take to protect our intellectual property rights may be inadequate or we may be unable to secure intellectual property protection for all of our solutions. In particular, we have three issued United States patents.

If we are unable to protect our intellectual property, our competitors could use our intellectual property to market products and services similar to ours and our ability to compete effectively would be impaired. Moreover, others may independently develop technologies that are competitive to ours or infringe our intellectual property. The enforcement of our intellectual property rights depends on our legal actions against these infringers being successful, but we cannot be sure these actions will be successful, even when our rights have been infringed. In addition, defending our intellectual property rights might entail significant expense and diversion of management resources. Any of our intellectual property rights may be challenged by others or invalidated through administrative processes or litigation. Any patents issued in the future may not provide us with competitive advantages or may be successfully challenged by third parties.

Furthermore, legal standards relating to the validity, enforceability and scope of protection of intellectual property rights are uncertain. Effective protection of our intellectual property may not be available to us in every country in which our solutions are available. The laws of some foreign countries may not be as protective of intellectual property rights as those in the United States, and mechanisms for enforcement of intellectual property rights may be inadequate. Accordingly, despite our efforts, we may be unable to prevent third parties from infringing upon or misappropriating our intellectual property.

We might be required to spend significant resources to monitor and protect our intellectual property rights, and our efforts to enforce our intellectual property rights may be met with defenses, counterclaims and countersuits attacking the validity and enforceability of our intellectual property rights. Litigation to protect and enforce our intellectual property rights could be costly, time-consuming and distracting to management, whether or not it is resolved in our favor, and could ultimately result in the impairment or loss of portions of our intellectual property.

We could incur substantial costs as a result of any claim of infringement of another party's intellectual property rights.

In recent years, there has been significant litigation in the United States involving patents and other intellectual property rights. Companies in the Internet and technology industries are increasingly bringing and becoming subject to suits alleging infringement of proprietary rights, particularly patent rights, and our competitors may hold patents or have pending patent applications, which could be related to our business. These risks have been amplified by the increase in third parties, which we refer to as non-practicing entities, whose sole primary business is to assert such claims. We have received in the past, and expect to receive in the future, notices that claim we or our customers using our solutions have misappropriated or misused other parties' intellectual property rights. If we are sued by a third party that claims that our technology infringes its rights, the litigation could be expensive and could divert our management resources. We do not currently have an extensive patent portfolio of our own, which may limit the defenses available to us in any such litigation.

In addition, in most instances, we have agreed to indemnify our customers against certain claims that our subscription services infringe the intellectual property rights of third parties. Our business could be adversely affected by any significant disputes between us and our customers as to the applicability or scope of our indemnification obligations to them. The results of any intellectual property litigation to which we might become a party, or for which we are required to provide indemnification, may require us to do one or more of the following:

- cease offering or using technologies that incorporate the challenged intellectual property;
- make substantial payments for legal fees, settlement payments or other costs or damages;
- obtain a license, which may not be available on reasonable terms, to sell or use the relevant technology; or
- redesign technology to avoid infringement.

If we are required to make substantial payments or undertake any of the other actions noted above as a result of any intellectual property infringement claims against us or any obligation to indemnify our customers for such claims, such payments or costs could have a material adverse effect upon our business and financial results.

Our use of open source technology could impose limitations on our ability to commercialize our software platform.

We use open source software in our platform. Some open source software licenses require users who distribute open source software as part of their software to publicly disclose all or part of the source code to such software and/or make available any derivative works of the open source code on unfavorable terms or at no cost. The terms of various open source licenses have not been interpreted by the U.S. courts, and there is a risk that such licenses could be construed in a manner that imposes unanticipated conditions or restrictions on our ability to market our software platform. While we monitor our use of open source software and try to ensure that none is used in a manner that would require us to disclose our source code or that would otherwise breach the terms of an open source agreement, such use could inadvertently occur and we may be required to release our proprietary source code, pay damages for breach of contract, re-engineer our applications, discontinue sales in the event re-engineering cannot be accomplished on a timely basis or take other remedial action that may divert resources away from our development efforts, any of which could cause us to breach customer contracts, harm our reputation, result in customer losses or claims, increase our costs or otherwise adversely affect our business and operating results.

Because our long-term success depends, in part, on our ability to expand our sales to customers outside the United States, our business will be susceptible to risks associated with international operations.

We currently have personnel and customers in Australia, China, England, France, Germany, Ireland, Japan and Singapore, as well as the United States. Due to our international exposure, our business is susceptible to risks associated with international operations. However, we have a limited operating history outside the United States, and our ability to manage our business and conduct our operations internationally requires considerable management attention and resources and is subject to particular challenges of supporting a rapidly growing business in an environment of diverse cultures, languages, customs, tax laws, legal systems, alternate dispute systems and regulatory systems. The risks and challenges associated with international expansion include:

- the need to support and integrate with local publishers and partners;
- continued localization of our platform, including translation into foreign languages and associated expenses;
- competition with companies that have greater experience in the local markets than we do or who have pre-existing relationships with potential customers in those markets;
- compliance with multiple, potentially conflicting and changing governmental laws and regulations, including employment, tax, privacy and data protection laws and regulations;
- compliance with anti-bribery laws, including compliance with the Foreign Corrupt Practices Act;
- difficulties in invoicing and collecting in foreign currencies and associated foreign currency exposure;
- difficulties in staffing and managing foreign operations and the increased travel, infrastructure and legal compliance costs associated with international operations;
- different or lesser protection of our intellectual property rights;
- difficulties in enforcing contracts and collecting accounts receivable, longer payment cycles and other collection difficulties;
- restrictions on repatriation of earnings; and
- regional economic and political conditions.

We have limited experience in marketing, selling and supporting our subscription services internationally, which increases the risk that any potential future expansion efforts that we may undertake will not be successful.

Fluctuations in the exchange rate of foreign currencies could result in currency transactions losses.

We currently have foreign sales denominated in Australian Dollars, British Pound Sterling, Chinese Yuan, Euros, Japanese Yen and Singapore Dollars. In addition, we incur a portion of our operating expenses in the currencies of the countries where we have offices. We face exposure to adverse movements in currency exchange rates, which may cause our revenues and operating results to differ materially from expectations. If the U.S. Dollar strengthens relative to foreign currencies as it did during 2015 and 2016, our non-U.S. revenues would be adversely affected. Conversely, a decline in the U.S. Dollar relative to foreign currencies would increase our non-U.S. revenues when translated into U.S. Dollars. Our operating results could be negatively impacted depending on the amount of expense denominated in foreign currencies. As exchange rates vary, revenues, cost of revenues, operating expenses and other operating results, when translated, may differ materially from expectations. In addition, our revenues and operating results are subject to fluctuation if our mix of U.S. and foreign currency-denominated transactions or expenses changes in the future because we do not currently hedge our foreign currency exposure. Even if we were to implement hedging strategies to mitigate foreign currency risk, these strategies might not eliminate our exposure to foreign exchange rate fluctuations and would involve costs and risks of their own, such as ongoing management time and expertise, external costs to implement the strategies and potential accounting implications.

Unfavorable conditions in the market for digital advertising or the global economy or reductions in digital advertising spend could limit our ability to grow our business and negatively affect our operating results.

Revenue growth and potential profitability of our business depends on digital advertising spend by advertisers in the markets we serve. Our operating results may vary based on changes in the market for digital advertising or the global economy. To the extent that weak economic conditions cause our customers and potential customers to freeze or reduce their advertising budgets, particularly digital advertising, demand for our solution may be negatively affected.

Historically, economic downturns have resulted in overall reductions in advertising spend. If economic conditions deteriorate or the rise of geopolitical instability and military hostilities causes economic uncertai nty, our customers and potential customers may elect to decrease their advertising budgets or defer or reconsider software and service purchases, which would limit our ability to grow our business and negatively affect our operating results.

We have experienced turnover in our senior management, and the loss of key personnel or an ability to attract, retain and motivate qualified personnel may result in operational inefficiencies that could negatively affect our business.

Our success depends upon the continued service of our talented management, operational and key technical employees, as well as our ability to continue to attract additional highly qualified talent. Over the last two years, we have experienced turnover in our senior management. This lack of management continuity and turnover amongst our employees that we have experienced recently could result in operational and administrative inefficiencies and added costs, which could adversely impact our results of operations, stock price and customer relationships, and could make recruiting for future management positions more difficult. In addition, we must successfully integrate any new senior management and other new personnel within our organization in order to achieve our operating objectives, and changes in other key positions may temporarily affect our financial performance and results of operations as new employees become familiar with our business.

We do not maintain key person life insurance policies on any of our employees. Each of our executive officers, key technical personnel and other employees could terminate his or her relationship with us at any time. Our business also requires skilled technical, sales and other personnel, who are in high demand and are often subject to competing offers. As we expand into additional geographic markets, we will require personnel with expertise in these new areas. Competition for qualified employees is intense in our industry and particularly in San Francisco, California. An inability to retain, attract, relocate and motivate employees required for our business, including the planned expansion of our business, could delay or prevent the achievement of our business objectives and could materially harm our business and our customer relationships.

Managing a global organization has placed, and may continue to place, significant demands on our management and infrastructure. If we fail to manage our operations effectively, we may be unable to execute our business plan, maintain high levels of service or address competitive challenges adequately.

Managing a global and geographically dispersed workforce and operation has required substantial management effort, the allocation of valuable management resources and significant additional investment in our infrastructure. We will be required to continue to improve our operational, financial and management controls and operations reporting procedures, and we may not be able to do so effectively. Moreover, we may from time to time decide to undertake cost savings initiatives, such as additional restructurings, disposing of, and/or otherwise discontinuing certain products, in an effort to focus our resources on key strategic initiatives and streamline our business. Further, supporting our customers and operations, and driving future growth, we must continually improve and maintain our technology, systems and network infrastructure. As such, we may be unable to manage our expenses effectively in the future, which may negatively impact our gross margins or operating expenses in any particular quarter. If we fail to manage our anticipated growth or change in a manner that does not preserve the key aspects of our corporate culture, the quality of our solutions may suffer, which could negatively affect our brand and reputation and harm our ability to retain and attract customers.

Domestic and foreign government regulation and enforcement of data practices and data tracking technologies is expansive, not clearly defined and rapidly evolving. Such regulation could directly restrict portions of our business or indirectly affect our business by constraining our customers' use of our platform or limiting the growth of our markets.

Federal, state, municipal and/or foreign governments and agencies have adopted and could in the future adopt, modify, apply or enforce laws, policies, and regulations covering user privacy, data security, technologies such as cookies that are used to collect, store and/or process data, the taxation of products and services, unfair and deceptive practices, and/or the collection, use, processing, transfer, storage and/or disclosure of data associated with a unique individual. The categories of data regulated under these laws vary widely and are often ill-defined and subject to new applications or interpretation by regulators. Our subscription services enable our customers to display digital advertisements to targeted population segments, as well as collect, manage and store data regarding the measurement and valuation of their digital advertising and marketing campaigns, which may include data that is directly or indirectly obtained or derived through the activities of online or mobile visitors. The uncertainty and inconsistency among these laws, coupled with a lack of guidance as to how these laws will be applied to current and emerging Internet and mobile analytics technologies, creates a risk that regulators, lawmakers or other third parties, such as potential plaintiffs, may assert claims, pursue investigations or audits, or engage in civil or criminal enforcement. These actions could limit the market for our subscription services or impose burdensome requirements on our services and/or customers' use of our services, thereby rendering our business unprofitable.

Some features of our subscription services use cookies, which trigger the data protection requirements of certain foreign jurisdictions, such as the EU General Data Protection Regulation and the EU ePrivacy Directive. In addition, our services collect data about visitors' interactions with our advertiser clients that may be subject to regulati on under current or future laws or regulations. If our privacy or data security measures fail to comply with these current or future laws and regulations in any of the jurisdictions in which we collect information, we may be subject to litigation, regulato ry investigations, civil or criminal enforcement, audits or other liabilities in such jurisdictions, or our advertisers may terminate their relationships with us. In addition, foreign court judgments or regulatory actions could impact our ability to transf er, process and/or receive transnational data that is critical to our operations, including data relating to users, clients, or partners outside the United States. Such judgments or actions could affect the manner in which we provide our services or advers ely affect our financial results if foreign clients and partners are not able to lawfully transfer data to us.

This area of the law is currently under intense government scrutiny and many governments, including the U.S. government, are considering a variety of proposed regulations that would restrict or impact the conditions under which data obtained from or through the activities of visitors could be collected, processed or stored. In addition, regulators such as the Federal Trade Commission and the California Attorney General are continually proposing new regulations and interpreting and applying existing regulations in new ways. Changes to existing laws or new laws regulating the solicitation, collection or processing of personal and consumer information, truth-in-advertising and consumer protection could affect our customers' utilization of digital advertising and marketing, potentially reducing demand for our subscription services, or impose restrictions that make it more difficult or expensive for us to provide our services.

If legislation dampens the growth in web and mobile usage or access to the Internet, our results of operations could be harmed.

Legislation enacted in the future could dampen the growth in web and mobile usage and decrease its acceptance as a medium of communications and commerce or result in increased adoption of new modes of communication and commerce that may not be serviced by our products. In addition, government agencies or private organizations may begin to impose taxes, fees or other charges for accessing the Internet, which could result in slower growth or a decrease in ecommerce, use of social media and/or use of mobile devices. Any of these outcomes could cause demand for our platform to decrease, our costs to increase, and our results of operations and financial condition to be harmed.

If our customers fail to abide by applicable privacy laws or to provide adequate notice and/or obtain consent from end users, we could be subject to litigation or enforcement action or reduced demand for our services. Industry self-regulatory standards may be implemented in the future that could affect demand for our platform and our ability to access data we use to provide our platform.

Our customers utilize our services to support and measure their direct interactions with visitors, and although we provide notice and choice mechanisms on our websites for our subscription services, we also must rely on our customers to implement and administer notice and choice mechanisms required under applicable laws. If we or our customers fail to abide by these laws, it could result in litigation or regulatory or enforcement action against our customers or against us directly.

In addition, self-regulatory organizations (such as the Digital Advertising Network or Network Advertising Initiative) to which our customers, partners and suppliers may belong, may impose opt-in or opt-out requirements on our customers, which may in the future require our customers to provide various mechanisms for users to opt-in or opt-out of the collection of any data, including anonymous data, with respect to such users' web or mobile activities. The online and/or mobile industries may adopt technical or industry standards, or federal, state, local or foreign laws may be enacted that allow users to opt-in or opt-out of data that is necessary to our business. In particular, some government regulators and standard-setting organizations have suggested a "Do Not Track" standard that allows users to express a preference, independent of cookie settings in their browser, not to have website browsing recorded. All the major Internet browsers have implemented some version of a "Do Not Track" setting. Furthermore, publishers may implement alternative tracking technologies that make it more difficult to access the data necessary to our business or make it more difficult for us to compete with the publisher's own advertising management solutions. If any of these events were to occur in the future, it could have a material effect on our ability to provide services and for our customers to collect the data that is necessary to use our services.

Our revenues may be adversely affected if we are required to charge sales taxes in additional jurisdictions or other taxes for our solutions.

We collect or have imposed upon us sales or other taxes related to the solutions we sell in certain states and other jurisdictions. Additional states, countries or other jurisdictions may seek to impose sales or other tax collection obligations on us in the future, or states or jurisdictions in which we already pay tax may increase the amount of taxes we are required to pay. A successful assertion by any state, country or other jurisdiction in which we do business that we should be collecting sales or other taxes on the sale of our products and services could, among other things, create significant administrative burdens for us, result in substantial tax liabilities for past sales, discourage clients from purchasing solutions from us or otherwise substantially harm our business and results of operations.

We may experience quarterly fluctuations in our operating results due to a number of factors which make our future results difficult to predict and could cause our operating results to fall below expectations or our guidance .

Our quarterly operating results may fluctuate due to a variety of factors, many of which are outside of our control. As a result, comparing our operating results on a period-to-period basis may not be meaningful. You should not rely on our past results as indicative of our future performance. If our revenues or operating results fall below the expectations of investors or securities analysts, or below any guidance we may provide to the market, the price of our common stock could decline substantially.

In addition to other risk factors listed in this section, factors that may affect our quarterly operating results include the following:

- the level of advertising spend managed through our platform for a particular quarter;
- customer renewal rates, and the pricing and usage of our platform in any renewal term;
- demand for our platform and the size and timing of our sales;
- customers delaying purchasing decisions in anticipation of new releases by us or of new products by our competitors;
- delays in projects to upgrade our own software platform infrastructure and any resulting delays in releasing new features;
- network outages, platform downtime, software bugs or security breaches and any associated credits, warranty claims or other expenses;
- changes in the competitive dynamics of our industry, including consolidation among competitors or customers;
- market acceptance of our current and future solutions;
- changes in spending on digital advertising or information technology and software by our current and/or prospective customers;
- budgeting cycles of our customers;
- our potentially lengthy sales cycle;
- our ability to control costs, including our operating expenses;
- the amount and timing of infrastructure costs and operating expenses related to the maintenance and expansion of our business, operations and infrastructure;
- hiring or separation of employees;
- foreign currency exchange rate fluctuations; and
- general economic and political conditions in our domestic and international markets.

Based upon all of the factors described above, we have a limited ability to forecast our future revenues, costs and expenses, and as a result, our operating results may from time to time fall below our estimates or the expectations of public market analysts and investors.

Future acquisitions, strategic investments, partnerships or alliances could be difficult to integrate, divert the attention of key management personnel, disrupt our business, dilute shareholder value and adversely affect our results of operations and financial condition.

We acquired SocialMoov S.A.S. (“SocialMoov”) in February 2015, and NowSpots, Inc., doing business as Perfect Audience (“Perfect Audience”) in June 2014 and may seek to acquire additional businesses, products or technologies in the future. However, these are the only two acquisitions in the history of our company and we have limited experience in acquiring and integrating businesses, products and technologies. If we identify an appropriate acquisition candidate, we may not be successful in negotiating the terms and/or financing of the acquisition, and our due diligence may fail to identify all of the problems, liabilities or other shortcomings or challenges of an acquired business, product or technology, including issues related to intellectual property, product quality or architecture, regulatory compliance practices, revenue recognition or other accounting practices or employee or client issues.

Any acquisition or investment may require us to use significant amounts of cash, issue potentially dilutive eq uity securities or incur debt. In addition, acquisitions, including our acquisitions of SocialMoov and Perfect Audience, involve numerous risks, any of which could harm our business, including:

- regulatory and commercial risks relating to retargeting of online advertising and social advertising, the primary businesses of Perfect Audience and SocialMoov, respectively;
- difficulties in integrating the operations, technologies, services and personnel of acquired businesses, especially if those businesses operate outside of our core competency or in foreign countries;
- cultural challenges associated with integrating employees from the acquired company into our organization;
- reputation and perception risks associated with the acquired product or technology by the general public;
- ineffectiveness or incompatibility of acquired technologies or services;
- potential loss of key employees of acquired businesses;
- inability to maintain the key business relationships and the reputations of acquired businesses;
- diversion of management's attention from other business concerns;
- litigation for activities of the acquired company, including claims from terminated employees, clients, former shareholders or other third parties;
- failure to identify all of the problems, liabilities or other shortcomings or challenges of an acquired company, technology, or solution, including issues related to intellectual property, solution quality or architecture, regulatory compliance practices, revenue recognition or other accounting practices or employee or client issues;
- in the case of foreign acquisitions such as SocialMoov, the need to integrate operations across different cultures and languages and to address the particular economic, currency, political and regulatory risks associated with specific countries; costs necessary to establish and maintain effective internal controls for acquired businesses;
- failure to successfully further develop the acquired technology in order to recoup our investment; and
- increased fixed costs.

If we are unable to successfully integrate any future business, product or technology we acquire, our business and results of operations may suffer.

In addition, a significant portion of the purchase price of companies we acquire may be allocated to acquired goodwill and other intangible assets, which must be assessed for impairment at least annually. If our acquisitions do not yield expected returns, we may be required to take charges to our operating results based on this impairment assessment process, which could adversely affect our results of operations.

Acquisitions could also result in dilutive issuances of equity securities or the incurrence of debt, which could adversely affect our operating results. For instance, in connection with our acquisition of SocialMoov, we issued shares of our common stock.

We identified a material weakness in our internal control over financial reporting in the year ended December 31, 2016 that has since been remediated. If we experience additional material weaknesses or deficiencies in the future or otherwise fail to maintain an effective system of internal controls, we may not be able to accurately or timely report our financial condition or results of operations, which may adversely affect investor confidence in us and, as a result, the value of our common stock.

O ur management determined that there was a material weakness in our internal control over financial reporting during the year ended December 31, 2016 because we did not maintain effective controls over the preparation and review of the annual income tax provision. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the registrant's annual or interi m financial statements will not be prevented or detected in a timely basis. As previously disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2016, this material weakness arose during the review of the annual income tax provision in connection with the preparation of our consolidated financial statements for the year ended December 31, 2016, where an error was identified that related to the accounting for changes in uncertain tax positions at one of our subsidiaries in France. Once this error was identified, an accounting adjustment was recorded to our liability for uncertain tax positions and the provision for income taxes, as well as the related income tax disclosures, on the consolidated financial statements for the year ended December 31, 2016. Although the error was identified prior to the completion of our 2016 consolidated financial statements, management determined that a design deficiency existed in a control intended to properly account for and present the accounting for income taxes in accordance with GAAP.

As further described in Part I, Item 4 "Controls and Procedures," we developed a detailed plan to address the material weakness, and were successful in remediating it in the year ended December 31, 2017. However, th ere can be no assurance that we will not identify additional control deficiencies or material weaknesses in the future.

In addition, if we identify new material weaknesses in the future, if we are unable to comply with the requirements of Section 404(b) of the Sarbanes-Oxley Act ("Section 404") in a timely manner, if we are unable to assert that our internal control over financial reporting is effective or if our independent registered public accounting firm is unable to express an opinion as to the effectiveness of our internal control over financial reporting, investors may lose confidence in the accuracy and completeness of our financial reports and the market price of our common stock could be negatively affected, and we could become subject to investigations by the stock exchange on which our securities are listed, the SEC, or other regulatory authorities, which could require additional financial and management resources.

We are both a smaller reporting company and an emerging growth company, and we cannot be certain if the reduced disclosure requirements applicable to smaller reporting companies and emerging growth companies will make our common stock less attractive to investors.

For as long as we continue to be both a smaller reporting company and an emerging growth company, we intend to take advantage of certain exemptions from various reporting requirements that are applicable to other public companies including, but not limited to, the exemption from the requirement of a report on our internal control over financial reporting by our independent registered public accounting firm, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, and exemptions from the requirements of holding a non-binding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved. We cannot predict if investors will find our common stock less attractive because we will rely on these exemptions. If some investors find our common stock less attractive as a result, there may be a less active trading market for our common stock and our stock price may be more volatile.

We will remain an emerging growth company until the earliest of (1) the end of the fiscal year in which the market value of our common stock that is held by non-affiliates exceeds $700 million as of June 30, (2) the end of the fiscal year in which we have total annual gross revenues of $1.07 billion or more during such fiscal year, (3) the date on which we issue more than $1.07 billion in non-convertible debt in a three-year period or (4) December 31, 2018.

Even if we exit emerging growth company status, many of the exemptions available for emerging growth companies are also available to smaller reporti ng companies like us that have less than $75 million of worldwide common equity held by non-affiliates. In the event that we are still considered a smaller reporting company, at such time we cease being an emerging growth company, the disclosure we will b e required to provide in our SEC filings will increase, but will still be less than it would be if we were not considered either an emerging growth company or a smaller reporting company. Specifically, similar to emerging growth companies, smaller reporting companies are able to provide simplified executive compensation disclosures in their filings; are exempt from the provisions of Section 404 requiring that independent registered public accounting firms provide an attestation report on the effectiveness of internal control over financial reporting; and have certain other decreased disclosure obligations in their SEC filings, including, among other things, only being required to provide two years of audited financial statements in annual reports. Decreased disclosures in our SEC filings due to our status as an emerging growth company or smaller reporting company may make it h arder for investors to analyze our results of operations and financial prospects.

We may not be able to utilize a significant portion of our net operating loss or research tax credit carryforwards, which could adversely affect our profitability.

As of December 31, 2017, we had federal and state net operating loss carryforwards due to prior period losses, which if not utilized will begin to expire in 2026 and 2022 for federal and state purposes, respectively. We also have federal research tax credit carryforwards, which if not utilized will begin to expire in 2026. These net operating loss and research tax credit carryforwards could expire unused and be unavailable to offset future income tax liabilities, which could adversely affect our profitability.

In addition, under Section 382 of the Internal Revenue Code of 1986, as amended (the "Code"), our ability to utilize net operating loss carryforwards or other tax attributes, such as research tax credits, in any taxable year may be limited if we experience an "ownership change." A Section 382 "ownership change" generally occurs if one or more stockholders or groups of stockholders who own at least 5% of our stock increase their ownership by more than 50 percentage points over their lowest ownership percentage within a rolling three-year period. Similar rules may apply under state tax laws.

Future issuances of our stock could cause an "ownership change." It is possible that any future ownership change could have a material effect on the use of our net operating loss carryforwards or other tax attributes, which could adversely affect our profitability.

Additionally, on December 22, 2017, the Tax Cu ts and Jobs Act ("TCJA") was enacted and is generally effective for taxable years beginning after December 31, 2017. The TCJA is complex and includes significant amendments to the Code, including amendments that significantly change the value of our deferr ed tax assets related to net operating losses, and impose a mandatory one-time tax on the accumulated earnings of certain of our foreign subsidiaries. The application of accounting guidance for such items is currently uncertain, as compliance with the TCJA and the accounting for such provisions requires the accumulation of information not previously required or regularly produced. As a result, we have provided provisional estimates of the effect of the TCJA on our accompanying consolidated financial stateme nts. As additional regulatory guidance is issued by the applicable taxing authorities, as accounting treatment is clarified, as we perform additional analysis on the application of the law and as we refine estimates in calculating its effect, our final ana lysis, which will be recorded in the period completed, may be different from our current provisional amounts, which could materially affect our deferred taxes, tax obligations and accounting for income taxes.

Our reported financial results may be adversely affected by changes in accounting principles generally accepted in the United States.

Generally accepted accounting principles in the United States are subject to interpretation by the Financial Accounting Standards Board, the SEC, and various bodies formed to promulgate and interpret appropriate accounting principles. A change in these principles or interpretations could have a significant effect on our reported financial results, and could affect the reporting of transactions completed before the announcement of a change.

We may be required to record a significant charge to earnings if our goodwill or amortizable intangible assets become further impaired.

We are required under GAAP to review our amortizable intangible assets for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. Goodwill is required to be tested for impairment at least annually. Conditions that would necessitate an impairment assessment include a significant decline in the observable market value of an asset, a significant change in the extent or manner in which an asset is used, or any other significant adverse change that would indicate that the carrying amount of an asset or group of assets may not be recoverable. The events and circumstances we consider include the business climate, legal factors, operating performance indicators and competition. In the future we may be required to record a significant charge to earnings in our consolidated financial statements during the period in which any impairment of our goodwill or amortizable intangible assets is determined. This could adversely impact our results of operations and harm our business.

In the first half of 2017, the market capitalization of our publicly traded common stock sustained a decline to the extent that it fell below the book value of our net assets. We consider the stock price and any estimated control premium along with other operating conditions, such as revenue decline, as possible factors affecting the assessment of the fair value of our reporting unit for the purposes of performing any goodwill test. Ultimately, based on the goodwill impairment test performed in the three months ended June 30, 2017, we identified and recorded impairment expense in the amount of $2.8 million for that period. No goodwill impairment was identified in any subsequent period as of December 31, 2017. However, as additional facts, circumstances or assumptions change in the future, we may be required to record additional impairment charges to reduce the carrying value of our goodwill, intangible assets and other long-term assets.

Risks Related to the Ownership of Our Common Stock

The trading prices of the securities of technology companies have been highly volatile. Accordingly, the market price of our common stock has been, and is likely to continue to be, subject to wide fluctuations and could subject us to litigation.

Since our initial public offering, the closing sales price of our common stock on the New York Stock Exchange has been volatile. Factors affecting the market price of our common stock include:

- variations in, or forward looking guidance regarding, our revenues, gross margin, operating results, free cash flow, loss per share, revenue retention rates, annualized advertising spend on our platform, adjusted EBITDA and how these results compare to analyst and investor expectations;
- announcements of technological innovations, new products or services, strategic alliances, acquisitions or significant agreements by us or by our competitors;
- disruptions in our cloud-based operations or services or disruptions of other prominent cloud-based operations or services;
- the economy as a whole, market conditions in our industry, and the industries of our customers; and
- any other factors discussed herein.

In addition, the stock market in general has experienced substantial price and volume volatility that is often seemingly unrelated to the operating results of any particular companies. Moreover, if the market for technology stocks, especially software and cloud computing-related stocks, or the stock market in general experiences uneven investor confidence, the market price of our common stock could decline for reasons unrelated to our business, operating results or financial condition. The market price for our stock might also decline in reaction to events that affect other companies within, or outside, our industry, even if these events do not directly affect us. Some companies that have experienced volatility in the trading price of their stock have be en subject of securities litigation. If we are the subject of such litigation, it could result in substantial costs and a diversion of management's attention and resources.

From January 1, 2015 through December 31, 2017, the closing sales price of our common stock on the New York Stock Exchange ranged from $7.00 to $59.92 per share (retroactively adjusting for the one-for-seven reverse stock split, which became effective on October 5, 2017). Because our stock price has been volatile, investing in our common stock is risky.

We do not intend to pay dividends for the foreseeable future.

We have never declared nor paid cash dividends on our capital stock. We currently intend to retain any future earnings to finance the operation and expansion of our business, and we do not expect to declare or pay any dividends in the foreseeable future. Consequently, stockholders must rely on sales of their common stock after price appreciation, which may never occur, as the only way to realize any future gains on their investment.

If there are substantial sales of shares of our common stock, the price of our common stock could decline.

Sales of a substantial number of shares of our common stock in the public market, or the perception that these sales might occur could depress the market price of our common stock and may make it more difficult for you to sell your common stock at a time and price that you deem appropriate. We are unable to predict the effect that sales may have on the prevailing market price of our common stock. Any sales of securities by existing stockholders could adversely affect the trading price of our common stock.

Delaware law and provisions in our restated certificate of incorporation and restated bylaws could make a merger, tender offer, or proxy contest difficult, thereby depressing the trading price of our common stock.

Our status as a Delaware corporation and the anti-takeover provisions of the Delaware General Corporation Law may discourage, delay, or prevent a change in control by prohibiting us from engaging in a business combination with an interested stockholder for a period of three years after the person becomes an interested stockholder, even if a change of control would be beneficial to our existing stockholders. In addition, our restated certificate of incorporation and restated bylaws contain provisions that may make the acquisition of our Company more difficult, including the following:

- our board of directors are classified into three classes of directors with staggered three-year terms and directors can only be removed from office for cause;
- only our board of directors has the right to fill a vacancy created by the expansion of our board of directors or the resignation, death or removal of a director, which prevents stockholders from being able to fill vacancies on our board of directors;
- only our chairman of the board, our lead independent director, our chief executive officer, our president, or a majority of our board of directors is authorized to call a special meeting of stockholders;
- certain litigation against us can only be brought in Delaware;
- our restated certificate of incorporation authorizes undesignated preferred stock, the terms of which may be established, and shares of which may be issued, without the approval of the holders of common stock; and
- advance notice procedures apply for stockholders to nominate candidates for election as directors or to bring matters before an annual meeting of stockholders.

If securities or industry analysts do not publish research or publish inaccurate or unfavorable research about our business, our stock price and trading volume could decline.

The trading market for our common stock depends in part on the research and reports that securities or industry analysts publish about us or our business. If one or more of the analysts who cover us downgrade our common stock or publish inaccurate or unfavorable research about our business, our common stock price would likely decline. If one or more of these analysts cease coverage of us or fail to publish reports on us regularly, demand for our common stock could decrease, which might cause our common stock price and trading volume to decline.

ITEM 1B. UNRESOLV ED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Our corporate headquarters are located in San Francisco, California, where we occupy facilities totaling approximately 43,000 square feet under a lease which expires in July 2022. We use these facilities for administration, sales and marketing, research and development, engineering, customer support and professional services. We sublease approximately 14,300 square feet of this property to an unrelated third party through an agreement that expires in December 2018.

We lease office space in Austin, Chicago, New York and Portland in the United States, and Australia, China, England, France, Germany, Ireland, and Japan, which we use principally for sales and marketing, research and development, administration, customer support and to deliver professional services locally. We operate two data centers at third-party facilities located in the United States and Ireland.

We believe our facilities are in good condition and adequate for our current needs and for the foreseeable future. See Note 15 to the consolidated financial statements and “Management’s Discussion and Analysis of Financial Condition and Results of Operations – Contractual Obligations and Commitments” for information regarding our lease obligations.

ITEM 3. LEGAL PROCEEDINGS

From time to time, we may become involved in legal proceedings arising in the ordinary course of our business. We are not presently a party to any legal proceedings that, if determined adversely to us, would individually or taken together have a material adverse effect on our business, operating results, financial condition or cash flows.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Price of Our Common Stock

Our common stock has traded on the New York Stock Exchange ("NYSE") since March 22, 2013, under the symbol MRIN. Prior to this date, there was no public market for our common stock. The following tables set forth, for the periods indicated, the high and low sales price of our common shares as reported by the NYSE (retroactively adjusting for the one-for-seven reverse stock split, which became effective on October 5, 2017).

	High	Low
Year Ended December 31, 2017		
First Quarter	$ 18.55	$ 10.50
Second Quarter	$ 13.30	$ 7.70
Third Quarter	$ 14.00	$ 7.00
Fourth Quarter	$ 14.80	$ 8.90

	High	Low
Year Ended December 31, 2016		
First Quarter	$ 25.27	$ 18.90
Second Quarter	$ 21.91	$ 14.70
Third Quarter	$ 19.67	$ 16.24
Fourth Quarter	$ 17.50	$ 15.40

Holders of our Common Stock

As of February 15, 2018, there were 63 stockholders of record. The actual number of stockholders is greater than the number of record holders, and includes stockholders who are beneficial owners, but whose shares are held in street name by brokers and other nominees. The number of holders of record also does not include stockholders whose shares may be held in trust by other entities.

Dividend Policy

We have never declared or paid any cash dividends on our common stock. We currently intend to retain any future earnings and do not expect to pay any cash dividends on our common stock for the foreseeable future. Any determination to pay dividends in the future will be at the discretion of our board of directors and will be dependent on a number of factors, including our earnings, capital requirements and overall financial conditions.

Securities Authorized for Issuance under Equity Compensation Plans

The information required by this item will be set forth under the heading "Equity Compensation Plan Information" in the definitive Proxy Statement for our 2018 Annual Meeting of Stockholders (the "Proxy Statement" is incorporated into this report by reference).

Unregistered Sales of Equity Securities

We made no sales of unregistered securities during the quarter ended December 31, 2017.

Use of Proceeds from Public Offering of Common Stock

There have been no material changes in our use of the proceeds from our initial public offering in March 2013.

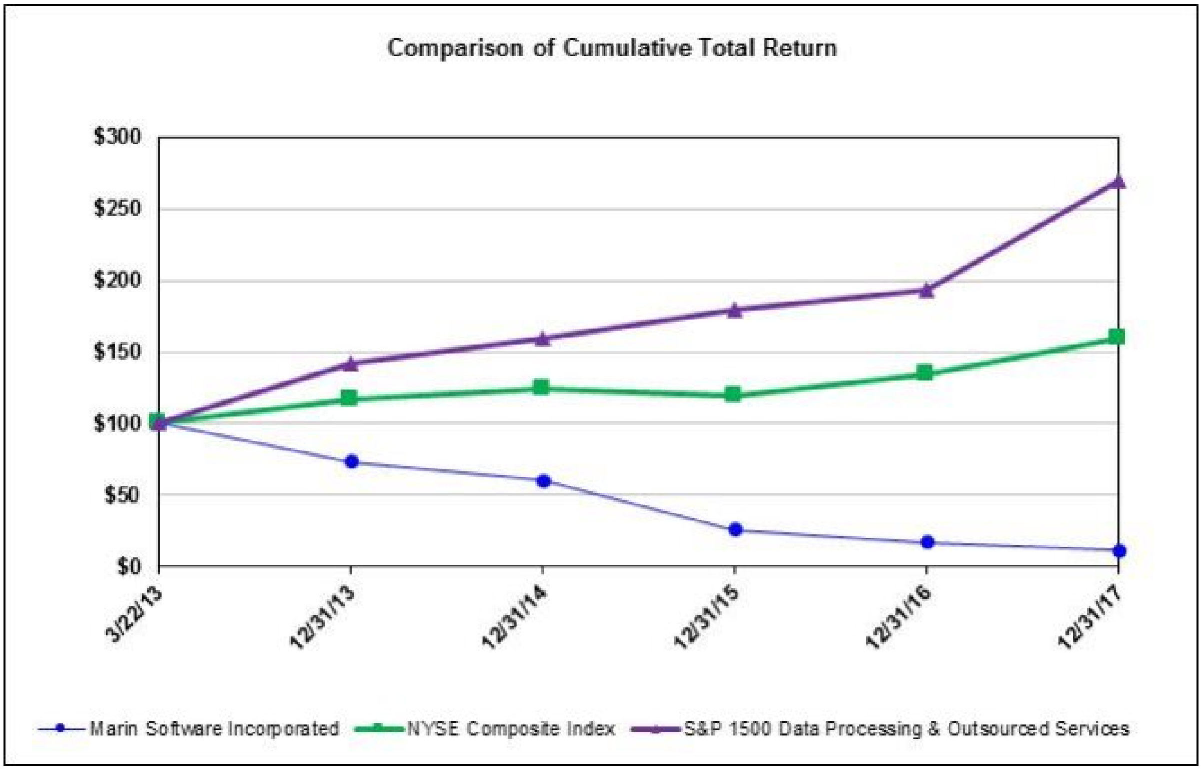
Recent Issuer Purchases of Equity Securities

We made no purchases of equity securities during the quarter ended December 31, 2017.

Stock Performance Graph

The following shall not be deemed "filed" for purposes of Section 18 of the Securities and Exchange Act of 1934, as amended (the "Exchange Act"), or incorporated by reference into any of our other filings under the Exchange Act or the Securities Act of 1933, as amended, except to the extent we specifically incorporate it by reference into such filing.

The following graph shows a comparison from March 22, 2013 (the date our common stock commenced trading on the NYSE) through December 31, 2017, of the cumulative total return for our common stock, the NYSE Composite Index, and the S&P 1500 Data Processing & Outsourced Services Index (retroactively adjusting for the one-for-seven reverse stock split, which became effective on October 5, 2017). The graph assumes an investment of $100 on March 22, 2013 and reinvestment of any dividends. The comparisons in the graph below are required by the Securities and Exchange Commission ("SEC") and are not intended to forecast or be indicative of possible future performance of our common shares.



Company / Index	3/22/13	12/31/13	12/31/14	12/31/15	12/31/16	12/31/17
Marin Software Incorporated	**$ 100**	$ 73.14	$ 60.43	$ 25.57	$ 16.79	$ 11.17
NYSE Composite Index	**100**	116.92	124.81	119.71	134.00	159.09
S&P 1500 Data Processing & Outsourced Services	**100**	141.48	159.17	178.98	192.89	270.16

ITEM 6. SELECTED CONSOLIDATED FINANCIAL DATA

The following tables present selected historical financial data for our business. You should read this information together with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the consolidated financial statements, related notes and other financial information included elsewhere in this Annual Report on Form 10-K. The selected consolidated financial data in this section are not intended to replace the consolidated financial statements and are qualified in their entirety by the consolidated financial statements and related notes included elsewhere in this Annual Report on Form 10-K.

We derived the consolidated statements of operations data for the years ended December 31, 2017, 2016 and 2015, and the consolidated balance sheet data as of December 31, 2017 and 2016 from our audited consolidated financial statements included elsewhere in this report. We derived the consolidated statements of operations data for the years ended December 31, 2014 and 2013 and the consolidated balance sheet data as of December 31, 2015, 2014 and 2013 from our audited financial statements not included in this report. Our historical results are not necessarily indicative of the results to be expected in the future. The selected consolidated fin ancial data includes the impact of our acquisitions.

	Years Ended December 31,				
	2017	2016	2015	2014	2013
	(in thousands, except per share data)				
Revenues, net	$ 74,991	$ 99,878	$ 108,530	$ 99,354	$ 77,315
Cost of revenues (1) (2) (3)	32,520	35,203	40,137	35,614	31,109
Gross profit	42,471	64,675	68,393	63,740	46,206
Operating expenses					
Sales and marketing (1) (2) (3)	26,936	32,889	45,132	47,716	42,799
Research and development (1) (2) (3)	26,564	27,841	33,318	28,751	20,715
General and administrative (1) (2) (3)	16,444	19,890	22,391	21,257	17,028
Impairment of goodwill	2,797	—	—	—	—
Total operating expenses	72,741	80,620	100,841	97,724	80,542
Loss from operations	(30,270)	(15,945)	(32,448)	(33,984)	(34,336)
Interest expense, net	(137)	(129)	(118)	(177)	(453)
Other (expenses) income, net	(77)	998	222	(466)	(571)
Loss before (provision for) benefit from income taxes	(30,484)	(15,076)	(32,344)	(34,627)	(35,360)
(Provision for) benefit from income taxes	(1,007)	(1,404)	(1,005)	1,456	(492)
Net loss available to common stockholders	$ (31,491)	$ (16,480)	$ (33,349)	$ (33,171)	$ (35,852)
Net loss per share available to common stockholders, basic and diluted (4) (5)	$ (5.59)	$ (3.01)	$ (6.38)	$ (6.79)	$ (9.54)
Weighted-average shares used to compute net loss per share available to common stockholders, basic and diluted (4) (5)	5,638	5,474	5,225	4,887	3,758

(1) Stock-based compensation included in the consolidated statements of operations data above was allocated as follows:

	Years Ended December 31,				
	2017	2016	2015	2014	2013
	(in thousands)				
Cost of revenues	$ 822	$ 1,314	$ 1,171	$ 765	$ 887
Sales and marketing	827	1,281	2,537	1,895	1,304
Research and development	1,996	4,989	7,518	3,785	1,346
General and administrative	1,059	2,711	4,393	2,797	1,681
	$ 4,704	$ 10,295	$ 15,619	$ 9,242	$ 5,218

(2) Amortization of intangible assets included in the consolidated statements of operations data above was allocated as follows:

	Years Ended December 31,				
	2017	2016	2015	2014	2013
	(in thousands)				
Cost of revenues	$ 971	$ 1,027	$ 1,033	$ 399	$ —
Sales and marketing	877	934	921	261	—
Research and development	969	1,027	1,034	397	—
General and administrative	33	92	146	74	—
	$ 2,850	$ 3,080	$ 3,134	$ 1,131	$ —

(3) Restructuring related expenses included in the consolidated statements of operations data above was allocated as follows:

	Years Ended December 31,				
	2017	2016	2015	2014	2013
	(in thousands)				
Cost of revenues	$ —	$ 184	$ 173	$ —	$ —
Sales and marketing	—	348	718	—	—
Research and development	—	44	53	—	—
General and administrative	—	20	270	—	—
	$ —	$ 596	$ 1,214	$ —	$ —

(4) See Note 13 of the consolidated financial statements for an explanation of the calculations of basic and diluted net loss per share available to common stockholders.

(5) All share and per share amounts of our common stock for all periods presented have been adjusted to reflect the one-for-seven reverse stock split of our issued and outstanding common stock, which took effect on October 5, 2017. See Note 2 of the consolidated financial statements for further information on this reverse stock split.

	As of December 31,				
	2017	2016	2015	2014	2013
			(in thousands)		
Consolidated Balance Sheet Data					
Cash and cash equivalents	$ 27,544	$ 34,420	$ 37,326	$ 68,253	$ 104,407
Property and equipment, net	15,559	20,581	21,817	16,274	14,417
Total assets	83,369	107,093	116,192	128,307	137,377
Current portion of long-term debt	1,416	1,015	1,384	2,587	3,253
Long-term debt and capital lease obligations, less current portion	1,687	2,381	1,557	621	2,962
Total stockholders’ equity	62,783	87,598	94,131	106,117	115,344

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition, results of operations and cash flows should be read in conjunction with the consolidated financial statements and related notes thereto included elsewhere in this Annual Report on Form 10-K for the fiscal year ended December 31, 2017. This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those forward-looking statements below. Factors that could cause or contribute to those differences include, but are not limited to, those identified below and those discussed in the section entitled "Risk Factors" included elsewhere in this Annual Report on Form 10-K. This Annual Report on Form 10-K contains "forward-looking statements" within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, or the "Exchange Act". These statements are often identified by the use of words such as "believe," "may," "potentially," "will," "estimate," "continue," "anticipate," "intend," "could," "should," "would," "project," "plan," "predict," "expect," "seek" and similar expressions or variations. Such forward-looking statements are subject to risks, uncertainties and other factors that could cause actual results and the timing of certain events to differ materially from future results expressed or implied by such forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those identified herein, and those discussed in the section titled "Risk Factors", set forth in Part I, Item 1A of this Annual Report on Form 10-K. Except as required by law, we disclaim any obligation to update any forward-looking statements to reflect events or circumstances after the date of such statements. References to "2017," "2016" and "2015" refer to the year ended December 31, 2017, the year ended December 31, 2016 and the year ended December 31, 2015, respectively.

Overview

We provide a leading cross-channel, cross-device, enterprise marketing software platform for search, social and display advertising channels, offered as a software-as-a-service, or SaaS, solution for advertisers and agencies. Our platform is an analytics, workflow and optimization solution for marketing professionals, allowing them to effectively manage their digital advertising spend across search, social and display channels. We market and sell our solutions to advertisers directly and through leading advertising agencies, and our customers collectively manage billions of dollars in advertising spend on our platform globally across a wide range of industries. Our solution is designed to help our customers:

- measure the effectiveness of their advertising campaigns through our proprietary reporting and analytics capabilities;
- manage and execute campaigns through our intuitive user interface and underlying technology that streamlines and automates key functions, such as advertisement creation and bidding, across multiple publishers and channels; and
- optimize campaigns across multiple publishers and channels based on market and business data to achieve desired revenue outcomes using our predictive bid management technology.

We generate revenues principally from subscription contracts under which we provide advertisers with access to our search, social and display advertising management platform, either directly or through the advertiser's relationship with an agency with whom we have a contract. In accordance with the subscription contracts, we charge fees generally based upon the amount of advertising spend that our customers manage through our platform. Our search subscription contracts are generally one year or longer in length, while social and display contracts may vary in duration.

Under our subscription contracts with most of our direct advertisers and some of our independent agency customers, customers are contractually committed to a minimum monthly platform fee, which is payable on a monthly basis over the duration of the contract and is generally greater than one-half of our estimated monthly revenues from these customers, at the time the contract is signed. However, most of our subscription contracts with our network advertising agency customers do not include a committed minimum monthly platform fee. In general, if our contractual arrangement is with an advertising agency, the advertiser is not a party to the terms of the contract . Accordingly, most advertisers through our agency customers do not have a commitment to use our services and the advertisers may be added or removed from our platform at the discretion of the respective agency. Historically, our revenues earned from advertising agency customers have ranged between approximately one-third and one-half of our overall revenues.

Under our subscription contracts, we generally begin invoicing our customers the first day of the month following the execution of the contract. We generally invoice the greater of the minimum monthly platform fee or the percentage of advertising spend on our platform. The implementation process for new advertisers is typically four to six weeks; however, we generally have not charged a separate implementation fee under our standard subscription contracts.

Our implementation and customer support personnel, as well as costs associated with our operating infrastructure, are included in our cost of revenues. We are leveraging our headcount and operating expenses to bring them in line with our revenues, while continuing to invest in our data center capacity and new platform features.

To grow revenues, we need to invest in (1) research and development to improve and further expand our platform and support for additional publishers and (2) sales activities by adding sales representatives globally to target new advertisers and agencies. These ac tivities will require us to make investments, particularly in research and development and sales and marketing, and if these investments do not generate additional customers or additional advertising spend managed by our platform, our future operating resu lts could be harmed.

The majority of our revenues are derived from advertisers based in the United States. Advertisers from outside of the United States represented 34%, 31% and 33% of total revenues for 2017, 2016 and 2015, respectively.

We were incorporated in 2006 and initially focused on building the core elements of our cloud-based platform, which we currently use to service our customers. In September 2007, we launched Marin Enterprise, which targets large advertisers and agencies. We released Marin Professional Edition in March 2011, which targets mid-market advertisers and agencies. We have an iterative development process and we typically release new features every month. Additionally, we have expanded internationally since our incorporation, opening our Hamburg, Paris and Sydney offices in 2011, our Dublin and Tokyo offices in 2012 and our Shanghai office in 2013. We completed our acquisitions of SocialMoov S.A.S. and NowSpots, Inc., which conducted business as Perfect Audience, in February 2015 and June 2014, respectively, to complement our product offerings. The acquisition of SocialMoov is more fully described in Note 3 to the consolidated financial statements.

Components of Results of Operations

Revenues

We generate revenues principally from subscription contracts under which we provide advertisers with access to our search, social and display advertising management platform, either directly or through the advertiser's relationship with an agency with whom we have a contract. Under these subscription contracts, we charge fees generally based upon the amount of advertising spend that our customers manage through our platform. Our search subscription contracts are generally one year or longer in length, while social and display contracts may vary in duration.

Under most of our contracts with advertising agencies, the advertiser is not a party to the terms of the contract. Accordingly, most advertisers operating through network agencies do not have a minimum commitment to use our services, and the advertisers may be added or removed from our platform at the discretion of the respective network agency. Under our subscription contracts with most direct advertisers and some of our independent agency customers, customers contractually commit to a minimum monthly platform fee, which is generally greater than one-half of our estimated monthly revenues from these customers, at the time the contract is signed.

Cost of Revenues

C ost of revenues primarily includes personnel costs, consisting of salaries, benefits, bonuses and stock-based compensation for employees associated with our cloud infrastructure and global services for implementation and ongoing customer service. Other costs of revenues include fees paid to contractors who supplement our support and data center personnel, expenses related to third-party data centers, depreciation of data center equipment, amortization of internally developed software, amortization of intangible assets and allocated overhead .

We intend to continue to invest in our global services and capacity of our hosting service infrastructure. We expect that this investment should not only expand the breadth and depth of our cross-channel, cross-device, enterprise marketing software platform but also increase the efficiency of how we deliver these solutions. The level and timing of investment in these areas could affect our cost of revenues in the future .

Sales and Marketing Expenses

Sales and marketing expenses include personnel costs, sales commissions and other costs including travel and entertainment, marketing and promotional events, lead generation activities, public relations, marketing activities, professional fees and allocated overhead. All of these costs are expensed as incurred, including sales commissions. Our commission plans provide that commission payments to our sales representatives are paid based on the actual amounts we invoice customers over a period that is generally up to six months following the execution of the applicable customer contract.

We expect that, in the future, sales and marketing expenses will decrease year over year in absolute dollars as we seek to realign our cost structure with our future revenues .

Research and Development Expenses

Research and development expenses consist primarily of personnel costs for our product development and engineering employees and executives, including salaries, benefits, stock-based compensation expense and bonuses. Also included are non-personnel costs such as professional fees payable to third-party development resources, amortization of intangible assets and allocated overhead.

Our research and development efforts are focused on enhancing our software architecture, adding new features and functionality to our platform and improving the efficiency with which we deliver these services to our customers. We expect that research and development expenses may decrease in absolute dollars as we seek to realign our cost structure with our future revenues .

General and Administrative Expenses

General and administrative expenses consist primarily of personnel costs, including salaries, benefits, stock-based compensation and bonuses for our administrative, legal, human resources, finance and accounting employees and executives. Also included are non-personnel costs, such as travel-related expenses, audit fees, tax services and legal fees, as well as professional fees, insurance and other corporate expenses, along with amortization of intangible assets and allocated overhead.

We expect our general and administrative expenses to decrease in absolute dollars in future periods as we seek to align our cost structure with our future revenues .

Other Income (Expenses), Net and Interest Expenses, Net

Other income (expenses), net, primarily consists of sublease income and foreign currency transaction gains and losses. Interest expense, net, consists primarily of interest income earned on our cash equivalents offset by the interest expense related to our capital lease obligations.

(Provision for) Benefit from Income Taxes

The (provision for) benefit from income taxes consists of federal, state and foreign income taxes. Due to recent losses, we maintain a valuation allowance against our United States deferred tax assets as of December 31, 2017. We consider all available evidence, both positive and negative, in assessing the extent to which a valuation allowance should be applied against our deferred tax assets.

Results of Operations

The following table is a summary of our consolidated statements of operations for the specified periods and results of operations as a percentage of revenues for those periods. The period-to-period comparisons of results are not necessarily indicative of results for future periods. Percentage of revenues figures are rounded and therefore may not subtotal exactly.

	Years Ended December 31,					
	2017		2016		2015	
	Amount	% of Revenue	Amount	% of Revenue	Amount	% of Revenue
	(dollars in thousands)					
Revenues, net	$ 74,991	100 %	$ 99,878	100 %	$ 108,530	100 %
Cost of revenues (1) (2) (3)	32,520	43	35,203	35	40,137	37
Gross profit	42,471	57	64,675	65	68,393	63
Operating expenses						
Sales and marketing (1) (2) (3)	26,936	36	32,889	33	45,132	42
Research and development (1) (2) (3)	26,564	35	27,841	28	33,318	31
General and administrative (1) (2) (3)	16,444	22	19,890	20	22,391	21
Impairment of goodwill	2,797	4	—	—	—	—
Total operating expenses	72,741	97	80,620	81	100,841	93
Loss from operations	(30,270)	(40)	(15,945)	(16)	(32,448)	(30)
Interest expense, net	(137)	—	(129)	—	(118)	—
Other (expenses) income, net	(77)	—	998	1	222	—
Loss before provision for income taxes	(30,484)	(41)	(15,076)	(15)	(32,344)	(30)
Provision for income taxes	(1,007)	(1)	(1,404)	(1)	(1,005)	(1)
Net loss	$ (31,491)	(42) %	$ (16,480)	(17) %	$ (33,349)	(31) %

(1) Stock-based compensation expense included in the consolidated statements of operations data above was as follows:

	Years Ended December 31,		
	2017	2016	2015
	(in thousands)		
Cost of revenues	$ 822	$ 1,314	$ 1,171
Sales and marketing	827	1,281	2,537
Research and development	1,996	4,989	7,518
General and administrative	1,059	2,711	4,393
	$ 4,704	$ 10,295	$ 15,619

(2) Amortization of intangible assets included in the consolidated statements of operations data above was as follows:

	Years Ended December 31,		
	2017	2016	2015
	(in thousands)		
Cost of revenues	$ 971	$ 1,027	$ 1,033
Sales and marketing	877	934	921
Research and development	969	1,027	1,034
General and administrative	33	92	146
	$ 2,850	$ 3,080	$ 3,134

(3) Restructuring related expenses included in the consolidated statements of operations data above was as follows:

	Years Ended December 31,		
	2017	2016	2015
		(in thousands)	
Cost of revenues	$ —	$ 184	$ 173
Sales and marketing	—	348	718
Research and development	—	44	53
General and administrative	—	20	270
	$ —	$ 596	$ 1,214

The following table sets forth our consolidated revenues by geographic area, as well as the related percentages of total revenues, for the specified periods.

	Years Ended December 31,					
	2017		2016		2015	
	Amount	% of Revenue	Amount	% of Revenue	Amount	% of Revenue
			(dollars in thousands)			
Revenues, net by geography						
United States of America	$ 49,637	66 %	$ 69,220	69 %	$ 72,942	67 %
International	25,354	34	30,658	31	35,588	33
Total revenues, net	$ 74,991	100 %	$ 99,878	100 %	$ 108,530	100 %

Adjusted EBITDA

Adjusted EBITDA is a financial measure not calculated in accordance with generally accepted accounting principles in the United States ("GAAP"). We define Adjusted EBITDA as net loss, adjusted for stock-based compensation expense, depreciation, the amortization of internally developed software and intangible assets, the capitalization of internally developed software costs, the impairment of goodwill and long-lived assets, interest expense, net, the provision for income taxes, other income or expenses, net, and costs associated with acquisitions and restructurings. Adjusted EBITDA should not be considered as an alternative to net loss, operating loss or any other measure of financial performance calculated and presented in accordance with GAAP. We prepare Adjusted EBITDA to eliminate the impact of items that we do not consider indicative of our core operating performance. Investors are encouraged to evaluate these adjustments and the reasons we consider them appropriate.

We believe Adjusted EBITDA is useful to investors in evaluating our operating performance for the following reasons:

- Adjusted EBITDA is widely used by investors and securities analysts to measure a company's operating performance without regard to items, such as stock-based compensation expense, depreciation and amortization, capitalized software development costs, interest expense, net, benefit from or provision for income taxes, other income or expenses, net, costs associated with acquisitions and restructurings, that can vary substantially from company to company depending upon their financing, capital structures and the method by which assets were acquired;
- Our management uses Adjusted EBITDA in conjunction with GAAP financial measures for bonus compensation and planning purposes, including the preparation of our annual operating budget, as a measure of operating performance and the effectiveness of our business strategies and in communications with our board of directors concerning our financial performance; and
- Adjusted EBITDA provides consistency and comparability with our past financial performance, facilitates period-to-period comparisons of operations and also facilitates comparisons with other peer companies, many of which use similar non-GAAP financial measures to supplement their GAAP results.

We understand that, although Adjusted EBITDA is frequently used by investors and securities analysts in their evaluations of companies, it has limitations as an analytical tool, and investors should not consider it in isolation or as a substitute for analysis of our results of operations as reported under GAAP. These limitations include:

- Depreciation and amortization are non-cash charges, and the assets being depreciated or amortized will often have to be replaced in the future; Adjusted EBITDA does not reflect any cash requirements for these replacements;
- Adjusted EBITDA does not reflect changes in, or cash requirements for, our working capital needs or contractual commitments;
- Adjusted EBITDA does not reflect cash requirements for income taxes and the cash impact of other income or expense; and
- Other companies may calculate Adjusted EBITDA differently than we do, limiting its usefulness as a comparative measure.

The following table presents a reconciliation of net loss, the most comparable GAAP measure, to Adjusted EBITDA for each of the periods indicated:

	Years Ended December 31,		
	2017	2016	2015
	(in thousands)		
Net loss	$ (31,491)	$ (16,480)	$ (33,349)
Depreciation	4,758	6,035	6,993
Amortization of internally developed software	3,669	2,988	2,550
Amortization of intangible assets	2,850	3,080	3,134
Interest expense, net	137	129	118
Provision for income taxes	1,007	1,404	1,005
EBITDA	(19,070)	(2,844)	(19,549)
Impairment of goodwill	2,797	—	—
Stock-based compensation expense	4,704	10,295	15,619
Capitalization of internally developed software	(2,068)	(4,712)	(5,568)
Acquisition related expenses	—	40	635
Restructuring related expenses	—	596	1,214
Other expenses (income), net	77	(998)	(222)
Adjusted EBITDA	$ (13,560)	$ 2,377	$ (7,871)

Comparison of the Years Ended December 31, 2017 and 2016

Revenues

	Years Ended December 31,		Change	
	2017	2016	$	%
	(dollars in thousands)			
Revenues, net	$ 74,991	$ 99,878	$ (24,887)	(25) %

Revenues in 2017 decreased by $24.9 million, or 25%, as compared to 2016. During 2017, we experienced an increase in customer turnover, combined with a decrease in new customer bookings. In addition, we continued to encounter significant competition and related price pressure within our marketplace, further driving down our revenues, net. Revenues, net in 2017 are also inclusive of the out-of-period adjustment described in Note 2 to the consolidated financial statements, which resulted in a decrease in revenues, net, of $0.4 million due to corrections from prior periods.

Revenues in 2017 and 2016 from our U.S. locations represented 66% and 69%, respectively, of total revenues, net. There were no customers that accounted for greater than 10% of our revenues in either 2017 or 2016.

Cost of Revenues and Gross Margin

	Years Ended December 31,		Change	
	2017	2016	$	%
	(dollars in thousands)			
Cost of revenues	$ 32,520	$ 35,203	$ (2,683)	(8) %
Gross profit	42,471	64,675	(22,204)	(34)
Gross margin	57 %	65 %		

Cost of revenues in 2017 decreased by $2.7 million, or 8%, as compared to 2016. This was primarily driven by a reduction in the number of global services and cloud infrastructure personnel, which led to decreases of $1.5 million in compensation and benefits expense, including stock-based compensation, and $0.3 million in allocated facilities and information technology costs as compared to 2016. We also experienced decreases of $0.4 million in both hosting costs, due to a decline in usage of our hosted platform, and in depreciation and amortization of internally developed software, due primarily to the nature and timing of internal projects as compared to 2016.

Our gross margin decreased to 57% during 2017, as compared to 65% during 2016. This was primarily due to our revenue declining during the year at a faster rate than the corresponding decrease in costs. Specifically, expenses for compensation and benefits, hosting, facilities and information technology and depreciation and amortization of internally developed software all declined in absolute dollars, but increased as a percentage of revenues in 2017, as compared to 2016.

Sales and Marketing

	Years Ended December 31,		Change	
	2017	2016	$	%
	(dollars in thousands)			
Sales and marketing	$ 26,936	$ 32,889	$ (5,953)	(18) %
Percent of revenues, net	36 %	33 %		

Sales and marketing expenses in 2017 decreased by $6.0 million, or 18%, as compared to 2016. This decrease was primarily due to a reduction in the global sales support and marketing headcount, contributing to net decreases of $5.9 million in personnel-related costs, and $0.7 million in allocated facilities and information technology costs as compared to 2016. Additionally, sales and marketing expenses in 2016 are inclusive of $0.4 million in costs associated with the 2016 Restructuring Plan, as described in Note 4 to the consolidated financial statements. These decreases were partially offset by increases of $0.4 million in marketing costs, due primarily to increased events and trade shows, and $0.5 million in professional fees, due largely to increased usage of consultants and contractors, as compared to 2016.

Research and Development

	Years Ended December 31,		Change	
	2017	2016	$	%
	(dollars in thousands)			
Research and development	$ 26,564	$ 27,841	$ (1,277)	(5) %
Percent of revenues, net	35 %	28 %		

Research and development expenses in 2017 decreased by $1.3 million, or 5%, as compared to 2016. This primarily reflects a $3.0 million decrease in stock-based compensation expense driven by employee turnover and the decline in our stock price, partially offset by a $2.0 million increase in compensation and benefits expense, excluding stock-based compensation, due to an overall increase in the number of full-time research and development personnel. There was also a corresponding reduction in the number of contractors and consultants utilized during 2017, resulting in a $0.2 million decrease in professional fees.

General and Administrative

	Years Ended December 31,		Change	
	2017	2016	$	%
	(dollars in thousands)			
General and administrative	$ 16,444	$ 19,890	$ (3,446)	(17) %
Percent of revenues, net	22 %	20 %		

General and administrative expenses in 2017 decreased by $3.4 million, or 17%, as compared to 2016. Compensation, benefits and other employee-related expenses decreased by $2.6 milli on during 2017, primarily due to reductions in headcount and stock-based compensation expense, driven by employee turnover and the decline in our stock price. Additionally, bad debt expense decreased $0.8 million as we improved efforts to collect on long o utstanding balances, and facilities expense decreased $0.7 million as we consolidated office space in certain locations in the prior year, including New York. These decreases were partially offset by a $0.8 million increase in professional fees, largely dr iven by the retention of outside firms and consultants to assist with ongoing accounting matters, including the implementation of upcoming revenue recognition guidance, as described in Note 2 to the consolidated financial statements, and the remediation of the material weakness identified in 2016, as described in Part II, Item 9A, under the heading "Controls and Procedures".

Impairment of Goodwill

	Years Ended December 31,		Change	
	2017	**2016**	**$**	**%**
		(dollars in thousands)		
Impairment of goodwill	$ 2,797	$ —	$ 2,797	100 %
Percent of revenues, net	4 %	— %		

We recorded a goodwill impairment charge of $2.8 million during 2017. No goodwill impairment triggering events were identified in 2016. Refer to Notes 2 and 6 of the accompanying consolidated financial statements for additional information on this goodwill impairment.

Interest Expense, Net and Other (Expenses) Income, Net

	Years Ended December 31,		Change	
	2017	**2016**	**$**	**%**
		(dollars in thousands)		
Interest expense, net	$ (137)	$ (129)	$ (8)	6 %
Other (expenses) income, net	(77)	998	(1,075)	(108) %

Interest expense, net primarily consists of interest charges on our capital lease obligations, partially offset by income from our cash equivalent money market funds.

Other (expenses) income, net, primarily consists of sublease income recorded under agreements for a portion of our San Francisco office space and our Portland office space, signed through December 2018 and May 2020, respectively, as well as foreign currency transaction gains and losses. During 2017, we earned sublease income of $1.1 million, which was offset by foreign currency transaction losses of $1.0 million and miscellaneous expenses of $0.1 million. This compared to 2016, when we earned sublease income of $0.8 million, with foreign currency transaction losses of less than $0.1 million.

Provision for Income Taxes

	Years Ended December 31,		Change	
	2017	**2016**	**$**	**%**
		(dollars in thousands)		
Provision for income taxes	$ (1,007)	$ (1,404)	$ 397	(28) %

The provision for income taxes for 2017 totaled $1.0 million, primarily due to profits earned by our wholly owned foreign subsidiaries.

Comparison of the Years Ended December 31, 2016 and 2015

Revenues

	Years Ended December 31,		Change	
	2016	**2015**	**$**	**%**
		(dollars in thousands)		
Revenues, net	$ 99,878	$ 108,530	$ (8,652)	(8) %

Revenues in 2016 decreased $8.7 million, or 8%, as compared to 2015. This decrease reflects a decline in sales and advertising spend from new and existing customers, and customer tur nover, particularly within network agencies. There were no customers that accounted for greater than 10% of our revenues in either 2016 or 2015.

Revenues in 2016 from the United States and all international locations represented 69% and 31%, respectively, of revenues, and in 2015, revenues from the United States and international locations represented 67% and 33%, respectively, of revenues.

Cost of Revenues and Gross Margin

	Years Ended December 31,		Change	
	2016	2015	$	%
	(dollars in thousands)			
Cost of revenues	$ 35,203	$ 40,137	$ (4,934)	(12) %
Gross profit	64,675	68,393	(3,718)	(5)
Gross margin	65 %	63 %		

Cost of revenues in 2016 decreased $5.0 million, or 12%, as compared to 2015. This decrease was largely driven by a reduction in the number of global services and cloud infrastructure personnel. As a result of this headcount reduction, compensation, benefits and travel expense in 2016 decreased $3.5 million as compared to 2015. During 2016, we also experienced decreases of $0.8 million in depreciation and amortization of internally developed software, and $0.4 million in professional consultant and contractor fees, as compared to 2015 .

Our gross margin increased to 65% during 2016 from 63% during 2015. This was due primarily to the reduction in the number of global services and cloud infrastructure personnel, as compensation as a percentage of revenues decreased 2% period over period during 2016.

Sales and Marketing

	Years Ended December 31,		Change	
	2016	2015	$	%
	(dollars in thousands)			
Sales and marketing	$ 32,889	$ 45,132	$ (12,243)	(27) %
Percent of revenues, net	33 %	42 %		

Sales and marketing expenses in 2016 decreased $12.2 million, or 27%, as compared to 2015. This decrease was due primarily to a decline in the global sales support and marketing headcount, including reductions that were part of our restructuring activities in 2015 and 2016 (as described in Note 4 to the consolidated financial statements). This contributed to a net decrease of $10.0 million in personnel-related costs, consisting primarily of employee compensation, benefits and travel costs, during 2016. The remaining decrease during 2016 was primarily the result of lower indirect overhead of $0.7 million, lower restructuring expenses of $0.4 million and decreased marketing costs of $0.8 million, as compared to 2015.

Research and Development

	Years Ended December 31,		Change	
	2016	2015	$	%
	(dollars in thousands)			
Research and development	$ 27,841	$ 33,318	$ (5,477)	(16) %
Percent of revenues, net	28 %	31 %		

Research and development expenses in 2016 decreased $5.5 million, or 16%, as compared to 2015. This primarily reflected a reduction in the number of full-time research and development personnel, resulting in a decrease of $5.8 million in compensation expense during 2016.

General and Administrative

	Years Ended December 31, 2016	2015	Change $	%
	(dollars in thousands)			
General and administrative	$ 19,890	$ 22,391	$ (2,501)	(11) %
Percent of revenues, net	20 %	21 %		

General and administrative expenses in 2016 decreased $2.5 million, or 11%, respectively, as compared to 2015. Compensation, benefits and other employee-related expenses decreased by $2.5 million during 2016, primarily due to a reduction in the number of general and administrative personnel. Restructuring expenses related to the organizational restructuring executed in 2016 were $0.2 million lower than those related to the organization restructuring executed in 2015, each as more fully described in Note 4 to our consolidated financial statements. Additionally, general and administrative expenses during 2015 were inclusive of $0.6 million in costs directly related to the acquisition of SocialMoov in February 2015. These decreases were partially offset by a $1.1 million increase in bad debt expense due to additions to the allowance for doubtful accounts during the year.

Interest Expense, Net and Other Income, Net

	Years Ended December 31, 2016	2015	Change $	%
	(dollars in thousands)			
Interest expense, net	$ (129)	$ (118)	$ (11)	9 %
Other income, net	998	222	776	350 %

Other income, net, primarily consists of sublease income recorded under agreements for portions of our San Francisco and Portland office spaces, signed in December 2015 and June 2016, respectively, as well as foreign currency transaction gains and losses. During 2016, sublease income totaled $0.8 million, while foreign exchange losses were less than $0.1 million.

Provision for Income Taxes

	Years Ended December 31, 2016	2015	Change $	%
	(dollars in thousands)			
Provision for income taxes	$ (1,404)	$ (1,005)	$ (399)	40 %

The provision for income taxes for 2016 totaled $1.4 million, primarily due to profits earned by our wholly owned foreign subsidiaries.

Quarterly Results of Operations

The following table sets forth our unaudited quarterly consolidated statements of operations data for each of the eight quarters in the period ended December 31, 2017. We have prepared the quarterly data on a basis consistent with our audited annual financial statements, including, in the opinion of management, all normal recurring adjustments necessary for the fair statement of the financial information contained in these statements. The historical results are not necessarily indicative of future results and should be read in conjunction with our consolidated financial statements and the related notes included elsewhere in this Annual Report on Form 10-K.

	Three Months Ended							
	December 31, 2017	September 30, 2017	June 30, 2017	March 31, 2017	December 31, 2016	September 30, 2016	June 30, 2016	March 31, 2016
	(in thousands)							
Revenues, net	$ 17,692	$ 18,224	$ 18,742	$ 20,333	$ 22,924	$ 24,013	$ 25,753	$ 27,188
Cost of revenues (1) (2) (3)	7,733	8,256	8,207	8,324	8,451	8,668	8,894	9,190
Gross profit	9,959	9,968	10,535	12,009	14,473	15,345	16,859	17,998
Operating expenses								
Sales and marketing (1) (2) (3)	6,920	6,630	6,710	6,676	6,916	7,581	9,285	9,107
Research and development (1) (2) (3)	6,108	6,672	6,646	7,138	6,520	6,268	7,044	8,009
General and administrative (1) (2) (3)	4,402	3,920	3,945	4,177	5,168	4,735	5,018	4,969
Impairment of goodwill	—	—	2,797	—	—	—	—	—
Total operating expenses	17,430	17,222	20,098	17,991	18,604	18,584	21,347	22,085
Loss from operations	(7,471)	(7,254)	(9,563)	(5,982)	(4,131)	(3,239)	(4,488)	(4,087)
Interest expense, net	(28)	(8)	(64)	(37)	(38)	(39)	(34)	(18)
Other income (expenses), net	259	(136)	(499)	299	366	188	411	33
Loss before (provision for) benefit from income taxes	(7,240)	(7,398)	(10,126)	(5,720)	(3,803)	(3,090)	(4,111)	(4,072)
(Provision for) benefit from income taxes	(31)	(151)	(419)	(406)	(793)	37	(307)	(341)
Net loss	$ (7,271)	$ (7,549)	$ (10,545)	$ (6,126)	$ (4,596)	$ (3,053)	$ (4,418)	$ (4,413)
Net loss per share available to common stockholders, basic and diluted (4)	$ (1.28)	$ (1.34)	$ (1.87)	$ (1.10)	$ (0.83)	$ (0.55)	$ (0.81)	$ (0.82)

(1) Stock-based compensation expense included in the consolidated statements of operations data above was as follows:

	Three Months Ended							
	December 31, 2017	September 30, 2017	June 30, 2017	March 31, 2017	December 31, 2016	September 30, 2016	June 30, 2016	March 31, 2016
	(in thousands)							
Cost of revenues	$ 193	$ 166	$ 152	$ 311	$ 299	$ 285	$ 309	$ 421
Sales and marketing	218	197	200	212	198	162	422	499
Research and development	356	326	318	996	840	852	1,275	2,022
General and administrative	254	234	248	323	366	532	933	880
Total stock-based compensation expense	$ 1,021	$ 923	$ 918	$ 1,842	$ 1,703	$ 1,831	$ 2,939	$ 3,822

(2) Amortization of intangible assets included in the consolidated statements of operations data above was as follows:

	Three Months Ended							
	December 31, 2017	September 30, 2017	June 30, 2017	March 31, 2017	December 31, 2016	September 30, 2016	June 30, 2016	March 31, 2016
	(in thousands)							
Cost of revenues	$ 239	$ 240	$ 245	$ 247	$ 247	$ 246	$ 263	$ 271
Sales and marketing	216	216	222	223	223	223	240	248
Research and development	239	239	244	247	247	246	263	271
General and administrative	5	5	10	13	13	15	28	36
Total amortization of intangible assets	$ 699	$ 700	$ 721	$ 730	$ 730	$ 730	$ 794	$ 826

(3) Restructuring related expenses included in the consolidated statements of operations data above was as follows:

	Three Months Ended							
	December 31, 2017	September 30, 2017	June 30, 2017	March 31, 2017	December 31, 2016	September 30, 2016	June 30, 2016	March 31, 2016
	(in thousands)							
Cost of revenues	$ —	$ —	$ —	$ —	$ 9	$ 24	$ 151	$ —
Sales and marketing	—	—	—	—	135	2	211	—
Research and development	—	—	—	—	—	(4)	48	—
General and administrative	—	—	—	—	3	2	15	—
Total restructuring related expenses	$ —	$ —	$ —	$ —	$ 147	$ 24	$ 425	$ —

(4) All share and per share amounts of our common stock for all periods presented have been adjusted to reflect the one-for-seven reverse stock split of our issued and outstanding common stock, which took effect on October 5, 2017. See Note 2 of the consolidated financial statements for further information on this reverse stock split

The following table sets forth our consolidated results of operations for the specified periods as a percentage of our revenues for those periods. Percentage of revenue figures are rounded and therefore may not subtotal exactly.

	Three Months Ended							
	December 31, 2017	September 30, 2017	June 30, 2017	March 31, 2017	December 31, 2016	September 30, 2016	June 30, 2016	March 31, 2016
	(as a % of revenues, net)							
Revenues, net	100 %	100 %	100 %	100 %	100 %	100 %	100 %	100 %
Cost of revenues	44	45	44	41	37	36	35	34
Gross profit	56	55	56	59	63	64	65	66
Operating expenses								
Sales and marketing	39	36	36	33	30	33	36	33
Research and development	35	37	35	35	28	26	27	29
General and administrative	25	22	21	21	23	20	19	18
Impairment of goodwill	—	—	15	—	—	—	—	—
Total operating expenses	99	95	107	88	81	78	83	81
Loss from operations	(42)	(40)	(51)	(29)	(18)	(13)	(17)	(15)
Interest expense, net	—	—	—	—	—	—	—	—
Other income (expenses), net	1	(1)	(3)	1	2	1	3	—
Loss before (provision for) benefit from income taxes	(41)	(41)	(54)	(28)	(17)	(13)	(16)	(15)
(Provision for) benefit from income taxes	—	(1)	(2)	(2)	(3)	—	(1)	(1)
Net loss	(41) %	(41) %	(56) %	(30) %	(20) %	(13) %	(17) %	(16) %

Liquidity and Capital Resources

Since our incorporation in March 2006, we have relied primarily on sales of our capital stock to fund our operating activities. From incorporation until our initial public offering ("IPO"), we raised $105.7 million, net of related issuance costs, in funding through private placements of our preferred stock. In March and April 2013, we raised net proceeds of $109.3 million in our IPO. From time to time, we have also utilized equipment lines and entered into capital lease arrangements to fund capital purchases. As of December 31, 2017, our principal sources of liquidity were our unrestricted cash and cash equivalents of $27.5 million and our capital lease arrangements. The approximate weighted average interest rate on our outstanding borrowings as of December 31, 2017 was 6.0%. Our primary operating cash requirements include the payment of compensation and related costs, as well as costs for our facilities and information technology infrastructure.

In December 2016, we terminated our existing revolving credit facility, which provided access to borrowings at the lesser of $20.0 million or 80% of eligible accounts receivable. No amounts were outstanding under this revolving credit facility at the date of termination, and we determined that it was no longer necessary. We maintain a $1.3 million irrevocable letter of credit to secure the non-cancelable lease for our corporate headquarters in San Francisco, which was previously collateralized by the revolving credit facility. Following the termination of that facility, we were required to restrict $1.3 million of our cash and cash equivalents from use to secure this letter of c redit. This balance is reflected as restricted cash on the consolidated balance sheets of the accompanying consolidated financial statements.

We presently maintain cash balances in our foreign subsidiaries. As of December 31, 2017, we had $27.5 million of unrestricted cash and cash equivalents in aggregate, of which $17.4 million was held by our foreign subsidiaries. On December 22, 2017, the United States enacted the Tax Cuts and Jobs Act ("TCJA"), which instituted fundamental changes to the taxation of multinational corporations. Among these changes is a mandatory one-time transition tax on the deemed repatriation of the accumulated earnings of certain of our foreign subsidiaries. While our application of the accounting for the TCJA is ongoing and currently uncertain, we provisionally estimate that no such tax will be due, as our foreign subsidiaries have accumulated significant losses.

If funds held by our foreign subsidiaries were needed for our U.S. operations, we would be required to accrue tax liabilities to repatriate these funds. However, given the amount of our net operating loss carryovers in the United States, such repatriation will most likely not result in material U.S. cash tax payments within the next year. Additionally, we do not believe that foreign withholding taxes associated with repatriating these funds would be material.

Based on our current and anticipated level of operations, including our internal forecasts and projections, we believe that our existing cash and cash equivalents will be sufficient to fund our operations for at least the next 12 months. Our future capital requirements will depend on many factors, including our efforts to improve revenue performance, the timing and extent of spending to support product development efforts and the timing of introductions of new features and enhancements to our platform. To the extent that existing cash and cash equivalents are insufficient to fund our future activities, we may need to raise additional funds through public or private equity or debt financing. Further actions to reduce costs may also be necessary, such as additional restructurings like the ones initiated in 2015, 2016 (see Note 4 of the accompanying consolidated financial statements) and January 2018 (see Note 17 of the accompanying consolidated financial statements).

Summary of Cash Flows

The following table sets forth a summary of our cash flows for the periods indicated:

	Years Ended December 31,		
	2017	2016	2015
		(in thousands)	
Net cash (used in) provided by operating activities	$ (4,870)	$ 6,081	$ (6,510)
Net cash used in investing activities	(2,518)	(5,914)	(21,890)
Net cash used in financing activities	(1,452)	(745)	(1,865)
Effect of foreign exchange rate changes on cash and cash equivalents and restricted cash	1,964	(1,035)	(662)
Net decrease in cash and cash equivalents and restricted cash	$ (6,876)	$ (1,613)	$ (30,927)

Operating Activities

Cash provided by or used in operating activities is primarily influenced by the amount of cash we invest in personnel and infrastructure to support the operation of our business and the increase in the number of advertisers using our platform. Cash provided by or used in operating activities has typically been affected by net losses and further increased by changes in our operating assets and liabilities, particularly in the areas of accounts receivable, prepaid expenses and other current assets, deferred revenue, accounts payable and accrued expenses and other current liabilities, adjusted for non-cash expense items such as impairment of goodwill, depreciation, amortization, stock-based compensation expense, unrealized foreign currency gains or losses, provision for bad debts and deferred income tax expenses or benefits.

Cash used in operating activities in 2017 of $4.9 million was primarily the result of a net loss of $31.5 million, adjusted for non-cash expenses of $20.9 million, which primarily included impairment of goodwill, depreciation, amortization, unrealized foreign currency gains or losses, stock-based compensation expense, provision for bad debts and deferred income tax benefits. This was further offset by a $5.7 million net change in working capital items, most notably (1) a decrease in accounts receivable of $4.8 million due to the timing of related collections and changes in the estimated allowances for bad debts and credits; (2) an increase in prepaid expenses and other current assets, and other (non-current) assets, of $0.3 million related to the timing of related disbursements; (3) a decrease in deferred revenues of $0.3 million related to the timing of the collection of minimum fees at the start of our subscription agreements; and (4) an increase in accounts payable and accrued expenses and other current and non-current liabilities of $1.6 million due to the timing of related disbursements and customer advances.

Cash provided by operating a ctivities in 2016 of $6.1 million was primarily the result of a net loss of $16.5 million, adjusted for non-cash expenses of $24.0 million, which primarily included depreciation, amortization, unrealized foreign currency gains or losses, stock-based compen sation expense and deferred income tax expenses or benefits. This was further offset by $0.1 million in contingent consideration paid for the SocialMoov acquisition from 2015, and a $1.4 million net change in working capital items, most notably (1) a decre ase in accounts receivable of $0.8 million due to the timing of related collections and changes in the estimated allowances for bad debts and credits; (2) a decrease in prepaid expenses and other current assets, and other (non-current) assets, of $0.2 mill ion related to the timing of related disbursements; (3) a decrease in deferred revenues of $0.6 million related to the timing of the collection of minimum fees at the start of our subscription agreements; and (4) a net decrease in accounts payable and accr ued expenses and other current and non-current liabilities of $1.7 million due to the timing of related disbursements and customer advances.

Cash used in operating activities in 2015 of $7.1 million was primarily the result of a net loss of $33.3 million, offset by non-cash expenses of $29.2 million, which primarily included depreciation, amortization, unrealized foreign currency gain or loss, stock-based compensation expense and deferred income tax expenses or benefits. These non-cash expenses increased due to capital expenses and additional equity awards related to continued investment in our business, as well as the acquisition of SocialMoov in February 2015. This was further offset by a $2.9 million net change in working capital items (exclusive of changes due to net liabilities assumed from the acquisition of SocialMoov in February 2015), most notably (1) an increase in accounts receivable of $3.0 million due to the increase in sales and the timing of related collections; (2) a decrease in prepaid expenses and other current assets, and other (noncurrent) assets, of $0.9 million related to the growth of our operations and timing of related disbursements; (3) a decrease in deferred revenues of $0.6 million related to the timing of the collection of minimum fees at the start of our subscription agreements; and (4) a net increase in accounts payable and accrued expenses and other current and noncurrent liabilities of $0.4 million due to the timing of related disbursements and customer advances.

Investing Activities

During 2017, 2016 and 2015, investing activities primarily consisted of purchases of property and equipment, including technology hardware and software to support our business, as well as capitalized internally developed software costs. Purchases of property and equipment may vary from period-to-period due to the timing of our operational requirements and the development cycles of our internally-developed hosted software platform. We expect to continue to invest in property and equipment and developing our software platform for the foreseeable future. Investing activities during 2015 are also inclusive of cash paid for the acquisition of SocialMoov ($8.9 million, net of cash acquired of $1.2 million).

Financing Activities

Cash used in financing activities in 2017 totaled $1.5 million. This was primarily due to $1.2 million in net repayments under our capital lease arrangements and $0.6 million in employee taxes paid for withheld shares upon the settlement of equity awards, partially offset by $0.3 million of proceeds from contributions to our employee stock purchase plan.

Cash used in financing activities in 2016 totaled $0.7 million. This was primarily due to $1.4 million in net repayments under our capital lease arrangements and $0.4 million in employee taxes paid for withheld shares upon settlement of equity awards, partially offset by $1.1 million of proceeds from the exercise of stock options and contributions to our employee stock purchase plan.

Cash used in financing activities in 2015 totaled $1.9 million. This was primarily due to $3.6 million in net repayments under the loans assumed in the SocialMoov acquisition, our credit facility and our capital lease arrangements, and $0.6 million in employee taxes paid for withheld shares upon settlement of equity awards, partially offset by $2.4 million of proceeds from the exercise of stock options and contributions to our employee stock purchase plan .

Contractual Obligations and Commitments

Our principal commitments consist of obligations under operating leases for office space, net of sublease income, and our capital leases for computer equipment. As of December 31, 2017, the future minimum payments under these commitments, were as follows:

	Payments Due By Period				
	Total	**Within 1 Year**	**1 - 3 Years**	**3 - 5 Years**	**More Than 5 Years**
			(in thousands)		
Capital lease obligations	$ 3,103	$ 1,416	$ 1,675	$ 12	$ —
Interest expense payments	240	160	80	—	—
Operating leases obligations, net	25,219	7,439	11,650	5,655	475
Total	$ 28,562	$ 9,015	$ 13,405	$ 5,667	$ 475

The amounts in the table above are associated with agreements that are enforceable and legally binding, which specify significant terms including payment terms, related services and the approximate timing of the transaction. Purchase obligations under contracts that we can cancel without a significant penalty are not included in the table.

During the ordinary course of business, we include indemnification provisions within certain of our contracts. Pursuant to these arrangements, we may be obligated to indemnify, hold harmless and agree to reimburse the indemnified party for losses suffered or incurred by the indemnified party, generally parties with which we have commercial relations, in connection with certain intellectual property infringement claims by any third party with respect to our software. To date, there have not been any costs incurred in connection with such indemnification arrangements and therefore, there is no accrual for such amounts as of December 31, 2017.

In addition to the obligations in the table above, we have approximately $1.6 million of uncertain tax positions that have been recorded as liabilities as of December 31, 2017. It is uncertain as to if or when such amounts may be settled.

Off-Balance Sheet Arrangements

During the periods presented, we did not have, nor do we currently have, any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities, which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. We are therefore not exposed to any financing, liquidity, market or credit risk that could arise if we had engaged in those types of relationships.

We have no obligations that meet the definition of an off-balance sheet arrangement as of December 31, 2017, other than operating leases and related subleases, as described in the Notes to the consolidated financial statements, and the irrevocable letter of credit described above.

Critical Accounting Policies and Significant Judgments and Estimates

The discussion and analysis of our financial condition and results of operations is based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these consolidated financial statements requires us to make estimates, assumptions and judgments that can have significant impact on the reported amounts of assets and liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities at the date of the consolidated financial statements. These items are monitored and analyzed by us for changes in facts and circumstances, and material changes in these estimates could occur in the future .

We believe the estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities. If actual results or events differ materially from those contemplated by us in making these estimates, our reported financial condition and results of operations for future periods could be materially affected. See “Risk Factors” for certain matters that may affect these estimates or our future financial condition or results of operations. An accounting policy is deemed to be critical if it requires an accounting estimate to be made based on assumptions about matters that are uncertain at the time the estimate is made, if different estimates reasonably could have been used, or if the changes in estimate that are reasonably likely to occur could materially impact the financial statements.

Our significant accounting policies are described in Note 2 to the consolidated financial statements included in this Annual Report on Form 10-K, and we believe that the accounting policies discussed below involve the greatest degree of complexity and exercise of judgment by our management. The methods, estimates and judgments that we use in applying our accounting policies have a significant impact on our results of operations and, accordingly, we believe the policies described below are the most critical for understanding and evaluating our financial condition and results of operations.

Revenue Recognition

We generate revenues principally from subscriptions either directly with advertisers or with advertising agencies to our platform for the management of search, social and display advertising. Our subscription agreements are generally one year or longer in length. The subscription fee under most contracts is variable based on the value of the advertising spend that our advertisers manage through our platform and is generally invoiced on a monthly basis. Contracts with direct advertisers and certain contracts with advertising agencies also include a minimum monthly fee that is payable over the duration of the contract. Our customers do not have the right to take possession of the software supporting the application service at any time, nor do the arrangements contain general rights of return. We commence revenue recognition for both direct advertisers and advertising agencies when all of the following conditions are met:

- persuasive evidence of an arrangement exists;
- our platform is made available to the customer;
- the fee is fixed or determinable; and
- collection is reasonably assured.

We recognize the total minimum fee for both direct advertisers and advertising agencies, where applicable, over the duration of the contract, commencing on the date that our platform is made available to the customer, provided revenues recognized do not exceed amounts that are invoiced and due. The variable fee, which is based on a percentage of the value of the advertising spend managed through our platform, is recognized once the amount is fixed or determinable, which is generally on a monthly basis concurrent with the issuance of the customer invoice. Signed contracts are used as evidence of an arrangement. We assess collectability based on a number of factors such as past collection history with the customer and creditworthiness of the customer. Certain agreements with advertising agencies also contain sequential liability provisions, which provide that the agency has no obligation to pay us until the agency receives payment from its customers. In these circumstances, we evaluate the credit worthiness of the agency’s customers, in addition to the agency itself, to conclude whether or not collectability is reasonably assured. If we determine collectability is not reasonably assured, we defer the revenue recognition until collectability becomes reasonably assured.

We apply the authoritative accounting guidance regarding revenue recognition for arrangements with multiple deliverables. Professional services and training, when sold with our platform subscription services, are accounted for separately when those services have standalone value. In determining whether professional services and training services can be accounted for separately from subscription services, we consider the following factors: availability of the services from other vendors; the nature of the services; the dependence of the subscription services on the customer’s decision to buy the professional services; and whether we sell our subscription services without professional services. If the deliverables have stand-alone value, we account for each deliverable separately and revenues are recognized for the respective deliverables as they are delivered. If one or more of the deliverables do not have stand-alone value, the deliverables that do not have stand-alone value are combined with the final deliverables within the arrangement and treated as a single unit of accounting. Revenues for arrangements treated as a single unit of accounting are recognized over the period of the contract commencing upon delivery of the final deliverable. As of December 31, 2017, we did not have stand-alone value for the professional services and training services. This is because we include professional services and training services with our subscription services and those services are not available from other vendors.

Stock-Based Compensation

We have awarded more restricted stock units (“RSUs”) than stock options in recent years. As a result, the expense from RSUs represents a larger portion of total stock-based compensation expense than the expense from stock options. We also recognize stock-based compensation expense from our employee stock purchase plan (“ESPP”), and have historically recognized expense from restricted shares issued as part of business combinations that were subject to vesting requirements (“restricted shares”). We measure and recognize expense for stock-based compensation based on the grant date fair value of the award and generally recognize the expense, net of estimated forfeitures, on a straight-line basis over the requisite service period.

The fair value of our RSUs and restricted shares equals the market value of our common stock on the date of grant. Compensation expense for these awards is recognized on a straight-line basis over the requisite service period, which generally ranges between two to four years. As of December 31, 2017, we had no restricted shares outstanding, and no related stock-compensation expense will be recognized until additional restricted shares are issued.

We estimate the grant date fair value of our stock options using the Black-Scholes option pricing model on the date of grant, and the associated expense is recognized over the requisite service period, which is generally the vesting period, on a straight-line basis. Determining the fair value of stock options under this model requires judgment, including estimating the volatility, risk-free interest rate, expected term and estimated dividend yield, which are estimated as follows:

- ***Expected Volatili ty*** . As our common stock has been publicly traded for approximately four years, there is a lack of Company-specific historical and implied volatility data. Accordingly, we have estimated the expected stock price volatility for our common stock by taking the average historic price volatility for industry peers based on daily price observations over a period equivalent to the expected term of the stock option grants. Industry peers consist of public companies in the technology industry, primarily in the subscr iption software business.
- ***Risk-Free Interest Rate*** . The risk-free interest rate assumption used is based on observed market interest rates appropriate for the expected term of employee options.
- ***Expected Term*** . We estimated the expected term for a "plain vanilla" option using the simplified method allowed under current guidance, which uses the midpoint between the graded vesting period and the contractual termination date since we do not have sufficient historical exercise data to provide a reasonable basis upon which to estimate the expected term.
- ***Dividend Yield*** . We have never declared or paid any cash dividends and do not presently plan to pay cash dividends in the foreseeable future. Consequently, we used an expected dividend yield of zero.

We have granted stock options with exercise prices equal to the fair market value of common stock, on the grant date. In addition, stock-based compensation guidance requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. We apply an estimated forfeiture rate based on our historical forfeiture experience.

Future expense amounts for any particular period could be affected by changes in our assumptions or changes in market conditions.

Income Taxes

As a result of our current net operating loss position in the United States, income tax expense consists primarily of corporate income taxes resulting from profits generated in foreign jurisdictions by wholly owned subsidiaries, along with state income taxes payable in the United States. As we have incurred operating losses in all periods to date and recorded a full valuation allowance against our deferred tax assets (except for deferred tax assets associated with certain of our foreign subsidiaries), we have not historically recorded a provision for U.S. federal income taxes. Realization of any of our deferred tax assets depends upon future earnings, the timing and amount of which are uncertain. We consider all available evidence, both positive and negative, in assessing the extent to which a valuation allowance should be applied against our deferred tax assets.

Utilization of our net operating losses may be subject to substantial annual limitation due to the ownership change limitations provided by the Code and similar state provisions. The Company has assessed the application of Internal Revenue Code Section 382 during the fourth quarter of 2017, and concluded no limitation currently applies, and the Company will continue to monitor activities in the future. In the event we have subsequent changes in ownership or profitability is delayed, net operating losses and research and development credit carryovers could be further limited and may expire unutilized.

As further discussed in Note 12 to the accompanying consolidated financial statements, on December 22, 2017, the United States enacted the TCJA, which institutes significant changes to U.S. tax laws. In accordance with the SEC's Staff Accounting Bulletin No. 118 ("SAB 118"), we have recorded provisional estimates to reflect the effect of the provisions of the TCJA on our income tax assets and liabilities as of December 31, 2017. We continue to collect additional information to support and refine our calculations on the impact of these changes on our operations and recorded income tax assets and liabilities. The ultimate impact of the TCJA may differ from our provisional estimates due to the changes in the interpretations and assumptions we made, as well as additional regulatory guidance.

Allowance for Doubtful Accounts

We assess collectability based on a number of factors, including credit worthiness of the customer along with past transaction history; in addition, we perform periodic evaluations of our customers' financial condition. Certain contracts with advertising agencies contain sequential liability provisions, where the agency does not have an obligation to pay until payment is received from the agency's customers. In these circumstances, we evaluate the credit worthiness of the agency's customers, in addition to the agency itself. Credit losses historically have not been material, which is directly attributable to our subscription-based services model, enabling us to immediately discontinue the availability of the services in question in the event of non-payment. Through December 31, 2017, we have not experienced any material credit losses.

Goodwill, Intangible Assets and Other Long-Lived Assets - Impairment Assessments

We review goodwill for impairment annually during the fourth quarter, and whenever events or changes in circumstances indicate its carrying value may not be recoverable, in accordance with authoritative accounting guidance. For the purposes of impairment testing, we have determined that we have one reporting unit. We perform the simplified goodwill impairment test, whereby we compare the fair value of each reporting unit to its carrying value. If the fair value of the reporting unit exceeds the carrying value of the net assets assigned to that reporting unit, goodwill is not considered impaired. If the carrying value of the net assets assigned to the reporting unit exceeds the fair value of the reporting unit, then goodwill is considered impaired and a loss equal to that difference is recorded.

In the first half of 2017, the market capitalization of our common stock sustained a significant decline so that it fell below the book value of our net assets, triggering the need to conduct an interim goodwill impairment test. The outcome of this goodwill impairment test resulted in an impairment of goodwill of $2.8 million, recorded in the second quarter of 2017. Refer to Note 2 and Note 6 of the consolidated financial statements for further details on this goodwill impairment test. No goodwill impairment was identified in the period subsequent to the second quarter of 2017, including from the results of our annual impairment test in the fourth quarter.

We periodically review the carrying amounts of intangible assets and other long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of these assets may not be recoverable. We measure the recoverability of these assets by comparing the carrying amount of such assets (or asset group) to the future undiscounted cash flow we expect the assets (or asset group) to generate. If we consider any of these assets to be impaired, the impairment to be recognized equals the amount by which the carrying value of the assets exceeds its fair value. We make judgments about the recoverability of purchased intangible assets whenever events or changes in circumstances indicate that an impairment may exist.

Each period we evaluate the estimated remaining useful lives of intangible assets and other long-lived assets to assess whether a revision to the remaining periods of amortization is required. Assumptions and estimates about remaining useful lives of our intangible and other long-lived assets are subjective. They can be affected by a variety of factors, including external factors such as industry and economic trends and internal factors such as changes in our business strategy. Although we believe the historical assumptions and estimates we have made are reasonable and appropriate, different assumptions and estimates could materially impact our reported financial results. We did not recognize any intangible asset impairment charges to date.

Recent Accounting Pronouncements

See “Note 2 – Summary of Significant Accounting Policies” to the consolidated financial statements included in this Annual Report on Form 10-K, regarding the impact of certain recent accounting pronouncements on our consolidated financial statements.

ITEM 7A. Quantitative and Qualitative Disclosures About Market Risk

We have operations both within the United States and internationally and we are exposed to market risks in the ordinary course of our business. These risks primarily include interest rate, foreign exchange and inflation risks, as well as risks relating to changes in the general economic conditions in the countries where we conduct business. To manage certain of these risks, we monitor the financial condition of our large customers and limit credit exposure by setting credit limits as we deem appropriate. In addition, our investment strategy has been to invest in financial instruments that are highly liquid and readily convertible into cash, with maturity dates within three months from the date of purchase. To date, we have not used derivative instruments to mitigate the impact of our market risk exposures. We have also not used, nor do we intend to use, derivatives for trading or speculative purposes .

Interest Rate Risk

We are exposed to market risk related to changes in interest rates. Our investments are considered cash equivalents and primarily consist of money market funds. As of December 31, 2017, we had unrestricted cash and cash equivalents of $27.5 million. The carrying amount of our cash and cash equivalents reasonably approximates fair value, due to the short maturities of these investments. The primary objectives of our investment activities are the preservation of capital, the fulfillment of liquidity needs and the fiduciary control of cash and investments. We do not enter into investments for trading or speculative purposes. Our investments are exposed to fluctuations in interest rates, which may affect our interest income and the fair market value of our investments. Due to the short-term nature of our investment portfolio, we believe only dramatic fluctuations in interest rates would have a material effect on our investments. As such we do not expect our operating results or cash flows to be materially affected by a sudden change in market interest rates .

As of December 31, 2017 we had an aggregate of $3.1 million in borrowings outstanding, which consisted entirely of long-term capital lease obligations with fixed interest rates. The interest rates of our capital leases range from 5% to 8%. A hypothetical 10%

increase or decrease in interest rates relative to our current interest rates as of December 31, 2017 woul d not have a material impact on the fair values of all of our outstanding capital lease obligations, and would result in an insignificant impact to interest expense for 2017.

Foreign Currency Exchange Risk

We have foreign currency risks related to our revenues and operating expenses denominated in currencies other than the United States Dollar, primarily the Euro, British Pound Sterling, Singapore Dollar, Japanese Yen, Chinese Yuan, and Australian Dollar. Revenues outside of the United States as a percentage of consolidated revenues were 34%, 31% and 33% during 2017, 2016 and 2015, respectively. Changes in exchange rates may negatively affect our revenues and other operating results as expressed in U.S. Dollars. Aggregate foreign currency (losses) gains included in determining net loss were $(1.0) million, less than $(0.1) million and $0.3 million during 2017, 2016 and 2015, respectively. Transaction gains and losses are included in other income (expenses), net.

If our international operations grow, our risks associated with fluctuation in currency rates will become greater, and we will continue to reassess our approach to managing this risk. In addition, currency fluctuations or a weakening U.S. Dollar can increase the costs of any potential international expansion, while a strengthening U.S. Dollar can negatively impact our international revenues. To date, we have not entered into any foreign currency hedging contracts, since exchange rate fluctuations have not had a material impact on our operating results and cash flows. Based on our current international structure, we do not plan on engaging in hedging activities in the near future, and we also do not expect that the effects of a 10% shift in foreign currency exchange rates would have a material impact on any financial instruments currently held by us.

Inflation Risk

We do not believe that inflation has had a material effect on our business, financial condition or results of operations. Nonetheless, if our costs were to become subject to significant inflationary pressures, we may not be able to fully offset such higher costs through price increases. Our inability or failure to do so could harm our business, financial condition and results of operations.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The information in response to this item is included in our consolidated financial statements, together with the report thereon of PricewaterhouseCoopers LLP, in Item 15 under the heading “Exhibits, Financial Statement Schedules,” and in Item 7 under the heading “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Regulations under the Securities Exchange Act of 1934, as amended (“Exchange Act”) require public companies, including us, to maintain “disclosure controls and procedures,” which are defined in Rule 13a-15(e) and Rule 15d-15(e) to mean a company’s controls and other procedures that are designed to ensure that information required to be disclosed in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in our reports filed under the Exchange Act is accumulated and communicated to management, including our Principal Executive Officer and Principal Financial Officer, or persons performing similar functions, as appropriate to allow timely decisions regarding required or necessary disclosures.

In designing and evaluating our disclosure controls and procedures, management recognizes that disclosure controls and procedures, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the disclosure controls and procedures are met. Additionally, in designing disclosure controls and procedures, our management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible disclosure controls and procedures. Further, controls can be circumvented by the individual acts of some persons, by collusion of two or more people or by management override of the controls. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, controls may become inadequate because of changes in conditions, or the degree of compliance with policies or procedures may deteriorate. Because of the inherent limitations in a cost effective control system, misstatements due to error or fraud may occur and not be detected.

Management, with the participation of our Principal Executive Officer and Principal Financial Officer have evaluated the effectiveness of the disclosure controls and procedures as of the end of the period. Based on such evaluation, the Principal Executive Officer and Principal Financial Officer have concluded that, as of December 31, 2017, our disclosure controls and procedures were effective at a reasonable assurance level .

Management's Annual Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f) and 15(d)-15(f). Our internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of the financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures are being made only in accordance with authorizations of our management and directors; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of our assets that could have a material effect on the financial statements.

Internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements prepared for external purposes in accordance with generally accepted accounting principles. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our management, with the participation of our Principal Executive Officer and Principal Financial Officer, conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in *Internal Control – Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. As a result of that evaluation, management concluded that our internal control over financial reporting was effective as of December 31, 2017.

Management's report was not subject to attestation by the Company's registered public accounting firm pursuant to rules of the SEC that permit the Company to provide only management's report in this annual report.

Remediation of Material Weakness

As described in Item 9A. Controls and Procedures in our Annual Report on Form 10-K for the fiscal year ended December 31, 2016, an error was identified related to the accounting for changes in uncertain tax positions at one of our subsidiaries in France, and management ultimately determined that a design deficiency existed in a control intended to properly account for and present the accounting for income taxes in accordance with GAAP. As this control deficiency could have resulted in misstatements of the related income tax accounts, and such misstatement could have resulted in a material misstatement in our annual or interim consolidated financial statements, management concluded that the control deficiency constituted a material weakness.

To address and remediate the material weakness in internal control of financial reporting described above, we performed a comprehensive review of our related procedures and controls and took the following actions:

- Modified and strengthened the accounting personnel structure, including the hiring of a new corporate controller, to bolster the execution and oversight of internal control policies and procedures;
- Hired an experienced tax professional from an outside accounting firm to serve in an external tax director role at the Company; and
- Implemented enhanced reconciliation procedures and management review controls surrounding the income tax provision, with the assistance of the new external tax director.

Management determined that the remediation actions described above were effectively designed and demonstrated effective operation for a sufficient period of time to enable us to conclude that the material weakness related to the accounting and presentation of income taxes in accordance with GAAP was remediated as of December 31, 2017.

Changes in Internal Control Over Financial Reporting

There was no change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the quarterly period ended December 31, 2017, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting .

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by this item concerning our directors, executive officers, Section 16 compliance and corporate governance matters will be set forth under the headings “Directors and Executive Officers” and “Section 16(a) Beneficial Ownership Compliance” in the Proxy Statement and is incorporated into this report by reference.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this item regarding executive compensation will be set forth under the headings “Executive Compensation” in the Proxy Statement and is incorporated into this report by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by this item regarding security ownership of certain beneficial owners and management and related stockholder matters will be set forth under the headings “Security Ownership of Certain Beneficial Owners and Management” in the Proxy Statement and is incorporated into this report by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by this item regarding related party transactions and director independence will be set forth under the headings “Board of Directors and Committees of the Board,” “Related Party Transactions” in the Proxy Statement and is incorporated into this report by reference.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information required by this item regarding principal accounting fees and services will be set forth under the headings “Ratification of Appointment of Independent Registered Public Accounting Firm” in the Proxy Statement and is incorporated into this report by reference.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(1) Financial Statements

The following financial statements are presented in response to Part II, Item 8, under the heading “Financial Statements and Supplementary Data”:

The supplementary financial information required by Item 8 is included in Part II, Item 7 under the heading “Quarterly Results of Operations Data,” which is incorporated herein by reference.

(2) Financial Statement Schedules

All schedules are omitted because they are not applicable, not required or the information is included in the accompanying consolidated financial statements or notes thereto.

(3) Exhibits

Exhibit Number	Description of Document	Incorporated by Reference Form	File No.	Exhibit	Filing Date	Filed Herewith
3.1	Restated Certificate of Incorporation.	10-Q	001-35838	3.1	5/9/2013	
3.2	Restated Bylaws.	10-Q	001-35838	3.2	5/9/2013	
3.3	Certificate of Amendment to Certificate of Incorporation.	8-K	001-35838	3.1	10/5/2017	
4.1	Form of Common Stock Certificate.	S-1/A	333-186669	4.1	3/15/2013	
10.1	Form of Indemnification Agreement.					X
10.2#	2006 Equity Incentive Plan and forms of stock option agreement and stock option exercise agreement.	S-1	333-186669	10.2	2/13/2013	
10.3#	2013 Equity Incentive Plan and forms of stock option agreement, stock option exercise agreement, restricted stock agreement, and RSU award agreement.	S-1/A	333-186669	10.3	3/4/2013	
10.4#	2013 Employee Stock Purchase Plan and form of subscription agreement.	S-1/A	333-186669	10.4	3/4/2013	
10.5	Master Services Agreement, dated as of August 3, 2009, by and between the Registrant and Switch Communications Group L.L.C.	S-1	333-186669	10.7	2/13/2013	
10.6#	Form of Severance and Change in Control Agreement between the Registrant and each of the executive officers.	S-1/A	333-186669	10.9	3/11/2013	
10.7#	Executive Bonus Compensation Plan.	10-K	001-35838	10.11	2/20/2015	
10.8#	Offer Letter, dated May 4, 2014, by and between the Registrant and David. A. Yovanno.	8-K	001-35838	10.1	5/8/2014	
10.9#	Description of Director Compensation Program.	10-K	001-35838	10.14	2/20/2015	
10.10#	Offer Letter, dated as of July 1, 2015, by and between the Registrant and Catriona M. Fallon.	10-Q	001-35838	10.2	8/6/2015	
10.11#	Transition and Separation Agreement, dated as of September 14, 2015, by and between the Registrant and Christopher A. Lien.	10-Q	001-35838	10.4	11/5/2015	
10.12	Office Lease, dated as of January 7, 2011, by and between the Registrant and 123 Mission, LLC, as amended.	10-K	001-35838	10.16	2/23/2016	
10.13#	Offer Letter, dated as of August 23, 2016, by and between the Registrant and Christopher A. Lien.	10-Q	001-35838	10.1	11/9/2016	
10.14#	Offer Letter, dated March 17, 2017, by and between the Registrant and Bradley W. Kinnish.	8-K	001-35838	99.1	3/22/2017	
10.15#	Letter Amendment to Offer Letter, dated June 26, 2017, by and between the Registrant and Bradley W. Kinnish.	10-Q	001-35838	10.1	8/10/2017	
21.1	Subsidiaries of the Registrant.					X
23.1	Consent of independent registered public accounting firm.					X
31.1	Certification of Principal Executive Officer pursuant to Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					X

Exhibit Number	Description of Document	Incorporated by Reference Form	File No.	Exhibit	Filing Date	Filed Herewith
31.2	Certification of Principal Financial Officer pursuant to Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					X
32.1*	Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.					X
32.2*	Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.					X
101.INS	XBRL Instance Document					X
101.SCH	XBRL Taxonomy Schema Linkbase Document					X
101.CAL	XBRL Taxonomy Calculation Linkbase Document					X
101.DEF	XBRL Taxonomy Definition Linkbase Document					X
101.LAB	XBRL Taxonomy Labels Linkbase Document					X
101.PRE	XBRL Taxonomy Presentation Linkbase Document					X

* As contemplated by SEC Release No. 33-8212, these exhibits are furnished with this Annual Report on Form 10-K and are not deemed filed with the Securities and Exchange Commission and are not incorporated by reference in any filing of the Registrant under the Securities Act of 1933 or the Exchange Act of 1934, whether made before or after the date hereof and irrespective of any general incorporation language in such filings.

\# Represents a management contract or compensatory plan.

ITEM 16. FORM 10-K SUMMARY

None.

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of Marin Software Incorporated

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Marin Software Incorporated and its subsidiaries ("the Company") as of December 31, 2017 and 2016 , and the related consolidated statements of comprehensive loss, of stockholders' equity and of cash flows for each of the three years in the period ended December 31 2017 , including the related notes (collectively referred to as the " consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2016 , and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2017 in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits of these consolidated financial statements in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/PricewaterhouseCoopers LLP
San Francisco, California
February 28, 2018

We have served as the Company's auditor since 2010.

Marin Software Incorporated
Consolidated Balance Sheets
(in thousands, except per share data)

	December 31, 2017	December 31, 2016
Assets		
Current assets		
Cash and cash equivalents	$ 27,544	$ 34,420
Restricted cash	1,293	1,293
Accounts receivable, net	12,237	18,761
Prepaid expenses and other current assets	3,989	3,808
Total current assets	45,063	58,282
Property and equipment, net	15,559	20,581
Goodwill	16,768	19,318
Intangible assets, net	4,475	7,325
Other non-current assets	1,504	1,587
Total assets	$ 83,369	$ 107,093
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable	$ 2,826	$ 2,434
Accrued expenses and other current liabilities	10,015	8,362
Deferred revenues	459	795
Capital lease obligations	1,416	1,015
Total current liabilities	14,716	12,606
Capital lease obligations, non-current	1,687	2,381
Other long-term liabilities	4,183	4,508
Total liabilities	20,586	19,495
Commitments and contingencies (Note 15)		
Stockholders' equity		
Convertible preferred stock, $0.001 par value - 10,000 shares authorized, no shares issued and outstanding at December 31, 2017 and December 31, 2016, respectively	—	—
Common stock, $0.001 par value - 142,857 shares authorized, 5,729 and 5,542 shares issued, 5,729 and 5,541 outstanding at December 31, 2017 and December 31, 2016, respectively	6	6
Additional paid-in capital	291,163	286,692
Accumulated deficit	(227,704)	(196,213)
Accumulated other comprehensive loss	(682)	(2,887)
Total stockholders' equity	62,783	87,598
Total liabilities and stockholders' equity	$ 83,369	$ 107,093

The accompanying notes are an integral part of these consolidated financial statements.

Marin Software Incorporated
Consolidated Statements of Comprehensive Loss
(in thousands, except per share data)

	Years Ended December 31, 2017	2016	2015
Revenues, net	$ 74,991	$ 99,878	$ 108,530
Cost of revenues	32,520	35,203	40,137
Gross profit	42,471	64,675	68,393
Operating expenses			
Sales and marketing	26,936	32,889	45,132
Research and development	26,564	27,841	33,318
General and administrative	16,444	19,890	22,391
Impairment of goodwill	2,797	—	—
Total operating expenses	72,741	80,620	100,841
Loss from operations	(30,270)	(15,945)	(32,448)
Interest expense, net	(137)	(129)	(118)
Other (expenses) income, net	(77)	998	222
Loss before provision for income taxes	(30,484)	(15,076)	(32,344)
Provision for income taxes	(1,007)	(1,404)	(1,005)
Net loss	(31,491)	(16,480)	(33,349)
Foreign currency translation adjustments	2,205	(1,110)	(1,030)
Comprehensive loss	$ (29,286)	$ (17,590)	$ (34,379)
Net loss per share available to common stockholders, basic and diluted	$ (5.59)	$ (3.01)	$ (6.38)
Weighted-average shares used to compute net loss per share available to common stockholders, basic and diluted	5,638	5,474	5,225
Stock-based compensation is allocated as follows (Note 11):			
Cost of revenues	$ 822	$ 1,314	$ 1,171
Sales and marketing	827	1,281	2,537
Research and development	1,996	4,989	7,518
General and administrative	1,059	2,711	4,393
Amortization of intangible assets is allocated as follows (Note 6):			
Cost of revenues	$ 971	$ 1,027	$ 1,033
Sales and marketing	877	934	921
Research and development	969	1,027	1,034
General and administrative	33	92	146
Restructuring related expenses are allocated as follows (Note 4):			
Cost of revenues	$ —	$ 184	$ 173
Sales and marketing	—	348	718
Research and development	—	44	53
General and administrative	—	20	270

The accompanying notes are an integral part of these consolidated financial statements.

Marin Software Incorporated
Consolidated Statements of Stockholders' Equity
(in thousands)

	Common Stock					
	Shares	Amount	Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
Balances at December 31, 2014	5,026	$ 5	$ 253,251	$ (146,392)	$ (747)	$ 106,117
Issuance of common stock from exercise of vested stock options, vesting of restricted stock units and vesting of options and shares subject to repurchase (Note 10)	192	—	2,014	—	—	2,014
Tax withholding related to vesting of restricted stock units	—	—	(571)	—	—	(571)
Issuance of common stock under employee stock purchase plan	37	—	1,035	—	—	1,035
Issuance of unrestricted common stock in connection with acquisition of SocialMoov S.A.S.	91	—	4,338	—	—	4,338
Stock issuance costs incurred in connection with acquisition of SocialMoov S.A.S.	—	—	(51)	—	—	(51)
Stock-based compensation expense	—	—	15,619	—	—	15,619
Repurchase of unvested shares	—	—	(2)	—	—	(2)
Stock-based compensation tax benefits	—	—	3	—	—	3
Net loss	—	—	—	(33,349)	—	(33,349)
Foreign currency translation adjustments and other, net	—	—	—	8	(1,030)	(1,022)
Balances at December 31, 2015	5,346	5	275,636	(179,733)	(1,777)	94,131
Issuance of common stock from exercise of vested stock options, vesting of restricted stock units and vesting of options and shares subject to repurchase (Note 10)	87	1	569	—	—	570
Tax withholding related to vesting of restricted stock units	—	—	(362)	—	—	(362)
Issuance of common stock under employee stock purchase plan	42	—	548	—	—	548
Issuance of unrestricted common stock in connection with acquisition of SocialMoov S.A.S.	66	—	—	—	—	—
Stock-based compensation expense	—	—	10,295	—	—	10,295
Net loss	—	—	—	(16,480)	—	(16,480)
Foreign currency translation adjustments and other, net	—	—	6	—	(1,110)	(1,104)
Balances at December 31, 2016	5,541	6	286,692	(196,213)	(2,887)	87,598
Issuance of common stock from vesting of restricted stock units and vesting of options and shares subject to repurchase (Note 10)	79	—	11	—	—	11
Tax withholding related to vesting of restricted stock units	—	—	(604)	—	—	(604)
Issuance of common stock under employee stock purchase plan	43	—	362	—	—	362
Issuance of unrestricted common stock in connection with acquisition of SocialMoov S.A.S.	66	—	—	—	—	—
Stock-based compensation expense	—	—	4,704	—	—	4,704
Net loss	—	—	—	(31,491)	—	(31,491)
Foreign currency translation adjustments and other, net	—	—	(2)	—	2,205	2,203
Balances at December 31, 2017	5,729	$ 6	$ 291,163	$ (227,704)	$ (682)	$ 62,783

The accompanying notes are an integral part of these consolidated financial statements.

Marin Software Incorporated
Consolidated Statements of Cash Flows
(in thousands)

	Years Ended December 31, 2017	2016	2015
Operating activities			
Net loss	$ (31,491)	$ (16,480)	$ (33,349)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities			
Impairment of goodwill	2,797	—	—
Depreciation	4,758	6,035	6,993
Amortization of internally developed software	3,669	2,988	2,550
Amortization of intangible assets	2,850	3,080	3,134
(Gain) loss on disposal of property and equipment	(11)	(3)	19
Unrealized foreign currency losses (gains)	986	(419)	(216)
Non-cash interest expense related to debt agreements	15	27	42
Stock-based compensation related to equity awards and restricted stock	4,704	10,295	15,619
Provision for bad debts	1,507	2,328	1,210
Deferred income tax benefits	(358)	(305)	(177)
Excess tax benefits from stock-based award activities	—	—	(3)
Payment of contingent consideration for prior acquisition	—	(93)	—
Changes in operating assets and liabilities, net of effect of acquisition			
Accounts receivable	4,754	795	(2,986)
Prepaid expenses and other current assets	(268)	546	575
Other assets	(42)	(346)	348
Accounts payable	306	741	(1,597)
Deferred revenues	(346)	(628)	(625)
Accrued expenses and other liabilities	1,300	(2,480)	1,953
Net cash (used in) provided by operating activities	(4,870)	6,081	(6,510)
Investing activities			
Purchases of property and equipment	(461)	(1,207)	(8,584)
Proceeds from disposal of property and equipment	11	5	—
Capitalization of internally developed software	(2,068)	(4,712)	(5,568)
Acquisition of business, net of cash acquired	—	—	(7,738)
Net cash used in investing activities	(2,518)	(5,914)	(21,890)
Financing activities			
Repayments of capital lease obligations and other debt agreements	(1,160)	(1,436)	(3,649)
Debt issuance costs	—	—	(53)
Repurchases of unvested shares	—	—	(2)
Employee taxes paid for withheld shares upon equity award settlement	(604)	(362)	(571)
Proceeds from exercises of common stock options	—	390	1,439
Proceeds from employee stock purchase plan, net	312	663	968
Excess tax benefits from stock-based award activities	—	—	3
Net cash used in financing activities	(1,452)	(745)	(1,865)
Effect of foreign exchange rate changes on cash and cash equivalents and restricted cash	1,964	(1,035)	(662)
Net decrease in cash and cash equivalents and restricted cash	(6,876)	(1,613)	(30,927)
Cash and cash equivalents and restricted cash			
Beginning of year	35,713	37,326	68,253
End of year	$ 28,837	$ 35,713	$ 37,326
Supplemental disclosures of other cash flow information			
Cash paid for interest	$ 210	$ 189	$ 106
Cash paid for income taxes	1,491	728	404
Supplemental disclosure of non-cash investing and financing activities			
Acquisition of equipment through capital leases	$ 852	$ 1,864	$ 2,350
Purchases of property and equipment recorded in accounts payable and accrued expenses	30	5	—
Issuance of common stock under employee stock purchase plan	362	548	1,035
Issuance of common stock in connection with acquisition of business	—	—	4,338

The accompanying notes are an integral part of these consolidated financial statements.

1. Background

Marin Software Incorporated (the "Company") was incorporated in Delaware in March 2006. The Company provides a leading cross-channel, cross-device, enterprise marketing software platform for search, social and display advertising channels, offered as a software-as-a-service, or SaaS, solution for advertisers and agencies. The Company's platform enables digital marketers to improve financial performance, realize efficiencies and time savings, and make better business decisions. The Company's corporate headquarters are located in San Francisco, California, and the Company has additional offices in the following locations: Austin, Chicago, Dublin, Hamburg, London, New York, Paris, Portland, Shanghai, Sydney and Tokyo.

References to "2017," "2016" and "2015" shall mean the year ended December 31, 2017, the year ended December 31, 2016 and the year ended December 31, 2015, respectively. All amounts presented in these notes to the consolidated financial statements are in thousands, except where noted.

2. Summary of Significant Accounting Policies

Liquidity

The Company has incurred significant losses in each fiscal year since its incorporation in 2006 and management expects such losses to continue over the next several years. The Company experienced net losses of $31,491, $16,480 and $33,349 during 2017, 2016 and 2015, respectively. As of December 31, 2017, the Company had an accumulated deficit of $227,704. The Company had cash, cash equivalents and restricted cash of $28,837 as of December 31, 2017. Management expects to incur additional losses and experience negative cash flows in the future. To continue to fund operations, including research and development, the Company will need to increase revenues, lower costs and/or raise additional capital. The Company believes that its cash, cash equivalents and restricted cash will provide sufficient funds for the Company to continue as a going concern for at least 12 months from the date of issuance of these consolidated financial statements.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All intercompany accounts and transactions have been eliminated upon consolidation.

Reclassifications

When necessary, reclassifications have been made to prior period financial information to conform to the current year presentation.

Reverse Stock Split and Reduction in Authorized Shares

On October 5, 2017, the Company effected a reverse stock split of its outstanding common stock. As a result of the reverse stock split, each seven outstanding shares of the Company's common stock were combined into one outstanding share of common stock, without any change in par value. The common stock began trading on the New York Stock Exchange on a split-adjusted basis on October 6, 2017. No fractional shares were issued in connection with the reverse stock split and the Company paid in cash the fair value of such fractional shares.

On October 5, 2017, the Company also effected a reduction in the Company's authorized shares of common stock, from 500,000 shares to 142,857 shares. There was no change to the number of authorized shares of convertible preferred stock, which remained at 10,000 shares.

All share and per share amounts of the Company's common stock, as well as stock options and restricted stock units ("RSUs"), included in the accompanying consolidated financial statements have been adjusted to give effect to the reverse stock split for all periods presented. In addition, as a result of the reverse stock split, the Company reclassified an amount equal to the reduction in common stock at par value to additional paid-in capital on its consolidated balance sheets.

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States ("GAAP") requires management to make certain estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. The Company is subject to uncertainties such as the impact of future events, economic and political factors and changes in the Company's business environment; therefore, actual results could differ from these estimates. Accordingly, the accounting estimates used in the preparation of the Company's financial statements will change as new events occur, as more experience is acquired, as additional information is obtained and as the Company's operating environment changes. Changes in estimates are made when circumstances warrant. Such changes in estimates and refinements in estimation methodologies are reflected in reported results of operations and if material, the effects of changes in estimates are disclosed in the notes to the consolidated financial statements. Significant estimates and assumptions by management affect the allowances for doubtful accounts and customer credits, the carrying value of long-lived assets (including goodwill and intangible assets), the useful lives of long-lived assets, the accounting for income taxes, and stock-based compensation.

Certain Significant Risks and Uncertainties

The Company operates in a rapidly changing environment that involves a number of risks, some of which are beyond the Company's control that could have a material adverse effect on the Company's business, operating results, and financial condition. These risks include, among others, the Company's history of losses and negative cash flows; the highly competitive environment in which the Company operates; the ability to maintain and increase usage rate of the Company's platform and the ability for the Company to increase demand for its solutions.

Concentration of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist of cash, cash equivalents and accounts receivable. The Company's cash and cash equivalents are placed with high-credit-quality financial institutions and issuers, and at times exceed federally insured limits. The Company has not experienced any loss relating to cash and cash equivalents in these accounts. The Company performs periodic credit evaluations of its customers and generally does not require collateral.

As of December 31, 2017 and 2016, no single customer accounted for 10% or more of net accounts receivable. No single customer accounted for 10% or more of consolidated revenues, net during the years ended December 31, 2017, 2016 and 2015.

Cash and Cash Equivalents and Restricted Cash

The Company considers all highly liquid investments with an original or remaining maturity from the Company's date of purchase of 90 days or less to be cash equivalents. Deposits held with financial institutions are likely to exceed the amount of insurance on these deposits. Cash equivalents consist of money market funds, which are readily convertible into cash and have original maturity dates of less than three months from the date of their respective purchases. Cash equivalents were $8,831 and $15,657 as of December 31, 2017 and 2016, respectively.

Restricted cash consists of deposits held with a financial institution to secure the Company's non-cancelable lease for its corporate headquarters in San Francisco (see Note 8).

Fair Value of Financial Instruments

The Company's financial instruments, including accounts receivable, accounts payable and accrued expenses are carried at cost, which approximates fair value because of the short-term nature of those instruments. Based on borrowing rates available to the Company for loans with similar terms and maturities, and in consideration of the Company's credit risk profile, the carrying value of outstanding capital lease obligations (Note 8) approximates fair value (level 2 within the fair value hierarchy).

The Company measures and reports certain financial assets at fair value on a recurring basis, including its investments in money market funds. The fair value hierarchy prioritizes the inputs into three broad levels:

Level 1 Inputs are unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 Inputs are quoted prices for similar assets and liabilities in active markets or inputs that are observable for the asset or liability, either directly or indirectly through market corroboration, for substantially the full term of the financial instrument.

Level 3 Inputs are unobservable inputs based on the Company's assumptions.

A financial instrument's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

Allowance for Doubtful Accounts and Revenue Credits

The allowance for doubtful accounts reflects the Company's best estimate of probable losses inherent in the Company's receivables portfolio determined on the basis of historical experience, specific allowances for known troubled accounts and other currently available evidence. The Company has not experienced significant credit losses from its accounts receivable. The Company performs a regular review of its customers' payment histories and associated credit risks and it does not require collateral from its customers. Certain contracts with advertising agencies contain sequential liability provisions, whereby the agency does not have an obligation to pay the Company until payment is received from the agency's customers. In these circumstances, the Company evaluates the credit worthiness of the agency's customers, in addition to the agency itself. The following are changes in the allowance for doubtful accounts during 2017, 2016 and 2015, respectively.

	Years Ended December 31,		
	2017	2016	2015
Balances at beginning of year	$ 3,510	$ 2,188	$ 989
Additions to expense	1,507	2,328	1,210
Additions against goodwill	—	—	442
Write-offs and other deductions	(989)	(1,006)	(453)
Balances at end of year	$ 4,028	$ 3,510	$ 2,188

From time to time, the Company provides credits to customers and an allowance is made based on historical credit activity. As of December 31, 2017 and 2016, the Company recorded an allowance for potential customer credits in the amount of $799 and $1,947, respectively.

Property and Equipment

Property and equipment are stated at historical cost less accumulated depreciation and amortization. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the related assets.

Upon retirement or sale, the cost and related accumulated depreciation are removed from the balance sheet and the resulting gain or loss is reflected in operations. Major additions and improvements are capitalized while repairs and maintenance that do not extend the life of the asset are charged to operations as incurred. Depreciation and amortization expense is allocated to both cost of revenues and operating expenses.

Internally Developed Software

Costs incurred in the development phase are capitalized and amortized over the product's estimated useful life, which is three years. The Company expenses all costs incurred that relate to planning and post implementation phases of development. Capitalized costs related to internally developed software under development are treated as construction in progress until the program, feature or functionality is ready for its intended use, at which time amortization commences. For 2017, 2016 and 2015, the Company capitalized $2,068, $4,712, and $5,568 of costs related to internally developed software, respectively. Amortization of capitalized costs related to internally developed software was $3,669, $2,988, and $2,550 for 2017, 2016 and 2015, respectively. As of December 31, 2017 and 2016, unamortized internally developed software costs totaled $8,617 and $10,218, respectively. Amortization of internally developed software is reflected in cost of revenues. Costs associated with minor enhancements and maintenance are expensed as incurred.

Goodwill, Intangible Assets and Impairment Assessments

Goodwill represents the excess of the purchase price in a business combination over the fair value of net tangible and intangible assets acquired. Intangible assets that are not considered to have an indefinite useful life are amortized over their useful lives, which range from two to six years. Estimated remaining useful lives of purchased intangible assets are evaluated to assess whether events or changes in circumstances warrant a revision to the remaining periods of amortization.

The Company evaluates goodwill for impairment in the fourth quarter of its fiscal year annually, or more frequently if events or changes in circumstances indicate that these assets may be impaired. For the purposes of impairment testing, the Company has determined that it has one reporting unit. The Company performs its goodwill impairment test using the simplified method, whereby the fair value of this reporting unit is compared to its carrying value. If the fair value of the reporting unit exceeds the carrying value of the net assets assigned to that reporting unit, goodwill is not considered impaired. If the carrying value of the net assets assigned to the reporting unit exceeds the fair value of the reporting unit, then goodwill is considered impaired by an amount equal to that difference.

In the first half of 2017, the market capitalization of the Company's common stock sustained a significant decline so that it fell below the book value of the Company's net assets, triggering management to conduct an interim goodwill impairment test at that time. The outcome of this goodwill impairment test resulted in an impairment of goodwill of $2,797, which was recorded in the consolidated financial statements during the three months ended June 30, 2017. Refer to Note 6 for further details of the Company's goodwill impairment assessment.

In the second half of 2017, the market capitalization of the Company's common stock rose above the book value of the Company's net assets. Management considered that, along with other possible factors affecting the assessment of the Company's reporting unit for the purposes of performing a goodwill impairment assessment, including management assumptions about expected future revenue forecasts and discount rates, changes in the overall economy, trends in the stock price, any estimated control premium and other operating conditions. Ultimately, no goodwill impairment triggering events were identified in any period subsequent to June 30, 2017, including the Company's annual goodwill impairment test in the fourth quarter.

It is reasonably possible that the Company will not be able to achieve its goals of growing revenues and generating positive cash flows by increasing its customer base and reducing customer turnover. If this were the case, it could result in a further decline in the market capitalization of the Company's common stock and lead to additional goodwill impairment triggering events. If the Company determines that its goodwill is impaired, it would be required to record a non-cash charge that may or may not be material to its consolidated financial statements.

Impairment of Long-Lived Assets

The Company evaluates long-lived assets, excluding goodwill, for potential impairment whenever adverse events or changes in circumstances or business climate indicate that expected undiscounted future cash flows related to such long-lived assets may not be sufficient to support the net book value of such assets. An impairment loss is recognized only if the carrying value of a long-lived asset or asset group is not recoverable and exceeds its fair value. The carrying value of a long-lived asset or asset group is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset. There were no such impairment losses during 2017, 2016 or 2015.

Operating Leases

The Company's operating lease agreements include provisions for tenant improvement allowances, certain rent holidays and escalations in the base price of the rent payment. The Company defers tenant improvement allowances and amortizes the balance as a reduction to rent expense over the lease term. The Company records rent holidays and rent escalations on a straight-line basis over the lease term. Deferred rent is included in accrued expenses and other current liabilities, as well as other long-term liabilities in the accompanying consolidated balance sheets.

Revenue Recognition

The Company generates revenues principally from subscriptions either directly with advertisers or with advertising agencies to its platform for the management of search, social and display advertising. The Company's subscription agreements are generally one year or longer in length. The Company's subscription fee under most contracts is variable based on the value of the advertising spend that the Company's advertisers manage through the Company's platform and is generally invoiced on a monthly basis. Contracts with direct advertisers and certain contracts with independent advertising agencies also include a minimum monthly fee that is payable over the duration of the contract. The Company's customers do not have the right to take possession of the software supporting the application service at any time, nor do the arrangements contain general rights of return. The Company commences revenue recognition for both direct advertisers and advertising agencies when all of the following conditions are met:

- persuasive evidence of an arrangement exists;
- the Company's platform is made available to the customer;
- the fee is fixed or determinable, and;
- collection is reasonably assured.

The Company recognizes the total minimum fee for both direct advertisers and independent advertising agencies, where applicable, over the duration of the contract, commencing on the date that the Company's platform is made available to the customer, provided revenues recognized do not exceed amounts that are invoiced and due. The variable fee, which is based on a percentage of the value of the advertising spend managed through the Company's platform, is recognized once the amount is fixed or determinable, which is generally on a monthly basis concurrent with the issuance of the customer invoic e. Signed contracts are used as evidence of an arrangement. The Company assesses collectability based on a number of factors such as past collection history with the customer and creditworthiness of the customer. Certain agreements with advertising agencie s also contain sequential liability provisions, which provide that the agency has no obligation to pay the Company until the agency receives payment from its customers. In these circumstances, the Company evaluates the credit worthiness of the agency's cus tomers, in addition to the agency itself, to conclude whether or not collectability is reasonably assured. If the Company determines collectability is not reasonably assured, the Company defers the revenue recognition until collectability becomes reasonabl y assured.

The Company applies the authoritative accounting guidance regarding revenue recognition for arrangements with multiple deliverables. Professional services and training, when sold with the Company's platform subscription services, are accounted for separately when those services have standalone value. In determining whether professional services and training services can be accounted for separately from subscription services, the Company considers the following factors: availability of the services from other vendors; the nature of the services; the dependence of the subscription services on the customer's decision to buy the professional services; and whether the Company sells the Company's subscription services without professional services. If the deliverables have stand-alone value, the Company accounts for each deliverable separately and revenues are recognized for the respective deliverables as they are delivered. If one or more of the deliverables do not have stand-alone value, the deliverables that do not have stand-alone value are combined with the final deliverables within the arrangement and treated as a single unit of accounting. Revenues for arrangements treated as a single unit of accounting are recognized over the period of the contract commencing upon delivery of the final deliverable. As of December 31, 2017, the Company did not have stand-alone value for the professional services and training services. This is because the Company includes professional services and training services with the Company's subscription services and those services are not available from other vendors.

Cost of Revenues

Cost of revenues primarily consists of costs related to hosting the Company's cloud-based platform, providing implementation and ongoing customer support, data communications expenses, salaries and benefits of operations and support personnel, software license fees, costs associated with website development activities, indirect overhead, amortization expense associated with capitalized internally developed software and intangible assets and property and equipment depreciation.

Stock-Based Compensation Expense

Stock-based compensation expense is measured at grant date based on the fair value of the award and is expensed on a straight-line basis over the requisite service period.

Fair values of stock option awards are determined on the date of grant using the Black-Scholes option-pricing model. In applying this option-pricing model, the Company's determination of the fair value of the stock option award on the date of grant is affected by the Company's fair value of its common stock, as well as assumptions regarding a number of subjective variables. These variables include, but are not limited to, the Company's expected stock price volatility and the optionholders' actual and projected stock option exercise and employment termination behaviors.

RSUs are measured based on the fair market values of the underlying common stock on the dates of grant. Shares of common stock are issued on the vesting dates.

For stock option and RSU awards with time-based vesting, the Company recognizes stock-based compensation expense over the requisite service period using the straight-line method, based on awards ultimately expected to vest. The Company estimates future forfeitures at the date of grant and revises the estimates, if necessary, in subsequent periods if actual forfeitures differ from those estimates.

See Note 10 and Note 11 for further information.

Research and Development

Research and development costs are expensed as incurred, except for certain internal software development costs, which may be capitalized as noted above. Research and development costs include salaries, stock-based compensation expense, benefits and other operating costs such as outside services, supplies and allocated overhead costs.

Advertising and Promotion

Advertising and promotional costs are expensed as incurred and included in sales and marketing expense in the accompanying consolidated statements of comprehensive loss. Advertising and promotion expense totaled $758, $876, and $1,000 for 2017, 2016 and 2015, respectively.

Sales Taxes

Sales and other taxes collected from customers and remitted to governmental authorities are presented on a net basis and thus excluded from revenues.

Foreign Currency

For international subsidiaries whose functional currency is not the United States Dollar, we re-measure the monetary assets and liabilities of these subsidiaries to United States Dollars using rates of exchange in effect at the balance sheet date. Nonmonetary assets and liabilities are re-measured to United States Dollars using historical exchange rates, and other accounts are re-measured using average exchange rates in effect during each period presented. The effects of foreign currency translation adjustments are included in stockholders' equity as a component of accumulated other comprehensive loss on the accompanying consolidated balance sheets, and related periodic movements are summarized as a line item in the consolidated statements of comprehensive loss.

The Company records net gains and losses resulting from foreign exchange transactions as a component of other income (expenses), net. Aggregate foreign currency (losses) gains included in determining net loss were $(1,029), $(3) and $256 during 2017, 2016 and 2015, respectively.

Income Taxes

The Company accounts for income taxes using the asset and liability method. Under this method, deferred tax assets and liabilities are determined based on differences between the financial statement and tax basis of assets and liabilities and net operating loss and credit carryforwards using enacted tax rates in effect for the year in which the differences are expected to reverse. Valuation allowances are established when necessary to reduce deferred tax assets to the amounts expected to be realized.

The Company accounts for uncertain tax positions using a more-likely-than-not threshold for financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return. The Company establishes a liability for tax-related uncertainties based on estimates of whether, and the extent to which, additional taxes will be due. The Company records an income tax liability, if any, for the difference between the benefit recognized and measured and the tax position taken or expected to be taken on the Company's tax returns. To the extent that the assessment of such tax positions changes, the change in estimate is recorded in the period in which the determination is made. The liability is adjusted in light of changing facts and circumstances, such as the outcome of a tax audit. The provision for income taxes includes changes to the liabilities that are considered appropriate. The Company would recognize interest and penalties related to uncertain tax positions as income tax expense, though no such amounts were recognized in 2017, 2016 or 2015. As the Company maintained a full valuation allowance against its deferred tax assets in the United States, the adjustments resulted in no additional tax expense in 2017. The Company does not expect that changes in the liability for uncertain tax positions for the next twelve months will have a material impact on the Company's consolidated financial position or results of operations.

See Note 12 for information related to the enactment of the Tax Cuts and Jobs act in December 2017.

Out of Period Adjustment

During the year ended December 31, 2017, the Company recorded an out-of-period adjustment to correct previously overstated revenues related to its display product offering. These overstated revenues had accumulated since the Company's acquisition in June 2014 of NowSpots, Inc., which conducted business as Perfect Audience, and the out-of-period adjustment resulted in a decrease to revenues in the amount of $400 for the year ended December 31, 2017. Management determined that this adjustment was not material to the Company's consolidated financial statements for the year ended December 31, 2017, nor to any previously issued consolidated financial statements.

Recent Accounting Pronouncements Adopted in 2017

In January 2017, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2017-04, *Intangibles – Goodwill and Other: Simplifying the Accounting for Goodwill Impairment* (Topic 350), which removes the requirement to perform a hypothetical purchase price allocation to measure goodwill impairment. A goodwill impairment will be the amount by which a reporting unit's carrying value exceeds its fair value, not to exceed t he carrying amount of goodwill. The Company adopted this standard for the second quarter of 2017, and applied the guidance to its interim goodwill impairment test at that time. Refer to Note 6 for details of the interim goodwill impairment test performed d uring the three months ended June 30, 2017.

In March 2016, the FASB issued ASU 2016-09, *Compensation - Stock Compensation: Improvements to Employee Share-Based Payment Accounting* (Topic 718), which is intended to simplify several aspects of the accounting for employee share-based payment transactions, including the accounting for income taxes, forfeitures and statutory tax withholding requirements, as well as classification on the statement of cash flows. ASU 2016-09 has separate transition guidance for each element of the new standard. The Company adopted this standard in the first quarter of 2017, and it did not result in a net cumulative-effect adjustment to accumulated loss, as the previously unrecognized net operating loss carryforwards, attributable to excess tax benefits on stock compensation expense in the amount of $1,423 was fully offset by an increase in the valuation allowance as of January 1, 2017. For the year ended December 31, 2017, the Company recognized all excess tax benefits and tax deficiencies in the provision for income taxes as a discrete item. In addition, the Company elected to continue to account for forfeitures by estimating forfeitures over the course of a vesting period.

Recent Accounting Pronouncements Not Yet Effective

In May 2017, the FASB issued ASU 2017-09, *Compensation – Stock Compensation* (Topic 718), which clarifies when changes to the terms or conditions of a share-based payment award must be accounted for as a modification. Entities will apply the modification accounting guidance if the value, vesting conditions or classification of the award changes. This new standard is effective for interim and annual periods beginning after December 15, 2017, and early adoption is permitted. The Company is currently evaluating the impact of the adoption of ASU 2017-09 on the consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842), which will require lessees to recognize most leases on the balance sheet as lease assets and lease liabilities, as well as disclose both quantitative and qualitative key facts regarding leasing arrangements. This new standard is effective for interim and annual reporting periods beginning after December 15, 2018, and early adoption is permitted. The Company is currently evaluating the impact of the adoption of ASU 2016-02 will have on the consolidated financial statements, as well as the expected adoption method.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* and has subsequently issued several supplemental and/or clarifying ASUs, which comprise the new comprehensive revenue recognition standard that will replace all current GAAP guidance on this topic and eliminate all industry-specific guidance. The standard's core principle is that a reporting entity will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In applying this new guidance to contracts within its scope, an entity will: (1) identify the contract(s) with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract and (5) recognize revenue when (or as) the entity satisfies a performance obligation. Additionally, this new guidance will require significantly expanded disclosures about revenue recognition. This guidance will be effective for fiscal years and interim periods within those years beginning after December 15, 2017, and early adoption is permitted.

The Company will adopt the new guidance on January 1, 2018 using the modified retrospective approach, which will result in an adjustment to accumulated deficit for the cumulative effect of applying this standard to contracts in process as of the adoption date. Under this approach, the Company will not revise the prior financial statements presented, but will provide additional disclosures of the amount by which each financial statement line item is affected in the current reporting period during 2018 as a result of applying the new revenue guidance. This will include a qualitative explanation of the significant changes between the reported results under the revenue standard and the previous guidance.

The Company has substantially completed its assessment of the potential impact this guidance will have on its consolidated financial statements and related disclosures. Based on that assessment, the Company currently expects the most significant impact of this new guidance will be the capitalization of costs to both obtain and fulfill contracts, which are expected to result in adjustments of approximately $1,800 and $900, respectively, to decrease the opening balance of Accumulated deficit upon adoption. Under previous accounting guidance, these costs were expensed as incurred. The Company also expects to begin recognizing breakage revenues from its arrangements with customers that prepay their advertising spend via credit card, based on historical breakage percentages. The Company does not expect the new guidance to have any further impact on its subscription revenues, as the identified performance obligations are substantially comparable to the deliverables and units of accounts identified under previous guidance.

3. Business Combinations

The Company accounts for business combinations using the acquisition method of accounting in which the tangible and identifiable intangible assets and liabilities of each acquired company are recorded at their respective estimated fair values as of each acquisition date, including an amount for goodwill representing the difference between the respective purchase price and fair values of identifiable net assets.

Best estimates and assumptions are used in the purchase price allocation process to accurately value assets acquired and liabilities assumed at the business combination date. These estimates and assumptions are inherently uncertain and subject to change. As a result, during the measurement period, which may be up to one year from the business combination date, the Company may record adjustments to the assets acquired and liabilities assumed with the corresponding adjustment to goodwill. After the measurement period, adjustments are recorded in the operating results in the period in which the adjustments were determined.

SocialMoov S.A.S.

On February 12, 2015, pursuant to the terms of a Share Purchase Agreement, the Company acquired all outstanding shares of capital stock of SocialMoov S.A.S. ("SocialMoov"), with SocialMoov surviving as a wholly owned subsidiary of the Company. Based in Paris, France, SocialMoov is a provider of social advertising tools for advertisers and agencies.

In 2016, the Company completed the valuation of the fair values of the acquired tangible and identifiable intangible assets and liabilities assumed at the acquisition date, and the results of operations and the fair values of the assets acquired and liabilities assumed have been included in the consolidated financial statements since the acquisition date.

The total purchase price for the acquisition was $13,288, which consisted of 91 shares of the Company's common stock valued at $4,337 upon the closing date using the weighted average of the Company's closing date stock price for a short period of time preceding the closing date of the acquisition, $8,858 in cash and $93 in cash paid as contingent consideration in 2016. Of the total purchase price, $2,006 was attributed to the fair value of net liabilities assumed, $1,120 was cash acquired, and $6,140 was the fair value of intangible assets acquired, with $8,034 as residual goodwill. The goodwill is primarily attributable to synergies expected to arise from the acquisition and is not deductible for tax purposes.

In addition, the Company agreed to issue 132 shares of common stock, valued at $6,487 upon the closing date of the acquisition using the Company's closing date stock price immediately preceding the acquisition, to existing employee shareholders of SocialMoov in connection with the acquisition, which were conditioned upon such employees' continuous employment with the Company. These shares were excluded from the purchase consideration and were recognized as post-acquisition stock-based compensation expense over the employees' requisite service periods. The Company issued half of these shares in February 2016 and the remaining half in February 2017. The Company also granted RSUs representing 31 shares of common stock, valued at $959 using the Company's grant date stock price, with time-based vesting to employees of SocialMoov that continued employment with the Company subsequent to the acquisition. The Company recognizes compensation expense equal to the grant date fair value of the common stock or stock-based awards on a straight-line basis over the employees' requisite service periods.

The following table summarizes the fair values of tangible assets acquired, liabilities assumed, intangible assets and residual goodwill from the acquisition of SocialMoov (in thousands, except years):

	Estimated Fair Value	Estimated Useful Life
Tangible assets acquired	$ 2,741	N/A
Liabilities assumed (Note 8)	(3,627)	N/A
Developed technology	3,800	5 years
Customer relationships	2,080	4 years
Tradename	260	3 years
Goodwill	8,034	Indefinite
Total purchase price	$ 13,288	

The values assigned to the intangible assets are based in part on a third-party valuation analysis, which includes estimates and judgments regarding expectations for success and the life cycle of solutions and technologies acquired.

4. Restructuring Activities

2016 Restructuring Plan

During 2016, the Company executed an organizational restructuring (the "2016 Restructuring Plan") primarily to improve cost efficiencies and effectiveness in sales. The Company recorded $596 of restructuring related expenses in connection with the 2016 Restructuring Plan for the year ended December 31, 2016. Actions pursuant to the 2016 Restructuring Plan were complete as of December 31, 2016, and there were no associated costs during the year ended December 31, 2017 .

2015 Restructuring Plan

During 2015, the Company executed organizational restructurings (the "2015 Restructuring Plans") primarily to improve cost efficiencies and realign its sales, customer success and marketing operations. The Company recorded $1,214 of restructuring related expenses in connection with the 2015 Restructuring Plans for the year ended December 31, 2015. Actions pursuant to the 2015 Restructuring Plans were complete as of December 31, 2015, and there were no associated costs during the years ended December 31, 2017 and 2016 .

5. Balance Sheet Components

The following table shows the components of property and equipment as of the dates presented:

		December 31,	
	Estimated Useful Life	2017	2016
Computer equipment	3 years	$ 29,938	$ 28,905
Software, including internally developed software	3 years	23,389	21,323
Leasehold improvements	Shorter of useful life or lease term	4,617	4,613
Office equipment, furniture and fixtures	3 to 5 years	2,127	2,284
		60,071	57,125
Less: Accumulated depreciation and amortization		(44,512)	(36,544)
		$ 15,559	$ 20,581

Depreciation and amortization of internally developed software for 2017, 2016 and 2015 was $8,427, $9,023, and $9,543, respectively.

The following table shows the components of accrued expenses and other current liabilities as of the dates presented:

	December 31,	
	2017	2016
Accrued salary and payroll-related expenses	$ 4,372	$ 3,894
Accrued accounts payable	2,161	1,915
Customer advances	2,003	1,582
Deferred rent	475	408
Sales and use tax payable	341	210
Income taxes payable	142	—
Other	521	353
	$ 10,015	$ 8,362

6. Goodwill and Intangible Assets

The goodwill balance as of December 31, 2017 of $16,768 was the result of prior business acquisitions, including as disclosed in Note 3 of these consolidated financial statements. Due to a continued stock price decline, the Company's market capitalization decreased to a value below the net book value of the Company's net assets during the second quarter of 2017, triggering the Company to perform an interim goodwill impairment test at that time. Effective April 1, 2017, the Company early adopted ASU 2017-04, *Intangibles – Goodwill and Other: Simplifying the Accounting for Goodwill Impairment* (Topic 350), which eliminates the requirement to compute the implied fair value of goodwill to test for impairment. Instead, a goodwill impairment is measured as the amount by which the carrying amount of a reporting unit exceeds its fair value.

For the purposes of the goodwill impairment test performed during the three months ended June 30, 2017, the Company estimated the fair value of its sole reporting unit using the market approach. Under the market approach, the Company utilized the market capitalization of its fully diluted common stock, and applied an estimated control premium based on an analysis of control premiums paid in acquisitions of companies in the same or s imilar industries as the Company. Because the significant inputs used in this analysis are readily available from public markets or can be derived from observable market transactions, they have been classified as level 2 within the fair value hierarchy (No te 7). Based on this approach, the Company determined that the carrying value of its sole reporting unit exceeded its fair value by $2,797, which has been recorded as an impairment of goodwill in the consolidated financial statements for the year ended Dec ember 31, 2017.

No goodwill triggering events were identified during the six months ended December 31, 2017, including the Company's annual goodwill impairment test in the fourth quarter.

The activity for the year ended December 31, 2017 consisted of the following:

Balance at December 31, 2016	$	19,318
Impairment		(2,797)
Foreign currency translation adjustments		247
Balance at December 31, 2017	$	16,768

Intangible assets consisted of the following as of the dates presented (in thousands except years):

	December 31, 2017	December 31, 2016	Estimated Useful Life
Developed technology	$ 9,910	$ 9,910	5 to 6 years
Customer relationships	3,370	3,370	4 years
Non-compete agreements and tradenames	1,390	1,390	2 to 3 years
	14,670	14,670	
Less: accumulated amortization	(10,195)	(7,345)	
	$ 4,475	$ 7,325	

Amortization expense for 2017, 2016 and 2015 was $2,850, $3,080, and $3,134.

Future estimated amortization of intangible assets as of December 31, 2017 is presented below:

Year ending December 31, 2018	$	2,537
Year ending December 31, 2019		1,843
Year ending December 31, 2020		95
	$	4,475

7. Fair Value Measurements

Account balances measured at fair value on a recurring basis include the following as of the dates presented:

	December 31,					
	2017			2016		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Cash equivalents						
Money market funds	$ 8,831	$ —	$ —	$ 15,657	$ —	$ —

The Company's cash equivalents as of December 31, 2017 and 2016 consisted of money market funds that are classified as level 1. The fair value of the Company's money market funds approximated amortized cost and, as such, there were no unrealized gains or losses on money market funds as of December 31, 2017 and 2016. As of December 31, 2017 and 2016, amounts of $18,713 and $18,763, respectively, were held in bank deposits.

8. Debt

Revolving Credit Facility

In July 2015, the Company entered into an amendment to an existing revolving credit facility ("Revolving Credit Facility") agreement with Silicon Valley Bank to increase the related borrowing limits up to the lesser of $20,000 or 80% of the Company's eligible accounts receivable. Also, the expiration date of the Revolving Credit Facility was extended to July 31, 2017, and the annual interest rate was amended to (a) the prime rate or (b) the London interbank offered rate then in effect, plus a margin of 2.75%, payable on a monthly basis. The amendment contained affirmative and negative covenants, including covenants related to the delivery of financial and other inf ormation, the maintenance of certain financial covenants, as well as limitations on dispositions, changes in business or management, mergers or consolidations, dividends and other corporate actions.

In December 2016, the Company terminated the Revolving Credit Facility prior to its expiration. No amounts were outstanding pursuant to the Revolving Credit Facility at the date of termination.

Capital Lease Arrangements

At various dates between August 2015 and September 2017, the Company entered into nine separate capital lease arrangements with an equipment manufacturer to finance the acquisition of additional computer equipment. These leases have effective annual interest rates between 5.7% and 7.9% and are repayable in 36 to 48 consecutive equal monthly installments of principal and interest. At the end of the lease periods for these capital lease arrangements, the Company has the option to purchase the underlying equipment at the estimated fair market value or for a nominal amount.

In September and October 2016, the Company entered into two capital lease arrangements with a different equipment manufacturer to finance the acquisition of additional computer equipment. These leases have an effective annual interest rate of 5.2% and are repayable in 48 consecutive equal monthly installments of principal and interest. At the end of the lease periods of both leases, the Company has the option to purchase or renew the lease for the underlying equipment at the estimated fair market value.

As of December 31, 2017 and 2016, the net book value of the computer equipment under all capital leases was $2,861 and $3,158, respectively, and the remaining principal balance payable was $3,103 and $3,411, respectively. The capital leases are collateralized by the underlying computer equipment.

The maturities of capital lease obligations as of December 31, 2017 are as follows:

Year Ending		
December 31, 2018	$	1,416
December 31, 2019		1,137
December 31, 2020		538
December 31, 2021		12
		3,103
Less:		
Current portion		(1,416)
Capital lease obligations, non-current	$	1,687

In connection with the acquisition of SocialMoov in February 2015 (Note 3), the Company assumed outstanding debt totaling approximately $1,043, which consisted primarily of individual loans payable to (a) an agency of the French government, (b) a French public-sector investment bank and (c) a French private-sector financial institution. These loans were fully repaid during the year ended December 31, 2015.

In December 2014, the Company entered into a standby letter of credit agreement for $1,293 with Silicon Valley Bank in connection with the non-cancelable lease for the Company's corporate headquarters in San Francisco. Following the termination of the Revolving Credit Facility in December 2016, the Company was required to separately restrict from use $1,293 in cash held at Silicon Valley Bank to secure this letter of credit. This balance has been classified as restricted cash on the consolidated balance sheets.

9. Common Stock

As of December 31, 2017 and 2016, the Company's amended certificate of incorporation authorizes the issuance of 142,857 shares of $0.001 par value common stock, and 10,000 shares of $0.001 par value convertible preferred stock. Reserved shares of common stock are as follows for the dates presented:

	December 31,	
	2017	2016
Options or RSUs available for future grant under stock option plans	999	839
Options outstanding under stock option plans	436	536
RSUs outstanding under stock option plans	568	429
Shares available for future issuance under employee stock purchase plan	182	170
Shares to be issued in connection with acquisition of SocialMoov	—	66
	2,185	2,040

10. Equity Award Plans

In April 2006, the Company's Board of Directors (the "Board") adopted and the stockholders approved the 2006 Stock Option Plan ("2006 Plan"). The 2006 Plan provides for the grant of incentive stock options under the federal tax laws and non-statutory stock options. Only employees may receive incentive stock options, but non-statutory stock options may be granted to employees, non-employee directors and consultants. The stock options are exercisable at a price equal to the market value of the underlying shares of common stock on the date of the grant as determined by the Board. The term of options granted under the 2006 Plan may not exceed 10 years. Certain options are eligible for exercise prior to vesting. Exercised but unvested shares of common stock are subject to repurchase by the Company at the initial exercise price. The proceeds from the shares of common stock subject to repurchase are classified as a liability and reclassified to equity as the shares vest . Under the 2006 Plan's early exercise feature, the Company had the right to repurchase zero and one share of common stock as of December 31, 2017 and 2016, respectively. The Company records cash received from the exercise of unvested stock options as a long-term liability, as well as the fair value of vested outstanding options to non-employee consultants. As of December 31, 2017 and 2016, $4 and $41, respectively, has been recorded as a long-term liability on the accompanying consolidated balance sheets.

In February 2013, the Board and stockholders approved the 2013 Equity Incentive Plan ("2013 Plan"), under which 643 shares of common stock were originally reserved for issuance. Additionally, all reserved and unissued shares under the 2006 Plan at the time the 2013 Plan became effective were eligible for issuance under the 2013 Plan. The 2013 Plan became effective on March 21, 2013, at which time the Company ceased to grant equity awards under the 2006 Plan. The 2013 Plan authorizes the award of stock options, restricted stock awards, stock appreciation rights, RSUs, performance awards and stock bonuses to the Company's employees, directors, consultants, independent contractors and advisors. On January 1 of each of the first 10 calendar years through 2023, the number of shares of common stock reserved under the 2013 Equity Incentive Plan will automatically increase by an amount equal to 5% of the total outstanding shares as of immediately preceding December 31, or such lesser number of shares as determined by the Board. Pursuant to the terms of the 2013 Plan, the shares available for issuance increased by approximately 286 shares of common stock on January 1, 2018.

Stock Options

Under the 2006 Plan and the 2013 Plan, the term of options granted may not exceed ten years. Unless the terms of an optionee's stock option agreement provide otherwise, if an optionee's service relationship with the Company, or any of its affiliates, ceases for any reason other than disability or death, the optionee may exercise the vested portion of any options for three months after the date of such termination. If an optionee's service relationship with the Company, or any of its affiliates, ceases due to disability or death (or an optionee dies within a certain period following cessation of service), the optionee or a beneficiary may exercise any vested options for a period of 12 months. In no event, however, may an option be exercised beyond the expiration of its term.

A summary of activity under the 2006 Plan and the 2013 Plan is as follows (in thousands, except per share amounts a nd years):

	Options Outstanding					
	Number of Shares		Weighted Average Exercise Price Per Share	Weighted Average Remaining Contractual Term (in Years)		Aggregate Intrinsic Value
Balance at December 31, 2014	911	$	55.93	7.82	$	9,697
Options granted	329		40.95	7.70		
Options exercised	(104)		13.86	—		
Options forfeited and cancelled	(285)		62.44	—		
Balance at December 31, 2015	851	$	53.06	7.85	$	957
Options granted	172		18.62	6.82		
Options exercised	(38)		10.36	—		
Options forfeited and cancelled	(449)		54.53	—		
Balance at December 31, 2016	536	$	43.83	7.48	$	194
Options granted	79		11.66	9.35		
Options forfeited and cancelled	(179)		44.82	—		
Balance at December 31, 2017	436	$	37.60	7.04	$	65
Options exercisable as of December 31, 2017	303	$	45.97	6.25	$	43
Options vested as of December 31, 2017	302	$	45.96	6.25	$	43
Options vested and expected to vest as of December 31, 2017	427	$	37.96	7.01	$	64

The intrinsic value of options exercised during 2016 and 2015 was $328 and $2,935, respectively. The total estimated fair value of options vested during 2017, 2016 and 2015 was $1,451, $5,424, and $7,573, respectively.

RSUs

A summary of RSUs granted and unvested under the 2013 Plan during 2017 and 2016 is as follows (in thousands, except per unit amounts):

	RSUs Outstanding		
	Number of Shares		Weighted Average Grant Date Fair Value Per Unit
Granted and unvested at December 31, 2014	110	$	65.52
RSUs granted	169		39.76
RSUs vested	(20)		68.81
RSUs cancelled	(84)		54.53
Granted and unvested at December 31, 2015	175	$	65.52
RSUs granted	446		18.76
RSUs vested	(30)		50.33
RSUs cancelled and withheld to cover taxes	(162)		30.80
Granted and unvested at December 31, 2016	429	$	21.48
RSUs granted	405		10.56
RSUs vested, net	(78)		21.29
RSUs cancelled and withheld to cover taxes	(188)		19.97
Granted and unvested at December 31, 2017	568	$	14.22

Employee Stock Purchase Plan

In February 2013, the Board and stockholders approved the 2013 Employee Stock Purchase Plan (“2013 ESPP”), under which 143 shares of common stock were originally reserved for issuance. The 2013 ESPP became effective on March 22, 2013. The 2013 ESPP provides generally for six-month purchase periods and the purchase price for shares of common stock purchased under the 2013 ESPP will be 85% of the lesser of the fair market value of the common stock on (1) the first trading day of the applicable offering period and (2) the last trading day of each purchase period in the applicable offering period. On January 1 of each of the first 10 calendar years following the first offering date, the number of shares reserved under the 2013 ESPP will automatically increase by an amount equal to 1% of the total outstanding shares as of the immediately preceding December 31, but not to exceed 100 shares. Pursuant to the terms of the 2013 ESPP, the shares available for issuance increased by approximately 57 shares on January 1, 2 018. During 2017 and 2016, 43 and 42 shares, respectively, were issued under the 2013 ESPP.

11. Stock-Based Compensation Expense

For stock-based awards granted by the Company, stock-based compensation expense is measured at grant date based on the fair value of the award and is expensed over the requisite service period. The Company recorded stock-based compensation expense of $4,704, $10,295 and $15,619 for 2017, 2016 and 2015, respectively.

Stock Options

The Company uses the Black-Scholes option-pricing model to estimate the fair value of options. This model requires the input of highly subjective assumptions including the expected volatility, risk-free interest rate, and the expected life of options. The Company used the following assumptions:

	Years Ended December 31,		
	2017	2016	2015
Dividend yield	—	—	—
Expected volatility	47.3%	47.5%	49.1%
Risk-free interest rate	2.03%	1.38%	1.75%
Expected life of options (in years)	6.25	6.25	6.25
Weighted-average grant-date fair value	$ 5.61	$ 8.82	$ 20.16
Weighted-average grant-date exercise price	$ 11.66	$ 18.62	$ 40.95

As the Company has limited historical option exercise data, the expected term of the stock options granted to employees was calculated based on the simplified method. Under the simplified method, the expected term is equal to the average of an option's weighted-average vesting period and its contractual term. Pursuant to the Securities and Exchange Commission ("SEC") Staff Accounting Bulletin ("SAB") No. 110, the Company is permitted to continue using the simplified method until sufficient information regarding exercise behavior, such as historical exercise data or exercise information from external sources, becomes available. The Company estimates the expected volatility of its common stock on the date of grant based on the historical stock volatilities of similar publicly-traded entities over a period equal to the expected terms of the options, as the Company does not have sufficient trading history to use the volatility of its own common stock. The Company has no history or expectation of paying cash dividends on its common stock. The risk-free interest rate is based on the United States Treasury yield for a term consistent with the expected life of the options in effect at the time of grant.

The Company recognized stock-based compensation expense only for those shares expected to vest over the requisite service period of the underlying award. The company determines its estimated forfeiture rated based on an analysis of its actual forfeitures and will continue to evaluate the appropriateness of the forfeiture rate based on recent forfeiture activity and expected future employee turnover, if any. Changes in the estimated forfeiture rate can have a significant effect on reported stock-based compensation expense, as the cumulative effect of adjusting the rate for all expense is recognized in the period the forfeiture estimate is changed. No compensation cost is recorded for stock options that do not vest, and the compensation cost for vested stock options, whether forfeited or not, is not reversed.

Cash proceeds from the exercise of stock options were zero, $390, and $1,439 during 2017, 2016 and 2015, respectively.
Compensation expense is recognized ratably over the requisite service period. As of December 31, 2017 and 2016, there was $934 and $2,706, respectively, of unrecognized compensation cost, adjusted for estimated forfeitures, related to options, which is expected to be recognized over a weighted-average period of 1.6 and 2.1 years, respectively.

Restricted Stock and RSUs

As of December 31, 2017 and 2016, there was $6,428 and $7,973, respectively, of unrecognized compensation cost, adjusted for estimated forfeitures, related to restricted stock and RSUs, which is expected to be recognized over a weighted-average period of 2.1 and 2.3 years, respectively. The Company uses the fair market value of the underlying common stock on the dates of grant to determine the fair value of restricted stock and RSUs. Stock-based compensation expense related to these awards is recognized on a straight-line basis over the service period of the award for the estimated number of shares that are ultimately expected to vest.

Employee Stock Purchase Plan

The Company estimates the fair value of purchase rights under the 2013 ESPP using the Black-Scholes valuation model. The fair value of each purchase right under the 2013 ESPP was estimated on the date of grant using the Black-Scholes option valuation model and the straight-line attribution approach with assumptions substantially similar to those used for the valuation of stock option awards.

12. Income Taxes

The components of the Company's loss before provision for income taxes were as follows:

	Years Ended December 31,		
	2017	2016	2015
United States of America	$ (15,740)	$ (7,595)	$ (17,173)
International	(14,744)	(7,481)	(15,171)
	$ (30,484)	$ (15,076)	$ (32,344)

The components of the provision for income taxes were as follows:

	Years Ended December 31,		
	2017	2016	2015
Current income tax provision			
Federal	$ —	$ —	$ —
State	64	58	111
Foreign	1,301	1,708	1,193
Total current income tax provision	1,365	1,766	1,304
Deferred income tax benefit			
Federal	—	—	-
State	—	—	-
Foreign	(358)	(362)	(299)
Total deferred income tax benefit	(358)	(362)	(299)
Provision for income taxes	$ 1,007	$ 1,404	$ 1,005

The differences in the total provision for income taxes that would result from applying the 34% federal statutory rate to loss before provision for income taxes and the reported provision for income taxes were as follows:

	Years Ended December 31,		
	2017	2016	2015
Tax benefit at U.S. statutory rate	$ (10,365)	$ (5,126)	$ (10,997)
State income taxes, net of federal benefit	(2,858)	(147)	(104)
Foreign income and withholding taxes	5,578	4,317	6,033
Impact of change to U.S. statutory rate from Tax Cuts and Jobs Act	14,302	—	—
Stock-based compensation	1,085	2,231	1,039
Change in valuation allowance	(8,158)	155	3,807
Research and development credits	(382)	(736)	(1,067)
Uncertain tax positions	1,995	1,146	1,277
Provision to return adjustments	153	(484)	848
Impact of adoption of ASU 2016-09	(1,291)	—	—
Other	948	48	169
	$ 1,007	$ 1,404	$ 1,005

Major components of the Company's deferred tax assets (liabilities) as of December 31, 2017 and 2016 are as follows:

	December 31,	
	2017	2016
Net operating loss	$ 25,002	$ 32,551
Accruals and reserves	1,656	2,934
Research and development credits	8,757	7,368
Stock-based compensation	2,796	4,622
Property and equipment and intangible assets	(710)	(1,855)
Other	3,161	2,842
Net deferred tax assets	40,662	48,462
Valuation allowance	(41,224)	(49,382)
Total non-current net deferred tax liabilities, net of valuation allowance	$ (562)	$ (920)

The Tax Reform Act of 1986, as amended, imposes restrictions on the utilization of net operating losses and tax credit carryforwards in certain situations where changes occur in the stock ownership of a corporation. Utilization of a domestic net operation loss or tax credit carryforward may be subject to a substantial limitation due to ownership changes that may have occurred or that could occur in the future, as required by Internal Revenue Code Section 382 ("IRC Section 382"), as well as similar state provisions. Accordingly, a company's ability to use net operating losses may be limited as prescribed under IRC Section 382. Events which may cause limitations in the amount of the net operating losses that the Company may use in any one year include, but are not limited to, a cumulative ownership change of more than 50% over a three-year period. The Company assessed the application of IRC Section 382 during the fourth quarter of 2017 and concluded that no such limitation currently applies. This conclusion will be monitored in the future as circumstances dictate. In the event the Company experiences any subsequent changes in ownership, the amount of net operating losses and research and development credit carryovers available in any taxable year could be limited and may expire unutilized.

As of December 31, 2017, the Company had federal and state net operating loss carryforwards of approximately $110,087 and $91,585, respectively. The federal net operating loss carryforward will begin expiring in 2026 and the state net operating loss carryforward will begin expiring in 2022. As of December 31, 2017, the Company had federal and state research and development credits of approximately $6,139 and $6,451, respectively. The federal research and development credits will begin expiring in 2026. The state research and development credits are not currently subject to expiration.

The Company has recorded a full valuation allowance against its otherwise recognizable deferred income tax assets as of December 31, 2017 and 2016 (except for the deferred income tax assets associated with certain of the Company's foreign subsidiaries). The Company has determined, after evaluating all positive and negative historical and prospective evidence, that it is more likely than not that the deferred tax assets will not be realized. The valuation allowance decreased by $8,158 during the year ended December 31, 2017, and increased by $469 and $5,467 during the years ended December 31, 2016 and 2015, respectively.

The Company files federal, state and foreign income tax returns in jurisdictions with varying statutes of limitations. In the normal course of business, the Company is subject to examination by taxing authorities throughout the world. These audits include questioning the timing and amount of deduction, the nexus of income among various tax jurisdictions and compliance with state, local and foreign tax laws. The Company is not currently under any examination by any federal or state tax authorities, but is currently under audit by the French Tax Authority for the tax years of 2012 through 2016. Because of net operating loss and credit carry forwards, all of the Company's tax years dating to inception in 2006 remain open to examination.

Uncertain Tax Positions

As of December 31, 2017 and 2016, the Company had uncertain tax positions of $1,610 and $1,049, respectively, that if recognized would impact the annual effective tax rate. During 2017, 2016 and 2015, the Company did not recognize any interest or penalties related to uncertain tax positions. The aggregate changes in the balance of gross uncertain tax positions were as follows:

Ending balance as of December 31, 2014	$	1,581
Increase in balances related to tax positions taken during the current period		3,196
Increase in balances related to tax positions taken during the prior period		2,781
Ending balance as of December 31, 2015		7,558
Decrease in balances related to tax positions taken during the current period		(2)
Increase in balances related to tax positions taken during the prior period		1,240
Ending balance as of December 31, 2016		8,796
Increase in balances related to tax positions taken during the current period		1,738
Decrease in balances related to tax positions taken during the prior period		(9)
Decrease in balances due to change in United States statutory rate		(2,101)
Ending balance as of December 31, 2017	$	8,424

The Company does not anticipate that the amount of uncertain tax positions relating to tax positions existing at December 31, 2017 will materially increase or decrease within the next twelve months.

The Tax Cuts and Jobs Act

On December 22, 2017, the United States enacted the Tax Cuts and Jobs Act ("TCJA"), which instituted fundamental changes to the taxation of multinational corporations, including a reduction the U.S. corporate income tax rate to 21% beginning in 2018. As a result, the Company re-measured its deferred tax assets and deferred tax liabilities at the new lower corporate income tax rate and reduced them by $18,696 and $4,394, respectively, with a corresponding net adjustment to the valuation allowance of $14,302 for the year ended December 31, 2017.

The TCJA also requires a one-time transition tax on the mandatory deemed repatriation of the cumulative earnings of certain of the Company's foreign subsidiaries as of December 31, 2017. To determine the amount of this transition tax, the Company must determine the amount of earnings generated since inception by the relevant foreign subsidiaries, as well as the amount of non-U.S. income taxes paid on such earnings, in addition to potentially other factors. The Company believes that no such tax will be due, as its foreign subsidiaries have accumulated significant losses.

In addition, the TCJA imposes a U.S. tax on global intangible low-taxed income ("GILTI") that is earned by certain foreign subsidiaries. Because of the complexity of the new GILTI tax rules, the Company's management is continuing to evaluate the provision of the TCJA and its application on the accounting for income taxes. In accordance with GAAP, the Company is allowed to make an accounting policy choice of either (1) treating taxes related to GILTI as a current period expense when incurred, or (2) factoring such amounts into the measurement of deferred taxes. Because the assessment of the impact of GILTI depends not only on the Company's current structure, but also its intent and ability to modify its structure and business, the Company is not yet able to reasonably estimate the effect of this provision of the TCJA. Therefore, the Company has not made any adjustment related to potential GILTI tax in the consolidated financial statements, and has not made a policy decision regarding whether to record deferred taxes related to GILTI.

The base-erosion and anti-abuse tax ("BEAT") provisions in the TCJA eliminates the deduction of certain base-erosion payments made to related foreign corporations, and impose a minimum tax if greater than regular tax. The Company does not expect it will be subject to this tax and therefore has not included any tax impacts of BEAT in its consolidated financial statements for the year ended December 31, 2017.

On December 22, 2017, the SEC staff issued Staff Accounting Bulletin No. 118 ("SAB 118") to address the application of GAAP in situations when a registrant does not have the necessary information available, prepared, or analyzed (including computations) in reasonable detail to complete the accounting for certain income tax effects of the TCJA. The Company has recognized the provisional tax impacts related to the revaluation of deferred tax assets and liabilities and included these amounts in its consolidated financial statements for the year ended December 31, 2017. The ultimate impact may materially differ from these provisional amounts due to, among other things, additional analysis, changes in interpretations and assumptions the Company has made, additional regulatory guidance that may be issued, and actions the Company may take as a result of the TCJA. The accounting is expected to be completed when the 2017 U.S. corporate income tax return is filed in 2018.

13. Net Loss Per Share Available to Common Stockholders

Basic net loss per share available to common stockholders is calculated by dividing the net loss available to common stockholders by the weighted-average number of shares of common stock outstanding for the period. The weighted-average number of shares of common stock used to calculate the Company's basic net loss per share available to common stockholders excludes those shares subject to repurchase related to unvested common shares, stock options that were exercised prior to vesting, restr icted stock issued and RSUs settled for shares of common stock, as these shares are not deemed to be outstanding for accounting purposes until they vest. The diluted net loss per share of common stock is computed by dividing the net loss using the weighted -average number of shares of common stock, excluding common stock subject to repurchase, and, if dilutive, potential shares of common stock outstanding during the period. Potential shares of common stock consist of common stock subject to repurchase, stock options to purchase common stock, restricted common stock issued and RSUs settled for shares of common stock.

The following table presents the calculation of basic and diluted net loss per share for the periods presented (in thousands except per share amounts):

	Years Ended December 31,		
	2017	2016	2015
Numerator:			
Net loss available to common stockholders	$ (31,491)	$ (16,480)	$ (33,349)
Denominator:			
Weighted average number of shares, basic and diluted	5,638	5,474	5,225
Net loss per share available to common stockholders:			
Basic and diluted net loss per common share available to common stockholders	$ (5.59)	$ (3.01)	$ (6.38)

The following table presents the potential common shares outstanding that were excluded from the computation of diluted net loss per share available to common stockholders for the periods presented because including them would have been anti-dilutive:

	Years Ended December 31,		
	2017	2016	2015
Options to purchase common stock	436	536	851
RSUs	568	429	175
Restricted common stock	—	—	19
Common stock subject to repurchase	—	1	3
	1,004	966	1,048

14. Segment Reporting

The Company defines the term "chief operating decision maker" to be the Chief Executive Officer. The Chief Executive Officer reviews the financial information presented on a consolidated basis for purposes of allocating resources and evaluation of financial performance. Accordingly, the Company has determined that it operates as a single reportable and operating segment.

Revenues by geographic area, based on the billing location of the customer, were as follows:

	Years Ended December 31,		
	2017	2016	2015
United States of America	$ 49,637	$ 69,220	$ 72,942
International	25,354	30,658	35,588
Total revenues, net	$ 74,991	$ 99,878	$ 108,530

Long-lived assets, excluding goodwill and intangible assets, by geographic area were as follows:

	December 31,	
	2017	2016
United States of America	$ 15,069	$ 19,861
International	490	720
Total long-lived assets, net	$ 15,559	$ 20,581

15. Commitments and Contingencies

Operating Leases

Rent expense for 2017, 2016 and 2015 was $8,519, $8,760, and $8,673, respectively.

The Company has leased office space in San Francisco, Austin, Chicago, Dublin, Hamburg, London, New York, Paris, Portland, Sydney, Shanghai and Tokyo under non-cancelable operating leases, which expire between 2018 and 2024. Additionally, the Company subleases portions of its San Francisco and Portland office spaces, and leases the space utilized for data center operations.

Future minimum lease payments for significant operating leases, net of sublease payments, as of December 31, 2017 were as follows:

Year Ending	
December 31, 2018	$ 7,439
December 31, 2019	7,986
December 31, 2020	3,664
December 31, 2021	3,444
December 31, 2022	2,211
Thereafter	475
	$ 25,219

Legal Matters

From time to time, the Company may be involved in lawsuits, claims, investigations and proceedings, consisting of intellectual property, commercial, employment and other matters, which arise in the ordinary course of business. In accordance with GAAP, the Company records a liability when it is both probable that a liability has been incurred and the amount of the loss can be reasonably estimated. These provisions are reviewed at least quarterly and adjusted to reflect the impact of negotiations, settlements, ruling, advice of legal counsel and other information and events pertaining to a particular case. Litigation is inherently unpredictable. If any unfavorable ruling were to occur in any specific period or if a loss becomes probable and estimable, there exists the possibility of a material adverse impact on the Company's results of operations, financial position or cash flows.

Indemnification

The Company enters into standard indemnification agreements in the ordinary course of business. Pursuant to the agreements, each party may indemnify, defend and hold the other party harmless with respect to such claim, suit or proceeding brought against it by a third party alleging that the indemnifying party's intellectual property infringes upon the intellectual property of the third party, or results from a breach of the indemnifying party's representations and warranties or covenants, or that results from any acts of negligence or willful misconduct. The term of these indemnification agreements is generally perpetual any time after execution of the agreement. The maximum potential amount of future payments the Company could be required to make under these indemnification agreements is unlimited. Historically, the Company has not been obligated to make significant payments for these obligations and no liabilities have been recorded for these obligations on the consolidated balance sheets as of December 31, 2017 and 2016.

The Company also indemnifies its officers and directors for certain events or occurrences, subject to certain limits, while the officer or director is or was serving at the Company's request in such capacity. The maximum amount of potential future indemnification is unlimited; however, the Company has a Directors and Officers insurance policy that limits its exposure and enables the Company to recover a portion of any future amounts paid. Historically, the Company has not been obligated to make any payments for these obligations and no liabilities have been recorded for these obligations on the consolidated balance sheets as of December 31, 2017 and 2016.

Other Contingencies

The Company is subject to claims and assessments from time to time in the ordinary course of business. The Company's management does not believe that any such matters, individually or in the aggregate, will have a material adverse effect on the Company's financial position, results of operations or cash flows.

16. Employee Benefit Plans

The Company sponsors a 401(k) defined contribution plan covering all employees in the United States. The Board determines contributions made by the Company annually. The Company made no contributions under this plan for 2017, 2016 and 2015.

The Company also sponsors a statutorily required defined contribution pension plan covering all employees in the U nited Kingdom. The Company made contributions to this plan of $75, $85 and $93 during the years ended December 31, 2017, 2016 and 2015, respectively.

17. Subsequent Event

In January 2018, the Company initiated a restructuring plan designed to reduce operating expenses in response to declines in revenues and to better align the Company's efforts to return to growth. The Company estimates that it will incur pre-tax charges and costs of approximately $1,000 to $1,500 due to this restructuring, primarily related to severance, other one-time termination benefits and reductions in office space. These costs are primarily expected to be incurred during the first quarter of 2018, and the Company expects the majority of activities related to this restructuring to be completed by the first half of 2018.

SIGNAT URES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Company has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on February 28, 2018.

MARIN SOFTWARE INCORPORATED

By: /s/ Bradley W. Kinnish
Bradley W. Kinnish
Chief Financial Officer

POWER OF ATTORNEY

KNOW ALL BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Christopher A. Lien and Bradley W. Kinnish, and each of them, as his or her true and lawful attorneys-in-fact and agents, each with the full power of substitution, for him or her and in his or her name, place or stead, in any and all capacities, to sign any and all amendments to this report, and to file the same, with exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or their or his or her substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons in the capacities and on the date indicated:

Name	Title	Date
/s/ Christopher A. Lien Christopher A. Lien	Chief Executive Officer and Director (Principal Executive Officer)	February 28, 2018
/s/ Bradley W. Kinnish Bradley W. Kinnish	Chief Financial Officer (Principal Financial and Accounting Officer)	February 28, 2018
/s/ Brian Kinion Brian Kinion	Director	February 28, 2018
/s/ James Barrese James Barrese	Director	February 28, 2018
/s/ L. Gordon Crovitz L. Gordon Crovitz	Director	February 28, 2018
/s/ Donald Hutchison Donald Hutchison	Director	February 28, 2018
/s/ Allan Leinwand Allan Leinwand	Director	February 28, 2018
/s/ Daina Middleton Daina Middleton	Director	February 28, 2018

Exhibit 10.1

INDEMNITY AGREEMENT

This Indemnity Agreement, dated as of , 2017 is made by and between Marin Software Incorporated, a Delaware corporation (the " ***Company*** "), and , a director, officer or key employee of the Company or one of the Company's subsidiaries or other service provider who satisfies the definition of Indemnifiable Person set forth below (" ***Indemnitee*** ").

RECITALS

A. The Company is aware that competent and experienced persons are increasingly reluctant to serve as representatives of corporations unless they are protected by comprehensive liability insurance and indemnification, due to increased exposure to litigation costs and risks resulting from their service to such corporations, and due to the fact that the exposure frequently bears no relationship to the compensation of such representatives;

B. The members of the Board of Directors of the Company (the " ***Board*** ") have concluded that to retain and attract talented and experienced individuals to serve as representatives of the Company and its Subsidiaries and Affiliates and to encourage such individuals to take the business risks necessary for the success of the Company and its Subsidiaries and Affiliates, it is necessary for the Company to contractually indemnify certain of its representatives and the representatives of its Subsidiaries and Affiliates, and to assume for itself maximum liability for Expenses and Other Liabilities in connection with claims against such representatives in connection with their service to the Company and its Subsidiaries and Affiliates;

C. Section 145 of the Delaware General Corporation Law (" ***Section 145*** "), empowers the Company to indemnify by agreement its officers, directors, employees and agents, and persons who serve, at the request of the Company, as directors, officers, employees or agents of other corporations, partnerships, joint ventures, trusts or other enterprises, and expressly provides that the indemnification provided thereby is not exclusive; and

D. The Company desires and has requested Indemnitee to serve or continue to serve as a representative of the Company and/or the Subsidiaries or Affiliates of the Company free from undue concern about inappropriate claims for damages arising out of or related to such services to the Company and/or the Subsidiaries or Affiliates of the Company.

E. The Company and Indemnitee previously entered into an Indemnification Agreement, dated as of [ ] (the " ***Prior Agreement*** "), and the Company and Indemnitee desire to amend and restate the Prior Agreement in its entirety to set forth their agreements and understandings with respect to indemnification matters, all on the terms and conditions as set forth in this Agreement.

AGREEMENT

NOW, THEREFORE, the parties hereto, intending to be legally bound, hereby agree as follows:

1. Definitions .

(a) Affiliate . For purposes of this Agreement, " ***Affiliate*** " of the Company means any corporation, partnership, limited liability company, joint venture, trust or other enterprise in respect of which Indemnitee is or was or will be serving as a director, officer, trustee, manager, member, partner, employee, agent, attorney, consultant, member of the entity's governing body (whether constituted as a board of directors, board of managers, general partner or otherwise), fiduciary, or in any other similar capacity at the request, election or direction of the Company, and including, but not limited to, any employee benefit plan of the Company or a Subsidiary or Affiliate of the Company.

(b) Change in Control . For purposes of this Agreement, " ***Change in Control*** " means (i) any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act), other than a Subsidiary or a trustee or other fiduciary holding securities under an employee benefit plan of the Company or Subsidiary, is or becomes the "Beneficial Owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing 50% or more of the total voting power represented by the Company's then outstanding capital stock, or (ii) during any period of two consecutive years, individuals who at the beginning of such period constitute the Board and any new director whose election by the Board or nomination for election by the Company's stockholders was approved by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for ele ction was previously so approved, cease for any reason to constitute a majority thereof, or (iii) the stockholders of the Company approve a merger or consolidation of the Company with any other corporation, other than a merger or consolidation that would r esult in the outstanding capital stock of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into capital stock of the surviving entity) at least 80% of the total voting power re presented by the capital stock of the Company or such surviving entity outstanding immediately after such merger or consolidation, or (iv) the stockholders of the Company approve a plan of complete liquidation of the Company or an agreement for the sale or disposition by the Company (in one transaction or a series of transactions) of all or substantially all of the Company's assets.

(c) DGCL . For purposes of this Agreement, " ***DGCL*** " means the Delaware General Corporation Law.

(d) Exchange Act . For purposes of this Agreement, " ***Exchange Act*** " means the Securities Exchange Act of 1934, as amended.

(e) Expenses . For purposes of this Agreement, " ***Expenses*** " means all direct and indirect costs of any type or nature whatsoever (including, without limitation, all attorneys' fees and related disbursements, and other out-of-pocket costs), paid or incurred by Indemnitee in connection with either the investigation, defense, preparation of defense or appeal of, or being a witness in, or otherwise participating in a Proceeding, or establishing or enforcing a right to indemnification under this Agreement, Section 145 or otherwise; provided, however, that Expenses shall not include any judgments, fines, ERISA excise taxes or penalties or amounts paid in settlement of a Proceeding.

(f) Indemnifiable Event . For purposes of this Agreement, " ***Indemnifiable Event*** " means any event or occurrence related to Indemnitee's service for the Company or any Subsidiary or Affiliate as an Indemnifiable Person (as defined below), or by reason of anything done or not done, or any act or omission, by Indemnitee in any such capacity.

(g) Indemnifiable Person . For the purposes of this Agreement, " ***Indemnifiable Person*** " means any person who is or was a director, officer, trustee, manager, member, partner, employee, attorney, consultant, member of an entity's governing body (whether constituted as a board of directors, board of managers, general partner or otherwise) or other agent or fiduciary of the Company or a Subsidiary or Affiliate of the Company.

(h) Independent Counsel . For purposes of this Agreement, " ***Independent Counsel*** " means legal counsel experienced in matters of corporate law that has not performed services for the Company or Indemnitee in the five years preceding the time in question and that would not, under applicable standards of professional conduct, have a conflict of interest in representing either the Company or Indemnitee.

(i) Independent Director. A member of the Board who neither is nor was a party to the Proceeding for which the Indemnitee is making a claim pursuant to this Agreement.

(i) Other Liabilities . For purposes of this Agreement, " ***Other Liabilities*** " means any and all losses or liabilities of any type whatsoever (including, but not limited to, judgments, fines, penalties, ERISA (or other benefit plan related) excise taxes or penalties, and amounts paid in settlement and all interest, taxes, assessments and other charges paid or payable in connection with or in respect of any such judgments, fines, ERISA (or other benefit plan related) excise taxes or penalties, or amounts paid in settlement).

(j) Proceeding . For the purposes of this Agreement, " ***Proceeding*** " means any threatened, pending, or completed action, suit, claim, counterclaim, crossclaim or other proceeding, whether civil, criminal, administrative, investigative, legislative or any other type whatsoever, preliminary, informal or formal, including any arbitration or other alternative dispute resolution and including any appeal of any of the foregoing.

(k) Subsidiary . For purposes of this Agreement, " ***Subsidiary*** " means any entity of which more than 50% of the outstanding voting securities is owned directly or indirectly by the Company.

2. Agreement to Serve. The Indemnitee agrees to serve and/or continue to serv e as an Indemnifiable Person in the capacity or capacities in which Indemnitee currently serves the Company as an Indemnifiable Person, and any additional capacity in which Indemnitee may agree to serve, until such time as Indemnitee's service in a particu lar capacity shall end according to the terms of an agreement, the Company's then-current Certificate of Incorporation or Bylaws, governing law, or otherwise. Nothing contained in this Agreement is intended to create any right to continued employment or ot her form of service for the Company or a Subsidiary or Affiliate of the Company by Indemnitee.

3. Mandatory Indemnification.

(a) Agreement to Indemnify. In the event Indemnitee is a person who was or is a party to or witness in or is threatened to be made a party to or witness in any Proceeding by reason of an Indemnifiable Event, the Company shall indemnify Indemnitee from and against any and all Expenses and Other Liabilities incurred by Indemnitee in connection with (including in preparation for) such Proceeding to the fullest extent permitted by the Company's Bylaws and applicable law, as the same exists or may be amended from time to time (but only to the extent that such amendment permits the Company to provide broader indemnification rights than such law permitted the Company to provide prior to the adoption of such amendment).

(b) Exception for Amounts Covered by Insurance and Other Sources. Notwithstanding the foregoing, except as provided in Section 3(c), the Company shall not be obligated to indemnify Indemnitee for Expenses or Other Liabilities of any type whatsoever (including, but not limited to judgments, fines, penalties, ERISA excise taxes or penalties and amounts paid in settlement) to the extent such have been paid directly to Indemnitee (or paid directly to a third party on Indemnitee's behalf) by any directors and officers, or other type, of insurance maintained by the Company or pursuant to other indemnity arrangements with third parties.

(c) Company Obligations Primary. The Company hereby acknowledges that an Indemnitee that is a member of the Board may have rights to indemnification for Expenses and Other Liabilities provided by another sponsoring organization (" ***Other Indemnitor*** "). The Company agrees with such an Indemnitee that the Company is the indemnitor of first resort of such Indemnitee with respect to matters for which indemnification is provided under this Agreement and that the Company will be obligated to make all payments due to or for the benefit of such Indemnitee under this Agreement without regard to any rights that such Indemnitee may have against the Other Indemnitor. The Company hereby waives any equitable rights to contribution or indemnification from the Other Indemnitor in respect of any amounts paid to such Indemnitee hereunder. The Company further agrees that no reimbursement of Other Liabilities or payment of Expenses by the Other Indemnitor to or for the benefit of such Indemnitee shall affect the obligations of the Company hereunder, and that the Company shall be obligated to repay the Other Indemnitor for all amounts so paid or reimbursed to the extent that the Company has an obligation to indemnify such Indemnitee for such Expenses or Other Liabilities hereunder.

4. Partial Indemnification. If Indemnitee is entitled under any provision of this Agreement to indemnification by the Company for some or a portion of any Expenses or Other Liabilities but not entitled, however, to indemnification for the total amount of such Expenses or Other Liabilities, the Company shall nevertheless indemnify Indemnitee for such total amount except as to the portion thereof for which indemnification is prohibited by the provisions of the Company's Bylaws or applicable law. In any review or Proceeding to determine the extent of indemnification, the Company shall bear the burden to establish, by clear and convincing evidence, the lack of a successful resolution of a particular claim, issue or matter and which amounts sought in indemnity are allocable to claims, issues or matters which were not successfully resolved.

5. Liability Insurance. So long as Indemnitee shall continue to serve the Company or a Subsidiary or Affiliate of the Company as an Indemnifiable Person and thereafter so long as Indemnitee shall be subject to any possible claim or threatened, pending or completed Proceeding as a result of an Indemnifiable Event, the Company shall use reasonable efforts to maintain in full force and effect for the benefit of Indemnitee as an insured (a) liability insurance issued by one or more reputable insurers and having the policy amount and deductible deemed appropriate by the Board and providing in all respects coverage at least comparable to and in the same amount as that provided to the Chairman of the Board or the Chief Executive Officer of the Company and (b) any replacement or substitute policies issued by one or more reputable insurers providing in all respects coverage at least comparable to and in the same amount as that being provided to the Chairman of the Board or the Chief Executive Officer of the Company. The purchase, establishment and maintenance of any such insurance or other arrangements shall not in any way limit

or affect the rights and obligations of the Company or of Indemnitee under this Agreement except as expressly provided herein, and the execution and delivery of this Agreement by the Company and Indemnitee shall not in any way limit or affect the rights and obligations of the Company or the other party or parties thereto under any such insurance or other arrangem ent.

6. Mandatory Advancement of Expenses .

If requested by Indemnitee, the Company shall advance prior to the final disposition of the Proceeding all Expenses reasonably incurred by Indemnitee in connection with (including in preparation for) a Proceeding related to an Indemnifiable Event. Indemnitee hereby undertakes to repay such amounts advanced if, and only if and to the extent that, it shall ultimately be determined that Indemnitee is not entitled to be indemnified by the Company under the provisions of this Agreement, the Company's Bylaws or the DGCL, and no other additional form of undertaking with respect to such obligation to repay shall be required. The advances to be made hereunder shall be paid by the Company to Indemnitee or directly to a third party designated by Indemnitee within thirty (30) days following delivery of a written request therefor by Indemnitee to the Company. Indemnitee's undertaking to repay any Expenses advanced to Indemnitee hereunder shall be unsecured and shall not be subject to the accrual or payment of any interest thereon.

7. Notice and Other Indemnification Procedures .

(a) Notification . Promptly after receipt by Indemnitee of notice of the commencement of or the threat of commencement of any Proceeding, Indemnitee shall, if Indemnitee believes that indemnification or advancement of Expenses with respect thereto may be sought from the Company under this Agreement, notify the Company of the commencement or threat of commencement thereof. However, a failure so to notify the Company promptly following Indemnitee's receipt of such notice shall not relieve the Company from any liability that it may have to Indemnitee except to the extent that the Company is materially prejudiced in its defense of such Proceeding as a result of such failure.

(b) Insurance and Other Matters . If, at the time of the receipt of a notice of the commencement of a Proceeding pursuant to Section 7(a) above, the Company has director and officer liability insurance in effect, the Company shall give prompt notice of the commencement of such Proceeding to the issuers in accordance with the procedures set forth in the respective policies. The Company shall thereafter take all reasonable action to cause such insurers to pay, on behalf of Indemnitee, all amounts payable as a result of such Proceeding in accordance with the terms of such insurance policies.

(c) Assumption of Defense . In the event the Company shall be obligated to advance the Expenses for any Proceeding against Indemnitee, the Company, if deemed appropriate by the Company, shall be entitled to assume the defense of such Proceeding as provided herein. Such defense by the Company may include the representation of two or more parties by one attorney or law firm as permitted under the ethical rules and legal requirements related to joint representations. Following delivery of written notice to Indemnitee of the Company's election to assume the defense of such Proceeding, the approval by Indemnitee (which approval shall not be unreasonably withheld) of counsel designated by the Company and the retention of such counsel by the Company, the Company will not be liable to Indemnitee under this Agreement for any fees and expenses of counsel subsequently incurred by Indemnitee with respect to the same Proceeding. If (i) the employment of counsel by Indemnitee has been previously authorized by the Company, (ii) Indemnitee shall have notified the Board in writing that Indemnitee has reasonably concluded that there is likely to be a conflict of interest between the Company and Indemnitee in the conduct of any such defense, or (iii) the Company fails to employ counsel to assume the defense of such Proceeding, the fees and expenses of Indemnitee's counsel shall be subject to indemnification and/or advancement pursuant to the terms of this Agreement. Nothing herein shall prevent Indemnitee from employing counsel for any such Proceeding at Indemnitee's expense.

(d) Settlement . The Company shall not be liable to indemnify Indemnitee under this Agreement or otherwise for any amounts paid in settlement of any Proceeding effected without the Company's written consent; provided , however , that if a Change in Control has occurred, the Company shall be liable for indemnification of Indemnitee for amounts paid in settlement if the Independent Counsel has approved the settlement. Neither the Company nor any Subsidiary or Affiliate shall enter into a settlement of any Proceeding that might result in the imposition of any Expense, Other Liability, penalty, limitation or detriment on Indemnitee, whether indemnifiable under this Agreement or otherwise, without Indemnitee's written consent. Neither the Company nor Indemnitee shall unreasonably withhold consent from any settlement of any Proceeding. With respect to any Proceeding, the settlement of which the consent of Indemnitee would be required hereunder, the Company shall promptly notify Indemnitee upon the Company's receipt of an offer to settle, or if the Company makes an offer to settle, any Proceeding, and provide Indemnitee with a reasonable amount of time to consider such settlement. The Company shall not, on its own behalf, settle any part of any Proceeding to which Indemnitee is a party, the settlement of which the consent of such Indemnitee would be required hereunder, with respect to other parties (including the Company) without the written consent of Indemnitee if any portion of the settle ment is to be funded from insurance proceeds unless approved by a majority of the Independent Directors, provided that this sentence shall cease to be of any force and effect if it has been determined in accordance with this Agreement that Indemnitee is no t entitled to indemnification hereunder with respect to such Proceeding or if the Company's obligations hereunder to Indemnitee with respect to such Proceeding have been fully discharged.

8. Determination of Right to Indemnification .

(a) Success on the Merits or Otherwise . To the extent that Indemnitee has been successful on the merits or otherwise, including, without limitation, the dismissal of an action without prejudice, in defense of any Proceeding referred to in Section 3(a) above or in the defense of any claim, issue or matter described therein, the Company shall indemnify Indemnitee against Expenses actually and reasonably incurred in connection therewith.

(b) Indemnification in Other Situations . In the event that Section 8(a) is inapplicable, the Company shall also indemnify Indemnitee if Indemnitee has not failed to meet the applicable standard of conduct for indemnification, as determined by the Reviewing Party (as defined below) in accordance with Section 8(d).

(c) Forum . Indemnitee shall be entitled to select the forum in which determination of whether or not Indemnitee has met the applicable standard of conduct shall be decided, and such election will be made from among the following:

(i) those members of the Board who are Independent Directors even though less than a quorum;

(ii) a committee of Independent Directors designated by a majority vote of Independent Directors, even though less than a quorum; or

(iii) Independent Counsel selected by Indemnitee and approved by the Board, which approval may not be unreasonably withheld, which counsel shall make such determination in a written opinion.

If Indemnitee is an officer or a director of the Company at the time that Indemnitee is selecting the forum, then Indemnitee shall not select Independent Counsel as such forum unless there are no Independent Directors or unless the Independent Directors agree to the selection of Independent Counsel as the forum.

The selected forum shall be referred to herein as the " ***Reviewing Party*** ." Notwithstanding the foregoing, following any Change in Control, the Reviewing Party shall be Independent Counsel selected in the manner provided in Section 8(c)(iii) above.

(d) Decision Timing and Expenses . As soon as practicable, and in no event later than thirty (30) days after receipt by the Company of written notice of Indemnitee's choice of forum pursuant to Section 8(c) above, the Company and Indemnitee shall each submit to the Reviewing Party such information as they believe is appropriate for the Reviewing Party to determine whether and to what extent Indemnitee is entitled to indemnification. The Reviewing Party shall arrive at its decision within a reasonable period of time following the receipt of all such information from the Company and Indemnitee, but in no event later than thirty (30) days following the receipt of all such information; provided , that , the time by which the Reviewing Party must reach a decision may be extended by mutual agreement of the Company and Indemnitee. All Expenses associated with the process set forth in this Section 8(d), including but not limited to the Expenses of the Reviewing Party, shall be paid by the Company.

(e) Delaware Court of Chancery . Notwithstanding a final determination by any Reviewing Party that Indemnitee is not entitled to indemnification with respect to a specific Proceeding, Indemnitee shall have the right to apply to the Court of Chancery, for the purpose of enforcing Indemnitee's right to indemnification pursuant to this Agreement.

(f) Expenses. The Company shall indemnify Indemnitee against all Expenses incurred by Indemnitee in connection with any hearing or Proceeding under this Section 8 involving Indemnitee and against all Expenses and Other Liabilities incurre d by Indemnitee in connection with any other Proceeding between the Company and Indemnitee involving the interpretation or enforcement of the rights of Indemnitee under this Agreement unless a court of competent jurisdiction finds that each of the material claims of Indemnitee in any such Proceeding was frivolous or made in bad faith.

9. Exceptions. Any other provision herein to the contrary notwithstanding,

(a) Claims Initiated by Indemnitee. The Company shall not be obligated pursuant to the terms of this Agreement to indemnify or advance Expenses to Indemnitee with respect to Proceedings or claims initiated or brought voluntarily by Indemnitee and not by way of defense, except (i) with respect to Proceedings brought to establish or enforce a right to indemnification under this Agreement, any other statute or law, as permitted under Section 145, or otherwise, (ii) where the Board has consented to the initiation of such Proceeding, or (iii) with respect to Proceedings brought to discharge Indemnitee's fiduciary responsibilities, whether under ERISA or otherwise, but such indemnification or advancement of Expenses may be provided by the Company in specific cases if the Board finds it to be appropriate; or

(b) Actions Based on Federal Statutes Regarding Profit Recovery and Return of Bonus Payments. The Company shall not be obligated pursuant to the terms of this Agreement to indemnify Indemnitee on account of (i) any suit in which judgment is rendered against Indemnitee for an accounting of profits made from the purchase or sale by Indemnitee of securities of the Company pursuant to the provisions of Section 16(b) of the Exchange Act and amendments thereto or similar provisions of any federal, state or local statutory law, or (ii) any reimbursement of the Company by the Indemnitee of any bonus or other incentive-based or equity-based compensation or of any profits realized by the Indemnitee from the sale of securities of the Company, as required in each case under the Exchange Act (including any such reimbursements that arise from an accounting restatement of the Company pursuant to Section 304 of the Sarbanes-Oxley Act of 2002 (the "***Sarbanes-Oxley Act***"), or the payment to the Company of profits arising from the purchase and sale by Indemnitee of securities in violation of Section 306 of the Sarbanes-Oxley Act); or

(c) Unlawful Indemnification. The Company shall not be obligated pursuant to the terms of this Agreement to indemnify Indemnitee for Other Liabilities if such indemnification is prohibited by law as determined by a court of competent jurisdiction in a final adjudication not subject to further appeal.

10. Non-exclusivity. The provisions for indemnification and advancement of Expenses set forth in this Agreement shall not be deemed exclusive of any other rights which Indemnitee may have under any provision of law, the Company's Certificate of Incorporation or Bylaws, the vote of the Company's stockholders or disinterested directors, other agreements, or otherwise, both as to acts or omissions in his or her official capacity and to acts or omissions in another capacity while serving the Company or a Subsidiary or Affiliate as an Indemnifiable Person and Indemnitee's rights hereunder shall continue after Indemnitee has ceased serving the Company or a Subsidiary or Affiliate as an Indemnifiable Person and shall inure to the benefit of the heirs, executors and administrators of Indemnitee.

11. Severability. If any provision or provisions of this Agreement shall be held to be invalid, illegal or unenforceable for any reason whatsoever, (a) the validity, legality and enforceability of the remaining provisions of the Agreement (including, without limitation, all portions of any paragraphs of this Agreement containing any such provision held to be invalid, illegal or unenforceable, that are not themselves invalid, illegal or unenforceable) shall not in any way be affected or impaired thereby, and (b) to the fullest extent possible, the provisions of this Agreement (including, without limitation, all portions of any paragraphs of this Agreement containing any such provision held to be invalid, illegal or unenforceable, that are not themselves invalid, illegal or unenforceable) shall be construed so as to give effect to the intent manifested by the provision held invalid, illegal or unenforceable.

12. Supersession, Modification and Waiver. This Agreement supersedes any prior indemnification agreement between the Indemnitee and the Company, its Subsidiaries or its Affiliates, including, without limitation, the Prior Agreement. If the Company and Indemnitee have previously entered into an indemnification agreement providing for the indemnification of Indemnitee by the Company, the parties' entry into this Agreement shall be deemed to amend and restate such prior agreement, including, without limitation, the Prior Agreement, to read in its entirety as,

and be superseded by, this Agreement. No supplement, modification or amendment of this Agreement shall be binding unless executed in writing by both of the parties hereto. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provision hereof (whether or not similar) and except as expressly provided herein, no such waiver shall constitute a continuing waiver.

13. Successors and Assigns . The terms of this Agreement shall bind, and shall inure to the benefit of, the successors and assigns of the parties hereto.

14. Notice . All notices, requests, demands and other communications under this Agreement shall be in writing and shall be deemed duly given (a) if delivered by hand and a receipt is provided by the party to whom such communication is delivered, (b) if mailed by certified or registered mail with postage prepaid, return receipt requested, on the signing by the recipient of an acknowledgement of receipt form accompanying delivery through the U.S. mail, (c) personal service by a process server, or (d) delivery to the recipient's address by overnight delivery (e.g., FedEx, UPS or DHL) or other commercial delivery service. Addresses for notice to either party are as shown on the signature page of this Agreement, or as subsequently modified by written notice complying with the provisions of this Section 14. Delivery of communications to the Company with respect to this Agreement shall be sent to the attention of the Company's General Counsel.

15. No Presumptions . For purposes of this Agreement, the termination of any Proceeding, by judgment, order, settlement (whether with or without court approval) or conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that Indemnitee did not meet any particular standard of conduct or have any particular belief or that a court has determined that indemnification is not permitted by applicable law or otherwise. In addition, neither the failure of the Company or a Reviewing Party to have made a determination as to whether Indemnitee has met any particular standard of conduct or had any particular belief, nor an actual determination by the Company or a Reviewing Party that Indemnitee has not met such standard of conduct or did not have such belief, prior to the commencement of Proceedings by Indemnitee to secure a judicial determination by exercising Indemnitee's rights under Section 8(e) of this Agreement shall be a defense to Indemnitee's claim or create a presumption that Indemnitee has failed to meet any particular standard of conduct or did not have any particular belief or is not entitled to indemnification under applicable law or otherwise.

16. Survival of Rights . The rights conferred on Indemnitee by this Agreement shall continue after Indemnitee has ceased to serve the Company or a Subsidiary or Affiliate of the Company as an Indemnifiable Person and shall inure to the benefit of Indemnitee's heirs, executors and administrators.

17. Subrogation and Contribution .

(a) Except as otherwise expressly provided in this Agreement, in the event of payment under this Agreement, the Company shall be subrogated to the extent of such payment to all of the rights of recovery of Indemnitee, who shall execute all documents required and shall do all acts that may be necessary to secure such rights and to enable the Company effectively to bring suit to enforce such rights.

(b) To the fullest extent permissible under applicable law, if the indemnification provided for in this Agreement is unavailable to Indemnitee for any reason whatsoever, the Company, in lieu of indemnifying Indemnitee, shall contribute to the amount incurred by or on behalf of Indemnitee, whether for judgments, fines, penalties, excise taxes, amounts paid or to be paid in settlement and/or for Expenses, in connection with any claim relating to an indemnifiable event under this Agreement, in such proportion as is deemed fair and reasonable in light of all of the circumstances of such Proceeding in order to reflect (i) the relative benefits received by the Company and Indemnitee as a result of the event(s) and/or transaction(s) giving cause to such Proceeding; and/or (ii) the relative fault of the Company (and its directors, officers, employees and agents) and Indemnitee in connection with such event(s) and/or transaction(s).

18. Specific Performance, Etc. The parties recognize that if any provision of this Agreement is violated by the Company, Indemnitee may be without an adequate remedy at law. Accordingly, in the event of any such violation, Indemnitee shall be entitled, if Indemnitee so elects, to institute Proceedings, either in law or at equity, to obtain damages, to enforce specific performance, to enjoin such violation, or to obtain any relief or any combination of the foregoing as Indemnitee may elect to pursue.

19. Counterparts . This Agreement may be executed in counterparts, each of which shall for all purposes be deemed to be an original but all of which together shall constitute one and the same agreement. Only one such counterpart signed by the party against whom enforceability is sought needs to be produced to evidence the existence of this Agreement.

20. Headings . The headings of the sections and paragraphs of this Agreement are inserted for convenience only and shall not be deemed to constitute part of this Agreement or to affect the construction or interpretation thereof.

21. Governing Law . This Agreement shall be governed exclusively by and construed according to the laws of the State of Delaware, as applied to contracts between Delaware residents entered into and to be performed entirely with Delaware.

22. Consent to Jurisdiction . The Company and Indemnitee each hereby irrevocably consent to the jurisdiction of the courts of the State of Delaware for all purposes in connection with any Proceeding which arises out of or relates to this Agreement.

23. Effective Date . This Agreement shall become effective on the date set forth in the first paragraph to this Agreement (the " ***Effective Date*** ").

24. Entire Agreement . This Agreement and the documents referred to herein constitute the entire agreement and understanding of the parties with respect to the subject matter of this Agreement, and, upon the Effective Date, this Agreement and the documents referred to herein supersede any and all prior understandings and agreements, whether oral or written, between or among the parties hereto with respect to the specific subject matter hereof, including, without limitation, the Prior Agreement.

[Remainder of Page Intentionally Left Blank]

The parties hereto have entered into this Indemnity Agreement effective as of the date first above written.

COMPANY:

Marin Software Incorporated

By: ______________________________
Name: ______________________________
Title: ______________________________

INDEMNITEE :

____

Name: ______________________________
Address: ______________________________

____

Exhibit 21.1

List of Subsidiaries of Marin Software Incorporated as of December 31, 2017

Wholly-Owned Subsidiary	Jurisdiction
Marin Software Irish Holding Limited	Ireland
Marin Software Limited	Ireland
Marin Software Limited (United Kingdom)	United Kingdom
Marin Software GmbH	Germany
Marin Software SARL	France
Marin Software K.K.	Japan
Marin Software Pte. Ltd.	Singapore
Marin Software Pty Ltd.	Australia
Marin Software (Shanghai) Co., Ltd.	People's Republic of China
NowSpots, Inc.	United States of America
SocialMoov S.A.S.	France
SocialMoov Limited	United Kingdom

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (No. 333-196818 and 333-202240) and Form S-8 (No. 333-216349, 333-187459, 333-194250, 333-202223 and 333-209651) of Marin Software Incorporated of our report dated February 28, 2018 relating to the financial statements, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP
San Francisco, CA
February 28, 2018

Exhibit 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER UNDER SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Christopher A. Lien, certify that:

1. I have reviewed this Annual Report on Form 10-K of Marin Software Incorporated;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 28, 2018

/s/ Christopher A. Lien

Christopher A. Lien
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER UNDER SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Bradley W. Kinnish, certify that:

1. I have reviewed this Annual Report on Form 10-K of Marin Software Incorporated;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 28, 2018

/s/ Bradley W. Kinnish
Bradley W. Kinnish
Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)

Exhibit 32.1

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I, Christopher A. Lien, certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) the Annual Report of Marin Software Incorporated on Form 10-K for the fiscal year ended December 31, 2017 (the " ***Report*** ") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Marin Software Incorporated for the periods presented therein.

Date: February 28, 2018

By: /s/ Christopher A. Lien
Christopher A. Lien
Chief Executive Officer
(Principal Executive Officer)

Exhibit 32.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Bradley W. Kinnish, certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) the Annual Report of Marin Software Incorporated on Form 10-K for the fiscal year ended December 31, 2017 (the " ***Report*** ") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Marin Software Incorporated for the periods presented therein.

Date: February 28, 2018

By: /s/ Bradley W. Kinnish
Bradley W. Kinnish
Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)