

Quotient Technology Inc.
Form 10-K
February 27, 2019

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2018

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT
OF 1934

For the transition period from _____ to _____

Commission File Number 001-36331

Quotient Technology Inc.

(Exact name of registrant as specified in its Charter)

Delaware	77-0485123
(State or other jurisdiction of	(I.R.S. Employer
incorporation or organization)	Identification No.)
400 Logue Avenue	
Mountain View, CA	94043
(Address of principal executive offices)	(Zip Code)

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Registrant's telephone number, including area code: (650) 605-4600

(Former name, former address and former fiscal year, if changed since last report)

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

Title of each class	Name of each exchange on which registered
Common Stock, \$0.00001 par value per share	New York Stock Exchange

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 15(d) of the 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 every Interactive Data File required to be submitted 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 such files). YES NO

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405) 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, a smaller reporting company, or an emerging growth company. See the definition of "large accelerated filer", "accelerated filer", "smaller reporting company", and "emerging growth company" in Rule 12b-2 of the Exchange Act.:

Large accelerated filer Accelerated filer

Non-accelerated filer Small 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.

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Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES NO

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant, as of June 30, 2018, the last business day of the registrant's most recently completed second fiscal quarter, based on the closing price of \$13.10 per share of the Registrant's common stock as reported by the New York Stock Exchange on June 30, 2018, was \$739.2 million. Shares of common stock held by each executive officer, director, and their affiliated holders and by each entity or person that, to the Registrant's knowledge, owned 5% or more of the Registrant's outstanding common stock as of June 30, 2018, have been 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.

The number of shares of registrant's Common Stock outstanding as of February 25, 2019 was 94,057,914.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Definitive Proxy Statement relating to the Annual Meeting of Stockholders are incorporated by reference into Part III of this Annual Report on Form 10-K where indicated. Such definitive Proxy Statement will be filed with the Securities and Exchange Commission within 120 days after the end of the registrant's fiscal year ended December 31, 2018.

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Unless the context otherwise requires, the terms “Quotient,” “Coupons,” the “Company,” “we,” “us” and “our” in this Annual Report on Form 10-K refer to Quotient Technology Inc. and its consolidated subsidiaries.

Quotient, Quotient Retailer iQ, Retail Performance Media, Ahalogy, Elevaate, SavingStar, Crisp Media, Shopmium and our other registered or common law trademarks, service marks or trade names appearing in this Annual Report on Form 10-K are the property of Quotient. Other trademarks and trade names referred to in this Annual Report on Form 10-K are the property of their respective owners.

SPECIAL NOTE REGARDING FORWARD LOOKING STATEMENTS

This Annual Report on Form 10-K contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”) and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). The words “anticipate,” “believe,” “continue,” “could,” “seek,” “might,” “estimate,” “expect,” “may,” “plan,” “potential,” “predict,” “approximately,” “project,” “should,” “will,” “would” or the negative or plural of these or similar expressions, as they relate to our company, business and management, are intended to identify forward-looking statements. Forward-looking statements contained in this Annual Report on Form 10-K include, but are not limited to, statements about:

- our financial performance, including our revenues, margins, costs, expenditures, growth rates and operating expenses, and our ability to generate positive cash flow and become profitable;
- increasing our share of Consumer Packaging Goods (“CPG”)s marketing spend on promotions and media on our platforms and increase the number of brands that are using our platform within each CPG;
- our ability to adapt to changes in marketing budgets of CPGs and retailers and the timing of their marketing spend;
- our expectations regarding Quotient Promotions Cloud, Quotient Media Cloud, Quotient Analytic Cloud, and Quotient Audience Cloud platforms;
- our expectations regarding the shift to digital promotions and advertising from off-line channels;
- our ability to successfully expand our media solutions into new areas such as Retail Performance Media, media agency, influencer marketing, and sponsored search;
- our ability to maintain and expand our data rights within our retailer network;
- our ability to successfully execute and grow our Retail Performance Media programs;
- our ability to successfully expand our promotions solutions into new areas such as targeted printed offers at checkout and loyalty rewards programs;
- our ability to successfully execute our digital promotions and media solutions into retailers’ in-store and point of sale systems and consumer channels;
- our ability to deploy, execute, and continue to develop Quotient Analytics and our data, measurement, and analytics solutions in support of our digital promotions and media solutions;
- our ability to demonstrate the value of our digital promotions and media solutions through trusted measurement metrics;
- our ability to expand the use by consumers of our digital promotions and media offerings and broaden the selection and use of digital coupons, cash-back offers, and coupon codes;
- our strategies relating to the growth of our platform and our business, including pricing strategies;
- our ability to successfully enter new markets;
- our ability to successfully integrate our newly acquired companies into our business;
- our ability to respond to changes in the legislative or regulatory environment, including with respect to privacy and data protection, or enforcement by government regulators, including fines, orders, or consent decrees;
- the effects of increased competition in our markets and our ability to compete effectively;
- our ability to effectively grow and train our sales and operations teams;
- our ability to maintain, protect and enhance our brand and intellectual property;
- our strategies relating to, and outcomes of, and costs associated with defending, intellectual property infringement and other claims;
- our significant operating leverage in our business;
- our ability to develop and launch new services and features; and
- our ability to attract and retain qualified employees and key personnel.

We caution you that the foregoing list may not contain all of the forward-looking statements made in this Annual Report on Form 10-K.

We have based these forward-looking statements on our current expectations and projections about future events and financial trends affecting our business. Forward-looking statements should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of the times at, or by, which such performance or results will be achieved. Forward-looking statements are based on information available to our management at the date of this Annual Report on Form 10-K and our management's good faith belief as of such date with respect to future events, and are subject to risks and uncertainties that could cause actual performance or results to differ materially from those expressed in or suggested by the forward-looking statements. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. We discuss these risks in greater detail in "Item 1A: Risk Factors" and elsewhere in this Annual Report on Form 10-K. Forward-looking statements speak only as of the date of this Annual Report on Form 10-K. We caution you that the foregoing list of important factors may not contain all of the material factors that are important to you. Except as required by law, we assume no obligation to publicly update or revise any forward-looking statement to reflect actual results, changes in assumptions based on new information, future events or otherwise. If we update one or more forward-looking statements, no inference should be drawn that we will make additional updates with respect to those or other forward-looking statements. Given these risks and uncertainties, you are cautioned not to place undue reliance on such forward-looking statements.

PART I

Item 1. Business. Overview

Quotient Technology Inc. is an industry leading digital marketing company, providing technology and services that power integrated digital promotions and media programs for consumer packaged goods ("CPG's") brands and retailers. These programs are delivered across our network, including our flagship consumer brand Coupons.com and our retail partners' properties. This network provides Quotient with proprietary and licensed data, including online behavior, purchase intent, and retailers' in-store point-of-sale ("POS") shopper data, to target shoppers with the most relevant digital coupons and ads. Customers and partners use Quotient to influence shoppers via digital channels, integrate marketing and merchandising programs, and leverage shopper data and insights to drive measurable sales results.

For our retail partners, we provide a digital platform, Quotient Retailer iQ ("Retailer iQ"), to directly engage with shoppers across their websites, mobile, ecommerce, and social channels. This platform is generally co-branded or white-labeled through retailers' savings or loyalty programs and uses shopper data to deliver relevant digital promotions from brand marketers and retailers to shoppers.

Our network is made up of three constituencies:

- Our clients consist of approximately 700 CPGs, representing approximately 2,000 brands, including many of the leading food, beverage, personal and household product manufacturers;
- Our retail partners, representing multiple classes of trade such as leading grocery retailers; drug, dollar, club, and mass merchandise channels, where the majority of CPG products are sold; and
- Millions of consumers visiting our web, mobile properties, and social channels, as well as those of our CPG and retailer partners.

Through these three groups, we have created a network effect, which we believe gives us a competitive advantage over both offline and online competitors. As our shopper audience increases, our platform becomes more valuable to CPGs and retailers, which, in turn, rely more heavily on our platform for their digital promotions and media. In addition, the breadth of coupon and advertising content offered from leading brands enables us to attract and retain

more retailers and shoppers. As our network expands, we generate more shopper data and insights, which improve our ability to deliver more relevant and personalized promotions and media, and strengthens our measurement and data insights solutions.

We primarily generate revenue by providing digital coupons and media solutions to our customers and partners.

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We generate revenue from promotions, in which CPGs pay us to deliver coupons to consumers through our network of publishers and retail partners. Each time a coupon is activated through our platform or, in some cases, redeemed, we are generally paid a fee. Activation of a digital coupon can include: saving it to a retailer loyalty account or printing it for physical redemption at a retailer.

Promotion revenues also include our Specialty Retail business, in which specialty stores including clothing, electronics, home improvement and many others offer coupon codes that we distribute. Each time a consumer makes a purchase using a coupon code, a transaction occurs and a distribution fee is generally paid.

We also generate revenues from digital media in which CPGs, retailers, and advertising agencies, use our platform to deliver digital advertising. Using our proprietary data and shopper data from our retail partners, we target audiences with digital ad campaigns. These ads are delivered to shoppers through our network, including our websites and mobile apps, as well as those of our publishers, retailers and other third parties. Campaigns are measured based on optimization and performance, attributing digital ad campaigns to in-store purchases in near real time. In 2018, we acquired Ahalogy, an influencer marketing platform, and Elevaate, a sponsored search technology platform for our retail partners and CPG customers. Our media solutions, including the solutions we acquired from Ahalogy and Elevaate help serve our customers and partners' needs as they shift more of their marketing dollars to digital.

We generally pay a distribution fee to retailers and publishers for activation or redemption of a digital promotion, for media campaigns, and for use of data for targeting or measurement. We also pay a fee to third-party publishers for traffic acquisition, which consists of delivering campaigns on certain networks or sites. These distribution and third-party service fees are included in our cost of revenues. See Management's Discussion and Analysis of Financial Condition and Results of Operations – "Non-GAAP Financial Measure and Key Operating Metrics" for more information.

During 2018, we generated revenues of \$387.0 million, representing 20% growth over 2017, and a net loss of \$28.3 million as compared to \$15.1 million in 2017. See our Consolidated Financial Statements and accompanying notes for more information. For the years ended December 31, 2018 and 2017, there was no revenue from a customer that accounted for more than 10% of our total revenues. For the year ended December 31, 2016, total revenue from The Procter and Gamble Company accounted for more than 10% of our total revenues.

Our Industry

Retailers and CPGs are turning to data-driven digital marketing strategies to engage and influence shoppers to compete more effectively in today's retail environment and drive sales. By shifting dollars from traditional offline channels to digital, brands and retailers can use shopper data and behaviors to target and deliver digital coupons and advertising with greater efficiency and return on investment.

For decades, retailers and CPGs have worked together to drive sales, which in turn benefits both parties. CPGs sell their products to retailers, and retailers are responsible for selling those products directly to shoppers. To help retailers attract shoppers and ensure sales, CPGs spend over \$225 billion annually in promotions, media, shopper marketing, trade and other in-store advertising. Historically, the vast majority of these dollars have been spent in offline channels such as free-standing inserts found in Sunday newspapers, direct mail, printed circulars, in-store aisle tags, end caps and TV. These traditional offline channels are becoming less effective as consumers spend more time online, particularly on mobile, giving way to the rising importance of using data to drive personalized and targeted, content to shoppers. To reach shoppers at the right time and place, CPGs are shifting dollars historically spent in offline channels to digital.

At the same time, traditional retailers are paving the path for this digital shift by investing in technology and creating digital strategies to better compete and drive sales. This includes investment around loyalty strategies, ecommerce experiences, and data-driven advertising platforms. As retailers expand their digital capabilities, it creates greater

opportunities for CPGs to shift marketing dollars from offline to digital.

Digital coupons, primarily funded by CPGs, have been found to be more effective and are redeemed at higher rates compared to traditional offline promotions. According to a 2018 mid-year industry report by NCH Marketing Services, Inc., digital coupons (including digital print and digital paperless coupons) represented approximately 1.7% of total U.S. CPG coupon distribution volume, but accounted for just over 20% of total U.S. CPG coupon redemptions. We believe that the ease of digital promotions, coupled with greater awareness of digital savings programs, is broadening the demographic reach and driving demand for digital promotions.

Trade promotions, defined as special promotions offered to drive additional sales directly from a particular retailer, are also funded by CPGs. Historically, trade promotions have been mass marketed through retailers in offline vehicles such as aisle tags and printed circulars. We believe CPGs will shift offline trade promotions to digital as retailers continue to increase their digital marketing activities and better use their shopper data.

Advertising from shopper marketing, defined as advertising funded by the CPG to gain shopper awareness and drive sales within a specific retailer, is also shifting from traditional in-store and print advertising to digital, particularly to mobile. Shopper marketers are looking to reach shoppers across the right touchpoints at the right time. Additionally, portions of CPG brand advertising, which have historically been spent in traditional offline channels such as print and TV, are also expected to shift to digital channels. eMarketer projects that in 2019, CPG and consumer products brands will spend approximately \$11.0 billion on digital ads, an increase from the approximately \$6 billion spent in 2016.

As the shift to digital coupon and digital advertising continues to grow, so does the importance placed on data to target audiences and measure campaign performance. Today, over 90% of grocery sales still occur in-store with shopper data residing offline, creating a particular need to attribute dollars spent in digital coupons and advertising directly to in-store sales. As a greater portion of grocery sales shift to online, retailers are investing in omni-channel strategies, technology, and solutions to meet shopper demands, compete effectively and drive sales. These investments are creating an increased number of digital touchpoints, using combined data from offline and online sales, for retailers and their CPGs to target shoppers with relevant promotions and digital marketing. As retailers add more omni-channel capabilities, it enables CPGs to shift more marketing dollars to digital.

Our Platforms and Solutions

We offer an industry leading digital platform providing technology and services that power integrated digital promotions and media programs for CPG brands and retailers. We do this through personalized and targeted promotions and media for the purpose of driving profitable sales and building shopper loyalty. Approximately 700 CPGs, representing approximately 2,000 brands, use our platform to manage and distribute digital coupons and advertising, target shopper audiences, and measure campaign performance and sales results.

Through Quotient's solutions, brands and retailers can integrate their marketing campaigns across national brand promotions, trade and loyalty rewards promotions, shopper marketing, brand media advertising, social and influencer marketing, and sponsored search. Our solutions combine shopper insights and purchase data with broad distribution capabilities across mobile, web, social and ecommerce channels. Brands and retailers can develop and execute targeted marketing and promotional programs within days, while using campaign performance metrics to adjust programs in near real time. This differs from the long lead times typically required in traditional offline marketing and measurement vehicles.

We have a broad distribution network that includes our owned and operated web and mobile properties, such as Coupons.com, and thousands of publishing and retail partner properties which include 85 million registrants on savings programs powered by us. Through this network, we distribute relevant and targeted coupons and media.

We power Retailer iQ, our proprietary and core platform, used at top retailers in the grocery, drug, dollar, club and mass merchandise channels. Retailers integrate Retailer iQ into their points-of-sale (POS), or loyalty program, which serves as their digital marketing platform, creating a direct, digital relationship with millions of their shoppers. Through Retailer iQ, we use shopper data and insights to distribute personalized and targeted coupons and media, primarily funded by our CPG customers or retail partners, to help drive shopper loyalty and increase sales. Additional Retailer iQ features include digital grocery list, digital receipt, digital circular and beacon technology.

With the foundation of Retailer iQ integrated into retailers' point of sale or loyalty programs, we've developed four proprietary platforms in which our go-to-market solutions fall under: Quotient Promotions Cloud, Quotient Media Cloud, Quotient Analytics Cloud and Quotient Audience Cloud.

Quotient Promotions Cloud

Quotient Promotions Cloud platform offers digital paperless and digital print promotions across our distribution network. With digital paperless, shoppers save coupons directly to retailer loyalty accounts for automatic digital redemption, or by redeeming coupons using a mobile device for cash back after taking a picture of a retailer receipt with the appropriate purchase. With digital print, shoppers select coupons and print them from their desktop or mobile device to redeem in store.

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Through our platform, CPGs and retailers can reach shoppers on the web and on mobile devices by offering digital coupons through our extensive network which includes:

- the Coupons.com website and our Coupons.com and Shopmium mobile applications;
- CPG and retailer websites and mobile applications, either hosted by us or hosted by them using our APIs; and
- thousands of third-party publishing websites and mobile applications included in our network.

We have designed and engineered our platform to support personalization, targeting and optimization in the delivery of digital coupons. We start with demographic and geography-based personalization techniques that enable consumers to see and easily access the most relevant content. We personalize content based on offers the consumer has clicked on and searches the consumer may have conducted on our network as well as the coupons that the consumer previously activated, and/or redeemed.

Quotient Promotions Cloud offers national digital coupons from CPG brands, and retail-specific coupons sourced from shopper marketers and retailers. Other products included in Quotient Promotions Cloud are Quotient Targeted Promotions based on the criteria listed above, combined with shopper data from our Retailer iQ integrations with select retailers. We also offer receipt-scanning, cash-back mobile coupons for direct cash back after taking a picture of a retailer receipt with the appropriate purchase. In the third quarter 2018, we acquired SavingStar, a CRM platform that builds and tracks loyalty programs with consumers across multiple retailers. With the addition of SavingStar, we now offer Quotient Loyalty Rewards, an area of focus for many brands as they expand their direct-to-consumer relationships.

Quotient Media Cloud

Quotient Media Cloud platform offers targeted advertising solutions, enabling brands and retailers to reach shoppers before, during and after their shopping cycles with digital media campaigns. Brands and advertisers can leverage our proprietary shopper data and audience segments to deliver targeted media ads across our network, including retail partners and Coupons.com, and across third-party publishers' web, mobile and social channels outside our network. For example, we can target consumers on Facebook who have redeemed a coupon or purchased a product in a particular product category with advertising within that product category.

Our media solutions include execution and delivery of targeted media and dynamic creative services.

In 2018, we added influencer marketing and sponsored search through the acquisitions of Ahalogy and Elevaate, respectively. Ahalogy brings social expertise and an extensive influencer network to our customers and partners. Their proprietary data and category trends help develop and create compelling influencer marketing campaigns, including new recipe ideas, creative new product uses and brand awareness to shoppers across paid social channels. With the acquisition of Elevaate, we expanded our media units within sponsored search within a retailer's ecommerce experience. With this additional technology, retailers can enhance their ecommerce experience while making it easy for shoppers to find the products they need and want. These added solutions also give brands and advertisers the ability to manage their digital budgets through a single strategic partner, reaching shoppers through paid search media and sponsored search directly on the retailers' properties.

For retailers, we power Quotient Retail Performance Media (RPM) Platforms, giving retailers the ability to expand their digital media strategies and leverage their shopper data to drive sales. Through RPM, brand marketers can use specific retail data to target and deliver media directly to shoppers and measure direct sales results. Additionally, retailers deliver digital media campaigns through RPM. We distribute these targeted ads via retailer digital properties, our expansive network including Coupons.com properties, and other third-party publishing sites. We also power Quotient Digital Circular, a personalized retail circular experience for shoppers, with targeted media units for brands to advertise their products and drive sales.

We also provide CPGs, retailers and other advertisers access to our Coupons.com audience, including our website and mobile properties, to highlight their brands, including premium media and advertising placements on our site, promoted positions within our coupon galleries and premium placement in our marketing efforts.

Quotient Analytics Cloud

Quotient Analytics Cloud provides campaign analytics and measured sales results to CPGs and retailers, attributing digital promotions and/or media campaigns to in-store and online purchases. Through Quotient Analytics, we combine purchase data from select retailers across the Quotient Retailer iQ network with online engagement and purchase-intent data from Quotient's flagship brand, Coupons.com, and the Company's thousands of publishing partners. Our campaign measurement tools also provide brands and retailers with flexibility to adjust their campaigns in mid-flight to drive greater efficiency with marketing dollars. As our platform, network and audience expands, the value of our data and analytics increases. We provide analytics and insights through Quotient Promo iQ and Quotient Media iQ.

Quotient Audience Cloud

In the beginning of January 2019, we introduced Quotient Audience Cloud whereby marketers can purchase shopper audience segments to be used for targeted media and measurement. The audience segments are derived from first party data and insights from Coupons.com properties, and shopper data from select Retailer iQ partners. The Audience Cloud platform offers syndicated shopper audiences, or customer audience segments, and may be used in conjunction with our Quotient Media Cloud advertising services, or purchased separately.

Growth Strategy

We intend to grow our platform and our business through the following key strategies:

Increase revenues from CPGs already on our platform. Based on our experience to date, we believe we have opportunities to continue increasing revenues from our existing CPG customer base through:

- increasing our share of CPG spending on overall coupons and media;
- increasing the number of brands that are using our platform within each CPG;
- leveraging data to provide our customers and partners with more insight, including campaign performance, and to distribute more targeted promotions, media, and analytics across our retail partner properties, our network including our owned and operated properties, and third-party sites, and to expand our capabilities within Quotient Audience Cloud; and
- maximizing consumer's experiences across all products.

Grow our promotions business. We plan to grow Quotient Promotions Cloud through increased consumer demand of coupons, and by increasing the number of coupons CPG brands offer on the platform. By bringing retailers and shoppers into our network, our ability to expand our targeted coupons and expand our audience reach grows, increasing our ability to more effectively engage consumers and drive sales. We plan to invest in Quotient Promotions Cloud, by expanding shopper adoption on Retailer iQ, and growing our solutions through targeted digital paperless coupons, targeted printed coupons at checkout, brand loyalty coupons and CRM capabilities for CPGs. We intend to continue to invest in technologies and product offerings that further integrate digital promotions and media, including selling these offerings together through packaged solutions.

Grow our media business. We plan to grow Quotient Media Cloud, including Retail Performance Media, influencer marketing, and search and sponsored search. We plan to continue to invest in our media solutions, expanding the use of our proprietary data as well as data from select exclusive retail partnerships, and by adding and expanding new publishers, partnerships, new verticals, and third parties such as media agencies.

Expand and grow Quotient Analytics and Quotient Audience. As our network, content pool and shopper audience expand, we believe that our platform will become more valuable, resulting in greater data, insights and shopper

audience segments. We expect to introduce more robust, solutions to our customers and partners around campaign performance, analytics and insights, as well as around Quotient Audience Cloud.

Grow our current customer base and add new industry segments. We believe we have the opportunity to grow the number of brands and retailers that we serve, thereby increasing the value of our platform to all constituents. In addition, we intend to continue growing our business with other manufacturers and retailers in new industry segments such as convenience and specialty/franchise retail, restaurants and entertainment venues.

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Grow shopper adoption and engagement of our digital offerings. We plan to continue to innovate and invest across our platform, including Retailer iQ, Retail Performance Media, Quotient Analytics, mobile solutions, media and digital promotion offerings, Coupons.com mobile app, and our network. We plan to continue to create additional consumer touchpoints across the network by expanding our promotions and media solutions at retailer checkout and within ecommerce, in order to generate and increase shopper adoption, expand our audience network and leverage shopper data. We believe that CPG spending on digital promotions and marketing will continue to grow as point of sale, mobile channels and social media offer new opportunities to engage consumers on their path to purchase.

Grow international operations. Many CPGs and retailers on our platform have global operations and we believe that we can opportunistically grow our operations and offerings in existing international markets and partner with our existing clients to enter new geographies in which they operate. We also plan to leverage our existing presence in France through our mobile application Shopmium, a receipt-scanning, cash-back mobile application platform, to broaden our international opportunity beginning with the United Kingdom.

Selectively pursue strategic acquisitions. We intend to continue pursuing selective acquisition and partnership opportunities that we believe can expand our business.

Security

Our platform includes a proprietary digital distribution management system to enable CPGs and retailers to securely control the number of coupons distributed by device. We have controls in place to limit the number of digital coupons that can be printed. Similar controls are in place for linking coupons to loyalty cards and other paperless solutions, which allows us to limit the number of coupons distributed and activated. In addition, each printed coupon carries a unique ID that is encrypted, enabling us to trace each coupon from print to redemption. All of our digital print coupons can be authenticated and validated using this unique code. This unique ID also can be used to detect counterfeit or altered coupons. Our platform allows us to systematically identify and respond to fraudulent and prohibited activities by restricting a device from printing coupons.

Sales and Marketing

We have a team of dedicated, skilled specialists focused on CPGs and retailers. We believe that our sales, integration, promotions and media campaign management and analytics, and customer support capabilities are difficult to replicate and a key reason for the growth of our business. Much of our sales activity is focused on expanding the number of brands within our existing CPG customers that offer digital promotions and media through our platform as well as increasing the revenue from those brands currently using our platform. The team is also focused on expanding relationships within CPGs to include shopper marketing teams, where we believe there is a large opportunity for growth particularly in media. Additionally, we are focused on continuing to increase the size and breadth of our network. We are also seeking to partner with CPGs and other manufacturers and retailers in new industry segments such as convenience and specialty/franchise retail, restaurants and entertainment venues.

In addition to sales support during the campaign planning process, our sales representatives provide additional support to CPGs and retailers to ensure that their campaigns are launched and delivered within specified timeframes. Representatives assigned to specific customers review performance metrics and share feedback with the advertiser.

We are focused on managing our brand, increasing market awareness and generating new advertiser leads. In doing so, we often present at industry conferences, create custom events and invest in public relations. In addition, our marketing team advertises online, in print and in other forms of media, creates case studies, sponsors research, publishes marketing collateral and undertakes customer research studies.

Technology and Infrastructure

Since inception, we have made significant investments and will continue to invest in developing our differentiated and proprietary platforms aimed at solving the problems of CPGs and retailers in ways that traditional solutions cannot. We are focused on offering solutions that provide measurable results. We have assembled a team of highly skilled engineers and computer scientists with deep expertise across a broad range of relevant disciplines. Key focus areas of our engineering team include:

Scalable infrastructure. We use a combination of proprietary and open-source software to achieve a horizontally scalable, global, distributed and fault-tolerant architecture, with the goal of enabling us to ensure the continuity of our business, regardless of local disruptions. Our computational infrastructure currently processes millions of events per day and is designed in a way that enables us to add significant capacity to our platform as we scale our business without requiring any material design or architecture modifications. We use a combination

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of public and private cloud computing platforms. Our private cloud technology infrastructure is hosted across data centers in co-location facilities in California, Nevada, and Virginia.

Redundancy. Our production infrastructure utilizes a hot failover configuration which allows us to switch server loads, be it a single server or an entire data center, to the other data center within minutes. Data is continuously replicated between sites, and multiple copies at each site provide fast recovery whenever it is requested. Each data center has been designed to handle more than our entire server needs, which enables us to perform platform maintenance, business resumption and disaster recovery without any customer impact.

Reporting. Our user interface provides flexible reporting and interactive visualization of the key drivers of success for each media campaign. We use these reporting and visualization products internally to manage campaigns and provide advertisers with campaign insights.

AdTech. Our media delivery is largely powered by proprietary ad servers, creative and social platforms, workflow automation tools, and data management tools. We develop and use these platforms with a range of differentiated features that are specialized for the CPG and retail vertical.

Security. Our security policy adheres to established policies to ensure that all data, code, and production infrastructure are secure and protected. Our data centers are SSAE 16 Type II certified and we are PCI DSS compliant where required. We use our internal team and third parties to test, audit, and review our entire production environment to protect it.

Competition

We compete against a variety of different businesses with respect to different aspects of our business, including:

• traditional offline coupon and discount services, as well as newspapers, magazines and other traditional media companies that provide coupon promotions and discounts on products and services in free standing inserts or other forms, including Valassis Communications, Inc., News America Marketing Interactive, Inc. and Catalina Marketing Corporation;

• providers of digital coupons such as Valassis' Redplum.com, Catalina Marketing Corporation's Cellfire, Inmar, News America Marketing's SmartSource, You Tech, and companies that offer coupon codes such as RetailMeNot, Inc., Groupon Inc., Exponential Interactive Inc.'s TechBargains, Savings.com, Inc. and Ebates Performance Marketing, Inc., companies that offer cash back solutions such as iBotta, Inc., News America Marketing's Checkout 51, and companies providing other e-commerce based services that allow consumers to obtain direct or indirect discounts on purchases;

• internet sites that are focused on specific communities or interests that offer coupons or discount arrangements related to such communities or interests;

• companies offering online and marketing services to retailers and CPGs, such as MyWebGrocer, Inc. and Flipp Corporation;

• companies offering CPG and retail digital media services, such as Triad Media Inc. and Criteo; and

• retailers marketing and offering their own digital coupons directly to consumers using their own websites, email newsletters and alerts, mobile applications and social media channels.

We believe the principal factors that generally determine a company's competitive advantage in our market include the following:

• scale and effectiveness of reach in connecting CPGs and retailers to consumers in a digital manner, through web, mobile and other online properties;

• ability to attract consumers to use digital coupons and/or engage with digital media;

• platform security, scalability, reliability and availability;

• our proprietary intent data and access to POS data from select retail partners;

• number of channels by which a company engages with consumers;

• integration of products and solutions;

• rapid deployment of products and services for customers;

• breadth, quality and relevance of the Company's digital coupons, media and measurement;

• ability to deliver digital coupons that are widely available and easy to use in consumers' preferred form;

integration with retailer applications;
brand recognition;
quality of tools, reporting and analytics for planning, development, optimization and measurement of promotions and media; and
breadth and expertise of the Company's sales organization.

While we believe we compete effectively with respect to the factors identified above, we may face increasing competition from larger or more established companies that seek to enter our market or from smaller companies that launch new products, solutions and services that could gain market acceptance.

Culture and Employees

We are proud of our company culture and consider it to be one of our competitive strengths. Our culture helps drive our business and compete for talented employees in a highly competitive market. We seek to offer an environment that allows our employees to thrive and grow.

As of December 31, 2018, we had 877 full-time employees, consisting of 594 employees in the United States and 283 employees internationally.

Intellectual Property

We protect our intellectual property by relying on federal, state, and common law rights in the United States and equivalent rights in other jurisdictions, as well as contractual restrictions. We control access to our proprietary technology and algorithms by entering into confidentiality and invention assignment agreements with our employees and contractors, and confidentiality agreements with third parties.

In addition to these contractual arrangements, we also rely on a combination of trade secrets, patents, copyrights, trademarks, service marks and domain names to protect our intellectual property. We pursue the registration of our copyrights, trademarks, service marks and domain names in the United States and in certain locations outside the United States. As of December 31, 2018, we hold or have exclusive rights to 32 active issued patents in the United States and 11 active patents that have been issued outside of the United States with terms expiring between 2019 and 2033. See the risk factor titled "We may not be able to adequately protect our intellectual property rights" for more information.

Circumstances outside our control could pose a threat to our intellectual property rights. For example, effective intellectual property protection may not be available in the United States or other countries in which we operate. Also, the efforts we have taken to protect our proprietary rights may not be sufficient or effective or may require significant expenditures and other resources to enforce. Any significant impairment of our intellectual property rights or unauthorized disclosure or use of our intellectual property could harm our business and our operating results, or ability to compete.

Companies in Internet-related and other industries may own large numbers of patents, copyrights and trademarks and may frequently request license agreements, threaten litigation or file suit against us based on allegations of infringement or other violations of intellectual property rights. We currently are, have been subject to in the past, and expect to face in the future, allegations that we have infringed the trademarks, copyrights, patents and other intellectual property rights of third parties, including our competitors and non-practicing entities. As we face increasing competition and as our business grows, we will likely face more claims of infringement.

Corporate Information

We were incorporated in California in May 1998 and reincorporated in Delaware in June 2009. We changed our name to Quotient Technology Inc. on October 20, 2015. Our corporate website address is www.quotient.com. Information

contained on, or that can be accessed through, our website does not constitute part of this report and inclusions of our website address in this report are inactive textual references only. Quotient, the Quotient logo, SavingStar, Elevaate, Quotient Retailer iQ Quotient Analytics and Ahalogy are trademarks or registered trademarks of Quotient Technology Inc. and its subsidiaries in the United States and other countries. Other marks are property of their respective owners.

Available Information

We file annual, quarterly and other reports, proxy statements and other information with the Securities and Exchange Commission (SEC) under the Exchange Act. We also make available, free of charge on the investor relations portion of our website at investors.quotient.com, our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act as soon as reasonably practicable after they are filed electronically with the SEC. You can inspect and copy our reports, proxy statements and other information filed with the SEC at the offices of the SEC's Public Reference Room located at 100 F Street, NE, Washington D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the operation of Public Reference Rooms. The SEC also maintains an Internet website at <http://www.sec.gov/> where you can obtain most of our SEC filings. You can also obtain paper copies of these reports, without charge, by contacting Investor Relations at (650) 605-4600 (option 7).

Webcasts of our earnings calls and certain events we participate in or host with members of the investment community are available on our investor relations website at www.quotient.com. Additionally, we announce investor information, including news and commentary about our business and financial performance, SEC filings, notices of investor events, and our press and earnings releases, on our investor relations website, as well as through press releases, SEC filings, public conference calls, our corporate blog and social media in order to achieve broad, non-exclusionary distribution of information to the public. We encourage our investors and others to review the information we make public in these locations as such information could be deemed to be material information. Please note that this list may be updated from time to time. Investors and others can receive notifications of new information posted on our investor relations website in real time by signing up for email alerts. Further corporate governance information, including our corporate governance guidelines, board committee charters, and code of conduct, is also available on our investor relations website under the heading "Governance." The contents of our websites, blog, press releases, public conference calls and social media are not incorporated by reference into this Annual Report on Form 10-K or in any other report or document we file with the SEC (and the contents of other SEC filings are not incorporated by reference into this Annual Report on Form 10-K or any other report or document we file with the SEC except as required by law or to the extent we expressly incorporate such SEC filing into this Annual Form 10-K or other report or document we file with the SEC), and any references to our websites are intended to be inactive textual references only.

Item 1A. Risk 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 incurred net losses since inception and we may not be able to generate sufficient revenues to achieve or subsequently maintain profitability.

We have incurred net losses of \$28.3 million, \$15.1 million and \$19.5 million in 2018, 2017 and 2016, respectively. We have an accumulated deficit of \$322.1 million as of December 31, 2018. We anticipate that our costs and expenses will increase in the foreseeable future as we continue to invest in:

- sales and marketing;
- research and development, including new product development;
- our technology infrastructure;
- general administration, including legal and accounting expenses related to our growth and continued expenses;
- expanding into new markets; and
- strategic opportunities, including commercial relationships, retail partnerships and acquisitions.

For example, we have incurred and expect to continue to incur expenses developing, improving, integrating, investing, marketing and maintaining our Promotions, Media, Audience and Analytics Cloud platforms and solutions, which include Retailer iQ, Retail Performance Media, and Quotient Analytics, and we may not succeed in increasing our revenues sufficiently to offset these expenses.

If we are unable to execute our growth strategy and gain efficiencies in our operating costs, our business could be adversely impacted. We cannot be certain that we will be able to attain or maintain profitability on a quarterly or annual basis. If we are unable to effectively manage these risks and difficulties as we encounter them, our business, financial condition and results of operations may suffer.

We may not achieve revenue growth.

We may not be able to achieve revenue growth, and we may not be able to generate sufficient revenues to achieve profitability. In addition, historically the growth rate of our business, and as a result, our revenue growth, has varied from quarter-to-quarter and year-to-year, and we expect that variability to continue. For example, some of our products experience seasonal sales and buying patterns mirroring those in the CPG, retail, and e-commerce markets, including back-to-school and holiday campaigns, where demand increases during the second half of our fiscal year, and our revenues may otherwise fluctuate due to changes in marketing budgets of CPGs and retailers and the timing of their marketing spend. Marketing spend by CPGs is considered the most flexible and easiest to cut at the end of a quarter or fiscal year if a CPG is facing budget pressures and as a result we are not always able to anticipate such fluctuations. Decisions by major CPGs or retailers to delay or reduce their digital promotion and media spending, or divert spending away from digital promotions, digital media campaigns, or other digital marketing from our platforms, or changes in our fee arrangements with CPGs, retailers and other commercial partners, could also slow our revenue growth or reduce our revenues.

As our business evolves, we will continue to experiment with different pricing models and fee arrangements with CPGs and retailers, which may impact how we monetize transactions. For example, we are experimenting with ROI-based pricing strategies and service packages though we cannot offer any assurance on the success or adoption rate of such strategies. If we shift a greater number of our arrangements with CPGs to these other models, some of which require us to receive fees upon the redemption of digital coupons on our platform rather than activation as is generally done, and we do not achieve anticipated activation rates, our revenue growth and revenues could be harmed.

We believe that our continued revenue growth will depend on our ability to:

- increase our share of CPG marketing spend on promotions and media through our platforms and increase the number of brands that are using our platform within each CPG;
- adapt to changes in marketing budgets of CPGs and retailers and the timing of their marketing spend;
- successfully expand our media solutions into new areas such as Retail Performance Media, media agency, influencer marketing, and sponsored search;
- maintain and expand our data rights with our retailer network;
- successfully execute and grow Retail Performance Media programs;
- successfully expand our promotions solutions into new areas such as targeted printed offers at checkout and loyalty rewards programs;
- successfully execute our digital promotions and digital media solutions into retailers' in-store and point of sale systems and consumer channels;
- deploy, execute, and continue to develop Quotient Analytics and our data, measurement, and analytics solutions in support of our digital promotions and media solutions;
- demonstrate the value of our digital promotions and media solutions through trusted measurement metrics;
- expand the use by consumers of our digital promotions and media offerings and broaden the selection and use of digital coupons, coupon codes and cash-back offers;
- successfully enter into new markets;
- successfully integrate our newly acquired companies into our business;
- grow and maintain our retailer network through direct and indirect commercial partnerships;
- respond to changes in the legislative or regulatory environment, including with respect to privacy and data protection, or enforcement by government regulators, including fines, orders, or consent decrees;
- manage the shift from desktop to mobile devices;
- manage the transition from digital print coupons to digital paperless coupons;
- innovate our product offerings to retain and grow our consumer base;
- grow the number of transactions across our platform;
- expand the number, variety, quality, and relevance of digital coupons available on our web, mobile and social channels, as well as those of our CPGs, retailers and network of publishers;

• increase the awareness of our brands, and earn and build our reputation;
• hire, integrate, train and retain talented personnel;

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- effectively manage scaling and international expansion of our operations; and
- successfully compete with existing and new competitors.

However, we cannot assure you that we will successfully accomplish any of these actions. Failure to do so could harm our business and cause our operating results to suffer.

If we fail to attract and retain CPGs, retailers and publishers and expand our relationships with them, our revenues and business will be harmed.

The success of our business depends in part on our ability to increase our share of CPG marketing spend on our promotions and media solutions and on our platforms; increase the number of brands that use our solutions and platforms within each CPG; increase adoption and scale of Retailer iQ; and our ability to demonstrate the value of our solutions through measurement and data analytics. It also depends on (i) our ability to obtain, maintain, and expand data rights agreements with our retail partners, (ii) our ability to further integrate our platforms and promotions and media solutions into retailers' in-store and point of sale systems and consumer channels, which depends in part on retailers' commitment in modifying point of sale systems and other solutions to integrate with our platforms, (iii) our ability to obtain the right to distribute Retailer iQ digital promotions more broadly through our websites and mobile apps and those of our publishers, and (iv) our retail partners' commitment in promoting our digital marketing solutions to their customers. If we do not create more value than available alternatives, or if CPGs and retailers do not find that offering digital promotions and media on our platforms enables them to reach consumers and sufficiently increase sales with the scale and effectiveness that is compelling to them, CPGs and retailers may not increase their distribution of digital promotions and media on our platforms, or they may decrease them or stop offering them altogether, and new CPGs and retailers may decide not to use our platforms.

For example, if CPGs decide that our platforms do not provide the right solutions for them to connect with consumers, we may not be able to increase our prices or CPGs may pay us less. Likewise, if retailers decide that our Promotions, Media, Audience and Analytics Cloud platforms and solutions are less effective at increasing sales to and loyalty of existing and new consumers, retailers may demand a higher percentage of the total proceeds from each digital campaign or demand minimum guaranteed payments. Furthermore, if retailers do not find that Retailer iQ increases consumer engagement and loyalty, our overall success may be harmed. In addition, we expect to face increased competition, and competitors may accept lower payments from CPGs to attract and acquire new CPGs, or provide retailers and publishers a higher distribution fee than we currently offer to attract and acquire new retailers and publishers. We may also experience attrition in our CPGs, retailers and publishers in the ordinary course of business resulting from several factors, including losses to competitors, changes in CPG budgets, and decisions by CPGs, retailers and publishers to offer digital coupons and media through their own websites or other channels without using a third-party platform such as ours or through a competitive third-party network or platform, and failure to maintain distribution agreements with third-party digital promotions networks and platforms. If we are unable to retain and expand our relationships with existing CPGs, retailers and publishers or if we fail to attract new CPGs, retailers and publishers to the extent sufficient to grow our business, or if too many CPGs, retailers and publishers are unwilling to offer digital coupons and media with compelling terms through our platforms, we may not increase the number of high quality coupons and marketing campaigns on our platform and our revenues, gross margin and operating results will be adversely affected.

The loss or decrease in spending of any significant customer could materially and adversely affect our results of operations and financial condition.

Our business is exposed to risks related to customer concentration, particularly among CPGs and retailers. The loss or decrease in spending of any of our significant customers or deterioration in our relations with any of them could materially and adversely affect our results of operations and financial condition.

If we are unable to grow or successfully respond to changes in the digital promotions market, our business could be harmed.

As consumer demand for digital coupons has increased, promotion spending has shifted from traditional coupons through traditional offline or analog channels, such as newspapers and direct mail, to digital coupons. However, it is difficult to predict whether the pace of transition from traditional to digital coupons will continue at the same rate and whether the growth of the digital promotions market will continue. Some large retailers do not yet use digital paperless coupons. If a retailer decides not to accept digital paperless coupons or a CPG reduces its spend in digital promotions, our business could be harmed. In order to expand our business, we must appeal to and attract consumers who historically have used traditional promotions to purchase goods or may prefer alternatives to our offerings, such as those of our competitors. If the demand for digital coupons does not continue to grow as we expect, or if we fail to successfully address this demand, our business will be harmed. For example, the growth of our revenues will require increasing the

number of brands that are using our digital promotions solutions within each CPG. If our projections regarding the adoption and usage of Retailer iQ by retailers, CPGs and consumers, do not occur or are slower than expected, our business, financial condition, results of operations and prospects will be harmed. A variety of factors could slow the success of Retailer iQ generally, including insufficient time, resources or funds committed by retailers to the promotion of Retailer iQ, a retailer's decision to forego marketing Retailer iQ, our inability to obtain sufficient data rights to maximize the functionality of our platforms and our inability to monetize enhanced Retailer iQ functionality, and our inability to efficiently integrate Retailer iQ with a retailer's system. Even if we are successful in driving the adoption and usage of Retailer iQ by retailers, CPGs and consumers, if Retailer iQ fee arrangements or transaction volumes, or the mix of offers, change or do not meet our projections, our revenues may be harmed. We expect that the market will evolve in ways which may be difficult to predict. It is also possible that digital coupon offerings generally could lose favor with CPGs, retailers or consumers. In the event of these or any other changes to the market, our continued success will depend on our ability to successfully adjust our strategy to meet the changing market dynamics. In addition, we will need to continue to grow demand for our digital promotions platform by CPGs, retailers and consumers, including through continued innovation and implementation of new initiatives associated with the digital coupons. For example, if consumer demand for our software-free print solution, cash-back receipt scanning solution, or our mobile application does not grow as we expect, our business may be harmed. If we are unable to grow or successfully respond to changes in the digital promotions market, our business could be harmed and our results of operations could be negatively impacted. For example, we are seeing a shift from digital paper coupons to digital paperless coupons. Our revenues may be harmed if we are unable to manage this transition and the growth of digital paperless coupons is slower than the decline in digital print coupons. Conversely, acceleration of this shift (from, for example, acceptance of digital paperless coupons by new retailers) could lead to unanticipated increases in revenue.

We depend in part on data-rights agreements with our retail partners to power a range of products and the termination of such agreements or the failure to obtain additional data rights can severely impact our revenue and growth.

Our Promotions, Media, Audience and Analytics Cloud platforms and solutions, which include Retailer iQ and Quotient Analytics, are powered in part by data we obtain from our retail partners. Our access to this data is governed by data-rights agreements with some of our retail partners. These data-rights agreements have complex rules and are required to be renewed periodically. If we fail to secure additional data rights or renew expiring data-rights agreements, if we are found to be in violation of any of our obligations under these agreements, or if retailers lose their data rights, we could lose access to retailer data. Without retailer data, our Promotions, Media, Audience and Analytics Cloud platforms and solutions, which includes Retailer iQ and Quotient Analytics and our targeted promotions and media offerings, would be less valuable to our CPG customers, publishers, ad tech and retail partners. In addition, changes to international, federal, state, local and municipal laws, regulations and industry standards that relate to privacy, electronic communications, data protection, intellectual property, e-commerce, competition, price discrimination, consumer protection, taxation, and the use of promotions may require us to amend, or alter our practices under, our data rights agreements. If we and our retail partners cannot timely respond to such legal and regulatory changes, our revenue and growth would be impaired. See the risk factor below titled "Our business is subject to complex and evolving laws, regulations and industry standards, and unfavorable interpretations of, or changes in, or failure by us to comply with these laws, regulations and industry standards could substantially harm our business and results of operations." for additional information.

Our ability to generate revenue depends on our collection and use of significant amounts of data from various sources, which may be restricted by consumer choice, restrictions imposed by retailers, publishers and browsers or other software developers, changes in technology, and new developments in laws, regulations and industry standards.

Our ability to deliver our Promotions, Media, Audience and Analytics Cloud platforms and solutions depends on our ability to successfully leverage data, including data that we collect from consumers, data we receive from retail

partners and third parties, and data from our own operating history. Using cookies, loyalty card numbers both on-line and in-store, device identifiers, and other tracking technologies, we collect information about the interactions of consumers with our retail partners' digital properties and in-store, our own and operated properties, and certain other publisher sites. Our ability to successfully leverage such data depends on our continued ability to access and use such data, which can be restricted by a number of factors, including consumer choice, the success of our retail partners in obtaining consumer consent, restrictions imposed by our retail partners, publishers and web browser developers or other software developers, changes in technology, including changes in web browser technology, and new developments in, or new interpretations of laws, regulations and industry standards.

Consumer resistance to the collection and sharing of the data used to deliver targeted advertising, increased visibility of consent or “do not track” mechanism as a result of industry regulatory and/or legal developments, the adoption by consumers of browsers settings or “ad-blocking” software and the development and deployment of new technologies could materially impact our ability to collect data or reduce our ability to deliver relevant promotions or media, which could materially impair the results of our operations. See the risk factor below titled “Our business is subject to complex and evolving laws, regulations and industry standards, and unfavorable interpretations of, or changes in, or failure by us to comply with these laws, regulations and industry standards could substantially harm our business and results of operations.” for additional information.

We expect a number of factors to cause our operating results to fluctuate on a quarterly and annual basis, which may make it difficult to predict our future performance.

Historically, our revenue growth has varied from quarter-to-quarter and year-to-year, and we expect that variability to continue. In addition, our operating costs and expenses have fluctuated in the past, and we anticipate that our costs and expenses will increase over time as we continue to invest in growing our business. Our operating results could vary significantly from quarter-to-quarter and year-to-year as a result of these and other factors, many of which are outside of our control, and as a result we have a limited ability to forecast the amount of future revenues and expenses, which may adversely affect our ability to predict financial results accurately, and we expect our operating results to vary from quarter-to-quarter, which may cause results to fall below our estimates or the expectations of public market analysts and investors. Fluctuations in our quarterly operating results may lead analysts to change their long-term models for valuing our common stock, cause us to face short-term liquidity issues, impact our ability to retain or attract key personnel or cause other unanticipated issues, all of which could cause our stock price and the trading price of the convertible senior notes to decline. As a result of the potential variations in our quarterly revenues and operating results, we believe that quarter-to-quarter comparisons of our revenues and operating results may not be meaningful and the results of any one quarter or historical patterns should not be considered indicative of our future sales activity, expenditure levels or performance.

In addition to other factors discussed in this section, factors that may contribute to the variability of our quarterly and annual results include:

- our ability to grow our revenues by increasing our share of CPG spending and the number of brands using our platform, including Retailer iQ, increasing media spending on our platform, further integrating with our retailers, adding new CPGs and retailers to our network and growing our current consumer base and expanding into new industry segments such as convenience, specialty/franchise retail, restaurants and entertainment;
- our ability to grow our revenues will depend on CPGs’ annual marketing budget which are affected by economic headwinds facing the CPG industry;
- our ability to successfully respond to changes in the digital promotions and media market and continue to grow the market and demand for our platform;
- our ability to grow consumer selection and use of our digital promotion offerings and attract new consumers to our platform;
- the amount and timing of digital promotions and marketing campaigns by CPGs, which are affected by budget cycles, economic conditions, seasonality and other factors;
- the impact of global business or macroeconomic conditions, including the resulting effects on the level of coupon and trade promotion spending by CPGs and spending by consumers;
- the impact of competitors or competitive products and services, and our ability to compete in the digital promotions market;
- our ability to obtain and increase the number of high quality coupons;
- our ability to grow and maintain our relationships with retailers, including our ability to negotiate favorable data rights agreements with retailers;
- changes in consumer behavior with respect to digital promotions and how consumers access digital coupons and our ability to develop applications that are widely accepted and generate revenues for CPGs, retailers and us;

• the costs of investing, maintaining and enhancing our technology infrastructure;
• the costs of developing new products, solutions and enhancements to our platform;

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- our ability to manage our growth, including scaling Retailer iQ, developing and growing our Media, Audience and Analytics Cloud platforms;
- the success of our sales and marketing efforts;
- the costs of acquiring new companies which we anticipate will help us grow our business;
- the costs of successfully integrating acquired companies and employees into our operations, including costs related to the integration of Ahalogy, Elevaate and SavingStar;
- changes in the legislative or regulatory environment, including with respect to privacy and data protection, or enforcement by government regulators, including fines, orders, or consent decrees;
- our ability to deal effectively with fraudulent transactions or customer disputes;
- the attraction and retention of qualified employees and key personnel, which can be affected by changes in U.S. immigration policies;
- the effectiveness of our internal controls;
- increased legal, accounting and compliance costs associated with complying with Section 404 of the Sarbanes-Oxley Act (“SOX”); and
- changes in accounting rules, tax laws or interpretations thereof.

The effects of these factors individually or in combination could cause our quarterly and annual operating results to fluctuate, and affect our ability to forecast those results and our ability to achieve those forecasts. 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 an indication of our future performance. This variability and unpredictability could also result in our failing to meet or exceeding the expectations of our investors or financial analysts for any period. In addition, we may release guidance in our quarterly earnings conference calls, quarterly earnings releases, or otherwise, based on predictions of our management, which are necessarily uncertain in nature. The guidance provided depends on our prediction of CPG marketing budgets which can fluctuate greatly and are beyond our control. Our guidance may vary materially from actual results. If our revenue or operating results, or the rate of growth of our revenue or operating results, fall below or above the expectations of our investors or financial analysts, or below or above any forecasts or guidance we may provide to the market, or if the forecasts we provide to the market are below or above the expectations of analysts or investors, the price of our common stock could decline or increase substantially. Such a stock price decline or increase could occur even when we have met our own or other publicly stated revenue or earnings forecasts. Our failure to meet our own or other publicly stated revenue or earnings forecasts, or even when we meet our own forecasts but fall short of analyst or investor expectations, could cause our stock price to decline and expose us to costly lawsuits, including securities class action suits. Such litigation against us could impose substantial costs and divert our management’s attention and resources. If we exceed our own or other publicly stated revenue or earnings forecasts, or even when we meet our own forecasts but exceed analyst or investor expectations, our stock price could increase.

If the distribution fees that we pay as a percentage of our revenues increase, our gross profit and business will be harmed.

When we deliver promotions or media on a retailer’s receipt, website or mobile app or through its loyalty program, or the website or mobile app of a publisher, or through our Retailer iQ platform, and the consumer takes certain actions, we pay a distribution fee to the retailer or other publisher, which, in some cases may be prepaid or guaranteed prior to being incurred. Such fees have increased as a percentage of our revenues in recent periods. If such fees as a percentage of our revenues continue to increase, our cost of revenues as a percentage of revenues could increase and our operating results would be adversely affected. Additionally, if the adoption and usage of Retailer iQ does not meet projections, certain prepaid or guaranteed distribution fees with some of the retailers will not be recoverable and the distribution fee will increase as a percentage of revenue. During the third quarter of 2016, we recorded a one-time charge associated with certain distribution fees under an arrangement with a retail partner that were deemed unrecoverable. We considered various factors in our assessment including our historical experience with the transaction volumes through the retailer and comparative retailers, ongoing communications with the retailer to increase its marketing efforts to promote the digital platform, as well as the projected revenues, and associated revenue share payments. Accordingly, during the third quarter of 2016, we recognized a loss of \$7.4 million related to such distribution fee arrangement. At December 31, 2018, we had no prepaid non-refundable payments with our

Retailer iQ partners.

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Our gross margins are dependent on many factors, some of which are not directly controlled by us.

The factors potentially affecting our gross margins include:

- our product mix since we have significant variations in our gross margin among products. Any substantial change in product mix could change our gross margin;
- evolving fee arrangements with CPGs, because as we continue to scale customers on Retailer iQ we will continue to experiment with various fee arrangements which might have an impact on our gross margins;
- evolving fee arrangements with retailers, because as we expand our product offerings we have also expanded distribution fee arrangements with retailers which might have an impact on our gross margins;
- success of our pricing strategies, including our ROI-based pricing strategy and service package pricing strategy;
- growth and expansion of our lower-margin media products, including programmatic ads delivered through third-party ad-tech partners and publishers; and
- pricing and acceptance of higher-margin new products.

For instance, during the past 12 months we have seen pressure on our gross margin which we principally attribute to the factors described above and we expect this pressure to continue as our growth strategy evolve and our product mix continues to change.

If we fail to maintain and expand the use by consumers of digital coupons on our platforms, our revenues and business will be harmed.

We must continue to maintain and expand the use by consumers of digital coupons in order to increase the attractiveness of our platforms to CPGs and retailers and to increase revenues and achieve profitability. If consumers do not perceive that we offer a broad selection of relevant and high quality digital coupons, or that the usage of digital coupons is easy and convenient through our platforms, we may not be able to attract or retain consumers on our platforms. If we are unable to maintain and expand the use by consumers of digital coupons on our platforms, including through our software-free print solution, our retail partners properties, our white label customer relationship management solutions, and Coupons.com and Shopmium mobile application, or if we do not do so to a greater extent than our competitors, CPGs may find that offering digital promotions on our platforms do not reach consumers with the scale and effectiveness that is compelling to them. Likewise, if retailers find that using our platforms, including Retailer iQ, does not increase sales of the promoted products and consumer loyalty to the retailer to the extent they expect, then the revenues we generate may not increase to the extent we expect or may decrease. Any of these could adversely affect our operating results.

If we are not successful in responding to changes in consumer behavior and do not develop products and solutions that are widely accepted and generate revenues, our results of operations and business could be adversely affected.

The methods by which consumers access digital coupons are varied and evolving. Our platform has been designed to engage consumers at the critical moments when they are choosing the products they will buy and where they will shop. Consumers can select our digital coupons both online through web and mobile and in-store. In order for us to maintain and increase our revenues, we must be a leading provider of digital coupons in each of the forms by which consumers access them. As consumer behavior in accessing digital coupons changes and new distribution channels emerge, if we do not successfully respond and do not develop products or solutions that are widely accepted and generate revenues we may be unable to retain consumers or attract new consumers and as a result, CPGs and retailers, and our business may suffer. As another example, we are seeing a transition from digital print coupons to digital paperless coupons. If we do not manage this transition and digital print transactions decline faster than digital paperless transactions increase, our revenues may be harmed.

Consumers are increasingly using mobile devices to access our content, and if we are unsuccessful in expanding the capabilities of our digital coupon solutions for our mobile platforms to allow us to generate net revenues as effectively as our website platforms, our net revenues could decline.

Web usage and the consumption of digital content are increasingly shifting from desktop to mobile platforms such as smartphones. The growth of our business depends in part on our ability to drive engagement, activation and shopping behavior for our retailers and CPGs through these mobile channels. Our success on mobile platforms will be dependent on our interoperability with popular mobile operating systems that we do not control, such as Android and iOS, and any

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changes in such systems that degrade our functionality, ease of convenience or that give preferential treatment to competitive services could adversely affect usage of our services through mobile devices.

Further, to deliver high quality mobile offerings, it is important that our platform integrates with a range of other mobile technologies, systems, networks and standards that we do not control. We may not be successful in developing relationships with key participants in the mobile industry or in developing products that operate effectively with these technologies, systems, networks or standards. If we fail to achieve success with our mobile applications and mobile website, or if we otherwise fail to deliver effective solutions to CPGs and retailers for mobile platforms and other emerging platforms, our ability to monetize these growth opportunities will be constrained, and our business, financial condition and operating results would be adversely affected.

Our success on mobile platforms will also be dependent on our ability to develop features or products that will make our mobile platform attractive to, and drive engagement by, consumers. If we fail to develop such features or products after investing in their development, our ability to monetize these growth opportunities will be constrained, and our business, financial condition and operating results may be adversely affected.

We depend in part on third-party advertising agencies as intermediaries, and if we fail to develop and maintain these relationships, our business may be harmed.

A growing portion of our business is conducted indirectly with third-party advertising agencies acting on behalf of CPGs and retailers. Third-party advertising agencies are instrumental in assisting CPGs and retailers to plan and purchase media and promotions, and each third-party advertising agency generally allocates media and promotion spend from CPGs and retailers across numerous channels. We are still developing relationships with, and do not have exclusive relationships with, third-party advertising agencies and we depend in part on third-party agencies to work with us as they embark on marketing campaigns for CPGs and retailers. While in most cases we have developed relationships directly with CPGs and retailers, we nevertheless depend in part on third-party advertising agencies to present to their CPG and retailer clients the merits of our platform. Inaccurate descriptions of our platform by third-party advertising agencies, over whom we have no control, negative recommendations regarding use of our service offerings or failure to mention our platform at all could hurt our business. In addition, if a third-party advertising agency is disappointed with our platform on a particular campaign or generally, we risk losing the business of the CPG or retailer for whom the campaign was run, and of other CPGs and retailers represented by that agency. Since many third-party advertising agencies are affiliated with other third-party agencies in a larger corporate structure, if we fail to develop and maintain good relations with one third-party advertising agency in such an organization, we may lose business from the affiliated third-party advertising agencies as well.

Our sales could be adversely impacted by industry changes relating to the use of third-party advertising agencies. For example, if CPGs or retailers seek to bring their campaigns in-house rather than using an agency, we would need to develop direct relationships with the CPGs or retailers, which we might not be able to do and which could increase our sales and marketing expenses. Moreover, to the extent that we do not have a direct relationship with CPGs or retailers, the value we provide to CPGs and retailers may be attributed to the third-party advertising agency rather than to us, further limiting our ability to develop long-term relationships directly with CPG and retailers. CPGs and retailers may move from one third-party advertising agency to another, and we may lose the underlying business. The presence of third-party advertising agencies as intermediaries between us and the CPGs and retailers thus creates a challenge to building our own brand awareness and affinity with the CPGs and retailers that are the ultimate source of our revenues. In addition, third-party advertising agencies conducting business with us may offer their own digital promotion solutions. As such, these third-party advertising agencies are, or may become, our competitors. If they further develop their own capabilities they may be more likely to offer their own solutions to advertisers, and our ability to compete effectively could be significantly compromised and our business, financial condition and operating results could be adversely affected.

Competition presents an ongoing threat to the success of our business.

We expect competition in digital promotions and media to continue to increase. The market for digital promotions and media is competitive, fragmented and rapidly changing. We compete against a variety of companies with respect to different aspects of our business, including:

- offline coupon and discount services, as well as newspapers, magazines and other traditional media companies that provide coupon promotions and discounts on products and services in free standing inserts or other forms, including Valassis Communications, Inc., News America Marketing Interactive, Inc. and Catalina Marketing Corporation;
- providers of digital coupons such as Valassis' Redplum.com, Catalina Marketing Corporation's Cellfire, News traditional America Marketing's SmartSource., Inmar, You Technology, and companies that offer coupon codes such as RetailMeNot, Inc., Groupon, Inc., Exponential Interactive, Inc.'s TechBargains.com, Savings.com, Inc., Honey Science Corporation and Ebates Performance Marketing, Inc., companies that offer cash back solutions such as iBotta, Inc., and News America Marketing's Checkout 51, and companies providing other e-commerce based services that allow consumers to obtain direct or indirect discounts on purchases;
- Internet sites and blogs that are focused on specific communities or interests that offer coupons or discount arrangements related to such communities or interests;
- companies offering online and marketing services to retailers and CPGs, such as MyWebGrocer, Inc. and Flipp Corp.; and
- companies offering CPG and retail digital media services, such as Triad Media Inc. and Criteo.

We believe the principal factors that generally determine a company's competitive advantage in our market include the following:

- scale and effectiveness of reach in connecting CPGs and retailers to consumers in a digital manner, through web, mobile and other online properties;
- ability to attract consumers to use digital coupons delivered by it;
- platform security, scalability, reliability and availability;
- integration with retailer applications, point of sales systems, and consumer channels;
- access to retailer data;
- measurement that demonstrates the effectiveness of campaigns;
- quality of tools, reporting and analytics for planning, development and optimization of promotions;
- number of channels by which a company engages with consumers;
- integration of products and solutions;
- rapid deployment of products and services for customers;
- breadth, quality and relevance of the Company's digital promotions including coupons;
- ability to deliver high quality and increasing number of digital coupons that are widely available and easy to use in consumers' preferred form;
- brand recognition and reputation;
- breadth and expertise of the Company's sales organization; and
- skill and expertise of the Company's operations organization.

We are subject to competition from large, well-established companies which have significantly greater financial, marketing and other resources than we do and have offerings that compete with our platform or may choose to offer digital promotions as an add-on to their core business on their own or in partnership with one of our competitors that would directly compete with ours. Many of our larger actual and potential competitors have the resources to significantly change the nature of the digital promotions industry to their advantage, which could materially disadvantage us. For example, Google and Facebook and online retailers such as Amazon have highly trafficked industry platforms which they have leveraged, or could leverage, to distribute digital coupons or other digital promotions and media that could negatively affect our business. In addition, these potential competitors may have greater access to first-party data, be able to respond more quickly than we can to new or emerging technologies and changes in consumer habits. These competitors may engage in more extensive research and development efforts, undertake more far-reaching marketing campaigns and adopt more aggressive pricing policies, which may allow them

to attract more consumers and, as a result, more CPGs and retailers, or generate revenues more effectively than we do. Our competitors may offer digital coupons or targeted media campaigns that are similar to the digital coupons and targeted media campaigns we offer or that achieve greater

market acceptance than those we offer. We are also subject to competition from smaller companies that launch similar or new products and services that we do not offer and that could gain market acceptance.

Our success depends on the effectiveness of our platform in connecting CPGs and retailers with consumers and with attracting consumer use of the digital coupons delivered through our platform. To the extent we fail to provide digital coupons for high quality, relevant products, or otherwise fail to successfully reach consumers on their mobile device or elsewhere, consumers may become dissatisfied with our platform and decide not to use our digital coupons and elect to use the digital coupons distributed by one of our competitors. As a result of these factors, our CPGs and retailers may not receive the benefits they expect, and CPGs may use the offerings of one of our competitors, and retailers may elect to handle coupons themselves or exclude us from integrating with their in-store and point of sale systems or consumer channels, and our operating results would be adversely affected. Similarly, if retailers elect to use a competitive distribution network or platform, and we do not have, or fail to maintain, an agreement to distribute content through that network or platform, CPGs may elect to provide digital coupons directly to that network or platform, instead of through our platform. If retailers and CPGs require our platform to integrate with competitive offerings instead of using our products, we could lose some of our competitive advantage and our business could be harmed.

We also face significant competition for trade promotion and marketing spending. We compete against online and mobile businesses, including those referenced above, and traditional advertising outlets, such as television, radio and print, for trade promotion and marketing spending. In order to grow our revenues and improve our operating results, we must increase our share of CPG spending on digital coupons and media relative to traditional sources and relative to our competitors, many of whom are larger companies that offer more traditional and widely accepted media products.

We also directly and indirectly compete with retailers for consumer traffic. Many retailers market and offer their own digital coupons directly to consumers using their own websites, email newsletters and alerts, mobile applications and social media channels. Additionally, some retailers also market and offer their own digital coupons directly to consumers using our platform for which we earn no revenue. Our retailers could be more successful than we are at marketing their own digital coupons and could decide to terminate their relationship with us.

We may face competition from companies we do not yet know about. If existing or new companies develop, market or offer competitive digital coupon solutions, acquire one of our existing competitors or form a strategic alliance with one of our competitors, our ability to compete effectively could be significantly compromised and our operating results could be harmed. On December 18, 2018, Inmar announced that it would acquire Kroger's subsidiary You Technology and enter into a long-term strategic relationship with Kroger. Should the Inmar transaction close, it could adversely affect our current distribution of digital promotions through You Technology to Kroger shoppers and the Company could be harmed.

The success and scale of Retailer iQ depends, in part, on the level of commitment and support by retailers.

If retailers do not commit sufficient time, resources and funds towards the marketing of digital promotions and programs on Retailer iQ, the growth and scale of Retailer iQ and its penetration into the consumer market will be adversely affected. The success of Retailer iQ requires integration with a retailer's point of sales system, loyalty programs and consumer channels. This integration requires time and effort from both the retailer and ourselves, which also involves our working with third-party systems and solutions, some of whom may be our competitors. In addition, the success of Retailer iQ requires increased consumer adoption which requires significant support from retailers, this support includes marketing of Retailer iQ to consumers, providing technical support to consumers, and retailers satisfaction of increased and complex data privacy regulations to obtain consumer consent.

Acquisitions, joint ventures and strategic investments could result in operating difficulties, dilution and other harmful consequences.

We expect to evaluate and consider a wide array of potential strategic transactions, including acquisitions and dispositions of businesses, joint ventures, technologies, services, products and other assets and strategic investments. At any given time, we may be engaged in discussions or negotiations with respect to one or more of these types of transactions. Any of these transactions could be material to our financial condition and results of operations. The process of integrating any acquired business may create unforeseen operating difficulties and expenditures and is itself risky. The areas where we may face difficulties include:

- expected and unexpected costs incurred in identifying and pursuing strategic transactions and performing due diligence regarding potential strategic transactions that may or may not be successful;
- failure of an acquired company to achieve anticipated revenue, earnings, cash flows or other desired technological and business goals;

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- effectiveness of our due diligence review and our ability to evaluate the results of such due diligence, which are dependent upon the accuracy and completeness of statements and disclosures made by the acquired company;
- diversion of management time, as well as a shift of focus from operating the businesses to issues related to integration and administration;
- the need to integrate the acquired company's accounting, management, information, human resource and other administrative systems to permit effective management, and the lack of control if such integration is delayed or not implemented;
- retention of key employees from the acquired company and cultural challenges associated with integrating employees from the acquired company into our organization;
- the need to implement or improve controls, procedures and policies appropriate for a public company at companies that prior to acquisition had lacked such controls, procedures and policies;
- in some cases, the need to transition operations and customers onto our existing platforms;
- in certain instances, the ability to exert control of acquired businesses that include earnout provisions in the agreements relating to such acquisitions or the potential obligation to fund an earnout for, or other obligations related to, a product that has not met expectations;
- the need to integrate operations across different geographies, cultures and languages and to address the particular economic, currency, political and regulatory risks associated with specific countries;
- liability for activities of the acquired company before the acquisition, including violations of laws, rules and regulations, commercial disputes, tax liabilities and other known and unknown liabilities;
- write-offs or charges related to acquired assets or goodwill; and
- litigation or other claims in connection with the acquired company, including claims from terminated employees, users, former stockholders or other third parties and intellectual property infringement claims.

For example, we have acquired businesses whose technologies are new to us and with which we did not have significant experience. We have made and are making investments of resources to support such acquisitions, which will result in ongoing operating expenses and may divert resources and management attention from other areas of our business. We cannot assure you that these investments and the integration of these acquisitions will be successful. If we fail to successfully integrate the companies we acquire, we may not realize the benefits expected from the transaction and our business may be harmed.

Our failure to address these risks or other problems encountered in connection with our past or future acquisitions and investments could cause us to fail to realize the anticipated benefits of any or all of our acquisitions or joint ventures, or we may not realize them in the time frame expected or cause us to incur unanticipated liabilities, and harm our business. Future acquisitions or joint ventures may require us to issue dilutive additional equity securities, spend a substantial portion of our available cash, incur debt or contingent liabilities, amortize expenses related to intangible assets or incur incremental operating expenses or write-offs of goodwill or impaired acquired intangible assets, which could adversely affect our results of operations and harm our business.

If we fail to effectively manage our growth, our business and financial performance may suffer.

We have significantly expanded our operations and anticipate expanding further to pursue our growth strategy. Through acquisitions we have added four additional offices within the last two years. Such expansion increases the complexity of our business and places significant demands on our management, operations, technical performance, financial resources and internal control over financial reporting functions. Continued growth could strain our ability to deliver digital promotions and media on our platform, develop and improve our operational, financial, legal and management controls, and enhance our reporting systems and procedures. Failure to manage our expansion may limit our growth, damage our reputation and negatively affect our financial performance and harm our business.

To effectively manage this growth, we will need to continue to improve our operational, financial and management controls, and our reporting systems and procedures. If we do not effectively manage the growth of our business and operations the scalability of our business and our operating results could suffer.

Our current and planned personnel, systems, procedures and controls may not be adequate to support and effectively manage our future operations. We may not be able to hire, train, retain, motivate and manage required personnel. As we continue to grow, we must effectively integrate, develop and motivate a large number of new employees. We intend to continue to expand our research and development, sales and marketing, and general and administrative organizations, and over time, expand our international operations. To attract top talent, we have had to offer, and believe we will need to continue to offer, highly competitive compensation packages before we can validate the productivity of those employees. If we fail to effectively manage our hiring needs and successfully integrate our new hires, our efficiency

and ability to meet our forecasts and our employee morale, productivity and retention could suffer, and our business and operating results could be adversely affected.

Providing our products and services to our CPGs, retailers and consumers is costly and we expect our expenses to continue to increase in the future as we grow our business with existing and new CPGs and retailers and develop new products and services that require enhancements to our technology infrastructure. In addition, our operating expenses, such as our sales, marketing and engineering expenses are expected to continue to grow to support our anticipated future growth. As a result of the requirements of being a public company we incur significant legal, accounting and other expenses. Our expenses may grow faster than our revenues, and our expenses may be greater than we anticipate. Managing our growth will require significant expenditures and allocation of valuable management resources. If we fail to achieve the necessary level of efficiency in our organization as it grows, our business, operating results and financial condition would be harmed.

If we do not effectively grow and train our sales and operations teams, we may be unable to grow our business with CPGs and retailers and our business will be adversely affected.

We continue to be dependent on our sales team to obtain new CPGs and retailers and to drive sales from our existing CPGs and retailers. We also continue to be dependent on our operations team to execute and provide support to our new and existing CPGs and retailers. We believe that there is significant competition for sales and operations personnel with the skills and technical knowledge that we require. Our ability to achieve significant revenue growth will depend, in large part, on our success in recruiting, training, integrating and retaining sufficient numbers of sales and operations personnel to support our growth. New hires require significant training and it may take time before they achieve full productivity. Our recent hires and planned hires may not become productive as quickly as we expect, and we may be unable to hire or retain sufficient numbers of qualified individuals in the markets where we do business or plan to do business. In addition, if we continue to grow rapidly, a large percentage of our sales and operations teams will be new to the Company and our solution. If (i) we are unable to hire and train sufficient numbers of effective sales and operations personnel, (ii) the sales personnel are not successful in obtaining new CPGs and retailers or increasing sales to our existing CPGs and retailers or (iii) the operations personnel are not successful in executing and supporting our new and existing CPGs and retailers, our business will be adversely affected.

Our sales cycle with CPGs and retailers is long and unpredictable and may require us to incur expenses before executing or renewing a customer agreement, which makes it difficult to project when, if at all, we will obtain new CPGs and retailers, or renew customer agreements with existing CPG customers and retail partners, and when we will generate additional revenues.

We market our services and products directly to CPGs and retailers. New CPG and retailer relationships typically take time to obtain and finalize. Existing CPG and retailer relationships may change and take time to re-establish due to market consolidation and personnel changes. A significant time period may pass between selection of our services and products by key decision-makers and the signing of a contract. The length of time between the initial sales call and the realization of a final contract is difficult to predict. As a result, it is difficult to predict when we will obtain new CPGs and retailers and when performance and delivery of services will be initiated with these potential CPGs and retailers. In addition, our customers typically have no obligation to renew their agreements with us after their initial term, and in order for us to maintain or improve our results of operations, it is important that our customers renew their agreements with us when the initial term expires. As part of our sales and renewal cycle, we may incur significant expenses before executing or renewing a definitive agreement with a prospective or existing CPG or retailer and before we are able to generate any revenues from such agreement or renewal. If conditions in the marketplace generally or with a specific prospective CPG or retailer change negatively, it is possible that no definitive agreement will be executed or renewed, and we will be unable to recover any expenses incurred before a definitive agreement is executed or renewed, which would in turn have an adverse effect on our business, financial condition and results of operations.

Our business depends on our ability to maintain and scale the network infrastructure necessary to operate our platforms, including our websites, mobile applications and Retailer iQ platform, and any significant disruption in service could result in a loss of CPGs, retailers and consumers.

We deliver digital coupons via our platforms, including over our websites and mobile applications, as well as through those of our CPGs and retailers and our publishers and other third parties. Our reputation and ability to acquire, retain and serve CPGs and retailers, as well as consumers who use digital coupons or view media on our platforms are dependent upon the reliable performance of our platforms. As the number of our CPG customers, retailers and consumers and the number of digital promotions and information shared through our platforms continue to grow, we will need an increasing amount of network capacity and computing power. Our technology infrastructure is hosted across two data centers in co-location facilities in California and Nevada. In addition, we use two other co-location facilities in California and Virginia to

host our Retailer iQ platform. We have spent and expect to continue to spend substantial amounts in our data centers and equipment and related network infrastructure to handle the traffic on our platform. The operation of these systems is expensive and complex and could result in operational failures. In the event that the number of transactions or the amount of traffic on our platforms grows more quickly than anticipated, we may be required to incur significant additional costs. Interruptions in these systems or service disruptions, whether due to system failures, computer viruses, malware, ransomware, denial of service attacks, attempts to degrade or disrupt services, or physical or electronic break-ins, could affect the security or availability of our websites and platform, and prevent CPGs, retailers or consumers from accessing our platform. A substantial portion of our network infrastructure is hosted by third-party providers. Any disruption in these services or any failure of these providers to handle existing or increased traffic could significantly harm our business. Any financial or other difficulties these providers face may adversely affect our business, and we exercise little control over these providers, which increases our vulnerability to problems with the services they provide. If we do not maintain or expand our network infrastructure successfully or if we experience operational failures, we could lose current and potential CPGs, retailers and consumers, which could harm our operating results and financial condition.

If our websites or those of our publishers fail to rank prominently in unpaid search results from search engines like Google, Yahoo! and Bing, traffic to our websites could decline and our business would be adversely affected.

Our success depends in part on our ability to attract consumers through unpaid Internet search results on search engines like Google, Yahoo! and Bing. The number of consumers we attract to our websites from search engines is due in large part to how and where our websites rank in unpaid search results. These rankings can be affected by a number of factors, many of which are not in our direct control, and they may change frequently. For example, major search engines frequently modify their ranking algorithms, methodologies or design layouts. As a result, links to our websites may not be prominent enough to drive traffic to our websites or we may receive less favorable placement which could reduce traffic to our website, and we may not know how or otherwise be in a position to influence the results. In some instances, search engine companies may change these rankings in order to promote their own competing products or services or the products or services of one or more of our competitors. Our websites have experienced fluctuations in search result rankings in the past, and we anticipate fluctuations in the future. For example, the search result rankings of our websites have fallen relative to the same time last year. In addition, websites must comply with search engine guidelines and policies. These guidelines and policies are complex and may change at any time. If we fail to follow such guidelines and policies properly, search engines may rank our content lower in search results or could remove our content altogether from their index. Moreover, the use of voice recognition technology, such as Alexa, Google Assistant or Siri, may drive traffic away from search engines, which could reduce traffic to our website. Any reduction in the number of consumers directed to our websites could reduce the effectiveness of our coupon codes for specialty retailers and digital promotions for CPGs and retailers and could adversely impact our business and results of operations. It could also reduce our ability to sell media advertising on our sites, which would negatively impact revenues and harm our business.

If we fail to continue to obtain and increase the number of high quality coupons through our platform, our revenue growth or our revenues may be harmed.

We generally generate revenues as consumers select, or activate, a digital coupon through our platform. Our business model depends upon the availability of high quality and increasing number of digital coupons. CPGs and retailers have a variety of channels through which to promote their products and services. If CPGs and retailers elect to distribute their digital coupons through other channels or not to promote digital coupons at all, or if our competitors are willing to accept lower prices than we are, our ability to obtain high quality digital coupons available on our platform may be impeded and our business, financial condition and operating results will be adversely affected. If we cannot maintain sufficient digital coupons inventory to offer through our platform, consumers may perceive our service as less relevant, consumer traffic to our websites and those of our publishers will decline and, as a result, CPGs and retailers may decrease their use of our platform to deliver digital coupons and our revenue growth or revenues may be harmed.

Our business relies in part on electronic messaging, including emails and SMS text messages, and any technical, legal or other restrictions on the sending of electronic messages or an inability to timely deliver such communications could harm our business.

Our business is in part dependent upon electronic messaging. We provide emails, mobile alerts and other messages to consumers informing them of the digital coupons on our websites, and we believe these communications help generate a significant portion of our revenues. We also use electronic messaging, in part, as part of the consumer sign-up and verification process. Because electronic messaging services are important to our business, if we are unable to successfully deliver electronic messages to consumers, if there are legal restrictions on delivering these messages to consumers, or if consumers do not or cannot open our messages, our revenues and profitability could be adversely affected. Changes in how webmail applications or other email management tools organize and prioritize email may result in our emails being delivered or routed to a less prominent location in a consumer's inbox or viewed as "spam" by consumers and may reduce the likelihood of that consumer opening our emails. Actions taken by third parties that block, impose restrictions on or charge for the delivery of electronic messages could also harm our business. From time to time,

Internet service providers or other third parties may block bulk email transmissions or otherwise experience technical difficulties that result in our inability to successfully deliver emails or other messages to consumers.

Changes in laws or regulations, or changes in interpretations of existing laws or regulations, including the Telephone Consumer Protection Act, or the TCPA in the United States and laws regarding commercial electronic messaging in other jurisdictions, that would limit our ability to send such communications or impose additional requirements upon us in connection with sending such communications could also adversely impact our business. For example, the Federal Communications Commission amended certain of its regulations under the TCPA in recent years in a manner that could increase our exposure to liability for certain types of telephonic communication with customers, including but not limited to text messages to mobile phones. Under the TCPA, plaintiffs may seek actual monetary loss or statutory damages of \$500 per violation, whichever is greater, and courts may treble the damage award for willful or knowing violations. Given the enormous number of communications we send to consumers, a determination that there have been violations of the TCPA or other communications-based statutes could expose us to significant damage awards that could, individually or in the aggregate, materially harm our business. Moreover, even if we prevail, such litigation against us could impose substantial costs and divert our management's attention and resources.

We also rely on social networking messaging services to send communications. Changes to these social networking services' terms of use or terms of service that limit promotional communications, restrictions that would limit our ability or our customers' ability to send communications through their services, disruptions or downtime experienced by these social networking services or reductions in the use of or engagement with social networking services by customers and potential customers could also harm our business.

We rely on a third-party service for the delivery of daily emails and other forms of electronic communication, and delay or errors in the delivery of such emails or other messaging we send may occur and be beyond our control, which could damage our reputation or harm our business, financial condition and operating results. If we were unable to use our current electronic messaging services, alternate services are available; however, we believe our sales could be impacted for some period as we transition to a new provider, and the new provider may be unable to provide equivalent or satisfactory electronic messaging service. Any disruption or restriction on the distribution of our electronic messages, termination or disruption of our relationship with our messaging service providers, including our third-party service that delivers our daily emails, or any increase in our costs associated with our email and other messaging activities could harm our business.

We are dependent on technology systems and electronic communications networks that are supplied and managed by third parties, which could result in our inability to prevent or respond to disruptions in our services.

Our ability to provide services to consumers depends on our ability to communicate with CPGs, retailers and customers through the public Internet and electronic networks that are owned and operated by third parties. Our products and services also depend on the ability of our users to access the public Internet. In addition, in order to provide services promptly, our computer equipment and network servers must be functional 24 hours per day, which requires access to telecommunications facilities managed by third parties and the availability of electricity, which we do not control. A severe disruption of one or more of these networks, including as a result of utility or third-party system interruptions, could impair our ability to process information, which could impede our ability to provide digital promotions and media to consumers, harm our reputation, result in a loss of customers or CPGs and retailers and adversely affect our business and operating results.

If our security measures or information we collect and maintain are compromised or publicly exposed, CPGs, retailers and consumers may curtail or stop using our platforms.

We collect and maintain data about consumers, including personally identifiable information, as well as other confidential or proprietary information. Like all businesses that use computer systems and the Internet, our security measures, and those of our third-party service providers, may not detect or prevent all attempts to gain access to our

systems, denial-of-service attacks, viruses, malicious software including malware and ransomware, break-ins, phishing attacks, social engineering, human error, security breaches or other attacks and similar disruptions that may jeopardize the security of information stored in or transmitted by our systems or solutions or that we or our third-party service providers otherwise maintain, including payment systems, any of which could lead to interruptions, delays, or website shutdowns, causing loss of critical data or the unauthorized disclosure or use of personally identifiable or other confidential information, or subject us to fines or higher transaction fees or limit or result in the termination of our access to certain payment methods. If we experience compromises to our security that result in performance or availability problems, the complete shutdown of one or more of our websites and mobile applications or the loss or unauthorized access to or disclosure of confidential information, personally identifiable information, or other personal data, CPGs, retailers, and

consumers may lose trust and confidence in us and decrease their use of our platform or stop using our platform entirely. Further, such compromises to personal or sensitive information could lead to litigation or other adversarial actions by business partners or consumers.

Because the techniques used to obtain unauthorized access are often sophisticated and change frequently, neither we nor third-party service providers can guarantee that our systems will not be breached. In addition, consumer information including email addresses, phone numbers and data on consumer usage of our websites and mobile applications could be hacked, hijacked, altered or otherwise claimed or controlled by unauthorized persons. Security breaches can also occur as a result of nontechnical issues, including intentional or inadvertent actions by our employees or by persons with whom we have commercial relationships that lead to exposure of any types of sensitive information. Any or all of these issues, or the perception that any of them has occurred, even if inaccurate, could negatively impact our reputation and our ability to attract and retain CPGs and retailers as well as consumers or could reduce the frequency with which our platform is used, cause existing or potential CPG or retailer customers to cancel their contracts or subject us to third-party lawsuits, regulatory fines or other action or liability, and harm our business and results of operations.

Remediation of any potential cyber security breach may involve significant time, resources, and expenses, which may result in potential regulatory inquiries, litigation or other investigations, and can affect our financial and operational condition.

Failure to deal effectively with fraudulent or other improper transactions could harm our business.

Digital coupons are issued in the form of redeemable coupons, coupon codes with unique identifiers or cash-back rebates. It is possible that third parties may create counterfeit digital coupons or coupon codes or exceed print or use limits in order to fraudulently or improperly claim discounts or credits for redemption. It is also possible that third parties may fraudulently or improperly claim cash-back rebates causing us to pay out cash that we are not able to get reimbursement from our customers. It is possible that individuals will circumvent our anti-fraud systems using increasingly sophisticated methods or methods that our anti-fraud systems are not able to counteract. Further, we may not detect any of these unauthorized activities in a timely manner. Third parties who succeed in circumventing our anti-fraud systems may sell the fraudulent or fraudulently obtained digital coupons on social networks, which would damage our brand and relationships with CPGs and harm our business. Legal measures we take or attempt to take against these third parties may be costly and may not be ultimately successful. In addition, our service could be subject to employee fraud or other internal security breaches, and we may be required to reimburse CPGs and retailers for any funds stolen or revenues lost as a result of such breaches. Our CPGs and retailers could also request reimbursement, or stop using digital coupons, if they are affected by buyer fraud or other types of fraud. We may incur significant losses from fraud and counterfeit digital coupons. If our anti-fraud technical and legal measures do not succeed, our business may suffer.

Factors adversely affecting performance marketing programs and our relationships with performance marketing networks and brand partners, or the termination of these relationships, may adversely affect our ability to attract and retain merchants and our coupon codes business.

A portion of our business is based upon consumers using coupon codes from specialty retailers in connection with the purchase of goods or services. The commissions we earn for coupon codes accessed through our platform are tracked by performance marketing networks. Third-party performance marketing networks provide publishers with affiliate tracking links that allow for revenues to be attributed to publishers. When a consumer executes a purchase on a publisher's website as a result of a performance marketing program, most performance marketing conversion tracking tools credit the most recent link or ad clicked by the consumer prior to that purchase. This practice is generally known as "last-click attribution." We generate revenues through transactions for which we receive last-click attribution. Risks that may adversely affect our performance marketing programs and our relationships with performance marketing networks include the following, some of which are outside our control:

- we may not be able to adapt to changes in the way in which CPGs and merchants attribute credit to us in their performance marketing programs, whether it be “first-click attribution” or “multichannel attribution,” which applies weighted values to each of a retailer’s advertisements and tracks how each of those advertisements contributes to a purchase, or otherwise;
- we may not receive revenue if consumers make purchases from their mobile devices as many retailers currently do not recognize affiliate tracking links on their mobile-optimized websites or applications, and tracking mechanisms on mobile websites or applications may not function to allow retailers to properly attribute sales to us;

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- we may not generate revenue if consumers use mobile devices for shopping research but make purchases using coupon codes found on our sites in ways where we do not get credit;
- refund rates for products delivered on merchant sites may be greater than we estimate;
- performance marketing networks may not provide accurate and timely reporting on which we rely, we could fail to properly recognize and report revenues and misstate financial reports, projections and budgets and misdirect our advertising, marketing and other operating efforts for a portion of our business;
- we primarily rely on a small number of performance marketing networks in non-exclusive arrangements, the loss of which could adversely affect our coupon codes business;
- we primarily rely, in connection with our search engine marketing business, on a small number of brand partners that work with us in non-exclusive arrangements, the loss of which could adversely affect our coupon codes business;
- industry changes relating to the use of performance marketing networks could adversely impact our commission revenues;
- to the extent performance marketing networks serve as intermediaries between us and merchants, it may create challenges to building our own brand awareness and affinity with merchants, and the termination of our relationship with the performance marketing networks would terminate our ability to receive payments from merchants we service through that network; and
- performance marketing networks may compete with us.

While coupon codes from specialty retailers represent a declining portion of our business, any of these risks could adversely affect our revenues in this area.

Our business is subject to complex and evolving laws, regulations and industry standards, and unfavorable interpretations of, or changes in, or failure by us to comply with these laws, regulations and industry standards could substantially harm our business and results of operations.

We are subject to a variety of international, federal, state, local and municipal laws, regulations and industry standards that relate to privacy, electronic communications, data protection, intellectual property, e-commerce, competition, price discrimination, consumer protection, taxation, and the use of promotions. Many of these laws, regulations, and standards are still evolving and being tested in courts and industry standards are still developing. Our business, including our ability to operate and expand, could be adversely affected if legislation, regulations or industry standards are adopted, interpreted or implemented in a manner that is inconsistent with our current business practices and that require changes to these practices or the design of our platform. Existing and future laws, regulations and industry standards could restrict our operations, and our ability to retain or increase our CPGs and retailers and consumers' use of digital promotions delivered on our platform may be adversely affected and we may not be able to maintain or grow our revenues as anticipated.

If the use of third-party cookies is rejected by Internet users, restricted by third parties outside of our control, or otherwise subject to unfavorable regulation, our performance could decline and we could lose customers and revenue.

We use small text files (referred to as "cookies"), placed through an Internet browser on an Internet user's machine which corresponds to a data set that we keep on our servers, to gather important data to help deliver our solution. Certain of our cookies, including those that we predominantly use in delivering our solution, are known as "third-party" cookies because they are delivered by third parties rather than by us. Our cookies collect anonymous information, such as when an Internet user views an advertisement, clicks on an advertisement, or visits one of our advertisers' websites. In some countries, including countries in the European Economic Area, this information may be considered personal information under applicable data protection laws. On mobile devices, we may also obtain location based information about the user's device through our cookies. We use these cookies to achieve our customers' campaign goals, to ensure that the same Internet user does not unintentionally see the same media too frequently, to report aggregate information to our customers regarding the performance of their digital promotions and marketing campaigns, and to detect and prevent fraudulent activity throughout our network. We also use data from cookies to help us decide whether and how much to bid on an opportunity to place an advertisement in a certain Internet location and at a given time in front of a particular Internet user. A lack of data associated with or obtained

from cookies may significantly detract from our ability to make decisions about which inventory to purchase for an advertiser's campaign and may undermine the effectiveness of our solution and harm our business.

Cookies may easily be deleted or blocked by Internet users. All of the most commonly used Internet browsers (including Chrome, Firefox, Internet Explorer, and Safari) allow Internet users to prevent cookies from being accepted by their browsers. Internet users can also delete cookies from their computers at any time. Some Internet users also download "ad blocking" software that prevents cookies from being stored on a user's computer. If more Internet users adopt these settings or delete their cookies more frequently than they currently do, our business could be harmed. In addition, the Safari and Firefox browsers blocks third-party cookies by default, and other browsers may do so in the future. Unless such default settings in browsers were altered by Internet users to permit the placement of third-party cookies, we would be able to set fewer of our cookies in users' browsers, which could adversely affect our business. In addition, companies such as Google have publicly disclosed their intention to move away from cookies to another form of persistent unique identifier, or ID, to identify individual Internet users or Internet-connected devices in the bidding process on advertising exchanges. If companies do not use shared IDs across the entire ecosystem, this could have a negative impact on our ability to find the same anonymous user across different web properties, and reduce the effectiveness of our solution.

In addition, in the European Union, or EU, Directive 2009/136/EC, commonly referred to as the "Cookie Directive," directs EU member states to ensure that collecting information on an Internet user's computer, such as through a cookie, is allowed only if the Internet user has appropriately given his or her prior freely given, specific, informed and unambiguous consent. Similarly, this Directive which also contains specific rules for the sending of marketing communications, limits the use of marketing texts messages and e-mails. Additionally, an e-Privacy Regulation, which will replace the Cookie Directive with requirements that could be stricter in certain respects, apply directly to activities within the EU without the need to be transposed in each Member State's Law, and could impose stricter requirements regarding the use of cookies and marketing e-mails and text messages and additional penalties for noncompliance, has been proposed, although at this time it is unclear whether it will be approved as it is currently drafted or when its requirements will be effective. We may experience challenges in obtaining appropriate consent to our use of cookies from consumers or to send marketing communications to consumers within the EU, which may affect our ability to run promotions and our operating results and business in European markets, and we may not be able to develop or implement additional tools that compensate for the lack of data associated with cookies. Moreover, even if we are able to do so, such additional tools may be subject to further regulation, time consuming to develop or costly to obtain, and less effective than our current use of cookies.

Failure to comply with federal, state and international privacy, data protection, marketing and consumer protection laws, regulations and industry standards, or the expansion of current or the enactment or adoption of new privacy, data protection, marketing and consumer protection laws, regulations or industry standards, could adversely affect our business.

We and our service providers are subject to a variety of federal, state and international laws, regulations and industry standards regarding privacy, data protection, data security, marketing and consumer protection, which address the collection, storing, sharing, using, processing, disclosure and protection of data relating to individuals, as well as the tracking of consumer behavior and other consumer data. We are also subject to laws, regulations and industry standards relating to endorsements and influencer marketing. Many of these laws, regulations and industry standards are changing and may be subject to differing interpretations, costly to comply with or inconsistent among jurisdictions. For example, the Federal Trade Commission, or the FTC, expects companies like ours to comply with guidelines issued under the Federal Trade Commission Act that govern the collection, use, disclosure, and storage of consumer information, and establish principles relating to notice, consent, access and data integrity and security. The laws and regulations in many foreign countries relating to privacy, data protection, data security, marketing and consumer protection often are more restrictive than in the United States, and may in some cases be interpreted to have a greater scope. Additionally, the laws, regulations and industry standards, both foreign and domestic, relating to privacy, data protection, data security, marketing and consumer protection are dynamic and may be expanded or replaced by new laws, regulations or industry standards. For example, on June 28, 2018 California enacted the California Consumer Privacy Act of 2018 (the "CCPA"), the directives of which will become operative on January 1, 2020; the CCPA has already been amended once and grants consumers new rights with respect to their personal

information. We believe our policies and practices comply in material respects with applicable privacy, data protection, data security, marketing and consumer protection guidelines, laws and regulations. However, if our belief is incorrect, or if these guidelines, laws or regulations or their interpretation change or new legislation or regulations are enacted, we may be compelled to provide additional disclosures to our consumers, obtain additional consents from our consumers before collecting, using, or disclosing their information or implement new safeguards to help our consumers manage our use of their information, among other changes.

Various industry standards on privacy and data security have been developed and are expected to continue to develop, which may be adopted by industry participants at any time. We are subject to the terms of our privacy policies and obligations to third parties relating to privacy, data protection and data security, including contractual obligations relating to privacy rights, data protection, data use and data security measures. We are also required, under certain regulatory regimes and industry standards, to contractually require our service providers to meet certain privacy and security requirements. Certain of our solutions, including Quotient Promotions, Media, Audience and Analytics Cloud platforms and solutions depend in part on our ability to use data that we obtain in connection with our offerings, and our ability to use this data may be subject to restrictions in our commercial agreements and subject to the privacy policies of the entities that provide us with this data. Our failure to adhere to these third-party restrictions on data use may result in claims, proceedings or actions against us by our business counterparties or other parties, or other liabilities, including loss of business, reputational damage, and remediation costs, which could adversely affect our business.

We strive to comply with applicable laws, policies, contractual and other legal obligations and certain applicable industry standards of conduct relating to privacy, data security, data protection, marketing and consumer protection. However, these obligations and standards of conduct often are complex, vague, and difficult to comply with fully, and it is possible that these obligations and standards of conduct may be interpreted and applied in new ways and/or in a manner that is inconsistent with each other or that new laws, regulations or other obligations may be enacted. It is possible that our practices may be argued or held to conflict with applicable laws, policies, contractual or other legal obligations, or applicable industry standards of conduct relating to privacy, data security, data protection, marketing or consumer protection. Any failure, or perceived failure, by us to comply with our posted privacy policies or with any data-related consent orders, FTC, other regulatory requirements or orders or other federal, state or, as we continue to expand internationally, international privacy, data security, data protection, marketing or consumer protection-related laws, regulations, contractual obligations or self-regulatory principles or other industry standards could result in claims, proceedings or actions against us by governmental entities or others or other liabilities or could result in a loss of consumers using our digital coupons or loss of CPGs and retailers. Any of these circumstances could adversely affect our business. Further, if third parties we work with violate applicable laws, our policies or other privacy-related obligations, such violations may also put our consumers' information at risk and could in turn have an adverse effect on our business.

With respect to personal data transfers from the European Economic Area, or EEA, we have previously relied on compliance with the U.S.-EU and U.S.-Swiss Safe Harbor Frameworks as agreed to and set forth by the U.S. Department of Commerce, and the EU and Switzerland, which legitimized the transfer of personally identifiable information by U.S. companies doing business in Europe from the EEA and Switzerland to the U.S. In October 2015, a decision of the Court of Justice of the European Union, or CECJ, deemed the U.S.-EU Safe Harbor Framework an invalid method of compliance with restrictions set forth in the Data Protection Directive (and member states' implementations thereof) regarding the transfer of data outside of the EEA. U.S. and EU authorities reached a political agreement in February 2016 regarding a new means for legitimizing personal data transfers from the EEA to the U.S., the EU-U.S. Privacy Shield. However, this framework is subject to an annual review that could result in changes to its framework and is being challenged by national regulators and private parties. We have engaged in certain actions in an effort to legitimize our transfers of personal data from Europe to the U.S., and we anticipate engaging in additional activities in an effort to do so going forward. However, some of the transfer mechanisms on which we are relying to legitimate the transfer of data outside of the EEA, such as standard Model Contractual Clauses (MCCs), have been subjected to regulatory and judicial scrutiny. Thus, while we have engaged in significant efforts to implement and maintain appropriate mechanisms to transfer data outside the EEA, if one or more of these mechanism is invalidated, we may become unsuccessful in establishing legitimate means of transferring all personal data from Europe to the U.S., we may experience reluctance or refusal by European consumers, retailers or CPGs to continue to use our solutions due to the potential risk exposure to such individuals and organizations and we and our CPG and retail partners may be at risk of enforcement actions taken by an European data protection authority until we ensure that all applicable data transfers to us from the EEA and Switzerland are legitimized. In addition, the EU General Data Protection Regulation, or GDPR became effective in May 2018 and supersedes the 1995 EU Data Protection Directive, and includes more stringent operational requirements for processors and controllers of personal data, including payment card information, create additional rights for data subjects and impose significant penalties for non-compliance of up to the greater of €20 million or 4% of global annual revenues. Additionally, in June 2016, United Kingdom voters approved an exit from the EU, commonly referred to as "Brexit," which could also lead to further legislative and regulatory changes. In March 2017, the United Kingdom began the process to leave the EU by April 2019. While the Data Protection Act of 2018, that "implements" and complements the GDPR has achieved Royal Assent on May 23, 2018 and is now effective in the United Kingdom, it is still unclear whether transfer of data from the EEA to the United Kingdom will remain lawful under GDPR. We may incur liabilities, expenses, costs, and other operational losses under GDPR and applicable EU Member States and the United Kingdom privacy laws in connection with any measures we take to comply with them.

Additionally, California recently enacted legislation that has been dubbed the first "GDPR-like" law in the United States. Known as the California Consumer Privacy Act, or CCPA, it creates new individual privacy rights for

consumers (as that word is broadly defined in the law) and places increased privacy and security obligations on entities handling personal data of consumers or households. When it goes into effect on January 1, 2020, the CCPA will require covered companies to provide new disclosures to California consumers, provide such consumers new ways to opt-out of certain sales of personal information, and allow for a new cause of action for data breaches. Legislators have stated that amendments will be proposed to the CCPA before it goes into effect, but it remains unclear what, if any, modifications will be made to this legislation or how it will be interpreted. As currently written, the CCPA will likely impact (possibly significantly) our US operations and exemplifies the vulnerability of our business to not only cyber threats but also the evolving regulatory environment related to personal data.

We expect that there will continue to be new proposed laws, regulations and industry standards concerning privacy, data protection and information security in the United States and other jurisdictions, and we cannot yet determine the impact such future laws, regulations and standards may have on our business. For instance, with the increased focus on the use of data for advertising, the anticipation and expectation of future laws, regulations, standards and other obligations could impact us and our existing and potential business partners and delay certain business partnerships or deals until there is greater certainty. In addition, as we expand our data analytics and other data related product offerings there may be increased scrutiny on our use of data and we may be subject to new and unexpected regulations. Future laws, regulations, standards and other obligations could, for example, impair our ability to collect or use information that we utilize to provide targeted digital promotions and media to consumers, CPGs and retailers, thereby impairing our ability to maintain and grow our total customers and increase revenues. Future restrictions on the collection, use, sharing or disclosure of our users' data or additional requirements for express or implied consent of users for the use and disclosure of such information could require us to modify our solutions, possibly in a material manner, and could limit our ability to develop or outright prohibit new solutions and features. Any such new laws, regulations, other legal obligations or industry standards, or any changed interpretation of existing laws, regulations or other standards may require us to incur additional costs and restrict our business operations. If our measures fail to comply with current or future laws, regulations, policies, legal obligations or industry standards relating to privacy, data protection, data security, marketing or consumer protection, we may be subject to litigation, regulatory investigations, fines or other liabilities, as well as negative publicity and a potential loss of business. Moreover, if future laws, regulations, other legal obligations or industry standards, or any changed interpretations of the foregoing limit our users', CPGs' or retailers' ability to use and share personally identifiable information or our ability to store, process and share personally identifiable information or other data, demand for our solutions could decrease, our costs could increase, our revenue growth could slow, and our business, financial condition and operating results could be harmed.

Indemnity provisions in various agreements potentially expose us to substantial liability for intellectual property infringement and other losses.

Our agreements with CPGs, retailers and other third parties may include indemnification provisions under which we agree to indemnify them for losses suffered or incurred as a result of claims of intellectual property infringement or other liabilities relating to or arising from our products, services or other contractual obligations. The term of these indemnity provisions generally survives termination or expiration of the applicable agreement. Large indemnity payments could harm our business.

We may not be able to adequately protect our intellectual property rights.

We regard our trademarks, service marks, copyrights, patents, trade dress, trade secrets, proprietary technology, and similar intellectual property as critical to our success.

We strive to protect our intellectual property rights in a number of jurisdictions, a process that is expensive and may not be successful or which we may not pursue in every location. We strive to protect our intellectual property rights by relying on federal, state and common law rights, contractual restrictions as well as rights provided under foreign laws. These laws are subject to change at any time and could further restrict our ability to protect our intellectual property rights.

We also may not be able to acquire or maintain appropriate domain names in all countries in which we do business. Furthermore, regulations governing domain names may not protect our trademarks and similar proprietary rights. We may be unable to prevent third parties from acquiring domain names that are similar to, infringe upon, or diminish the value of our trademarks and other proprietary rights.

We typically enter into confidentiality and invention assignment agreements with our employees and contractors, and confidentiality agreements with parties with whom we conduct business in order to limit access to, and disclosure and

use of, our proprietary information. Also, from time to time, we make our intellectual property rights available to others under license agreements. However, these contractual arrangements and the other steps we have taken to protect our intellectual property may not prevent the misappropriation or disclosure of our proprietary information, infringement of our intellectual property rights or deter independent development of similar technologies by others and may not provide an adequate remedy in the event of such misappropriation or infringement. Third parties that license our proprietary rights also may take actions that diminish the value of our proprietary rights or reputation.

Obtaining and maintaining effective intellectual property rights is expensive, including the costs of defending our rights. Even where we have such rights, they may be later found to be unenforceable or have a limited scope of enforceability. We may not be able to discover or determine the extent of any unauthorized use of our proprietary rights. Litigation may be necessary to enforce our intellectual property rights, protect our respective trade secrets or determine the validity and scope of proprietary rights claimed by others. Any litigation of this nature, regardless of outcome or merit, could result in substantial costs and diversion of management and technical resources, any of which could adversely affect our business and operating results. If we fail to maintain, protect and enhance our intellectual property rights, our business and operating results may be harmed.

We may be accused of infringing intellectual property rights of third parties.

Other parties may claim that we infringe their proprietary rights. We are, have been subject to, and expect to continue to be subject to, claims and legal proceedings regarding alleged infringement by us of the intellectual property rights of third parties. Such claims, whether or not meritorious, may result in the expenditure of significant financial and managerial resources, injunctions against us, or the payment of damages, including to satisfy indemnification obligations. We may need to obtain licenses from third parties who allege that we have infringed their rights, but such licenses may not be available on terms acceptable to us or at all. In addition, we may not be able to obtain or utilize on terms that are favorable to us, or at all, licenses or other rights with respect to intellectual property we do not own. These risks have been amplified by the increase in third parties whose sole or primary business is to assert such claims.

We may be unable to continue to use the domain names that we use in our business, or prevent third parties from acquiring and using domain names that infringe on, are similar to, or otherwise decrease the value of our brand or our trademarks or service marks.

We may lose significant brand equity in our “Coupons.com” domain name, our “Quotient.com” domain name, and other valuable domain names. If we lose the ability to use a domain name, whether due to trademark claims, failure to renew an applicable registration, or any other cause, we may be forced to market our products under new domain names, which could cause us substantial harm, or to incur significant expense in order to purchase rights to the domain names in question. In addition, our competitors and others could attempt to capitalize on our brand recognition by using domain names similar to ours. We also may not be able to acquire or maintain appropriate domain names or trademarks in all countries in which we do business. Domain names similar to ours have been registered in the United States and elsewhere. We may be unable to prevent third parties from acquiring and using domain names that infringe on, are similar to, or otherwise decrease the value of our brand or our trademarks or service marks. Protecting and enforcing our rights in our domain names may require litigation, which could result in substantial costs and diversion of management’s attention and harm our business.

Our business depends on strong brands, and if we are not able to maintain and enhance our brands, or if we receive unfavorable media coverage, our ability to retain and expand our number of CPGs, retailers and consumers will be impaired and our business and operating results will be harmed.

We believe that the brand identity that we have developed has significantly contributed to the success of our business. We also believe that maintaining and enhancing our brands are critical to expanding our base of CPGs, retailers and consumers. Maintaining and enhancing our brands may require us to make substantial investments and these investments may not be successful. If we fail to promote and maintain our brands, or if we incur excessive expenses in this effort, our business would be harmed. We anticipate that, as our market becomes increasingly competitive, maintaining and enhancing our brands may become increasingly difficult and expensive. Maintaining and enhancing our brands will depend on our ability to continue to provide sufficient quantities of reliable, trustworthy and high quality digital coupons, which we may not do successfully.

Unfavorable publicity or consumer perception of our websites, platforms, practices or service offerings, or the offerings of our CPGs and retailers, could adversely affect our reputation, resulting in difficulties in recruiting, decreased revenues and a negative impact on the number of CPGs and retailers we feature and our user base, the loyalty of our consumers and the number and variety of digital coupons we offer. As a result, our business could be harmed.

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Some of our solutions contain open source software, which may pose particular risks to our proprietary software and solutions.

We use open source software in our solutions and will use open source software in the future. From time to time, we may face claims from third parties claiming ownership of, or demanding release of, the open source software and/or derivative works that we developed using such software (which could include our proprietary source code), or otherwise seeking to enforce the terms of the applicable open source license. These claims could result in litigation and could require us to purchase a costly license or cease offering the implicated solutions unless and until we can re-engineer them to avoid infringement. This re-engineering process could require significant additional research and development resources. In addition to risks related to license requirements, use of certain open source software can lead to greater risks than use of third-party commercial software, as open source licensors generally do not provide warranties or controls on the origin of software. Any of these risks could be difficult to eliminate or manage, and, if not addressed, could have a negative effect on our business and operating results.

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

If we fail to expand effectively in international markets, our revenues and our business may be harmed.

We currently generate almost all of our revenues from the United States. We also operate to a limited extent in the United Kingdom, France and other countries in Europe. Many CPGs and retailers on our platforms have global operations and we plan to grow our operations and offerings through expansion in existing international markets and by partnering with our CPGs and retailers to enter new geographies that are important to them. Further expansion into international markets will require management attention and resources and we have limited experience entering new geographic markets. Entering new foreign markets will require us to localize our services to conform to a wide variety of local cultures, business practices, laws and policies. The different commercial and Internet infrastructure in other countries may make it more difficult for us to replicate our business model. In some countries, we will compete with local companies that understand the local market better than we do, and we may not benefit from first-to-market advantages. We may not be successful in expanding into particular international markets or in generating revenues from foreign operations. As we expand internationally, we will be subject to risks of doing business internationally, including the following:

- competition with strong local competitors and preference for local providers, or foreign companies entering the same markets;
- the cost and resources required to localize our platforms;
- burdens of complying with a wide variety of different laws and regulations, including intellectual property laws and regulation of digital coupons and media, Internet services, privacy and data protection, marketing and consumer protection laws, anti-competition regulations and different liability standards, which may limit or prevent us from offering of our solutions in some jurisdictions or limit our ability to enforce contractual obligations;
- differences in how trade promotion spending is allocated;

- differences in the way digital coupons and advertising are delivered and how consumers access and use digital coupons;
- technology compatibility;
- difficulties in recruiting and retaining qualified employees and managing foreign operations;
- different employee/employer relationships and the existence of workers' councils and labor unions;
- shorter payment cycles, different accounting practices and greater problems in collecting accounts receivable;
- higher product return rates;
- seasonal reductions in business activity;
- adverse tax effects and foreign exchange controls making it difficult to repatriate earnings and cash; and
- political and economic instability.

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Changes in the U.S. taxation of international activities may increase our worldwide effective tax rate and harm our financial condition and results of operations. The taxing authorities of the jurisdictions in which we plan to operate may challenge our methodologies for valuing developed technology or intercompany arrangements, including our transfer pricing, or determine that the manner in which we operate our business does not achieve the intended tax consequences, which could increase our worldwide effective tax rate and harm our financial position and results of operations. Significant judgment will be required in evaluating our tax positions and determining our provision for income taxes. During the ordinary course of business, there will be many transactions and calculations for which the ultimate tax determination is uncertain. As we expand our business to operate in numerous taxing jurisdictions, the application of tax laws may be subject to diverging and sometimes conflicting interpretations by tax authorities of these jurisdictions. It is not uncommon for taxing authorities in different countries to have conflicting views. In addition, tax laws are dynamic and subject to change as new laws are passed and new interpretations of the law are issued or applied. In the United States, legislation commonly known as the Tax Cuts and Jobs Act (referred to herein as the “Tax Act”) was enacted on December 22, 2017, which included a number of changes, such as a reduction in the corporate tax rate, a one-time transition tax on the mandatory deemed repatriation of cumulative foreign earnings as of December 31, 2017 and provided for the transition of U.S. international taxation from a worldwide tax system to a territorial system. These changes, or future changes in tax laws applicable to us, could materially increase our future income tax expense.

Our planned corporate structure and intercompany arrangements will be implemented in a manner we believe is in compliance with current prevailing tax laws. However, the tax benefits which we intend to eventually derive could be undermined if we are unable to adapt the manner in which we operate our business and due to changing tax laws.

Our failure to manage these risks and challenges successfully could materially and adversely affect our business, financial condition and results of operations.

The loss of one or more key members of our management team, or our failure to attract, integrate and retain other highly qualified personnel in the future, could harm our business.

We currently depend on the continued services and performance of the key members of our management team, including Steven R. Boal, our Executive Chairman, and Mir Aamir, our President and Chief Executive Officer. Mr. Boal is one of our founders and his leadership has played an integral role in our growth. Mr. Aamir’s deep industry experience and long-standing relationships with both CPGs and retailers are key to our growth and developing our business strategy. Key institutional knowledge remains with a small group of long-term employees and directors whom we may not be able to retain. The loss of key personnel, including key members of management as well as our marketing, sales, product development and technology personnel, could disrupt our operations and have an adverse effect on our ability to grow our business.

As we become a more mature company, we may find our recruiting and retention efforts more challenging. We are seeking to continue to hire a significant number of personnel, including certain key management personnel. We may be limited in our ability to recruit global talent by U.S. immigration laws, including those related to H1-B visas. The demand for H1-B visas to fill highly-skilled IT and computer science jobs is greater than the number of H-1B visas available each year; for the U.S. government’s 2018 fiscal year, the U.S. issued 85,000 H-1B visas out of 199,000 requests. In addition, the regulatory environment related to immigration under the current presidential administration may increase the likelihood that immigration laws may be modified to further limit the availability of H1-B visas. If a new or revised visa program is implemented, it may impact our ability to recruit, hire and retain qualified skilled personnel, which could adversely impact our business, operating results and financial condition. If we do not succeed in attracting, hiring and integrating qualified personnel, or retaining and motivating existing personnel, we may be unable to grow effectively.

Changes to financial accounting standards or the SEC’s rules and regulations may affect our results of operations and cause us to change our business practices.

We prepare our financial statements to conform to U.S. GAAP. These accounting principles are subject to interpretation by the FASB, American Institute of Certified Public Accountants (“AICPA”), the SEC and various bodies formed to interpret and create appropriate accounting policies. A change in those policies can have a significant effect on our reported results and may affect our reporting of transactions completed before a change is announced. Changes to those rules or the questioning of current practices may adversely affect our reported financial results or the way we conduct our business. For example, in February 2016, the FASB issued a new standard, Topic 842, which will require us to record most of our leases on our balance sheets beginning in our first quarter of fiscal year 2019.

We are currently or could be exposed in the future to fluctuations in currency exchange rates and interest rates.

To date, we have generated almost all of our revenues from within the United States. As a result, we currently do not have significant revenues or expenses in our international operations and we do not hedge our foreign currency exchange risk. However, we plan to grow our operations and offerings through expansion in existing international markets and by partnering with our existing CPGs and retailers to enter new geographies that are important to them. For example, we opened a research and development facility in Bangalore, India and acquired Shopmium, which has research and development operations in Paris, France. As we expand our business outside the United States we will face exposure to adverse movements in currency exchange rates. We will be exposed to foreign exchange rate fluctuations from the conversion of collections and expenses not denominated in U.S. dollars. If the U.S. dollar weakens against foreign currencies, the conversion of these foreign currency denominated transactions will result in increased revenues, operating expenses and net income. Similarly, if the U.S. dollar strengthens against foreign currencies, the conversion of these foreign currency denominated transactions will result in decreased revenues, operating expenses and net income. As exchange rates vary, sales and other operating results, when translated, may differ materially from expectations. Our risks related to currency fluctuations will increase as our international operations become an increasing portion of our business. In addition, we face exposure to fluctuations in interest rates which may impact our investment income unfavorably.

Our use of and reliance on international research and development resources and operations may expose us to unanticipated costs or events.

We have research and development centers in India and France. We expect to increase our headcount, development, and operations activity in India. There is no assurance that our reliance upon international research and development resources and operations will enable us to achieve our research and development and operational goals or greater resource efficiency. Further, our international research and development and operations efforts involve significant risks, including:

- difficulty hiring and retaining appropriate personnel due to intense competition for such resources and resulting wage inflation in the cities where our research and development activities and operations are located;
- different labor regulations, especially in the European Union, where labor laws are generally more advantageous to employees as compared to United States, including deemed hourly wage and overtime regulations in these locations;
- exposure to liabilities under anti-corruption and anti-money laundering laws, including the U.S. Foreign Corrupt Practices Act of 1977, as amended, and similar applicable laws and regulations in other jurisdictions;
- delays and inefficiencies caused by geographical separation of our international research and development activities and operations and other challenges inherent to efficiently managing an increased number of employees over large geographic distances, including the need to implement appropriate systems, policies, benefits and compliance programs;
- the knowledge transfer related to our technology and resulting exposure to misappropriation of intellectual property or information that is proprietary to us, our customers and other third parties;
- heightened exposure to change in the economic, security and political conditions in the countries where our research and development activities and operations are located;
- fluctuations in currency exchange rates and regulatory compliance in the countries where our research and development activities and operations are located; and
- interruptions to our operations in the countries where our research and development activities and operations are located as a result of floods and other natural catastrophic events as well as other events beyond our control such as power disruptions or terrorism.

Difficulties resulting from the factors above could increase our research and development or operational expenses, delay the introduction of new products, or impact our product quality, the occurrence of any of which could adversely affect our business and operating results.

Our business is subject to interruptions, delays or failures resulting from earthquakes, other natural catastrophic events or terrorism.

Our headquarters is located in Mountain View, California. Our current technology infrastructure is hosted across two data centers in co-location facilities in California and Nevada. In addition, we use two other co-location facilities in California and Virginia to host our Retailer iQ platform. Our services, operations and the data centers from which we provide our services are vulnerable to damage or interruption from earthquakes, fires, floods, power losses, telecommunications failures, terrorist attacks, acts of war, human errors, break-ins and similar events. A significant natural disaster, such as an earthquake, fire or flood, could have a material adverse impact on our business, financial condition and results of operations and our insurance coverage may be insufficient to compensate us for losses that may occur. Acts of terrorism could cause disruptions to the Internet, our business or the economy as a whole. We may not have sufficient protection or recovery plans in certain circumstances, such as natural disasters affecting areas where data centers upon which we rely are located, and our business interruption insurance may be insufficient to compensate us for losses that may occur. Such disruptions could negatively impact our ability to run our websites, which could harm our business.

Our ability to raise capital in the future may be limited, and our failure to raise capital when needed could prevent us from growing.

We may in the future be required to raise additional capital through public or private financing or other arrangements. Such financing may not be available on acceptable terms, or at all, and our failure to raise capital when needed could harm our business. Additional equity or equity-linked financing, such as our convertible senior notes, may dilute the interests of our stockholders, and debt financing, if available, may involve restrictive covenants and could reduce our profitability. If we cannot raise funds on acceptable terms, we may not be able to grow our business or respond to competitive pressures.

Our ability to use our net operating losses to offset future taxable income may be subject to certain limitations.

In general, under Section 382 of the U.S. Internal Revenue Code of 1986, as amended, or the Code, and similar state law provisions, a corporation that undergoes an “ownership change” is subject to limitations on its ability to utilize its pre-change net operating losses, or NOLs, to offset future taxable income. If our existing NOLs are subject to limitations arising from ownership changes, our ability to utilize NOLs could be limited by Section 382 of the Code. Future changes in our stock ownership, some of which are outside of our control, also could result in an ownership change under Section 382 of the Code. Additionally, our NOLs arising in tax years beginning prior to January 1, 2018 are subject to expiration and may expire prior to being utilized. Under the Tax Act any NOLs arising in tax years beginning after December 31, 2017 are not subject to expiration and may be carried forward indefinitely, but in any given year such NOLs may only be used to offset a maximum of 80% of taxable income for the year, determined without regard to the application of such NOLs. There is also a risk that our NOLs could otherwise be unavailable to offset future income tax liabilities due to changes in the law, including regulatory changes, such as suspensions on the use of NOLs or other unforeseen reasons. In addition, the Tax Act includes changes to the U.S. federal corporate income tax rate, and our net operating loss carryforwards and other deferred tax assets will be revalued at the newly enacted rate. We do not expect this to have a material impact on our financials because we currently maintain a full valuation allowance on our U.S. deferred tax assets. For these reasons, we may not be able to utilize all of our NOLs, even if we attain profitability.

State and foreign laws regulating money transmission could impact our cash-back applications.

Many states and certain foreign jurisdictions impose license and registration obligations on those companies engaged in the business of money transmission, with varying definitions of what constitutes money transmission. If our cash-back applications were to subject us to any applicable state or foreign laws, it could subject us to increased compliance costs and delay our ability to offer this product in certain jurisdictions pending receipt of any necessary

licenses or registrations. If we need to make product and operational changes in light of these laws, the growth and adoption of these products may be adversely impacted, and our revenues may be harmed.

Risks Related to Our Convertible Senior Notes

We are leveraged financially, which could adversely affect our ability to adjust our business to respond to competitive pressures and to obtain sufficient funds to satisfy our future growth, business needs and development plans.

In November 2017, we issued \$200 million aggregate principal amount of convertible senior notes (the “notes”). Our leveraged capital structure could have negative consequences, including, but not limited to, the following:

- we may be more vulnerable to economic downturns, less able to withstand competitive pressures and less flexible in responding to changing business and economic conditions;
- our ability to obtain additional financing in the future for working capital, capital expenditures, acquisitions, general corporate or other purposes may be limited;
- a substantial portion of our cash flow from operations in the future may be required for the payment of the principal amount of our existing indebtedness when it becomes due; and
- we may elect to make cash payments upon any conversion of the convertible notes, which would reduce our cash on hand.

Our ability to meet our payment obligations under our notes depends on our ability to generate significant cash flow in the future. This, to some extent, is subject to general economic, financial, competitive, legislative, and regulatory factors as well as other factors that are beyond our control. There can be no assurance that our business will generate cash flow from operations, or that additional capital will be available to us, in an amount sufficient to enable us to meet our debt payment obligations and to fund other liquidity needs. If we are unable to generate sufficient cash flow to service our debt obligations, we may need to refinance or restructure our debt, sell assets, reduce or delay capital investments, or seek to raise additional capital. If we were unable to implement one or more of these alternatives, we may be unable to meet our debt payment obligations, which could have a material adverse effect on our business, results of operations, or financial condition.

The conditional conversion feature of the notes, if triggered, may adversely affect our financial condition and operating results.

In the event the conditional conversion feature of the notes is triggered, holders of the notes will be entitled to convert their notes at any time during specified periods at their option. Upon conversion, we will pay or deliver, as the case may be, cash, shares of our common stock or a combination of cash and shares of our common stock, at our election. If one or more holders elect to convert their notes, (unless we elect to satisfy our conversion obligation by delivering solely shares of our common stock (other than paying cash in lieu of delivering any fractional share)), we intend to settle a portion or all of our conversion obligation in cash, which could adversely affect our liquidity. In addition, even if holders of notes do not elect to convert their notes, we could be required under applicable accounting rules to reclassify all or a portion of the outstanding principal of the notes as a current rather than long-term liability, which would result in a material reduction of our net working capital.

The accounting method for convertible debt securities that may be settled in cash, such as the notes, could have a material effect on our reported financial results.

Under Accounting Standards Codification 470-20, Debt with Conversion and Other Options (“ASC 470-20”), an entity must separately account for the liability and equity components of the convertible debt instruments (such as the notes) that may be settled entirely or partially in cash upon conversion in a manner that reflects the issuer’s economic interest cost. The effect of ASC 470-20 on the accounting for the notes is that the equity component is required to be included in the additional paid-in capital section of stockholders’ equity on our consolidated balance sheet at the issuance date and the value of the equity component would be treated as debt discount for purposes of accounting for the debt component of the notes. As a result, we will be required to record a greater amount of non-cash interest expense as a result of the amortization of the discounted carrying value of the notes to their face amount over the term of the notes. We will report larger net losses (or lower net income) in our financial results because ASC 470-20 will require interest

to include both the amortization of the debt discount and the instrument's nonconvertible coupon interest rate, which could adversely affect our reported or future financial results, the trading price of our common stock and the trading price of the notes.

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The Company uses the treasury stock method for calculating any potential dilutive effect of the conversion spread on diluted net income per share, if applicable. The effect of which is that the shares issuable upon conversion of such notes are not included in the calculation of diluted earnings per share except to the extent that the conversion value of such notes exceeds their principal amount. Under the treasury stock method, for diluted earnings per share purposes, the transaction is accounted for as if the number of shares of common stock that would be necessary to settle such excess, if we elected to settle such excess in shares, are issued. We cannot be sure that the accounting standards in the future will continue to permit the use of the treasury stock method. If we are unable or otherwise elect not to use the treasury stock method in accounting for the shares issuable upon conversion of the notes, then our diluted earnings per share could be adversely affected.

Conversion of our notes will dilute the ownership interest of existing stockholders and may depress the price of our common stock.

The conversion of some or all of our notes, if such conversion occurs, will dilute the ownership interests of then-existing stockholders to the extent we deliver shares upon conversion of any of the notes. Any sales in the public market of the common stock issuable upon such conversion could adversely affect prevailing market prices of our common stock. In addition, the existence of the notes may encourage short selling by market participants because the conversion of the notes could be used to satisfy short positions, or anticipated conversion of the notes into shares of our common stock could depress the price of our common stock.

Risks Related to Ownership of our Common Stock

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.

The price of our common stock may change in response to variations in our operating results and also may change in response to other factors, including factors specific to technology companies, many of which are beyond our control. As a result, our stock price may experience significant volatility. Among other factors that could affect our stock price are:

- the financial projections that we or analysts may choose to provide to the public, any changes in these projections or our failure for any reason to meet these projections;
- actual or anticipated changes or fluctuations in our results of operations;
- whether our results of operations meet the expectations of securities analysts or investors;
- addition or loss of significant customers or commercial business partners;
- price and volume fluctuations in the overall stock market from time to time;
- fluctuations in the trading volume of our shares or the size of our public float;
- success of competitive products or services;
- the public's response to press releases or other public announcements by us or others, including our filings with the SEC;
- disputes or other developments related to proprietary rights, including patents, litigation matters or our ability to obtain intellectual property protection for our technologies;
- announcements relating to litigation;
- speculation about our business in the press or the investment community;
- reports, guidance and ratings issued by securities or industry analysts;
- future sales of our common stock by our significant stockholders, officers and directors;
- changes in our capital structure, such as future issuances of debt or equity securities;
- our entry into new markets;
- regulatory developments in the United States or foreign countries;
- strategic actions by us or our competitors, such as acquisitions or restructurings; and
- changes in accounting principles.

If any of the foregoing occurs, it could cause our stock price or trading volume to decline. 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 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 been 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.

Substantial future sales of shares by our stockholders could negatively affect our stock price.

Sales of a substantial number of shares of our common stock in the public market could depress the market price of our common stock and could impair our ability to raise capital through the sale of additional equity securities. We have approximately 94,995,211 shares of common stock outstanding as of December 31, 2018, assuming no exercise of our outstanding options or vesting of our outstanding RSUs.

Our equity incentive plans allow us to issue, among other things, stock options, restricted stock and restricted stock units and we have filed a registration statement under the Securities Act to cover the issuance of shares upon the exercise or vesting of awards granted under those plans.

The concentration of our common stock ownership with our executive officers, directors and owners of 5% or more of our outstanding common stock will limit your ability to influence corporate matters.

Our executive officers, directors and owners of 5% or more of our outstanding common stock together beneficially own approximately 51% of our outstanding common stock, based on the number of shares outstanding as of December 31, 2018. These stockholders therefore have significant influence over management and affairs and over all matters requiring stockholder approval, including the election of directors and significant corporate transactions, such as a merger or other sale of our company or its assets, for the foreseeable future. This concentrated control limits your ability to influence corporate matters and, as a result, we may take actions that our stockholders do not view as beneficial. This ownership could affect the value of your shares of common stock.

Our stock repurchase program could affect the price of our common stock and increase volatility and may be suspended or terminated at any time, which may result in a decrease in the trading price of our common stock.

Our Board of Directors has approved share repurchase programs for us to repurchase shares of our stock. In April 2018, our Board of Directors authorized a one-year share repurchase program ("2018 Program") for us to repurchase up to \$100.0 million of our common stock from May 2018 through May 2019. During May 2018, the active repurchase program at that time expired. During the year ended December 31, 2018, we repurchased and retired 1,264,053 shares of our common stock for an aggregate of \$15.8 million. As of December 31, 2018, \$84.2 million remained available for repurchases under the 2018 Program. Stock repurchases may be made from time to time at prevailing market prices, subject to certain restrictions on volume, pricing and timing. The repurchases may be made in the open market, through negotiated transactions, including accelerated share repurchase agreements, and through plans designed to comply with Rule 10b5-1 under the Securities Act. The 2018 Program is discretionary, and we may suspend, modify or terminate the 2018 Program at any time without prior notice. Repurchases pursuant to our stock repurchase program could affect the price of our common stock and increase its volatility. The existence of our stock repurchase program could also cause the price of our common stock to be higher than it would be in the absence of such a program and could potentially reduce the market liquidity for our common stock. Additionally, repurchases under our stock repurchase program will diminish our cash reserves, which could impact our ability to further develop our technology, access and/or retrofit additional facilities and service our indebtedness. There can be no assurance that any stock repurchases will enhance stockholder value because the market price of our common stock may decline below

the levels at which we repurchased such shares. Any failure to repurchase shares after we have announced our intention to do so may negatively impact our reputation and investor confidence in us and may negatively impact our stock price. Although our stock repurchase program is intended to enhance long-term stockholder value, short-term stock price fluctuations could reduce the program's effectiveness.

If we fail to maintain an effective system of disclosure controls and internal control over financial reporting, our ability to produce timely and accurate financial statements or comply with applicable regulations could be impaired.

We are subject to the reporting requirements of the Exchange Act, SOX, and the rules and regulations of the New York Stock Exchange, or the NYSE. We expect that the requirements of these rules and regulations will continue to increase our legal, accounting and financial compliance costs, make some activities more difficult, time consuming and costly, and place significant strain on our personnel, systems and resources.

SOX requires, among other things, that we maintain effective disclosure controls and procedures and internal control over financial reporting. We are continuing to develop and refine our disclosure controls and other procedures that are designed to ensure that information required to be disclosed by us in the reports that we will file with the SEC is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, and that information required to be disclosed in reports under the Exchange Act is accumulated and communicated to our principal executive and financial officers. We are also continuing to improve our internal control over financial reporting. In order to maintain and improve the effectiveness of our disclosure controls and procedures and internal control over financial reporting, we have expended, and anticipate that we will continue to expend, significant resources, including accounting-related costs and significant management oversight. Any failure to implement and maintain effective internal control over financial reporting also could adversely affect the results of periodic management evaluations and annual independent registered public accounting firm attestation reports regarding the effectiveness of our internal control over financial reporting that we will be required to include in our periodic reports we will file with the SEC under Section 404 of SOX. In the event that we are not able to demonstrate compliance with Section 404 of SOX, that our internal control over financial reporting is perceived as inadequate or that we are unable to produce timely or accurate financial statements, investors may lose confidence in our operating results and our stock price could decline.

Our current controls and any new controls that we develop may become inadequate because of changes in conditions in our business. Further, weaknesses in our disclosure controls or our internal control over financial reporting may be discovered in the future. Any failure to develop or maintain effective controls, or any difficulties encountered in their implementation or improvement, could harm our operating results or cause us to fail to meet our reporting obligations and could result in a restatement of our financial statements for prior periods. Any failure to implement and maintain effective internal control over financial reporting also could adversely affect the results of management evaluations and independent registered public accounting firm audits of our internal control over financial reporting that we will eventually be required to include in our periodic reports that will be filed with the SEC. Ineffective disclosure controls and procedures and internal control over financial reporting could also cause investors to lose confidence in our reported financial and other information, which would likely have a negative effect on the trading price of our common stock. In addition, if we are unable to continue to meet these requirements, our common stock may not be able to remain listed on the NYSE.

Our independent registered public accounting firm is required to audit the effectiveness of our internal control over financial reporting as we lost our status as an “emerging growth company,” as defined in the JOBS Act, effective December 31, 2018. We lost our status and are considered a large accelerated filer as the aggregate market value of our common equity held by our non-affiliates exceeded the \$700 million threshold when measured as of the last business day of the end of our second quarter of 2018. If our independent registered public accounting firm concludes that our internal control over financial reporting is not effective, it may issue an adverse report.

Any failure to maintain effective disclosure controls and internal control over financial reporting could have a material and adverse effect on our business and operating results, and cause a decline in the price of our common stock.

Effective December 31, 2018, we are no longer an “emerging growth company,” and the reduced disclosure requirements applicable to “emerging growth companies” will no longer apply, which will increase our costs as a public company and demands on management.

Effective December 31, 2018 we are no longer an “emerging growth company” as defined in the JOBS Act. As such, we will incur significant additional expenses that we did not previously incur in complying with the SOX and rules implemented by the SEC. The cost of compliance with Section 404 of SOX (“Section 404”) has required and will continue to require us to incur substantial accounting expense and expend significant management time on compliance-related issues as we implement additional corporate governance practices and comply with reporting requirements. Moreover, if we or our independent registered public accounting firm identifies deficiencies in our internal control over financial reporting that are deemed to be material weaknesses, the market price of our stock could decline, and we could be subject to sanctions or investigations by the SEC or other regulatory authorities, which would require additional financial and management resources.

Furthermore, investor perceptions of our company may suffer if, in the future, material weaknesses are found, and this could cause a decline in the market price of our stock. Irrespective of compliance with Section 404, any failure of our internal control over financial reporting could have a material adverse effect on our stated operating results and harm our reputation. If we are unable to implement these changes effectively or efficiently, it could harm our operations, financial reporting or financial results and could result in an adverse opinion on internal control from our independent registered public accounting firm.

In addition, we have previously taken advantage of the JOBS Act reduced disclosure requirements applicable to "emerging growth companies" regarding executive compensation and exemptions from the requirements of holding advisory say-on-pay votes on executive compensation. We are no longer eligible for such reduced disclosure requirements and exemptions and as such, we will be required to hold a say-on-pay vote and a say-on-frequency vote at our 2019 annual meeting of stockholders. We expect that the increased disclosure requirements will require additional attention from management and will result in increased costs to us, which could include higher legal fees, accounting fees and fees associated with investor relations activities, among others.

If securities analysts do not publish research or if securities analysts or other third parties publish inaccurate or unfavorable research about us, the price of our common stock could decline.

The trading market for our common stock will rely in part on the research and reports that securities analysts and other third parties choose to publish about us. We do not control these analysts or other third parties. The price of our common stock could decline if one or more securities analysts downgrade our common stock or if one or more securities analysts or other third parties publish inaccurate or unfavorable research about us or cease publishing reports about us.

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

We intend to retain all of our earnings for the foreseeable future to finance the operation and expansion of our business and do not anticipate paying cash dividends on our common stock. As a result, you can expect to receive a return on your investment in our common stock only if the market price of the stock increases.

Provisions in our charter documents and under Delaware law could discourage a takeover that stockholders may consider favorable.

Provisions in our certificate of incorporation and by-laws may have the effect of delaying or preventing a change of control or changes in our management. Amongst other things, these provisions:

- authorize the issuance of "blank check" preferred stock that could be issued by our Board of Directors to defend against a takeover attempt;
- establish a classified Board of Directors, as a result of which the successors to the directors whose terms have expired will be elected to serve from the time of election and qualification until the third annual meeting following their election;
- require that directors only be removed from office for cause and only upon a majority stockholder vote;
- provide that vacancies on the Board of Directors, including newly created directorships, may be filled only by a majority vote of directors then in office rather than by stockholders;
- prevent stockholders from calling special meetings; and
- prohibit stockholder action by written consent, requiring all actions to be taken at a meeting of the stockholders.

In addition, we are governed by the provisions of Section 203 of the Delaware General Corporation Law, which generally prohibits a Delaware corporation from engaging in a broad range of business combinations with any "interested" stockholder for a period of three years following the date on which the stockholder becomes an "interested"

stockholder.

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Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

Our principal executive office is located in Mountain View, California, totaling approximately 42,000 square feet under lease expiring December 2020. We have additional principal office space in Cincinnati, Ohio that includes two spaces totaling approximately 42,000 square feet under leases expiring from November 2023 to June 2024. We maintain additional leased spaces in Marina Del Rey, California, Pleasanton, California, New York, New York, Boston, Massachusetts, Bangalore, India, Paris, France, and London, United Kingdom. We believe our properties are generally suitable to meet our needs for the foreseeable future. In addition, to the extent we require additional space in the future, we believe that it would be readily available on commercially reasonable terms.

Item 3. Legal Proceedings.

We are a party to litigation and subject to claims incident to the ordinary course of business. Although the results of litigation and claims cannot be predicted with certainty, we currently believe that the final outcome of these matters will not have a material adverse effect on our business, financial condition or results of operations. Regardless of the outcome, litigation can have an adverse impact on our business because of defense and settlement costs, diversion of management resources and other factors.

Item 4. Mine Safety Disclosures.

None.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Market Information

Our common stock, \$0.00001 par value, began trading on the New York Stock Exchange under the symbol "COUP" on March 7, 2014, the date of our IPO. We changed our name to Quotient Technology Inc. on October 20, 2015. Our common stock began trading on the New York stock Exchange under the symbol "QUOT" on October 21, 2015.

Holders

As of February 25, 2019, there were 56 holders of record of our common stock. Because most of our shares of common stock are held by brokers and other institutions on behalf of stockholders, we are unable to estimate the total number of beneficial stockholders represented by these record holders.

Dividend Policy

We have never declared or paid any dividends on our common stock and do not anticipate that we will pay any dividends to holders of our common stock in the foreseeable future. Instead, we currently plan to retain any earnings to finance the growth of our business. Any future determination relating to dividend policy will be made at the discretion of our Board of Directors and will depend on our financial condition, results of operations and capital requirements as well as other factors deemed relevant by our Board of Directors.

Issuer Purchases of Equity Securities

The following is a summary of stock repurchases for each month during the fourth quarter ended December 31, 2018.

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased Under Publicly Announced Program (1)	Approximate Dollar Value of Shares That May Yet Be Purchased Under the Program (1)
October 1 - 31, 2018	—	\$ —	—	\$89,100,000
November 1 - 30, 2018	—	—	—	89,100,000
December 1 - 31, 2018	456,282	10.64	456,282	84,200,000
	456,282	\$ 10.64	456,282	\$84,200,000

(1) In April 2018, the Company's Board of Directors authorized the 2018 Program to repurchase up to \$100.0 million of the Company's common stock for a one-year duration from May 2018 through May 2019. During the fourth quarter ended December 31, 2018, the Company repurchased and retired 456,282 shares of its common stock for an aggregate of \$4.9 million. As of December 31, 2018, \$84.2 million remained available under the 2018 Program.

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Performance Graph

The following shall not be deemed “filed” for purposes of Section 18 of the Exchange Act, or incorporated by reference into any of our other filings under the Exchange Act or the Securities Act, except to the extent we specifically incorporate it by reference into such filing.

This chart compares the cumulative total return on our common stock with that of the Russell 3000 and the S&P North American Technology Sector Index. The chart assumes \$100 was invested at the close of market on March 7, 2014, in our common stock, the Russell 3000 and the S&P North American Technology Sector Index, and assumes the reinvestment of any dividends. The stock price performance on the following graph is not necessarily indicative of future stock price performance.

Company / Index	Base Period 3/7/2014	INDEXED RETURNS								
		Quarter Ending								
		Q1'14	Q2'14	Q3'14	Q4'14	Q1'15	Q2'15	Q3'15	Q4'15	
Quotient										
Technology Inc.	\$ 100	\$82	\$88	\$40	\$59	\$39	\$36	\$30	\$23	
Russell 3000 Index	\$ 100	\$99	\$104	\$103	\$108	\$110	\$109	\$101	\$107	
S&P North American Technology Sector Index										
	\$ 100	\$98	\$103	\$106	\$110	\$111	\$112	\$108	\$119	

Company / Index	Q1'16	Q2'16	Q3'16	Q4'16	Q1'17	Q2'17	Q3'17	Q4'17	Q1'18	Q2'18	Q3'18	Q4'18
Quotient												
Technology Inc.	\$35	\$45	\$44	\$36	\$32	\$38	\$52	\$39	\$44	\$44	\$52	\$36
Russell 3000 Index	\$107	\$109	\$113	\$118	\$124	\$127	\$132	\$140	\$138	\$143	\$153	\$130
S&P North American Technology Sector Index												
	\$120	\$119	\$134	\$134	\$150	\$156	\$168	\$182	\$194	\$209	\$227	\$186

Unregistered Sales of Equity Securities

Not applicable.

Item 6. Selected Financial Data

	Year Ended December 31,				
	2018	2017	2016	2015	2014
	(in thousands, except per share data)				
Revenues	\$386,958	\$322,115	\$275,190	\$237,309	\$221,761
Costs and expenses:					
Cost of revenues ⁽¹⁾	206,230	140,752	114,870	92,203	86,186
Sales and marketing ⁽¹⁾	90,086	92,833	92,596	92,454	78,865
Research and development ⁽¹⁾	46,873	50,009	50,503	48,367	49,583
General and administrative ⁽¹⁾	49,805	48,124	43,404	34,833	33,392
Change in fair value of escrowed shares and contingent consideration, net	13,190	5,515	(6,450)	1,231	(5,741)
Total costs and expenses	406,184	337,233	294,923	269,088	242,285
Loss from operations	(19,226)	(15,118)	(19,733)	(31,779)	(20,524)
Interest expense	(13,411)	(1,589)	—	(290)	(922)
Gain on sale of a right to use a web domain name	—	—	—	4,800	—
Other income (expense), net	4,801	928	495	(22)	(72)
Loss before income taxes	(27,836)	(15,779)	(19,238)	(27,291)	(21,518)
Provision for (benefit from) income taxes	482	(702)	241	(561)	1,926
Net loss	\$(28,318)	\$(15,077)	\$(19,479)	\$(26,730)	\$(23,444)
Net loss per share, basic and diluted	\$(0.30)	\$(0.17)	\$(0.23)	\$(0.32)	\$(0.35)
Weighted-average number of common shares used in computing net loss per share, basic and diluted	93,676	89,505	84,157	82,807	67,828

(1) The stock-based compensation expense included above was as follows:

	Year Ended December 31,				
	2018	2017	2016	2015	2014
	(in thousands)				
Cost of revenues	\$2,315	\$2,000	\$1,821	\$1,728	\$3,086
Sales and marketing	6,596	6,621	5,776	10,658	9,464
Research and development	6,137	7,949	7,286	9,680	11,536
General and administrative	16,338	15,682	13,403	10,280	11,424
Total stock-based compensation	\$31,386	\$32,252	\$28,286	\$32,346	\$35,510

	Year Ended December 31,				
	2018	2017	2016	2015	2014
	(in thousands)				
Consolidated Balance Sheet Data:					
Cash, cash equivalents and short-term investments	\$322,766	\$394,537	\$175,346	\$159,947	\$201,075
Working capital	352,810	404,145	207,694	177,547	204,837
Property and equipment, net	15,579	16,610	16,376	25,128	25,399
Total assets	662,353	629,075	362,756	321,071	331,807
Deferred revenues	8,686	6,276	6,856	7,342	6,219
Debt obligations	—	—	—	—	7,500
Convertible senior notes, net	155,719	145,821	—	—	—
Total liabilities	282,266	231,034	51,007	55,581	54,919
Total stockholder's equity	\$380,087	\$398,041	\$311,749	\$265,490	\$276,888

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

You should read the following discussion and analysis of our financial condition and results of operations in conjunction with the consolidated financial statements and the related notes to consolidated financial statements included elsewhere in this annual report on Form 10-K. In addition to historical financial information, the following discussion contains forward-looking statements that reflect our plans, estimates, beliefs and expectations that involve risks and uncertainties. Our actual results and the timing of events could differ materially from those discussed in these forward-looking statements. Factors that could cause or contribute to these differences include those discussed below and elsewhere in this prospectus, particularly in "Risk Factors" and "Special Note Regarding Forward-Looking Statements."

Overview

Quotient Technology Inc. is an industry leading digital marketing company, providing technology and services that power integrated digital promotions and media programs for consumer packaged goods ("CPG"s) brands and retailers. These programs are delivered across our network, including our flagship consumer brand Coupons.com and our retail partners' properties. This network provides Quotient with proprietary and licensed data, including online behavior, purchase intent, and retailers' in-store point-of-sale ("POS") shopper data, to target shoppers with the most relevant digital coupons and ads. Customers and partners use Quotient to influence shoppers via digital channels, integrate marketing and merchandising programs, and leverage shopper data and insights to drive measurable sales results.

For our retail partners, we provide a digital platform, Retailer iQ, to directly engage with shoppers across their websites, mobile, ecommerce, and social channels. This platform is generally co-branded or white-labeled through retailers' savings or loyalty programs and uses shopper data to deliver relevant digital promotions from brand marketers and retailers to shoppers.

Our network is made up of three constituencies: over 2,000 brands from approximately 700 CPGs; retail partners across multiple classes of trade such as grocery retailers, drug, dollar, club, and mass merchandise channels; and consumers visiting our web, mobile properties, social channels, as well as those of our CPG and retailer partners.

We primarily generate revenue by providing digital coupons and media solutions to our customers and partners.

We generate revenue from promotions, in which CPGs pay us to deliver coupons to consumers through our network of publishers and retail partners. Each time a coupon is activated through our platform or, in some cases, redeemed, we are generally paid a fee. Activation of a digital coupon can include: saving it to a retailer loyalty account or printing it for physical redemption at a retailer.

As our business evolves, we will continue to experiment with different pricing models and fee arrangements with CPGs and retailers, which may impact how we monetize transactions. For example, we are continuing to experiment with ROI-based pricing strategies and service packages, some of which require us to receive fees upon redemption of digital coupons rather than activation, as further discussed below in "Risk Factors".

Promotion revenues also include our Specialty Retail business, in which specialty stores including clothing, electronics, home improvement and many others offer coupon codes that we distribute. Each time a consumer makes a purchase using a coupon code, a transaction occurs and a distribution fee is generally paid to us.

We also generate revenues from digital media in which CPGs, retailers, and advertising agencies, use our platform to deliver digital advertising. Using our proprietary data and shopper data from our retail partners, we target audiences with digital ad campaigns. These ads are delivered to shoppers through our network, including our websites and mobile apps, as well as those of our publishers, retailers and other third parties. Campaigns are measured based on optimization and performance, attributing digital ad campaigns to in-store purchases in near real time. In 2018, we acquired Ahalogy, an influencer marketing platform, and Elevaate, a sponsored search technology platform for our

retail partners and CPG customers. Our media solutions, including the solutions we acquired from Ahalogy and Elevaate, help serve our customers and partners' needs as they shift more of their marketing dollars to digital.

We generally pay a distribution fee to retailers and publishers for activation or redemption of a digital promotion, for media campaigns, and for use of data for targeting or measurement. We also pay a fee to third-party publishers for traffic acquisition, which consists of delivering campaigns on certain networks or sites. These distribution and third-party service fees are included in our cost of revenues. See Management's Discussion and Analysis of Financial Condition and Results of Operations – "Non-GAAP Financial Measure and Key Operating Metrics" for more information.

Our operating expenses may increase in the future as we continue to (1) invest in (i) research and development to enhance our platform and investments in newer product offerings; (ii) sales and marketing to acquire new CPG and retailer customers and increase revenues from our existing customers; and; (iii) corporate infrastructure; (2) amortize expenses related to intangibles assets associated with acquisitions and other strategic acquisitions and partnerships; and (3) remeasure contingent consideration related to acquisitions.

For 2018, 2017 and 2016, our revenues were \$387.0 million, \$322.1 million, and \$275.2 million, respectively. Our net loss for 2018, 2017 and 2016 was \$28.3 million, \$15.1 million, and \$19.5 million, respectively.

Seasonality

Some of the Company's products experience seasonal sales and buying patterns mirroring those in the CPG, retail, advertising, and e-commerce markets, including back-to-school and holiday campaigns, where demand increases during the second half of the Company's fiscal year. Seasonality may also be affected by CPG annual budget cycles, as some large CPGs have fiscal years ending in June. We believe that this seasonality pattern has affected, and will continue to affect, our business and the associated revenues during the first half and second half of our fiscal year. We recognized 54%, 54% and 52% of our annual revenue during the second half of 2018, 2017 and 2016, respectively.

Non-GAAP Financial Measure and Key Operating Metrics

Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization ("Adjusted EBITDA"), a non-GAAP financial measure, is a key metric used by our management and our Board of Directors to understand and evaluate our core operating performance and trends, to prepare and approve our annual budget, to develop short and long-term operational plans, and to determine bonus payouts. In particular, we believe that the exclusion of certain income and expenses in calculating Adjusted EBITDA can provide a useful measure for period-to-period comparisons of our core business. Additionally, Adjusted EBITDA is a key financial metric used by the compensation committee of our Board of Directors in connection with the determination of compensation for our executive officers. Accordingly, we believe that Adjusted EBITDA provides useful information to investors and others in understanding and evaluating our operating results in the same manner as our management and Board of Directors.

Adjusted EBITDA excludes non-cash charges, such as depreciation, amortization and stock-based compensation, because such non-cash expenses in any specific period may not directly correlate to the underlying performance of our business operations and can vary significantly between periods. Additionally, it excludes the effects of interest expense, income taxes, other (income) expense net, one-time charge for certain distribution fees, change in fair value of escrowed shares and contingent consideration, net, charges related to Enterprise Resource Planning ("ERP") software implementation costs, certain acquisition related costs and restructuring charges. We exclude certain items because we believe that these costs (benefits) do not reflect expected future operating expenses. Additionally, certain items are inconsistent in amounts and frequency, making it difficult to contribute to a meaningful evaluation of our current or past operating performance.

We define a "transaction" as any action that generates revenue, directly or indirectly, including per item transaction fees, such as, coupon activation fees and coupon redemption fees, volume-based fixed fees and revenue sharing. Transactions continue to exclude retailer offers that generate no direct revenue. Transactions indirectly generate revenue when the action is not paid for on a per item basis, but is part of an agreement which generates revenue for offer services; for example, transactions after a fixed fee cap has been reached would be included in our definition. This definition of transaction does not impact the number of transactions reported in prior filings. While the number of transactions on our platform has been an important indicator of our ability to grow our revenues historically, as our business continues to evolve with the shift to digital paperless and we experiment with different pricing models to monetize transactions, we believe transaction volume on our platform will become a less predictive indicator of future operating performance. We plan to discontinue providing the number of transactions after the first quarter of 2019, as it no longer is indicative of the health of the business.

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Net loss, Adjusted EBITDA and number of transactions for each of the periods presented were as follows:

	Year Ended December 31,		
	2018	2017	2016
	(in thousands)		
Net loss	\$(28,318)	\$(15,077)	\$(19,479)
Adjusted EBITDA	57,612	47,040	32,476
Transactions	3,876,093	3,546,294	2,445,455

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Our use of Adjusted EBITDA has limitations as an analytical tool, and you should not consider it in isolation or as a substitute for analysis of our results as reported under GAAP. Some of these limitations are:

- although depreciation and amortization are non-cash charges, the assets being depreciated and amortized may have to be replaced in the future, and Adjusted EBITDA does not reflect cash capital expenditure requirements for such replacements or for new capital expenditure requirements;
- Adjusted EBITDA does not reflect changes in, or cash requirements for, our working capital needs;
- Adjusted EBITDA does not reflect interest and tax payments that may represent a reduction in cash available to us;
- Adjusted EBITDA also does not include the effects of stock-based compensation, amortization of acquired intangible assets, one-time charge for certain distribution fees, charges related to ERP software implementation costs, net change in fair value of escrowed shares and contingent consideration, interest expense, other (income) expense, net, provision for (benefit from) income taxes, certain acquisition related costs and restructuring charges; and
- other companies, including companies in our industry, may calculate Adjusted EBITDA differently, which reduces its usefulness as a comparative measure.

A reconciliation of Adjusted EBITDA to net loss, the most directly comparable GAAP financial measure, for each of the periods presented is as follows:

	Year Ended December 31,		
	2018	2017	2016
	(in thousands)		
Net loss	\$(28,318)	\$(15,077)	