Rocket Fuel Inc.
Form 10-K
February 28, 2014

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA
PART IV

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2013

or

o **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: 001-36071

ROCKET FUEL INC.

(Exact name of registrant as specified in its charter)

Delaware	**30-0472319**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

1900 Seaport Boulevard, Pacific Shores Center, Redwood City, CA 94063
(Address of principal executive offices and Zip Code)

(650) 595-1300
(Registrant's telephone number, including area code)

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

(Title of each class)	(Name of each exchange on which registered)
Common Stock, $0.001 par value	The NASDAQ Stock Market LLC

Securities registered pursuant to Section 12(g) of the Act: **None**

(Title of class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act of 1933. Yes o No ý

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Securities Exchange Act of 1934 (the "Exchange Act"). Yes o No ý

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act 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 ý No o

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

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

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

Large accelerated filer o	Accelerated filer o	Non-accelerated filer ý (Do not check if a smaller reporting company)	Smaller reporting company o

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

The registrant's common stock began trading on The NASDAQ Global Select Market on September 20, 2013. Accordingly, the registrant is not able to calculate the aggregate market value of its common stock held by non-affiliates as of June 28, 2013, the last business day of the registrant's most recently completed second quarter. As of December 31, 2013, the aggregate market value of the registrant's common stock held by non-affiliates based on the closing price of such shares on the NASDAQ Global Select Market on such date was $314,708,833. Shares of common stock held by each executive officer, director and by each person who owns 5% or more of the registrant's outstanding common stock 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.

On February 20, 2014, 35,054,189 shares of the registrant's common stock, par value $0.001, were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Proxy Statement for the registrant's 2014 Annual Meeting of Stockholders are incorporated by reference in Part III of this Annual Report on Form 10-K. Such Proxy Statement will be filed with the Securities and Exchange Commission within 120 days of December 31, 2013, the last day of the fiscal year covered by this Annual Report on Form 10-K.

EMERGING GROWTH COMPANY

We are an "emerging growth company" as that term is defined in the Jumpstart Our Business Startups Act of 2012 and, as such, the registrant has elected to comply with certain reduced public company reporting requirements.

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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, and Section 21E of the Securities and Exchange Act of 1934, as amended, or the Exchange Act. The words "believe," "may," "will," "potentially," "estimate," "continue," "anticipate," "intend," "could," "would," "project," "plan," "expect" and similar expressions that convey uncertainty of future events or outcomes are intended to identify forward-looking statements. These forward-looking statements include, but are not limited to, statements concerning the following:

- our future financial and operating results;
- our ability to maintain an adequate rate of revenue growth;
- our business plan and our ability to effectively manage our growth and associated investments;
- our ability to attract and retain advertisers and advertising agencies;
- our ability to further penetrate our existing customer base;
- our ability to maintain our competitive technological advantages against competitors in our industry;
- our ability to timely and effectively adapt our existing technology;
- our ability to introduce new offerings and bring them to market in a timely manner;
- our ability to maintain, protect and enhance our brand and intellectual property;
- our ability to continue to expand internationally;
- the effects of increased competition in our market and our ability to compete effectively;
- our plans to use the proceeds from our initial and follow-on public offerings;
- costs associated with defending intellectual property infringement and other claims;
- our expectations concerning relationships with third parties;
- the attraction and retention of qualified employees and key personnel;

- future acquisitions of or investments in complementary companies or technologies;

- the effects of seasonal trends on our results of operations; and

- our ability to comply with evolving legal standards and regulations, particularly concerning data protection and consumer privacy.

These forward-looking statements are subject to a number of risks, uncertainties and assumptions, including those described in "Risk Factors" and elsewhere in this Annual Report on Form 10-K. Moreover, we operate in a very competitive and rapidly changing environment, and new risks emerge from time to time. It is not possible for us to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. In light of these risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this Annual Report on Form 10-K may not occur and actual results could differ materially and adversely from those anticipated or implied in our forward-looking statements.

You should not rely upon forward-looking statements as predictions of future events. Although we believe that the expectations reflected in our forward-looking statements are reasonable, we cannot guarantee that the future results and circumstances described in the forward-looking statements will be

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achieved or occur. Moreover, neither we nor any other person assumes responsibility for the accuracy and completeness of the forward-looking statements. We undertake no obligation to update publicly any forward-looking statements for any reason after the date of this Annual Report on Form 10-K to conform these statements to actual results or to changes in our expectations, except as required by law.

You should read this Annual Report on Form 10-K and the documents that we reference in this Annual Report on Form 10-K and have filed with the Securities and Exchange Commission as exhibits thereto with the understanding that our actual future results and circumstances may be materially different from what we expect.

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PART I

ITEM 1. BUSINESS

Overview

Rocket Fuel is a technology company that has developed an Artificial Intelligence and Big Data-driven predictive modeling and automated decision-making platform. Our technology is designed to address the needs of markets in which the volume and speed of information render real-time human analysis infeasible. We are focused on the large and growing digital advertising market that faces these challenges.

There are tens of billions of daily trades across all digital advertising exchanges, thousands of times more than the number of daily trades executed by NASDAQ and the NYSE combined. Our Artificial Intelligence, or AI, system autonomously purchases ad spots, or impressions, one at a time, on these exchanges to create portfolios of impressions designed to optimize the goals of our advertisers, such as increased sales, heightened brand awareness and decreased cost per customer acquisition. We believe that our customers value our solution, as our revenue retention rates were 168%, 175% and 134% for the twelve months ended December 31, 2013, 2012 and 2011, respectively. We define our "revenue retention rate" with respect to a given twelve-month period as (i) revenue recognized during such period from customers that contributed to revenue recognized in the prior twelve-month period divided by (ii) total revenue recognized in the prior twelve-month period.

Our solution is designed to optimize both direct-response campaigns focused on generating specific consumer purchases or responses, as well as brand campaigns geared towards lifting brand metrics, generally defined as cost-per-click and brand survey goals. For the years ended December 31, 2013 and 2012, direct response campaigns contributed approximately two-thirds of our revenue, with the remaining one-third of our revenue generated through brand campaigns. We have successfully run advertising campaigns for products and brands ranging from consumer products to luxury automobiles to travel and had served well over 180 billion impressions as of December 31, 2013. We provide a differentiated solution that is simple, powerful, scalable and extensible across geographies, industry verticals and the display, mobile, social and video digital advertising channels. Our computational infrastructure supports over 25,000 CPU cores in eight data centers and houses 15 petabytes of data.

Increasingly, companies are attempting to leverage Big Data and data scientists to make strategic and tactical decisions. At Rocket Fuel, rather than focusing on data analysis by humans, we have built tools to perform analysis and make decisions autonomously. The benefit of a general platform that autonomously adapts and learns while solving multiple problems instead of solving one specific problem at a time is that, with very little manual configuration, our platform simultaneously runs over 1,000 campaigns for advertisers with highly diverse goals.

Our team of award-winning computer scientists developed and continues to enhance our disruptive technology. Our scientists have backgrounds in AI, Big Data, machine learning, and high-availability and distributed systems, from institutions including Massachusetts Institute of Technology, Stanford University, Indian Institute of Technology and Carnegie Mellon University. Benefiting from our unique combination of technology and industry expertise, we have rapidly grown our business, building a diversified customer base that, as of December 31, 2013, included over 70 of the Advertising Age 100 Leading National Advertisers and over 50 of the Fortune 100 companies.

As our customers realize the performance of their campaigns on our platform, we often receive feedback that we are a top performer, and consequently, we often receive increased advertising budget allocations that contribute to our revenue growth. For the years ended December 31, 2013, 2012 and 2011, our revenue was $240.6 million, $106.6 million and $44.7 million, respectively, representing a compound annual growth rate, or CAGR, of 126%. For the years ended December 31, 2013, 2012, and 2011, our net loss was $(20.9) million, $(10.3) million and $(4.3) million, respectively. For the years

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ended December 31, 2013, 2012 and 2011, our adjusted EBITDA was $0.3 million, $(3.0) million and $(3.1) million, respectively. Adjusted EBITDA is a financial measure not presented in accordance with generally accepted accounting principles, or GAAP. For a definition of adjusted EBITDA, an explanation of our management's use of this measure and a reconciliation of adjusted EBITDA to our net loss, see "Selected Consolidated Financial Data Non-GAAP Financial Measures."

Our Industry

The convergence of several trends is generating demand for technology-driven solutions:

AI is increasingly becoming an accepted and important technology used to solve complex problems.

Over the last decade, AI has gained prominence in several fields, including aeronautics, securities trading, logistics, space exploration and medical diagnosis, as well as through seminal technology events, such as IBM's Watson winning Jeopardy, NASA's Curiosity landing itself on the surface of Mars, and Google's self-driving cars operating on highways. AI-driven systems can rapidly process enormous amounts of data and execute transactions on a large scale, enabling decision-making capabilities that generally are not otherwise feasible or economical. One of the historical limitations of AI was its need for substantial and costly amounts of computational power. However, the cost of computational power is rapidly decreasing, making AI solutions more practical for mainstream business applications. Just as there is a trend toward using machine-based algorithmic trading on electronic exchanges for high frequency trading in investment securities, an increasing volume of digital advertising is executed using programmatic buying technologies on real-time advertising exchanges. We believe this trend has created a significant opportunity to harness the power of AI to make complex business decisions autonomously.

The proliferation of data is creating new opportunities to optimize business processes.

The continuing increase in global online activity generates massive amounts of data that can be collected and analyzed to provide valuable insights for business processes, especially given the dramatic drop in computation and storage costs. According to the IDC Digital Universe Study, sponsored by EMC, the global volume of digital information created, replicated and consumed is expected to grow from 2.8 zettabytes in 2012 to 40 zettabytes in 2020, which implies a doubling of data every two years, with 68% of all digital data created and consumed by consumers in 2012.

The Internet is transforming consumer habits, media consumption and advertising spending allocations.

The Internet has become a primary channel for content creation, consumption, social engagement and commerce. Adults in the United States spend more time online and on mobile devices for non-voice activities than ever before. According to eMarketer, in 2013, they spent on average 280 minutes per day on such activities, up almost 70% from 2010. Historically, advertisers have relied heavily on offline media, such as television, newspapers, magazines and radio, to promote their brands and to sell products and services. With the rapid growth of online activity and the proliferation of Internet-connected devices, advertisers are increasingly using the Internet to reach, influence and creatively engage consumers. As a result, digital advertising spending as a percentage of overall advertising spending has increased substantially in recent years. According to eMarketer, worldwide digital advertising spending is expected to grow from $118 billion in 2013 to $173 billion in 2017, or from 22.7% to 28.0% of total worldwide advertising spending, respectively.

Digital advertising is shifting to market-driven real-time bidding systems.

In the past, the market for buying and selling digital advertising was relatively simple, with advertisers and publishers transacting directly with one another. As Internet usage increased, the number of publishers with significant advertising inventory increased. However, the vast majority of

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publishers lacked the scale and capabilities to effectively monetize their inventory. As a result, advertising networks were built to purchase unsold advertising inventory from multiple publishers and then package and sell the inventory to advertisers. In recent years, this trend has resulted in the emergence and rapid growth of real-time advertising exchanges, which have reduced the transactional friction that historically was associated with the buying and selling of digital advertising inventory. Like stock exchanges for buyers and sellers of investment securities, real-time advertising exchanges enable increased liquidity, transparency and efficiency in transactions between advertisers and publishers.

Real-time bidding, or RTB, is the real-time purchase and sale of advertising inventory on an impression-by-impression basis on real-time advertising exchanges. According to IDC, RTB is expanding faster than any other segment of the digital advertising industry, with worldwide RTB sales increasing from approximately $4 billion in 2013 to approximately $21 billion in 2017, representing a 47% CAGR. We believe the following key factors are driving the growth of RTB:

Programmatic buying. Programmatic buying enables the automated buying of advertising inventory, typically using predefined and data-driven algorithms. The widespread industry adoption of programmatic buying, which was initially available only for display advertising inventory, has expanded to mobile, social and video inventory, and has accelerated the growth of RTB.

Abundance of inventory. Digital advertising inventory has substantially grown in recent years, as consumers continue to migrate online using a multitude of devices to consume an increasing amount of digital content across display, mobile, social and video channels, and as the number of websites and mobile applications continues to increase exponentially.

Publisher adoption. For publishers, digital advertising opportunities can be short lived, as users move frequently among different websites and applications. To efficiently monetize these perishable digital advertising opportunities, publishers are seeking solutions that expose their inventory to large pools of potential advertisers who purchase inventory through real-time advertising exchanges. Publishers are making an increasing amount of their digital advertising inventory available through real-time advertising exchanges because doing so enables them to derive higher prices for their inventory due to competitive bidding dynamics. As a result of this trend, digital advertising inventory is becoming increasingly abundant, liquid and purchasable programmatically.

Precision for advertisers. Real-time advertising exchanges provide advertisers with access to large pools of inventory on an impression-by-impression basis through competitive market-driven pricing, providing the opportunity to efficiently and effectively achieve their advertising campaign goals.

Virtuous cycle. The shift of advertising budgets toward real-time advertising exchanges is creating a virtuous growth cycle. As demand for digital advertising inventory grows, publishers increase the supply of digital advertising inventory, thereby enabling better advertising results. As results improve, demand for additional inventory increases, which then leads to increased incentives for publishers to make additional inventory available through real-time advertising exchanges.

Challenges Faced by Digital Advertisers

Advertisers that want to conduct digital advertising campaigns face several challenges, including:

Achieving measurable results. Increasingly, advertisers seek to measure the results of their campaigns and expect tangible and quantifiable business results, such as increased sales and heightened brand awareness.

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Addressing the rapidly changing and highly-fragmented consumer environment. Consumers' digital-media habits are evolving, with consumers accessing and consuming content across many different Internet-connected devices, resulting in highly-fragmented audiences, particularly due to the adoption of new digital media platforms, such as mobile applications and social networks. This fragmentation makes it difficult for advertisers to deliver impactful and measureable campaigns to wide audiences. As a result, advertisers are demanding the ability to adjust their advertising spending in real time to reach and influence their prospective consumers.

Navigating industry complexity. The rapid growth of the digital advertising industry has created a highly complex environment for advertisers, with multiple channels, technologies and solutions offered by industry participants.

Leveraging complex data. Many large advertisers have already made significant investments in data and are struggling with the challenge of how to effectively make use of it. In order to gain valuable and timely insights and harness multiple data sources to effectively manage advertising campaigns, advertisers need sophisticated data-integration tools and a highly complex computing infrastructure, neither of which is typically within their core competencies. Moreover, the sheer volume of data in today's digital world has surpassed the ability of most advertisers to manually test and derive value from that data.

Operating in real time. The massive volume and real-time creation of data generally precludes effective human review, analysis, optimization and implementation of advertising campaigns. For example, advertising impressions available on real-time advertising exchanges must be valued and bid upon in approximately 100 milliseconds. In contrast, key decisions relating to the allocation of advertising spending are typically based on human know-how and experience gained from prior advertising campaigns. As a result, conventional providers of solutions for digital advertising are typically slow to make strategic adjustments in their campaigns and are often unable to take full advantage of the abundance of available data.

Our Solution

Our proprietary AI-driven solution is built on our real-time optimization engine, which leverages Big Data and our computational infrastructure to deliver highly-automated, measurable digital advertising campaigns. We offer an extensible solution that optimizes digital advertising campaigns across geographies, industry verticals, advertiser goals and display, mobile, social and video digital channels.

We believe our solution is disrupting traditional approaches to digital advertising. The digital advertising campaigns we deliver are designed to be effective and efficient, are easy for us to set up and manage and do not require advertisers to know or guess who their target audiences are, nor the best digital channels through which to reach them. Instead, our AI-driven technology reaches desired consumers globally by programmatically buying advertising inventory available through real-time advertising exchanges. The key benefits of our solution for advertisers include:

Better results faster. Our technology considers millions of attributes to determine how to respond to the tens of billions of bid requests for advertising impressions that we receive each day. We bid on billions of these impressions per day in approximately 100 milliseconds per bid request. As our engine learns which attributes best contribute to meeting campaign goals, it adapts as campaigns run to improve performance measured against these goals. This enables us to deliver more rapid optimization and better campaign results than the periodic manual adjustments of traditional solutions.

Business goal oriented. Our solution transforms the way campaigns are optimized, learning and adapting in real time, which we refer to as "Advertising that Learns," to achieve advertisers'

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measurable business goals, such as reduced cost per customer acquisition, increased sales and heightened brand awareness.

Comprehensive solution. Our solution delivers and optimizes both direct-response campaigns focused on generating specific consumer purchases or responses, as well as brand campaigns geared towards lifting brand metrics. Our solution delivers campaigns across the display, mobile, social and video digital advertising channels and is extensible across a wide range of industry verticals on a global basis.

Simple and powerful. We simplify digital advertising campaign management by requiring only a limited number of initial inputs from our advertisers. Our solution then automates advertising campaigns by analyzing petabytes of data to optimize performance in real time, and generates insights, analysis and, in many cases, superior results for advertisers.

Scalable. Leveraging the massive amounts of inventory available through real-time advertising exchanges, our solution enables advertisers to efficiently connect with large audiences while it maintains a focus on results-driven optimization.

Our Platform

The key components of our platform include:

AI-driven predictive modeling and automated decision-making technologies. Our predictive modeling technology estimates the probability of a consumer performing an advertiser's desired action. Predictions are derived from campaign-specific modeling across millions of simultaneous attributes, including third-party data, website and content-category information, time-of-day and day-of-week components and geography. Our automated decision-making system translates these predicted consumer response probabilities into a precise monetary value for each advertising impression. Our platform adapts in real time to fluctuations in market prices, advertisement performance, consumer behavior and other market dynamics to bid on inventory and achieve advertisers' campaign goals. As consumers interact with advertisements during an advertising campaign, and as we gather more data during the course of all of our campaigns, our predictive

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modeling and automated decision-making technologies continually update and refine our algorithms to increase the accuracy of our AI-driven predictions, without requiring human intervention.

Big Data. Our real-time optimization engine processes tens of billions of events per day, from which we record and consider data about online activity, including market events, consumer responses to advertisements, bids won and lost, advertising impressions served, consumer interaction with brands and sometimes first-party data supplied by advertisers about their customers. Globally, we maintain several petabytes of data to support our real-time optimization engine, including our AI-driven predictive modeling and automated decision-making technologies, and are able to use data in real time to support bidding decisions on real-time advertising exchanges for over 1,000 campaigns at a time.

Computational infrastructure. Our proprietary computational infrastructure, the backbone of our real-time optimization engine, processes and logs tens of billions of events daily, accesses anonymized Internet user data nearly instantaneously and, based in part on such data, uses our AI technology to respond to bid requests from real-time advertising exchanges in approximately 100 milliseconds.

Bidding adapters. Bidding adapters enable us to receive bid requests from real-time advertising exchanges, evaluate each request and respond with a bid. The adapters then present our proposed bid and advertisement to the advertising exchange in the format required by the exchange. Bidding adapters allow us to easily expand and adapt our platform across multiple inventory sources, including across different channels, such as display, mobile, social and video.

Our Offerings

Our offerings serve brand and direct-response advertisers across major digital advertising channels, including display, mobile, social and video, and are designed to solve the key challenges that advertisers face. Given the extensibility and flexibility of our solution, our offerings are able to address the needs of advertisers across industry verticals and geographies.

Brand Booster

Our Brand Booster offering is focused on the following brand objectives:

Reach, frequency and engagement. Traditionally, advertisers have focused on reach, frequency and engagement goals to assess the effectiveness of their advertising campaigns. Our platform can track, measure and optimize these goals through specific consumer actions, such as clicks, advertisement interactions and video completions. Our real-time optimization engine values and bids on billions of individual advertising impressions per day to maximize campaign performance measured against the goals defined by the advertiser.

Brand equity lift. One of the more novel capabilities of our Brand Booster offering is our ability to track, measure and optimize brand equity lift objectives. We use online surveys to measure these objectives, such as consumer awareness, recall, message association, purchase consideration, favorability and recommendation intent. Our technology automatically incorporates survey responses to improve campaign performance.

Offline sales. In general, the majority of interactions consumers have with a brand occur offline. We are able to connect online activity to offline sales or responses by integrating a variety of industry-specific offline data sources, such as retail purchase activity, coupon usage and grocery store purchase activity. Our technology can measure and optimize campaigns, while they run, to maximize offline impact.

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Direct Response Booster

Our Direct Response Booster offering is focused on the following direct-response objectives:

Prospecting. Advertisers have various prospecting objectives, such as number of leads, sign-ups, registrations or sales. As with all of our offerings, our prospecting offering tracks every impression and continuously learns from campaign results to refine our delivery of impressions to the appropriate consumers and achieve each advertiser's direct-response objectives. As our platform optimizes over the course of campaigns, we believe that advertisers experience steady improvement against the prospecting goals defined by the advertiser.

Retargeting. As advertisers succeed in bringing consumers to their websites, our retargeting offering uses our real-time optimization engine to help return those same or similar consumers to the advertisers' websites, focusing specifically on the consumers most likely to perform a desired action. Unlike other retargeting solutions that merely display advertisements, regardless of the value of such advertisements, to every consumer that has visited an advertiser's website, this offering focuses on consumers who represent high-value opportunities for re-engagement, aiming to reach them at the best time and in the best context, to achieve the advertiser's goals.

Other Offerings

Brand Assurance. Advertiser brand protection is a high priority for us. We have adopted a proactive approach designed to prevent us from serving advertisements on unsafe or inappropriate websites. We have a brand-assurance team that monitors our brand safety efforts, makes policy decisions, offers guidance to advertisers and continuously analyzes and improves our Brand Assurance offering.

Insights. We identify the key drivers of an advertising campaign's success and help advertisers improve and optimize future marketing strategies and creative development. Our Insights offering helps advertisers understand what strategies are effective and why, and allows them to better understand the quality, composition and characteristics of the consumers their campaigns reach, including which consumers are most responsive to their messages.

Our Competitive Strengths

We believe that the following strengths differentiate us from our competitors:

Disruptive AI-driven technology that delivers exceptional results for advertisers. Our AI-driven advertising solution learns and adapts in real time with minimal human inputs, which we believe differentiates us from other available solutions. As we deliver more campaigns and gather more data, and as new advertising inventory sources become available, our AI-driven technology continuously refines its predictive modeling and automated decision-making capabilities and rapidly integrates and leverages new information and advertising inventory to continually enhance advertiser results.

Proprietary computational infrastructure. We process and analyze massive amounts of data through our real-time optimization engine. Our proprietary computational infrastructure is capable of processing tens of billions of events per day, which allows us to automatically execute and optimize highly complex advertising campaigns and deliver compelling results for our advertisers.

Scalable, comprehensive solution. Our solution enables us to run direct response or brand campaigns for advertisers across and within display, mobile, social and video digital advertising channels. We provide offerings that are extensible across industry verticals and geographies, and, by leveraging the massive amounts of inventory available through real-time advertising exchanges, we can provide such offerings on a very large scale. We believe our solution contrasts with the offerings of our competitors, which are primarily focused on singular objectives, channels or industry verticals.

Premier and diversified customer base. As of December 31, 2013, we had 1,224 active customers, including many of the world's leading advertisers across a broad range of industry verticals, who have relied on us to manage their display, mobile, social and video advertising across both brand and direct-response objectives. Our diversified customer base includes over 70 of the Advertising Age 100 Leading National Advertisers and over 50 Fortune 100 companies. As of December 31, 2010, 2011, 2012 and 2013, our active customers increased from 151 to 266 to 536 to 1,224, respectively, representing year-over-year increases of 76%, 102% and 128%, respectively.

Attractive and scalable financial model. We believe that we benefit from a scalable financial model that has demonstrated high revenue growth. We have reached significant scale since our incorporation in March 2008. Our revenue was $240.6 million in 2013, representing year-over-year growth of 126%. Our net loss was $(20.9) million in the year ended December 31, 2013 and $(10.3) million in 2012. We recorded cumulative adjusted EBITDA of $(8.7) million from 2010 through December 31, 2013, but adjusted EBITDA was $5.3 million in the fourth quarter of 2013. In order to grow rapidly, we have made significant investments in technology and sales and marketing. We believe that these investments will provide us with long-term benefits, as we attract new customers, and driven by the performance of our AI-driven technology, retain and grow spending from existing customers. Our revenue retention rate was 168%, 175% and 134% for the twelve months ended December 31, 2013, 2012 and 2011, respectively. Our technology investments are also intended to improve the automation of our business processes. We believe that these investments will provide strong long-term operating leverage. Adjusted EBITDA is a non-GAAP financial measure. For a definition of adjusted EBITDA, an explanation of our management's use of this measure and a reconciliation of adjusted EBITDA to our net loss, see in "Selected Consolidated Financial Data Adjusted EBITDA."

Experienced team. We believe that the extensive experience and depth of our management team provide us with a distinct competitive advantage. In addition, we benefit from our corporate culture, which we believe has allowed us to attract a highly qualified employee base with substantial experience in the digital advertising and technology industries, including an engineering team that includes employees with PhD and Master's degrees from many top-tier institutions, as well as two winners of the Special Interest Group of Management and Data, or SIGMOD, best paper award and one author of a machine learning top 10 most cited academic publication.

Our Customers

As of December 31, 2013, we had 1,224 active customers, including many of the world's leading advertisers. We interact with customers primarily through advertising agencies acting on their behalf. We also work with some customers directly.

During 2013, our customers included over 70 of the Advertising Age 100 Leading National Advertisers and over 50 Fortune 100 companies. We benefit from a diverse advertiser base across industry verticals, such as automotive, cable, computer manufacturing, education, finance and insurance, health care, hospitality and food services, retail and telecommunications.

For the year ended December 31, 2013, no single customer represented more than 10% of our revenue.

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Our Growth Strategies

We plan to continue improving our AI-driven platform to deliver a highly differentiated and disruptive solution. We believe that we benefit from rapidly growing awareness of our company and our solution, and a large shift in the broader global advertising industry towards digital advertising and real-time advertising exchanges. In order to continue to capitalize on these trends and further grow our business, we plan to pursue the following initiatives:

Extend our technology leadership. We expect to continue enhancing our solution through investments in our AI technology, new functionalities and offerings including a self-service platform, our computational infrastructure and Big Data management and analytics.

Grow awareness and increase advertiser adoption of our solution. We intend to continue to grow our sales and marketing organization to generate awareness and increase the adoption of our solution among existing and new advertisers.

Increase our mobile, social and video market share. We intend to continue investing in our engineering, sales and marketing organizations to expand our capabilities in mobile, social and video advertising. Our technology solution is already extensible across all channels. We believe that these additional investments will allow us to efficiently expand our advertiser base, gain market share and grow revenue from these channels.

Continue our global expansion. We currently operate in seven countries, including the United States and Canada in North America; France, Germany, the Netherlands and the United Kingdom in Europe; and in Japan, with a software platform licensee. We intend to continue to expand our international business primarily by growing our sales team in certain countries in which we operate and by establishing a presence in additional countries.

Pursue strategic acquisitions and investments. We plan to continue to evaluate opportunities to acquire complementary businesses and technologies that are consistent with our overall growth strategy.

Our Technology

Since our incorporation, we have made significant investments and will continue to invest in developing our differentiated and proprietary solution, aimed at solving the problems of advertisers in ways that traditional, manual solutions cannot. We are focused on offering a solution that provides measurable results, driven by our real-time optimization engine. 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:

Artificial Intelligence. We employ AI technology, including predictive modeling and automated decision-making. Our platform has analyzed millions of attributes from our data warehouse, as evidenced by the tens of billions of impressions and bid requests processed daily, to determine the most effective attributes, monitored in real time, to determine expected consumer response and precise impression value.

Computational 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 tens of billions 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. Our technology infrastructure is hosted across eight data centers in co-location facilities in California, Germany,

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New Jersey, Nevada, Virginia, Hong Kong and the Netherlands. Our servers are custom designed by our engineering team.

Big Data. We have built a multi-tier Big Data management system based on proprietary and open source software to help us maintain a variety of data in many different formats. Our data includes anonymized Internet user profile data that is accessible at very low latencies and used to execute our campaigns. In addition, we maintain a large data warehouse with multi-petabytes of data that we use for algorithm training and reporting.

User interface. Based on the latest HTML5 technologies, our user interface provides flexible reporting and interactive visualization of the key drivers of success for each advertising campaign. We use these reporting and visualization products internally to manage campaigns and provide advertisers with campaign insights.

Our research and development expenses were $17.7 million, $4.9 million and $1.5 million for the years ended December 31, 2013, 2012 and 2011, respectively. Our capitalized internal-use software development costs were $6.3 million, $4.7 million and $2.6 million for the years ended December 31, 2013, 2012 and 2011, respectively.

Sales, Customer Experience and Marketing

In North America and Europe, we sell our solution through our global direct sales team, which focuses on advertising agencies and advertisers, as well as on other third parties. Our direct sales team is organized by geography, with regional offices in the United States and offices in Canada and Europe, including France, Germany, the Netherlands and the United Kingdom. Our direct sales teams are further divided into market segments, including agencies, advertisers and other third parties. We assign each advertiser to representatives who manage the advertiser's relationship with us.

In Japan, we make our solution available through a software platform licensee. When the licensee sells advertising campaigns using our solution, we earn a share of the revenue from such sales.

We are focused on managing our brand, increasing market awareness and generating new advertiser leads. To do 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, authors whitepapers, publishes marketing collateral, generates blog posts and undertakes customer research studies.

Employees and Culture

We are proud of our "nerdy, but lovable" company culture, and believe it is one of our fundamental strengths as well as a strategic priority. We are focused on constant technological innovation to improve our solution for advertisers. We encourage creativity and open dialogue to improve on ideas through iteration. Our culture rewards both team and individual creativity and success. We believe we have assembled a talented global team, and, in 2012, we received the Bay Area News Group's 2012 Top Work Places in the Bay Area award.

As of December 31, 2013, we had approximately 619 full-time employees, consisting of approximately 532 employees in the United States and approximately 87 employees internationally.

Our Competition

Our industry is highly competitive and fragmented. We compete with large, well-established companies such as Google, Facebook, Yahoo! and digital advertising networks. In addition, we compete against companies that offer demand side and data management platforms that allow advertisers to purchase inventory directly and manage and analyze their own customer data. We also compete with divisions of certain advertising agencies, including agency trading desks, that place digital advertising on behalf of the agencies' clients, and other companies, many of which claim to use advanced technologies to optimize advertising campaigns. As we introduce new offerings, as our existing offerings evolve, or as other companies introduce new products and services, we may become subject to additional competition.

We compete for advertising revenue based on our ability to meet advertiser goals, the effectiveness and relevance of our offerings, pricing structure, ease-of-use, scalability, cross-channel capabilities, customer service, breadth and depth of customer relationships and awareness of our brand. While our industry is evolving rapidly and is becoming increasingly competitive, we believe that our effective, scalable and reliable platform enables us to compete favorably on the factors described above.

Intellectual Property

The protection of our technology and intellectual property is an important component of our success. We rely on intellectual property laws, including trade secret, copyright, trademark and patent laws in the United States and abroad, and use contracts, confidentiality procedures, non-disclosure agreements, employee disclosure and invention assignment agreements and other contractual rights to protect our intellectual property.

As of December 31, 2013, we had filed eleven non-provisional patent applications in the United States and three Patent Cooperation Treaty applications. In addition, we maintain a trademark portfolio in the United States and abroad, including trademarks or trademark applications in the European Union, Japan, China, Hong Kong and Singapore.

Circumstances outside of our control could pose a threat to our intellectual property rights. Effective intellectual property protection may not be available in the United States or other countries in which we provide our solution. In addition, the efforts we have taken to protect our intellectual property rights may not be sufficient or effective. Any impairment of our intellectual property rights could harm our business, our ability to compete and our results of operations.

Privacy and Interest-based Advertising

Much of the acceptance and widespread use of the Internet across the globe is attributable to the ability of Internet users to access valuable content quickly, without friction, and free of charge. The digital media content providers, or publishers, who support the creation and distribution of this content do so largely by selling advertisements on their properties, similar to the business model of television and radio broadcasters. Internet users' online activity generates a vast amount of data, such as advertising viewed and responded to, and advertisers' websites visited, and is valuable to advertisers seeking to reach an optimal audience. Online it is possible to serve advertisements to potential consumers based upon inferred interests. These interests may be inferred in part based on web-browsing history. The use of web browsing history to inform advertising purchase decisions is commonly referred to as "interest-based" or "online behavioral" advertising. Advertisers are willing to make a greater investment in, and pay a higher rate for, digital advertising when this interest-based data can be used to inform decisions about purchasing advertising impressions to reach desired consumers.

The use of interest-based advertising on the Internet has come under scrutiny by consumer advocacy organizations and regulatory agencies in the U.S. and abroad that focus on online privacy. More specifically, these groups have voiced concern about the use of cookies and other online tools to record an Internet user's browsing history, and the use of that information to deliver advertisements online based on inferred interests of the Internet user. Because we rely upon access to large volumes of data, including web browsing history, primarily through cookies, it is essential that we monitor developments in this area in the U.S. and globally, and that we engage in responsible privacy practices.

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We recognize that privacy is important to consumers and advertisers. We have a Chief Privacy Officer and have dedicated resources to design and oversee our privacy and data protection policies. Our privacy practices are described in our privacy policy, which explains the type of data we collect and use to provide services to advertisers. Our privacy policy can be found on our website at http://rocketfuel.com/privacy-policy. The information contained on, or that can be accessed through, our website is not a part of this Annual Report on Form 10-K.

We rely on anonymous data about Internet users. We do not attempt to associate this anonymous data with data that can be used to identify real people, and we take steps to avoid collecting and storing personally identifiable information from any source. The definition of personally identifiable information, or personal data, however, varies by country and is still evolving, and, as a result, our policy not to collect and store personally identifiable information must be assessed in each country in which we do business. Therefore, we have to continually assess our technology platform against an evolving legal landscape. Some European countries, for example, may consider IP addresses to be personal data subject to the same data protection requirements as information traditionally understood to be personal data, such as name, phone number and postal or email address. Our technology platform and data privacy practices have recently been evaluated by an independent third-party certification provider who has certified our platform and practices as compliant with legal data protection quality standards designed to comply with both the German Federal Data Protection Law and the EU directives related to data protection and privacy in force as of March 2013.

Our solution can deliver interest-based or online behavioral advertising which is advertising that may be delivered based in part on the websites an Internet user has visited through a particular browser, if the publishers of those websites have allowed us to place a cookie associated with their particular website, or webpage. We are members of industry self-regulatory organizations, including the Network Advertising Initiative, or NAI, and the Digital Advertising Alliance, or DAA, and participate in the Self-Regulatory Program for Online Behavioral Advertising coordinated by the DAA and enforced by both the Direct Marketing Association and the Council of Better Business Bureaus. Similarly, in Europe we are signatories to the IAB Europe EU Framework for Online Behavioural Advertising and are members of the European Digital Advertising Alliance, or EDAA. Both the European framework and the U.S. self-regulatory principles for Online Behavioral Advertising require us to provide consumers with notice and choice, including the ability to opt out of interest-based advertising. Our privacy policy offers consumers an easy, one-click opt-out mechanism. In addition to industry self-regulation, our compliance with our privacy policy is also subject to regulation by the United States Federal Trade Commission, which may bring enforcement actions under Section 5 of the Federal Trade Commission Act against unfair and deceptive trade practices, including the violation of privacy policies. Outside of the United States, our privacy practices are subject to regulation by data protection authorities in the countries in which we do business.

ITEM 1A. RISK FACTORS

Investing in our common stock involves a high degree of risk. You should carefully consider the risks and uncertainties described below, together with all of the other information in this Form 10-K, including our consolidated financial statements and related notes, before investing in our common stock. If any of the following risks materialize, our business, financial condition, results of operations and prospects could be materially and adversely affected. In that event, the price of our common stock could decline, and you could lose part or all of your investment.

On February 5, 2014, we closed a follow-on offering of 5,000,000 shares of our common stock, which included 2,000,000 shares of common stock sold by the Company and 3,000,000 shares of common stock sold by the selling stockholders. This offering is referred to in these risk factors and elsewhere in this Form 10-K as the "Follow-on Offering."

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Risks Related to Our Business and Our Industry

Our limited operating history makes it difficult to evaluate our business and prospects and may increase the risks associated with your investment.

We were incorporated in 2008 and, as a result, have only a limited operating history upon which our business and future prospects may be evaluated. Although we have experienced substantial revenue growth in our limited history, we may not be able to sustain this rate of growth or even maintain our current revenue levels. We have encountered and will continue to encounter risks and difficulties frequently experienced by growing companies in rapidly developing and changing industries, including challenges related to recruiting, integrating and retaining qualified employees; making effective use of our limited resources; achieving market acceptance of our existing and future offerings; competing against companies with greater financial and technical resources; acquiring and retaining customers and maintaining relationships with advertising agencies; and developing new offerings.

Our current operational infrastructure may require changes for us to scale our business efficiently and effectively to keep pace with demand for our solution, and achieve long-term profitability. If we fail to implement these changes on a timely basis, or if we are unable to implement them effectively or at all due to factors beyond our control or other reasons, our business may suffer. We cannot provide assurance that we will be successful in addressing these and other challenges we may face in the future. As a growing company in a rapidly evolving industry, our business prospects depend in large part on our ability to:

- develop and offer a competitive technology platform and offerings that meet our advertising customers' needs as they change;
- build a reputation for a superior solution and create trust and long-term relationships with advertisers and advertising agencies;
- distinguish ourselves from competitors in our industry;
- maintain and expand our relationships with the sources of quality inventory through which we execute our customers' advertising campaigns;
- respond to evolving industry standards and government regulations that impact our business, particularly in the areas of data collection and consumer privacy;
- prevent or otherwise mitigate failures or breaches of security or privacy;
- expand our business internationally; and
- attract, hire, integrate and retain qualified and motivated employees.

If we are unable to meet one or more of these objectives or otherwise adequately address the risks and difficulties that we face, our business may suffer, our revenue may decline and we may not be able to achieve further growth or long-term profitability.

If we do not manage our growth effectively, the quality of our solution or our relationships with our customers may suffer, and our operating results may be negatively affected.

Our business has grown rapidly. We rely heavily on information technology, or IT, systems to manage critical functions such as advertising campaign management and operations, data storage and retrieval, revenue recognition, budgeting, forecasting, financial reporting and other administrative functions. To manage our growth effectively, we must continue to improve and expand our infrastructure, including our IT, financial and administrative systems and controls. We must also continue to manage our employees, operations, finances, research and development and capital investments efficiently. Our productivity and the quality of our solution may be adversely affected if we do not integrate and train our new employees, particularly our sales and account management personnel, quickly and effectively and if we fail to appropriately coordinate across our executive, engineering, finance, human resources, legal, marketing, sales, operations and customer support teams. If we continue our rapid growth, we will incur additional expenses, and our growth may continue to place a strain on our resources, infrastructure and ability to maintain the quality of our solution. If we do not adapt to meet these evolving growth challenges, and if the current and future members of our management team do not effectively scale with our growth, the quality of our solution may suffer and our corporate culture may be harmed. Failure to manage our future growth effectively could cause our business to suffer, which, in turn, could have an adverse impact on our financial condition and results of operations.

If we fail to make the right investment decisions in our offerings and technology platform, we may not attract and retain advertisers and advertising agencies and our revenue and results of operations may decline.

We compete for advertisers, which are often represented by advertising agencies, who want to purchase digital media for advertising campaigns. Our industry is subject to rapid changes in standards, technologies, products and service offerings, as well as in advertiser demands and expectations. We continuously need to make decisions regarding which offerings and technology to invest in to meet advertiser demand and evolving industry standards and regulatory requirements. We may make wrong decisions regarding these investments. For example, we expect advertisers to award us credit, or attribution, for impressions that generate specific consumer purchases or responses using certain criteria such as last ad clicked or viewed. Our technology considers these attribution models and if new attribution models are introduced by advertisers, we may need to make changes in our technology. If new or existing competitors offer more attractive offerings, we may lose advertisers or advertisers may decrease their spending on our solution. New advertiser demands, superior competitive offerings or new industry standards could render our existing solution unattractive, unmarketable or obsolete and require us to make substantial unanticipated changes to our technology platform or business model. Our failure to adapt to a rapidly changing market or to anticipate advertiser demand could harm our business and our financial performance.

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

We incurred net losses of $(20.9) million, $(10.3) million and $(4.3) million, for the years ended 2013, 2012 and 2011, respectively. As of December 31, 2013, we had an accumulated deficit of $(44.5) million. We may not achieve profitability in the foreseeable future, if at all. Although our revenue has increased significantly in recent periods, we may not be able to sustain this revenue growth. In addition, our operating expenses have increased with our revenue growth, primarily due to substantial investments in our business and increasing our headcount by 114% during 2013. We expect our cost of revenue and operating expenses to continue to increase substantially in the foreseeable future as we continue to expand our business, including by adding sales, marketing and related support employees in existing and new territories, adding engineering employees to support continued investments in our technology platform and offerings, and adding general and administrative employees to support our growth and expansion.

We may experience fluctuations in our operating results, which make our future results difficult to predict and could cause our operating results to fall below investors' and analysts' expectations.

Our quarterly and annual operating results have fluctuated in the past. Similarly, we expect our future operating results to fluctuate for the foreseeable future due to a variety of factors, many of which are beyond our control. Our fluctuating results could cause our performance to fall below the expectations of investors and securities analysts, and adversely affect the price of our common stock. Because our business is changing and evolving rapidly, our historical operating results may not be

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useful in predicting our future operating results. Factors that may increase the volatility of our operating results include the following:

- the addition or loss of new advertisers and advertising agencies;
- changes in demand and pricing for our solution;
- the seasonal nature of our customers' spending on digital advertising campaigns;
- changes in our pricing policies or the pricing policies of our competitors;
- and the pricing of advertising inventory or of other third-party services;
- the introduction of new technologies, product or service offerings by our competitors;
- changes in our customers' advertising budget allocations, agency affiliations, or marketing strategies;
- changes and uncertainty in the regulatory environment for us or our advertisers;
- changes in the economic prospects of our advertisers or the economy generally, which could alter current or prospective advertisers' spending priorities, or could increase the time or costs required to complete sales with advertisers;
- changes in the availability of advertising inventory through real-time advertising exchanges, or in the cost to reach end consumers through digital advertising;
- changes in our capital expenditures as we acquire the hardware, equipment and other assets required to support our business; and
- costs related to acquisitions of people, businesses or technologies.

Based upon all of the factors described above and others that we may not anticipate, including those beyond our control, we have a limited ability to forecast our future revenue, costs and expenses. As a result, our operating results may from time to time fall below our estimates or the expectations of investors and analysts.

If we are unable to attract new advertising customers and sell additional offerings to our existing customers, our revenue growth will be adversely affected.

To sustain or increase our revenue, we must add new advertisers and encourage existing advertisers (both of which are often represented by advertising agencies), to purchase additional offerings from us. As the digital advertising industry matures and as competitors introduce lower cost or differentiated products or services that compete with or are perceived to compete with ours, our ability to sell our solution to new and existing advertisers based on our offerings, pricing, technology platform and functionality could be impaired. Some advertisers that are repeat users of our solution tend to increase their spend over time. Conversely, some advertisers that are newer to our solution tend to spend less than, and may not return as frequently as, advertisers who have used our solution for longer periods of time. If we fail to retain or cultivate the spending of our newer, lower-spending advertisers, it will be difficult for us to sustain and grow our revenue from existing advertisers. Even with long-time advertisers, we may reach a point of saturation at which we cannot continue to grow our revenue from those advertisers because of internal limits that advertisers may place on the allocation of their advertising budgets to digital media, to particular campaigns, to a particular provider, or for other reasons not known to us. If we are unable to attract new advertisers or obtain new business from existing advertisers, our revenue growth and our business may be adversely affected.

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

We use "cookies" (small text files) to gather important data to help deliver our solution. These cookies are placed through an Internet browser on an Internet user's computer and correspond to a data set that we keep on our servers. Our cookies are known as "third party" cookies because we do not have a direct relationship with the Internet user. Our cookies collect anonymous information, such as when an Internet user views an ad, clicks on an ad, or visits one of our advertisers' websites. On mobile devices, we may also obtain location based information about the user's device. We use these cookies to help us achieve our advertisers' campaign goals, to help us ensure that the same Internet user does not unintentionally see the same advertisement too frequently, to report aggregate information to our advertisers regarding the performance of their advertising campaigns and to detect and prevent fraudulent activity throughout our network of inventory. We also use data from cookies to help us decide whether to bid on, and how much to bid on, an opportunity to place an advertisement in a certain location, at a given time, in front of a particular Internet user. A lack of data associated with cookies may detract from our ability to make decisions about which inventory to purchase for an advertiser's campaign, and undermine the effectiveness of our solution.

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 browser blocks cookies by default, and other browsers may do so in the future. Unless such default settings in browsers were altered by Internet users, we would be able to set fewer of our cookies in 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 indicate Internet users 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 accessing information on an Internet user's computer, such as through a cookie, is allowed only if the Internet user has given his or her consent. 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.

Potential "Do Not Track" standards or government regulation could negatively impact our business by limiting our access to the anonymous user data that informs the advertising campaigns we run, and as a result could degrade our performance for our customers.

As the use of cookies has received ongoing media attention over the past three years, some government regulators and privacy advocates have suggested creating a "Do Not Track" standard that would allow Internet users to express a preference, independent of cookie settings in their web browser, not to have their website browsing recorded. All the major Internet browsers have implemented some version of a "Do Not Track" setting. Microsoft's Internet Explorer 10 includes a "Do Not Track" setting that is selected "on" by default. However, there is no definition of "tracking," no consensus regarding what message is conveyed by a "Do Not Track" setting and no industry standards regarding how to respond to a "Do Not Track" preference. It is possible that we could face competing policy

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standards, or standards that put our business model at a competitive disadvantage to other companies that collect data from Internet users, standards that reduce the effectiveness of our solution, or standards that require us to make costly changes to our solution. The Federal Trade Commission, or FTC, has stated that it will pursue a legislative solution if the industry cannot agree upon a standard. The "Do-Not-Track Online Act of 2013" was introduced in the United States Senate in February 2013. If a "Do Not Track" web browser setting is adopted by many Internet users, and the standard either imposed by state or federal legislation, or agreed upon by standard setting groups, requires us to recognize a "Do Not Track" signal and prohibits us from using non-personal data as we currently do, then that could hinder growth of advertising and content production on the web generally, and limit the quality and amount of data we are able to store and use, which would cause us to change our business practices and adversely affect our business.

Our international expansion subjects us to additional costs and risks and may not yield returns, including anticipated revenue growth, in the foreseeable future, and our continued expansion internationally may not be successful.

Our significant investment in international expansion subjects us to many challenges associated with supporting a rapidly growing business across a multitude of cultures, customs, monetary, legal and regulatory systems and commercial infrastructures. We have a limited operating history outside of the United States, and our ability to manage our business and conduct our operations internationally requires considerable attention and resources. We began operations in the United Kingdom in 2011. Our UK subsidiary has employees in the United Kingdom, the Netherlands, France, Italy, Spain and Sweden. We established subsidiaries in Germany and Canada in 2013. In addition, in 2012, we arranged a software platform licensee through which we make our solution available in Japan. We expect to significantly expand our international operations in the future.

Our international expansion and the integration of international operations present challenges and risks to our business and require significant attention from our management, finance, analytics, operations, sales and engineering teams to support advertising campaigns abroad. For example, as a direct result of our relationship with our Japan licensee, we have undertaken engineering and other work to support campaigns for Japanese advertisers and localize our technology platform for language, currency and time zone, and have made substantial investments to train our Japan licensee's sales team to sell our solution in Japan. Moreover, our Japan licensee is a wholly-owned subsidiary of a large advertising agency holding company, which has other subsidiaries that may offer services that compete with us. As a result, there is a risk that conflicts of interest may arise that could reduce our ability to gain market share in the Japanese market. Compliance with complex foreign and U.S. laws and regulations that apply to our international operations increases our cost of doing business abroad, could interfere with our ability to offer our solution competitively to advertisers and advertising agencies in one or more countries and expose us or our employees to fines and penalties. In some cases, our advertisers might impose additional requirements on our business in efforts to comply with their interpretation of their own or our legal obligations. These requirements might differ significantly from the requirements applicable to our business in the United States and could require engineering and other costly resources to accommodate. Laws and regulations that could impact us include but are not limited to tax laws, employment laws, data privacy regulations, U.S. laws such as the Foreign Corrupt Practices Act and local laws prohibiting corrupt payments to governmental officials and private entities, such as the U.K. Bribery Act. Violations of these laws and regulations could result in monetary damages, criminal sanctions against us, our officers, or our employees, and prohibitions on the conduct of our business. We will likely incur significant operating expenses as a result of our international expansion, and it may not be successful. Our international business also subjects us to the impact of global and regional recessions and economic and political instability, differing regulatory requirements, costs and difficulties in managing a distributed workforce, potentially adverse tax consequences in the United States and abroad, fluctuations in foreign currency exchange rates and restrictions on the

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

We may not be able to compete successfully against current and future competitors because competition in our industry is intense, and our competitors may offer solutions that are perceived by our customers to be more attractive than ours. These factors could result in declining revenue, or inability to grow our business.

Competition for our advertisers' advertising budgets is intense. We also expect competition to increase as the barriers to enter our market are low. Increased competition may force us to charge less for our solution, or offer pricing models that are less attractive to us and decrease our margins. Our principal competitors include companies that offer demand side and data management platforms that allow advertisers to purchase inventory directly from advertising exchanges or other third parties and manage and analyze their own consumer data, traditional advertising networks and advertising agencies themselves.

We also rely predominately on advertising agencies to purchase our solution on behalf of advertisers, and certain of those agencies or agency holding companies are creating competitive solutions, referred to as agency trading desks. If these agency trading desks are successful in leveraging their relationships with the advertisers we may be unable to compete even if our solution is more effective. Many agencies that we work with are also owned by large agency holding companies. For various reasons related to the agencies' own priorities or those of their holding companies, they may not recommend our solution, even though it may be more effective, and we may not have the opportunity to demonstrate our value to advertisers.

We also compete with services offered through large online portals that have significant brand recognition, such as Yahoo!, Google, AOL and MSN. These large portals have substantial proprietary digital advertising inventory that may provide them with competitive advantages, including far greater access to Internet user data, and the ability to significantly influence pricing for digital advertising inventory. We also compete for a share of advertisers' total advertising budgets with online search advertising, for which we do not offer a solution, and with traditional advertising media, such as direct mail, television, radio, cable and print. Some of our competitors have also established reputations for specific services, such as retargeting with dynamic creative, for which we do not have an established market presence. Many current and potential competitors have competitive advantages relative to us, such as longer operating histories, greater name recognition, larger client bases, greater access to advertising inventory on premium websites and significantly greater financial, technical, sales and marketing resources. Increased competition may result in reduced pricing for our solution, longer sales cycles or a decrease of our market share, any of which could negatively affect our revenue and future operating results and our ability to grow our business.

We have been dependent on display advertising. A decrease in the use of display advertising, or our inability to further penetrate display, mobile, social and video advertising channels would harm our business, growth prospects, operating results and financial condition.

Historically, our customers have predominantly used our solution for display advertising, and the substantial majority of our revenue is derived from advertisers, typically through their agencies, that use our solution for display advertising. We expect that display advertising will continue to be a significant channel used by our customers. Recently, the market for display advertising, excluding mobile, social and video, has been declining as overall display advertising growth has been driven by mobile, social and video advertising. Should our customers lose confidence in the value or effectiveness of display advertising, the demand for our display solution could decline. In addition, our failure to achieve market acceptance of our solution for mobile, social and video advertising would harm our growth prospects, financial condition and results of operations.

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We have historically relied, and expect to continue to rely, on a small number of customers for a significant portion of our revenue. The loss of any of these customers could significantly harm our business, financial condition and results of operations.

A relatively small number of customers have historically accounted for a majority of our revenue. In 2013, 2012 and 2011, our top 20 customers accounted for 29%, 38% and 39% of our revenue, respectively. However, no customer accounted for 10% or more of our revenue during the respective period. While we expect this reliance to decrease over time, we expect that we will continue to depend upon a relatively small number of customers for a significant portion of our revenue for the foreseeable future. As a result, if we fail to successfully attract or retain new or existing customers or if existing customers run fewer advertising campaigns with us, defer or cancel their insertion orders, or terminate their relationship with us altogether, whether through the actions of their agency representatives or otherwise, our business, financial condition and results of operations would be harmed.

We do not have long-term commitments from our advertisers, and we may not be able to retain advertisers or attract new advertisers that provide us with revenue that is comparable to the revenue generated by any advertisers we may lose.

Most of our advertisers do business with us by placing insertion orders for particular advertising campaigns. If we perform well on a particular campaign, then the advertiser, or most often, the advertising agency representing the advertiser, may place new insertion orders with us for additional advertising campaigns. We rarely have any commitment from an advertiser beyond the campaign governed by a particular insertion order. We use the Interactive Advertising Bureau, or IAB, standard terms and conditions, pursuant to which our insertion orders may also be canceled by advertisers or their advertising agencies prior to the completion of the campaign without penalty. As a result, our success is dependent upon our ability to outperform our competitors and win repeat business from existing advertisers, while continually expanding the number of advertisers for whom we provide services. In addition, it is relatively easy for advertisers and the advertising agencies that represent them to seek an alternative provider for their advertising campaigns because there are no significant switching costs. Agencies, with whom we do the majority of our business, often have relationships with many different providers, each of whom may be running portions of the same advertising campaign. Because we generally do not have long-term contracts, it may be difficult for us to accurately predict future revenue streams. We cannot provide assurance that our current advertisers will continue to use our solution, or that we will be able to replace departing advertisers with new advertisers that provide us with comparable revenue.

If we fail to detect fraud or serve our advertisers' advertisements on undesirable websites, our reputation will suffer, which would harm our brand and reputation and negatively impact our business, financial condition and results of operations.

Our business depends in part on providing our advertisers with a service that they trust, and we have contractual commitments to take reasonable measures to prevent advertisers' advertisements from appearing on undesirable websites or on certain websites that they identify. We use proprietary technology to detect click fraud and block inventory that we know or suspect to be fraudulent, including "tool bar" inventory, which is inventory that appears within an application, often called a "tool bar," and that overlays a website and displaces any advertising that would otherwise be displayed on such website. We also use third-party services in an effort to prevent our advertisers' advertisements from appearing on undesirable websites. Preventing and combating fraud requires constant vigilance, and we may not always be successful in our efforts to do so. We may serve advertising on inventory that is objectionable to our advertisers, and we may lose the trust of our advertisers, which would harm our brand and reputation and negatively impact our business, financial condition and results of operations. We may also purchase inventory inadvertently that proves to be unacceptable for advertising campaigns, in which case we are responsible for the cost and cannot bill that cost to any campaign. If we buy substantial volumes of unusable inventory, this could negatively impact our results of operations.

If our access to quality advertising inventory is diminished or if we fail to acquire new advertising inventory, our revenue could decline and our growth could be impeded.

We must maintain a consistent supply of attractive advertising inventory, meaning the digital space on which we place advertising impressions, including websites, proprietary social networks, such as Facebook, and mobile applications. Our success depends on our ability to secure quality inventory on reasonable terms across a broad range of advertising networks and exchanges, including real time advertising exchanges, such as Google's DoubleClick Ad Exchange or AppNexus; suppliers of video and mobile inventory; and social media platforms, such as the Facebook Exchange, known as FBX.

The amount, quality and cost of inventory available to us can change at any time. Our suppliers are generally not bound by long-term contracts. As a result, we cannot provide any assurance that we will have access to a consistent supply of quality inventory. Moreover, the number of competing intermediaries that purchase advertising inventory from real-time advertising exchanges continues to increase, which could put upward pressure on inventory costs. If we are unable to compete favorably for advertising inventory available on real-time advertising exchanges, or if real-time advertising exchanges decide not to make their advertising inventory available to us, we may not be able to place advertisements at competitive rates or find alternative sources of inventory with comparable traffic patterns and consumer demographics in a timely manner. Furthermore, the inventory that we access through real-time advertising exchanges may be of low quality or misrepresented to us, despite attempts by us and our suppliers to prevent fraud and conduct quality assurance checks.

Suppliers control the bidding process for the inventory they supply, and their processes may not always work in our favor. For example, suppliers may place restrictions on the use of their inventory, including restrictions that prohibit the placement of advertisements on behalf of certain advertisers. Through the bidding process, we may not win the right to deliver advertising to the inventory that we select and may not be able to replace inventory that is no longer made available to us.

If we are unable to maintain a consistent supply of quality inventory for any reason, our business, advertiser retention and loyalty, financial condition and results of operations would be harmed.

Currently, our social media offering is entirely dependent on access to Facebook's inventory through FBX. If our access to quality inventory in social media is diminished or if we fail to acquire new advertising inventory in social media, our growth could be impeded and our revenue could decline.

Our social media offering is currently limited to Facebook's FBX platform, which was launched in the second half of 2012. Therefore, we currently define our social channel as advertising delivered through FBX. We have an agreement with Facebook allowing us to integrate directly with FBX to bid on advertising inventory on a real-time basis. We integrated with FBX in the fourth quarter of 2012. As a result, our ability to grow our revenue in the social channel is closely tied to the availability of inventory on FBX. If we are unable to compete favorably for advertising inventory on FBX, our social media offering may not be successful. Also, we cannot provide assurance that Facebook will continue to make its advertising inventory available to us upon reasonable terms or at all, and we may not be able to replace the FBX advertising inventory with inventory that meets our advertisers' specific goals with respect to social media. In addition, advertisers may prefer to work with companies that provide advertising on social media platforms other than FBX or that have a longer history of integration with social media platforms. If we are unable to run advertising campaigns on the FBX platform, integrate with social media platforms that may become available in the future or find alternative sources of quality social media inventory, our business could be harmed.

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

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

We may invest in or acquire other businesses, which could require significant management attention, disrupt our business, dilute stockholder value and adversely affect our financial condition and results of operations.

As part of our business strategy, we may make investments in or acquisitions of complementary companies, products or technologies. These activities involve significant risks to our business. We may not be able to find suitable acquisition candidates, and we may not be able to complete such acquisitions on favorable terms, if at all. If we do complete acquisitions, they may not ultimately strengthen our competitive position. Any acquisitions we complete could be viewed negatively by our advertisers, advertising agencies and investors, which could have an adverse impact on our business and the price of our common stock. In addition, if we are unsuccessful at integrating employees or technologies acquired, our financial condition and results of operations, including revenue growth, could be adversely affected. Any acquisition and subsequent integration will require significant time and resources. We have not made any acquisitions to date, and as a result, our ability as an organization to acquire and integrate other companies, products or technologies in a successful manner is unproven. We may not be able to successfully evaluate and use the acquired technology or employees, or otherwise manage the acquisition and integration processes successfully. We will be required to pay cash, incur debt and/or issue equity securities to pay for any such acquisition, each of which could adversely affect our financial condition and the value of our common stock. Our use of cash to pay for acquisitions would limit other potential uses of our cash, including investments in our sales and marketing and product development organizations, and in infrastructure to support scalability. The issuance or sale of equity or convertible debt securities to finance any such acquisitions would result in dilution to our stockholders and could negatively impact earnings per share. If we incur debt, it would result in increased fixed obligations and could also impose covenants or other restrictions that could impede our ability to manage our operations.

Anticipated and unanticipated charges to earnings resulting from acquisitions may adversely affect our results of operations. Under business combination accounting standards we recognize the identifiable assets acquired and the liabilities assumed, generally at their acquisition date fair values and separately from goodwill. Our estimates of fair value are based upon assumptions believed to be reasonable but which are inherently uncertain. After we complete an acquisition, a number of factors could result in material charges, which could adversely affect our financial condition, results of operations and cash flows, including but not limited to costs incurred to integrate employees such as employee retention, redeployment or relocation expenses; amortization, impairment or reduction in the useful lives of intangible assets; amortization or impairment of goodwill; costs to maintain certain duplicative pre-merger activities for an extended period of time or to maintain these activities for a period of time that is longer than we had anticipated; and charges to our operating results due to the

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expensing of certain stock awards assumed in an acquisition. Substantially all of these costs will be accounted for as expenses that will decrease our net income and earnings per share for the periods in which those costs are incurred.

Additional risks related to investments and acquisitions include but are not limited to the following:

- The need to implement or remediate controls, procedures and policies appropriate for a public company in an acquired company that, prior to the acquisition, lacked these controls, procedures and policies;
- Unfavorable revenue recognition or other accounting or tax treatment as a result of an acquired company's practices;
- The need to integrate an acquired company's accounting, management information, human resource and other administrative systems to permit effective management and timely reporting;
- The possibility of higher than anticipated costs in continuing support and development of acquired products, in general and administrative functions that support new business models, or in compliance with associated regulations that are more complicated than we had anticipated;
- Cultural challenges associated with integrating employees from an acquired company or business into our organization;
- Retaining key employees and maintaining the key business and customer relationships of the businesses we acquire;
- The possibility that the combined company would not achieve the expected benefits, including any anticipated operating and product synergies, of the acquisition as quickly as anticipated if at all;
- The possibility that we will not discover important facts during due diligence for an acquisition that could have a material adverse impact on the value of the businesses we acquire and subject us to unexpected claims and liabilities, regulatory exposure and/or other expenses;
- Litigation or other claims in connection with, or inheritance of claims or litigation risks as a result of, an acquisition, including claims from terminated employees, customers or other third parties;
- Significant accounting charges resulting from the completion and integration of a sizable acquisition and increased capital expenditures;
- Significant acquisition-related accounting adjustments that may cause reported revenue and profits of the combined company to be lower than the sum of their stand-alone revenue and profits;
- The possibility that the costs of, or operational difficulties arising from, an acquisition would be greater than anticipated;
- To the extent that we engage in strategic transactions outside of the United States, we face additional risks, including risks related to integration of operations across different cultures and languages, currency risks and the particular economic, political and regulatory risks associated with specific countries; and

The possibility that a change of control of a company we acquire triggers a termination of contractual or intellectual property rights important to the operation of its business.

Any of the foregoing factors could harm our financial condition or prevent us from achieving improvements in our financial condition and operating performance that could have otherwise been

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achieved by us on a stand-alone basis. Our stockholders may not have the opportunity to review, vote on or evaluate future acquisitions or investments.

Our sales and marketing efforts require significant investment, which may not yield returns in the foreseeable future, if at all.

We have invested significant resources in our sales and marketing teams to educate potential and prospective advertisers and advertising agencies about the value of our solution. Real-time bidding through real-time advertising exchanges is still a small part of the overall display, mobile, social and video digital advertising markets. We often spend substantial time and resources explaining how our solution can optimize advertising campaigns in real time, and responding to requests for proposals from potential advertisers and their advertising agencies, including developing material specific to the needs of such potential advertisers. Our business depends in part upon advertisers' confidence, and the confidence of the advertising agencies that represent those advertisers, that our use of real-time advertising exchanges to purchase inventory is superior to other methods of purchasing digital advertising. We may not be successful in attracting new advertisers despite our investment in our business development, sales and marketing organizations.

If we do not effectively grow and train our sales team, we may be unable to add new customers or increase sales to our existing customers, and our business would be adversely affected.

We continue to be substantially dependent on our sales team to obtain new customers and to drive sales from our existing customers. We believe that there is significant competition for sales 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 personnel to support our growth. Our current sales team is primarily trained and experienced in selling to advertising agencies, which often control an advertiser's budget. If more of our business shifts to direct relationships with brand advertisers, we may not have an adequately trained sales team to support that shift and to sell products effectively to those advertisers. New hires require significant training and it may take significant 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, as we continue to grow rapidly, a large percentage of our sales team will be new to the company and our solution. If we are unable to hire and train sufficient numbers of effective sales personnel, or the sales personnel are not successful in obtaining new customers or increasing sales to our existing customer base, our business would be adversely affected.

Our growth depends, in part, on the success of our strategic relationships with third parties, including ready access to hardware in key locations to facilitate the delivery of our solution and reliable management of Internet traffic.

We anticipate that we will continue to depend on various third-party relationships in order to grow our business. We continue to pursue additional relationships with third parties, such as technology and content providers, real-time advertising exchanges, market research companies, co-location facilities and other strategic partners. Identifying, negotiating and documenting relationships with third parties requires significant time and resources as does integrating third-party data and services. Our agreements with channel partners and providers of technology, computer hardware, co-location facilities, content and consulting services and real-time advertising exchanges are typically non-exclusive, do not prohibit them from working with our competitors or from offering competing services and do not typically have minimum purchase commitments. Our competitors may be effective in providing incentives to third parties to favor their products or services over ours or to otherwise prevent or reduce purchases of our solution. In addition, these third parties may not perform as expected under

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our agreements with them, and we may have disagreements or disputes with such third parties, which could negatively affect our brand and reputation.

In particular, our continued growth depends on our ability to source computer hardware, including servers built to our specifications, and the ability to locate those servers and related hardware in co-location facilities in the most desirable locations to facilitate the timely delivery of our services. Disruptions in the services provided at co-location facilities that we rely upon can degrade the level of services that we can provide, which could harm our business. We also rely on our integration with many third-party technology providers to execute our business on a daily basis. We must efficiently direct a large amount of network traffic to and from our servers to consider tens of billions of bid requests per day, and each bid typically must take place in approximately 100 milliseconds. We rely on a third-party domain name service, or DNS, to direct traffic to our closest data center for efficient processing. If our DNS provider experiences disruptions or performance problems, this could result in inefficient balancing of traffic across our servers as well as impairing or preventing web browser connectivity to our site, which could harm our business.

Our solution relies on third-party open source software components, and failure to comply with the terms of the underlying open source software licenses could restrict our ability to sell our solution.

Our platform, including our computational infrastructure, relies on software licensed to us by third-party authors under "open source" licenses. The use of open source software may entail greater risks than the use of third-party commercial software, as open source licensors generally do not provide warranties or other contractual protections regarding infringement claims or the quality of the code. Some open source licenses contain requirements that we make available source code for modifications or derivative works we create based upon the type of open source software we use. If we combine our proprietary software with open source software in a certain manner, we could, under certain open source licenses, be required to release the source code of our proprietary software to the public. This would allow our competitors to create similar solutions with less development effort and time and ultimately put us at a competitive disadvantage.

Although we monitor our use of open source software to avoid subjecting our products to conditions we do not intend, the terms of many open source licenses have not been interpreted by United States courts, and there is a risk that these licenses could be construed in a way that could impose unanticipated conditions or restrictions on our ability to commercialize our services. Moreover, we cannot guarantee that our processes for controlling our use of open source software will be effective. If we are held to have breached the terms of an open source software license, we could be required to seek licenses from third parties to continue operating our platform on terms that are not economically feasible, to re-engineer our platform or the supporting computational infrastructure to discontinue use of certain code, or to make generally available, in source code form, portions of our proprietary code, any of which could adversely affect our business, financial condition and results of operations.

Failure to comply with industry self-regulation could harm our brand, reputation and business.

We have committed to complying with the Network Advertising Initiative's Code of Conduct and the Digital Advertising Alliance's Self-Regulatory Principles for Online Behavioral Advertising in the United States, as well as similar self-regulatory principles in Europe adopted by the Interactive Advertising Bureau Europe and the European Digital Advertising Alliance. Our efforts to comply with these principles include offering Internet users notice and transparency when advertising is served to them based, in part, on web browsing data recorded by cookies. We also offer Internet users the ability to opt out of receiving interest-based advertisements based on a cookie we place. However, we have made mistakes in our implementation of these guidelines in the past, and if we make mistakes in the future, or our opt out mechanisms fail to work as designed, or if Internet users misunderstand our

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technology or our commitments with respect to these principles, we could be subject to negative publicity, government investigation, government or private litigation, or investigation by self-regulatory bodies or other accountability groups. Any such action against us could be costly and time consuming, require us to change our business practices, cause us to divert management's attention and our resources and be damaging to our reputation and our business.

If we fail to maintain adequate security and supporting infrastructure as we scale our systems, we may experience outages and disruptions of our services which could harm our brand and reputation and negatively impact our revenue and results of operations.

As we grow our business, we expect to continue to invest in technology services, hardware and software, including data centers, network services, storage and database technologies. Creating the appropriate support for our technology platform, including Big Data and our computational infrastructure, is expensive and complex, and our execution could result in inefficiencies or operational failures and increased vulnerability to cyber-attacks, which, in turn, could diminish the quality of our services and our performance for advertisers. Cyber-attacks could include denial-of-service attacks impacting service availability (including the ability to deliver ads) and reliability; the exploitation of software vulnerabilities in Internet facing applications; social engineering of system administrators (tricking company employees into releasing control of their systems to a hacker); or the introduction of computer viruses or malware into our systems with a view to steal confidential or proprietary data. Cyber-attacks of increasing sophistication may be difficult to detect and could result in the theft of our intellectual property and our data or our advertisers' data. In addition, we are vulnerable to unintentional errors as well as malicious actions by persons with authorized access to our systems that exceed the scope of their access rights, or unintentionally or intentionally alter parameters or otherwise interfere with the intended operations of our platform. The steps we take to increase the reliability, integrity and security of our systems as they scale may be expensive and may not prevent system failures or unintended vulnerabilities resulting from the increasing number of persons with access to our systems, complex interactions within our technology platform and the increasing number of connections with third party partners and vendors' technology. Operational errors or failures or successful cyber-attacks could result in damage to our reputation and loss of current and new advertisers and other business partners which could harm our business. In addition, we could be adversely impacted by outages and disruptions in the online platforms of our key business partners, such as the real-time advertising exchanges, who we rely upon for access to inventory.

Errors or failures in our software and systems could adversely affect our operating results and growth prospects.

We depend upon the sustained and uninterrupted performance of our technology platform to operate over 1,000 campaigns at any given time; manage our inventory supply; bid on inventory for each campaign; serve or direct a third party to serve advertising; collect, process and interpret data to optimize campaign performance in real time; and provide billing information to our financial systems. If our technology platform cannot scale to meet demand, or if there are errors in our execution of any of these functions on our platform, then our business could be harmed. Because our software is complex, undetected errors and failures may occur, especially when new versions or updates are made. We do not have the capability to test new releases or updates to our code on a small subset of campaigns, which means that bugs or errors in code could impact all campaigns on our platform. Despite testing by us, errors or bugs in our software have in the past, and may in the future, not be found until the software is in our live operating environment. For example, we have experienced failures in our bidding system to recognize or respond to budget restrictions for campaigns, resulting in overspending on media, and we may in the future have failures in our systems that cause us to buy more media than our advertisers are contractually obligated to pay for, which could be costly and harm our operating results. Errors or failures in our software could also result in negative publicity, damage to our brand and reputation, loss of or delay in market acceptance of our solution, increased costs or loss of revenue, loss of competitive position or claims by advertisers for losses sustained by them. In such an event, we may be required or choose to expend additional resources to help mitigate any problems resulting from errors in our software. We may make errors in the measurement of our campaigns causing discrepancies with our advertisers' measurements leading to a lack in confidence with us or, on occasion, the need for advertiser "make-goods," the standard credits given to advertisers for campaigns that have not been delivered properly. Alleviating problems resulting from errors in our software could require significant expenditures of capital and other resources and could cause interruptions, delays or the cessation of our business, any of which would adversely impact our financial position, results of operations and growth prospects.

We may require additional capital to support growth, and such capital might not be available on terms acceptable to us, if at all. This could hamper our growth and adversely affect our business.

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

Our future success depends on the continuing efforts of our key employees, including our three founders, and on our ability to hire, train, motivate and retain additional employees, including key employees.

Our future success depends heavily upon the continuing services of our key employees, including our three founders, George John, our Chief Executive Officer; Richard Frankel, our President; and Abhinav Gupta, our Vice President, Engineering, and on our ability to attract and retain members of our management team and other highly skilled employees, including software engineers, analytics and operations employees and sales professionals. The market for talent in our key areas of operations, including California, New York, Chicago and London, is intensely competitive. Our engineering group is based in Redwood City, California, and we face significant competition for talent from large technology companies such as Google, Facebook, LinkedIn, Twitter and Yahoo!. These companies may provide more generous benefits, more diverse opportunities and better chances for career advancement than we do. Some of these advantages may be more appealing to high-quality candidates than those we have to offer. None of our founders or other key employees has an employment agreement for a specific term, and any of our employees may terminate his or her employment with us at any time.

New employees often require significant training and, in many cases, take significant time before they achieve full productivity. As a result, we may incur significant costs to attract and retain employees, including significant expenditures related to salaries and benefits and compensation expenses related to equity awards, and we may lose new employees to our competitors or other companies before we realize the benefit of our investment in recruiting and training them. Moreover, new employees may not be or become as productive as we expect, as we may face challenges in adequately or appropriately integrating them into our workforce and culture. In addition, as we move into new geographies, we will need to attract and recruit skilled employees in those areas. We have little experience with recruiting in geographies outside of the United States, and may face additional challenges in attracting, integrating and retaining international employees.

Even if we are successful in hiring qualified new employees, we may be subject to allegations that we have improperly solicited such employees while they remained employed by our competitors, that such employees have improperly solicited other colleagues of theirs employed by the same competitors or that such employees have divulged proprietary or other confidential information to us in violation of their agreements with such competitors. If we are unable to attract, integrate and retain suitably qualified individuals, our business, financial position and results of operations would be harmed.

Our corporate culture has contributed to our success. If we cannot maintain it as we grow, we could lose the innovation, creativity and teamwork fostered by our culture, and our business could be harmed.

We are undergoing rapid growth. We had approximately 619 employees (532 in the United States and 87 employees overseas), compared with approximately 289 employees (254 and 35 employees, respectively), as of December 31, 2013 and 2012, respectively. We intend to further expand our overall headcount and operations both domestically and internationally, and we cannot provide assurance that we will be able to do so while effectively maintaining our corporate culture. We believe our corporate culture has been a critical component of our success as we believe it fosters innovation, teamwork, passion for customers and focus on execution, while facilitating knowledge sharing across our organization. As we grow and change, we may find it difficult to preserve our corporate culture, which could reduce our ability to innovate and operate effectively. In turn, the failure to preserve our culture could negatively affect our ability to attract, recruit, integrate and retain employees, continue to perform at current levels and effectively execute our business strategy.

Our historical revenue growth has masked seasonal fluctuations in advertising activity. As growth declines or seasonal patterns become more pronounced, seasonality could have a material impact on our cash flows and operating results.

Our revenue, cash flow from operations, operating results and other key operating and performance metrics may vary from quarter to quarter due to the seasonal nature of our advertisers' spending on digital advertising campaigns. For example, advertisers tend to devote more of their advertising budgets to the fourth calendar quarter to coincide with consumer holiday spending. Moreover, advertising inventory in the fourth quarter may be more expensive due to increased demand for advertising inventory. Our historical revenue growth has masked the impact of seasonality, but if our growth rate declines or seasonal spending becomes more pronounced, seasonality could have a material impact on our revenue, cash flow, operating results and other key operating and performance metrics from period to period.

We rely predominately on advertising agencies to purchase our solution on behalf of advertisers, and we incur the cost of an advertising campaign before we bill for services. Such agencies may have or develop high-risk credit profiles, which may result in credit risk to us.

We must consider the effect of credit risk in transactions with agencies or other third parties and advertisers. A substantial portion of our business is sourced through advertising agencies, and we contract with these agencies as an agent for a disclosed principal, which is the advertiser. Typically, the advertising agency pays for our services once it has received payment from the advertiser for our services. Our contracts typically provide that if the advertiser does not pay the agency, the agency is not liable to us, and we must seek payment solely from the advertiser. Contracting with these agencies, which in certain cases have or may develop high-risk credit profiles, subjects us to greater credit risk than where we contract with advertisers directly. This credit risk may vary depending on the nature of an advertising agency's aggregated advertiser base. In the quarter ended September 30, 2013, one of the agencies with which we conducted business filed for bankruptcy, which resulted in bad debt expense in the period. There can be no assurances that we will not experience additional bad debt expense in the future. Any such write-offs for bad debt could have a materially negative effect on our results of operations for the periods in which the write-offs occur. Even if we are not paid, we are still obligated to pay for the media we have purchased for the advertising campaign, and as a consequence, our results of operations and financial condition could be adversely impacted.

Fluctuations in the exchange rates of foreign currencies could result in currency transaction losses that negatively impact our financial results.

We currently have foreign sales denominated in British pounds, euros, Japanese yen and Canadian dollars and may, in the future, have sales denominated in the currencies of additional countries in which we establish or have established sales offices. In addition, we incur a portion of our operating expenses in British pounds, euros, Canadian dollars and Hong Kong dollars. We expect international sales to become an increasingly important part of our business. Any fluctuation in the exchange rates of these foreign currencies could negatively impact our business, financial condition and results of operations. We have not previously engaged in foreign currency hedging. If we decide to hedge our foreign currency exposure, we may not be able to hedge effectively due to lack of experience, unreasonable costs or illiquid markets. In addition, those activities may be limited in the protection they provide us from foreign currency fluctuations and can themselves result in losses.

Legislation and regulation of online businesses, including privacy and data protection regimes, could create unexpected costs, subject us to enforcement actions for compliance failures, or cause us to change our technology platform or business model, which could have a material adverse effect on our business.

Government regulation could increase the costs of doing business online. U.S. and foreign governments have enacted or are considering legislation related to online advertising and we expect to see an increase in legislation and regulation related to advertising online, the use of geo-location data to inform advertising, the collection and use of anonymous Internet user data and unique device identifiers, such as IP address or unique mobile device identifiers, and other data protection and privacy regulation. Recent revelations about bulk online data collection by the National Security Agency, and news articles suggesting that the National Security Agency may gather data from cookies placed by Internet advertisers to deliver interest based advertising, may further interest governments in legislation regulating data collection by commercial entities, such as advertisers and publishers and technology companies that serve the advertising industry. Such legislation could affect the costs of doing business online, and could reduce the demand for our solution or otherwise harm our business, financial condition and results of operations. For example, a wide variety of provincial, state, national and international laws and regulations apply to the collection, use, retention, protection, disclosure, transfer and other processing of personal data. While we have not collected data that is traditionally considered personal data, such as name, email address, address, phone numbers, social security numbers, credit card numbers, financial or health data, we typically do collect and store IP addresses and other device identifiers, that are or may be considered personal data in some jurisdictions or otherwise may be the subject of legislation or regulation. Evolving and changing definitions of personal data, within the EU, the United States and elsewhere, especially relating to classification of IP addresses, machine or device identifiers, location data and other information, have in the past and could cause us in the future, to change our business practices, or limit or inhibit our ability to operate or expand our business. Data protection and privacy-related laws and regulations are evolving and could result in ever-increasing regulatory and public scrutiny and escalating levels of enforcement and sanctions. While we take measures to protect the security of information that we collect, use and disclose in the operation of our business, and to offer certain privacy protections with respect to such information, such measures may not always be effective. In addition, while we take steps to avoid

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collecting personally identifiable information about consumers, we may inadvertently receive this information from advertisers or advertising agencies or through the process of delivering advertising. Our failure to comply with applicable laws and regulations, or to protect personal data, could result in enforcement action against us, including fines, imprisonment of our officers and public censure, claims for damages by consumers and other affected individuals, damage to our reputation and loss of goodwill, any of which could have a material adverse impact on our business, financial condition and results of operations. Even the perception of privacy concerns, whether or not valid, could harm our reputation and inhibit adoption of our solution by current and future advertisers and advertising agencies.

Our proprietary rights may be difficult to enforce. This could enable others to copy or use aspects of our solution without compensating us, which could erode our competitive advantages and harm our business.

Our success depends, in part, on our ability to protect proprietary methods and technologies that we develop under the intellectual property laws of the United States, so that we can prevent others from using our inventions and proprietary information. If we fail to protect our intellectual property rights adequately, our competitors might gain access to our technology, and our business could be adversely affected. We rely on trademark, copyright, trade secret and patent laws, confidentiality procedures and contractual provisions to protect our proprietary methods and technologies. Our patent strategy is still in its early stages and while we have a small number of pending patent applications, valid patents may not be issued from our pending applications, and the claims eventually allowed on any patents may not be sufficiently broad to protect our technology or offerings and services. Any issued patents may be challenged, invalidated or circumvented, and any rights granted under these patents may not actually provide adequate defensive protection or competitive advantages to us. Additionally, the process of obtaining patent protection is expensive and time-consuming, and we may not be able to prosecute all necessary or desirable patent applications at a reasonable cost or in a timely manner. Additional uncertainty may result from changes to intellectual property legislation enacted in the United States, including the recent America Invents Act, and other national governments and from interpretations of the intellectual property laws of the United States and other countries by applicable courts and agencies. Accordingly, despite our efforts, we may be unable to obtain adequate patent protection, or to prevent third parties from infringing upon or misappropriating our intellectual property.

Unauthorized parties may attempt to copy aspects of our technology or obtain and use information that we regard as proprietary. We generally enter into confidentiality and/or license agreements with our employees, consultants, vendors and advertisers, and generally limit access to and distribution of our proprietary information. However, we cannot provide assurance that any steps taken by us will prevent misappropriation of our technology and proprietary information. Policing unauthorized use of our technology is difficult. In addition, the laws of some foreign countries may not be as protective of intellectual property rights as those of the United States, and mechanisms for enforcement of our proprietary rights in such countries may be inadequate. From time to time, legal action by us may be necessary to enforce our intellectual property rights, to protect our trade secrets, to determine the validity and scope of the proprietary rights of others, or to defend against claims of infringement. Such litigation could result in substantial costs and the diversion of limited resources and could negatively affect our business, financial condition and results of operations. If we are unable to protect our proprietary rights (including aspects of our technology platform) we may find ourselves at a competitive disadvantage to others who have not incurred the same level of expense, time and effort to create and protect their intellectual property.

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We may be subject to intellectual property rights claims by third parties, which are extremely costly to defend, could require us to pay significant damages and could limit our ability to use certain technologies.

Third parties may assert claims of infringement of intellectual property rights in proprietary technology against us or against our advertisers for which we may be liable or have an indemnification obligation. Any claim of infringement by a third party, even those without merit, could cause us to incur substantial costs defending against the claim and could distract our management from operating our business.

Although third parties may offer a license to their technology, the terms of any offered license may not be acceptable and the failure to obtain a license or the costs associated with any license could cause our business, financial condition and results of operations to be materially and adversely affected. In addition, some licenses may be non-exclusive, and therefore our competitors may have access to the same technology licensed to us. Alternatively, we may be required to develop non-infringing technology, which could require significant effort and expense and ultimately may not be successful. Furthermore, a successful claimant could secure a judgment or we may agree to a settlement that prevents us from distributing certain products or performing certain services or that requires us to pay substantial damages, including treble damages if we are found to have willfully infringed such claimant's patents or copyrights, royalties or other fees. Any of these events could seriously harm our business financial condition and results of operations.

Legal claims against us resulting from the actions of our advertisers could damage our reputation and be costly to defend.

We receive representations from advertisers that the content of the advertising that we place on their behalf is lawful. We also rely on representations from our advertisers that they maintain adequate privacy policies that allow us to place pixels on their websites and collect data from users that visit those websites to aid in delivering our solution. However, we do not independently verify whether we are permitted to deliver advertising to our advertisers' Internet users or that the content of the advertisements we deliver is legally permitted. If any of our advertisers' representations are untrue and our advertisers do not abide by foreign, federal, state or local laws or regulations governing their content or privacy practices, we could become subject to legal claims against us, we could be exposed to potential liability (for which we may or may not be indemnified by our customers), and our reputation could be damaged.

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

Our agreements with advertisers, advertising agencies, 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, damages caused by us to property or persons, 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 would harm our business, financial condition and results of operations.

We have identified material weaknesses in our internal controls in the past, and if we do not continue to develop effective internal controls, we may not be able to accurately report our financial results or prevent fraud, and our business could suffer as a result.

When we are no longer an "emerging growth company," as defined in the JOBS Act, we will be required, pursuant to Section 404 of the Sarbanes-Oxley Act, to furnish a report by management on, among other things, the effectiveness of our internal controls over financial reporting. We will need to

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disclose any material weaknesses (as defined by SEC rules) in our internal controls over financial reporting that are identified by our management, as well as provide a statement that our independent registered public accounting firm has issued an opinion on our internal controls over financial reporting. Our independent registered public accounting firm will not be required to formally attest to the effectiveness of our internal controls over financial reporting until our first annual report filed with the SEC following the later of (i) the date we are deemed to be an "accelerated filer" or a "large accelerated filer," each as defined in the Securities Exchange Act of 1934, as amended, or the Exchange Act, or (ii) the date we are no longer an emerging growth company.

In connection with the audit of our financial statements for the year ended December 31, 2010, we identified certain material weaknesses in our internal controls resulting from a lack of qualified personnel within our accounting function that possessed an appropriate level of expertise to perform certain functions. We have since remediated these material weaknesses. We are continuing to develop our internal controls, processes and reporting systems to comply with these requirements, by, among other things, hiring qualified personnel with expertise to perform specific functions, implementing software systems to manage our revenue and expenses and to allow us to budget and undertake multi-year financial planning and analyses. This process has been and will be time-consuming, costly and complicated. We may not be successful in implementing these systems or in developing other internal controls, which could undermine our ability to provide accurate, timely and reliable reports on our financial and operating results. For example, in connection with filing a registration statement for our initial public offering, errors were identified in the unaudited consolidated statement of cash flows for the six months ended June 30, 2012. We have since corrected these errors and concluded that such corrections were immaterial. However, if we identify additional errors that result in material weaknesses in our internal controls over financial reporting and we do not detect errors on a timely basis, and our financial statements could be materially misstated. If we identify new material weaknesses in our internal controls over financial reporting, if we are unable to comply with the requirements of Section 404 in a timely manner, if we are unable to assert that our internal controls over financial reporting are effective, or if our independent registered public accounting firm is unable to express an opinion as to the effectiveness of our internal controls over financial reporting, investors could lose confidence in the accuracy and completeness of our financial reports and the market price of our common stock could be negatively affected. As a result of any such failures, we could also become subject to investigations by the NASDAQ Global Select Market, the SEC, or other regulatory authorities, and become subject to lawsuits by stockholders, which could harm our reputation and financial condition or divert financial and management resources from our core business.

Economic downturns and political and market conditions beyond our control could adversely affect our business, financial condition and results of operations.

Our business depends on the overall demand for advertising and on the economic health of our current and prospective advertisers. Economic downturns or instability in political or market conditions may cause current or new advertisers to reduce their advertising budgets. Adverse economic conditions and general uncertainty about economic recovery are likely to affect our business prospects. In particular, uncertainty regarding the budget crisis in the United States may cause general business conditions in the United States and elsewhere to deteriorate or become volatile, which could cause advertisers to delay, decrease or cancel purchases of our solution, This could expose us to increased credit risk on advertiser orders, which, in turn, could negatively impact our business, financial condition and results of operations. In addition, concerns over the sovereign debt situation in certain countries in the EU as well as continued geopolitical turmoil in many parts of the world have, and may continue to, put pressure on global economic conditions, which could lead to reduced spending on advertising.

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If our estimates or judgments relating to our critical accounting policies are based on assumptions that change or prove to be incorrect, our operating results could fall below the expectations of investors and securities analysts, which could result in a decline in our stock price.

The preparation of financial statements in conformity with generally accepted accounting principles, or GAAP, requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances (as described in the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations"), the results of which form the basis for making judgments about the carrying values of assets, liabilities, equity, revenue and expenses that are not readily apparent from other sources. Our operating results could be adversely affected if our assumptions change or if actual circumstances differ from those in our assumptions. If, as a result, our operating results fall below the expectations of investors and securities analysts, our stock price could decline. Significant assumptions and estimates used in preparing our consolidated financial statements include those related to revenue recognition, stock-based compensation, allowance for doubtful accounts, accounting for internal use software and income taxes.

Our loan agreement contains operating and financial covenants that restrict our business and financing activities.

Borrowings under our loan agreement with certain lenders and Comerica Bank, or Comerica, as agent for the lenders, are secured by substantially all of our assets, including our intellectual property. Our loan agreement also restricts our ability to, among other things:

- dispose of or sell our assets;
- make material changes in our business or management;
- consolidate or merge with other entities;
- incur additional indebtedness;
- create liens on our assets;
- pay dividends;
- make investments;
- enter into transactions with affiliates; and
- pay off or redeem subordinated indebtedness.

These restrictions are subject to certain exceptions. In addition, our loan agreement requires us to comply with a minimum EBITDA covenant and maintain a minimum liquidity ratio.

The operating and financial restrictions and covenants in the loan agreement, as well as any future financing agreements that we may enter into, could restrict our ability to finance our operations and to engage in, expand or otherwise pursue business activities and strategies that we or our stockholders may consider beneficial. We have failed to comply with similar covenants in the past. For example, as of December 31, 2012 and September 30, 2013, we were not in compliance with certain financial and non-financial covenants in prior secured loan and security agreements, including a covenant related to permitted indebtedness for a corporate credit card account balance. Although we have been able to obtain a waiver for each such covenant violation in the past, there is no guarantee that our lender will waive such violations in the future. Our ability to comply with these covenants may be affected by events beyond our control, and future breaches of any of these covenants could result in a default under the loan agreement. Future defaults, if not waived, could cause all of the outstanding indebtedness under our loan agreement to become immediately due and payable and would permit the

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lenders to terminate all commitments to extend further credit and permit Comerica, on behalf of the lenders, to proceed against the collateral in which we granted Comerica a security interest.

If we do not have or are unable to generate sufficient cash available to repay our debt obligations when they become due and payable, either upon maturity or in the event of a default, we may not be able to obtain additional debt or equity financing on favorable terms, if at all. This could materially and adversely affect our liquidity and financial condition and our ability to operate and continue our business as a going concern.

Our ability to use our net operating losses to offset future taxable income may be subject to certain limitations, which could subject our business to higher tax liability.

We may be limited in the portion of net operating loss carry-forwards that we can use in the future to offset taxable income for U.S. federal and state income tax purposes. At December 31, 2013, we had U.S. federal net operating loss carry-forwards, or NOLs, of $43.9 million and state NOLs of $18.4 million. A lack of future taxable income would adversely affect our ability to utilize these NOLs. In addition, under Section 382 of the Internal Revenue Code of 1986, as amended, or the Code, a corporation that undergoes an "ownership change" is subject to limitations on its ability to utilize its NOLs to offset future taxable income. We believe that we experienced an ownership change under Section 382 of the Code in prior years that may limit our ability to utilize a portion of the NOLs. As a result of the ownership change, we estimate that the utilization of U.S. federal NOLs of $11.7 million and state NOLs of $10.5 million are subject to annual limitations under Section 382. In addition, future changes in our stock ownership could result in additional ownership changes under Section 382 of the Code. Our NOLs may also be impaired under similar provisions of state law. We have recorded a full valuation allowance related to our NOLs and other net deferred tax assets due to the uncertainty of the ultimate realization of the future benefits of those assets. Our NOLs may expire unutilized or underutilized, which would prevent us from offsetting future taxable income.

The forecasts of market growth included in this Annual Report on Form 10-K may prove to be inaccurate, and even if the market in which we compete achieves the forecasted growth, we cannot assure you our business will grow at similar rates, if at all.

Growth forecasts are subject to significant uncertainty and are based on assumptions and estimates that may not prove to be accurate. The forecasts in this Annual Report on Form 10-K relating to the expected growth in the digital advertising and real-time buying markets may prove to be inaccurate. For more information regarding the forecasts of market growth included in this Annual Report on Form 10-K, see the "Business" section entitled " Overview" and " Our Market Opportunity".

We have broad discretion in the use of net proceeds that we received in the Follow-on Offering, and if we do not use those proceeds effectively, your investment could be harmed.

Our management will have broad discretion over the specific use of the net proceeds that we received in the Follow-on Offering and might not be able to obtain a significant return, if any, on investment of these net proceeds. Stockholders will need to rely upon the judgment of our management with respect to the use of proceeds. If we do not invest and use the net proceeds that we received in the Follow-on Offering and our initial public offering effectively, our business, financial condition and results of operations could be harmed.

Our liquidity could be adversely impacted by adverse conditions in the financial markets.

As of December 31, 2013, we had $113.9 million in cash and cash equivalents. At any point in time, we have funds in our operating accounts that are with third party financial institutions that exceed the Federal Deposit Insurance Corporation, or FDIC, insurance limits. These cash balances could be impacted if the underlying financial institutions fail or become subject to other adverse conditions in

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the financial markets. Portions of the proceeds from our initial public offering are invested in our operating accounts with third party financial institutions in amounts that exceed FDIC insurance limits.

Our business is subject to the risk of earthquakes, fire, power outages, floods and other catastrophic events, and to other interruptions due to natural or human causes.

We maintain servers at co-location facilities in California, New Jersey, Nevada, Virginia, Germany, the Netherlands and Hong Kong that we use to deliver advertising campaigns for our advertisers, and expect to add other data centers at co-location facilities in the future. Any of our facilities may be harmed or rendered inoperable by natural or man-made disasters, including earthquakes, tornadoes, hurricanes, fires, floods, nuclear disasters, war, acts of terrorism, vandalism or other criminal activities, infectious disease outbreaks and power outages, any of which could render it difficult or impossible for us to operate our business for some period of time. For example, in October 2012, Hurricane Sandy caused our former data center in New York to cease operations because of storm damage, which caused us to divert online traffic to other facilities. Our corporate headquarters and the co-location facility where we maintain data used in our business operations are both located in the San Francisco Bay Area, a region known for seismic activity. If we were to lose the data stored in our California co-location facility, it could take several weeks, if not months, to recreate this data from multiple sources, which could result in significant negative impact on our business operations, and potential damage to our advertiser and advertising agency relationships. Our facilities would likely be costly to repair or replace, and any such efforts would likely require substantial time. Any disruptions in our operations could negatively impact our business and results of operations, and harm our reputation. In addition, we may not carry sufficient business interruption insurance to compensate for the losses that may occur. Any such losses or damages could have a material adverse effect on our business, financial condition and results of operations.

Risks Related to the Securities Markets and Ownership of Our Common Stock

The price of our common stock has been volatile and the value of your investment could decline.

Technology stocks have historically experienced high levels of volatility. The trading price of our common stock has, and is likely going to continue to fluctuate substantially. Since our initial public offering in September 2013, our common stock has ranged in price from $37.81 to $71.89. These fluctuations could cause you to lose all or part of your investment in our common stock. Factors that could cause fluctuations in the trading price of our common stock include the following:

- announcements of financial results, new offerings, products, services or technologies, commercial relationships, acquisitions or other events by us, our competitors or others in our industry sector;
- price and volume fluctuations in the overall U.S. and foreign stock markets from time to time;
- significant volatility in the market price and trading volume of technology companies in general and of companies in the digital advertising industry in particular;
- fluctuations in the trading volume of our shares or the size of our public float;
- actual or anticipated changes or fluctuations in our results of operations;
- whether our results of operations meet the expectations of investors or securities analysts;
- actual or anticipated changes in the expectations of investors or securities analysts;
- litigation involving us, our industry, or both;

regulatory developments in the United States, foreign countries, or both;

general economic conditions and trends;

- major catastrophic events;
- lockup releases and subsequent sales of large blocks of our common stock;
- departures of key employees; or
- an adverse impact on the company from any of the other risks cited herein.

In addition, if the market for technology stocks or the stock market, in general, experience a loss of investor confidence, the trading price of our common stock could decline for reasons unrelated to our business, results of operations or financial condition. The trading price of our common stock might also decline in reaction to events that affect other companies in our industry even if these events do not directly affect us. In the past, following periods of volatility in the market price of a company's securities, securities class action litigation has often been brought against that company. If our stock price continues to be volatile, we may become the target of securities litigation. Securities litigation could result in substantial costs and divert our management's attention and resources from our business. This could have a material adverse effect on our business, financial condition and results of operations.

Sales of substantial amounts of our common stock in the public markets, including when the "lock-up" or "market standoff" period ends, or the perception that sales might occur, could reduce the price of our common stock and may dilute your voting power and your ownership interest in us.

Sales of a substantial number of shares of our common stock in the public market, or the perception that these sales could occur, could adversely affect the market price of our common stock and may make it more difficult for you to sell your common stock at a time and price that you deem appropriate. Based on the total number of outstanding shares of our common stock as of December 31, 2013, and assuming the issuance of 233,048 shares of common stock up the exercise of vested stock options held by certain selling stockholders, upon completion of the Follow-on Offering, there were 35,059,040 shares of common stock outstanding. All of the shares of common stock sold in the Follow-on Offering will be freely tradable without restrictions or further registration under the Securities Act of 1933, as amended, or the Securities Act, except for any shares held by our "affiliates" as defined in Rule 144 under the Securities Act.

Subject to certain exceptions, we and all of our directors and officers and substantially all of our stockholders have agreed not to offer, sell or agree to sell, directly or indirectly, any shares of common stock without the permission of the representatives of the underwriters for a period of 180 days from the date of our initial public offering. In addition, the shares of common stock purchased by The Private Equity Group of J.P. Morgan Investment Management Inc., on behalf of an advised client account, are subject to lock-up restrictions and may not be sold for a period of 180 days from the date of the initial public offering.

Subject to certain exceptions, we and the selling stockholders in the Follow-on Offering have agreed not to offer, sell or agree to sell, directly or indirectly, any shares of common stock without the permission of the representatives of the underwriters for a period of 90 days from the date of the Follow-on Offering.

When the applicable lock-up periods expire, we and our locked-up security holders will be able to sell shares in the public market. In addition, the underwriters may, in their sole discretion, release all or some portion of the shares subject to lock-up agreements prior to the expiration of the lock-up period, as they did following our fourth quarter and fiscal 2013 earnings announcement in February 2014. The underwriters released the initial public offering lock-up with respect to 10% of employees' vested holdings as of February 25, 2014 (excluding employees who sold shares in the Follow-on Offering). Sales of a substantial number of such shares upon expiration of the lock-up, or the perception that such sales may occur, or another early release of the lock-up, could cause our share

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price to fall or make it more difficult for you to sell your common stock at a time and price that you deem appropriate.

Based on shares outstanding as of December 31, 2013, holders of up to approximately 22,725,962 shares, or approximately 65%, of our common stock after the Follow-on Offering, have rights, subject to some conditions, to require us to file registration statements covering the sale of their shares or to include their shares in registration statements that we may file for ourselves or other stockholders. We have also registered the offer and sale of all shares of common stock that we may issue under our equity compensation plans.

We may issue our shares of common stock or securities convertible into our common stock from time to time in connection with a financing, acquisition, investments or otherwise. Any such issuance could result in substantial dilution to our existing stockholders and cause the trading price of our common stock to decline.

The concentration of our capital stock ownership with insiders could limit your ability to influence the outcome of key transactions, including a change of control.

Our directors, executive officers and all of our stockholders who own greater than 5% of our outstanding common stock, in the aggregate, beneficially owned approximately 57% of the outstanding shares of our common stock after the Follow-on Offering, based on the number of shares outstanding as of December 31, 2013. As a result, these stockholders will be able to influence or control matters requiring approval by our stockholders, including the election of directors and the approval of mergers, acquisitions or other extraordinary transactions. They may also have interests that differ from yours and may vote in a manner that is adverse to your interests. This concentration of ownership may have the effect of deterring, delaying or preventing a change of control of our company, could deprive our stockholders of an opportunity to receive a premium for their common stock as part of a sale of our company and might ultimately affect the market price of our common stock.

The requirements of being a public company may strain our resources, divert our management's attention and affect our ability to attract and retain qualified board members.

As a public company, we are subject to the reporting requirements of the Exchange Act, and are required to comply with the applicable requirements of the Sarbanes-Oxley Act and the Dodd-Frank Wall Street Reform and Consumer Protection Act, the listing requirements of the NASDAQ Stock Market and other applicable securities rules and regulations. Compliance with these rules and regulations have increased our legal and financial compliance costs, made some activities more difficult, time-consuming or costly and increased demand on our systems and resources. Among other things, the Exchange Act requires that we file annual, quarterly and current reports with respect to our business and results of operations and maintain effective disclosure controls and procedures and internal controls over financial reporting. In order to maintain and, if required, improve our disclosure controls and procedures and internal controls over financial reporting to meet this standard, significant resources and management oversight may be required. As a result, management's attention may be diverted from other business concerns, which could harm our business and results of operations. Although we have already hired additional employees to comply with these requirements, we may need to hire even more employees in the future, which will increase our costs and expenses.

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

For so long as we remain an emerging growth company as defined in the JOBS Act, we may take advantage of certain exemptions from various requirements that are applicable to public companies that are not emerging growth companies, including not being required to comply with the independent auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act, reduced disclosure

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obligations regarding executive compensation in our periodic reports and proxy statements and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved. We may take advantage of these exemptions for so long as we are an emerging growth company, which could be as long as five years following the completion of our IPO. Investors may find our common stock less attractive because we rely on these exemptions. If some investors find our common stock less attractive as a result, there may be a less active trading market for our common stock, and our stock price may be more volatile and may decline.

In addition, Section 107 of the JOBS Act also provides that an emerging growth company can take advantage of an extended transition period for complying with new or revised accounting standards. However, we chose to "opt out" of the extended transition period, and as a result, we will comply with new or revised accounting standards on the relevant dates adoption of such standards is required for non-emerging growth companies. Our decision to opt out of the extended transition period for complying with new or revised accounting standards is irrevocable.

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

The trading market for our common stock will, to some extent, depend on the research and reports that securities or industry analysts publish about us or our business. We do not have any control over these analysts. If one or more of the analysts who cover us should downgrade our shares or change their opinion of our business prospects, our share price would likely decline. If one or more of these analysts ceases coverage of our company or fails to regularly publish reports on us, we could lose visibility in the financial markets, which could cause our share price or trading volume to decline.

We do not intend to pay dividends for the foreseeable future and, consequently, your ability to achieve a return on your investment will depend on appreciation in the price of our common stock.

We have never declared or paid any dividends on our common stock. We have an accumulated deficit in our stockholders' equity and have not generated income through 2013. In addition, our credit facility contains restrictions on our ability to pay dividends. We intend to retain any earnings to finance the operation and expansion of our business, and we do not anticipate paying any cash dividends in the future. As a result, you may only receive a return on your investment in our common stock if the market price of our common stock increases.

Our charter documents and Delaware law could discourage takeover attempts and lead to management entrenchment.

Our amended and restated certificate of incorporation and amended and restated bylaws contain provisions that could delay or prevent a change in control of our company. These provisions could also make it difficult for stockholders to elect directors that are not nominated by the current members of our board of directors or take other corporate actions, including effecting changes in our management. These provisions include:

- a classified board of directors with three-year staggered terms, which could delay the ability of stockholders to change the membership of a majority of our board of directors;

- the ability of our board of directors to issue shares of preferred stock and to determine the price and other terms of those shares, including preferences and voting rights, without stockholder approval, which could be used to significantly dilute the ownership of a hostile acquiror;

- the exclusive right of our board of directors to elect a director to fill a vacancy created by the expansion of our board of directors or the resignation, death or removal of a director, which prevents stockholders from being able to fill vacancies on our board of directors;

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- a prohibition on stockholder action by written consent, which forces stockholder action to be taken at an annual or special meeting of our stockholders;
- the requirement that a special meeting of stockholders may be called only by the chairman of our board of directors, our president, our secretary, or a majority vote of our board of directors, which could delay the ability of our stockholders to force consideration of a proposal or to take action, including the removal of directors;
- the requirement for the affirmative vote of holders of at least $66\frac{2}{3}\%$ of the voting power of all of the then-outstanding shares of the voting stock, voting together as a single class, to amend the provisions of our amended and restated certificate of incorporation relating to the management of our business or our amended and restated bylaws, which may inhibit the ability of an acquiror to effect such amendments to facilitate an unsolicited takeover attempt;
- the ability of our board of directors, by majority vote, to amend our amended and restated bylaws, which may allow our board of directors to take additional actions to prevent an unsolicited takeover and inhibit the ability of an acquiror to amend our amended and restated bylaws to facilitate an unsolicited takeover attempt; and
- advance notice procedures with which stockholders must comply to nominate candidates to our board of directors or to propose matters to be acted upon at a stockholders' meeting, which may discourage or deter a potential acquiror from conducting a solicitation of proxies to elect the acquiror's own slate of directors or otherwise attempting to obtain control of us.

In addition, as a Delaware corporation, we are subject to Section 203 of the Delaware General Corporation Law. These provisions may prohibit large stockholders, in particular those owning 15% or more of our outstanding voting stock, from merging or combining with us for a certain period of time.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

We maintain our principal office, totaling approximately 140,000 square feet, in Redwood City, California, under a lease that expires in 2019. We maintain additional leased spaces in several locations, including Chicago, El Segundo (Los Angeles), New York and San Francisco, domestically, as well as Hamburg and London, in Europe. We maintain sales offices in other locations globally. We intend to add additional facilities as we grow in order to accommodate the expansion of our operations in North America, Europe and elsewhere. We believe that our facilities are adequate to meet our needs for the immediate future, and that, should it be needed, we will be able to secure additional space to accommodate any such expansion of our operations.

ITEM 3. LEGAL PROCEEDINGS

We are not currently a party to any legal proceedings, litigation, or claims that could materially affect our business, results of operations, cash flows, or financial position. We may, from time to time, be party to litigation and subject to claims incident to the ordinary course of business. As our growth continues, we may become party to an increasing number of litigation matters and claims. The outcome of litigation and claims cannot be predicted with certainty, and the resolution of any future matters could materially affect our future financial position, results of operations or cash flows.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

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PART II

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

Market Information for Common Stock

Our common stock has been listed on the NASDAQ Global Select Market under the symbol "FUEL" since September 20, 2013. Prior to that date, there was no public trading market for our common stock. The following table sets forth for the periods indicated the high and low sale prices per share of our common stock as reported on the NASDAQ Global Select Market:

	High	Low
Fiscal 2013		
Third Quarter (from September 20, 2013)	$ 64.23	$ 50.90
Fourth Quarter	$ 68.56	$ 37.81

On February 20, 2014, the last reported sale price of our common stock on the NASDAQ Global Select Market was $52.77 per share.

Holders of Record

As of December 31, 2013, we had 185 holders of record of our common stock. The actual number of stockholders is greater than this number of record holders and includes stockholders who are beneficial owners but whose shares are held in street name by brokers and other nominees.

Dividend Policy

We have never declared or paid cash dividends on our common stock. We currently intend to retain all available funds and any future earnings for use in the operation of our business and do not anticipate paying any dividends on our common stock in the foreseeable future, if at all. Any future determination to declare dividends will be made at the discretion of our board of directors and will depend on our financial condition, results of operations, capital requirements, general business conditions and other factors that our board of directors may deem relevant. In addition, our loan agreement contains restrictions on our ability to pay dividends.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

None.

Recent Sale of Unregistered Securities

None.

Use of Proceeds

On September 25, 2013, we closed our initial public offering of 4,600,000 shares of our common stock, which included 600,000 shares of common stock sold by the selling stockholders upon the full exercise of the underwriters' overallotment option. The offer and sale of all of the shares in the initial public offering were registered under the Securities Act pursuant to a registration statement on Form S-1 (File No. 333-190695), which was declared effective by the SEC on September 19, 2013. Credit Suisse Securities (USA) LLC, Citigroup Global Markets Inc., BMO Capital Markets Corp., LUMA Securities LLC, Needham & Company, LLC, Oppenheimer & Co. Inc. and Piper Jaffray & Co. acted as the underwriters for the offering. The public offering price of the shares sold in the offering was $29.00 per share. We did not receive any proceeds from the sales of shares by the selling

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stockholders. The total gross proceeds from the offering to us were $116.0 million. After deducting underwriting discounts and commissions of $8.1 million and offering expenses payable by us of $4.6 million, we received approximately $103.3 million. There has been no material change in the planned use of proceeds from our initial public offering as described in our final prospectus filed with the SEC on September 20, 2013 pursuant to Rule 424(b) of the Securities Act.

Stock Performance Graph

This performance graph shall not be deemed "soliciting material" or to be "filed" with the SEC for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities under that Section, and shall not be deemed to be incorporated by reference into any filing of ours under the Securities Act of 1933, as amended.

The following graph shows a comparison from September 20, 2013 (the date our common stock commenced trading on the NASDAQ Global Select Market) through December 31, 2013 of the cumulative total return for our common stock, the Standard & Poor's 500 Stock Index (S&P 500 Index) and the Nasdaq Composite Index (NASDAQ Composite). The graph assumes that $100 was invested at the market close on September 20, 2013 in our common stock, the S&P 500 Index and the NASDAQ Composite, and the data for the S&P 500 Index and the NASDAQ Composite assumes reinvestments of dividends. As discussed above, we have never declared or paid a cash dividend on our common stock and do not anticipate declaring or paying a cash dividend in the foreseeable future. The stock price performance of the following graph is not necessarily indicative of future stock price performance.

COMPARISON OF CUMULATIVE TOTAL RETURN

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ITEM 6. SELECTED FINANCIAL DATA

You should read the following selected consolidated financial data in conjunction with Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operation," and our consolidated financial statements and the related notes included in Part II, Item 8, "Financial Statements and Supplementary Data" of this Annual Report on Form 10-K.

The consolidated statements of operations data for each of the years ended December 31, 2013, 2012, 2011 and 2010 and the consolidated balance sheets data as of December 31, 2013, 2012, 2011 and 2010 are derived from our audited consolidated financial statements included in Part II, Item 8, "Financial Statements and Supplementary Data" of this Annual Report on Form 10-K. Our historical results are not necessarily indicative of our results in any future period.

	Years Ended December 31,			
	2013	2012	2011	2010
	(in thousands, except per share data)			
Consolidated Statements of Operations Data:				
Revenue	$ 240,605	$ 106,589	$ 44,652	$ 16,527
Cost of revenue(1)	125,520	60,011	27,300	10,875
Gross profit	115,085	46,578	17,352	5,652
Operating expenses:				
Research and development(1)	17,714	4,876	1,545	1,039
Sales and marketing(1)	83,345	41,069	17,256	6,071
General and administrative(1)	28,708	8,403	2,336	1,521
Total operating expenses	129,767	54,348	21,137	8,631
Loss from operations	(14,682)	(7,770)	(3,785)	(2,979)
Other expense, net:				
Interest expense	(917)	(316)	(250)	(166)
Other income (expense) net	(308)	135	33	9
Change in fair value of convertible preferred stock warrant liability	(4,740)	(2,308)	(295)	(106)
Other expense, net	(5,965)	(2,489)	(512)	(263)
Loss before income taxes	(20,647)	(10,259)	(4,297)	(3,242)
Provision for income taxes	(285)	(84)	(28)	
Net loss	$ (20,932)	$ (10,343)	$ (4,325)	$ (3,242)
Basic and diluted net loss per share attributable to common stockholders(2)	$ (1.38)	$ (1.29)	$ (0.57)	$ (0.48)
	15,177	8,024	7,600	6,794

Basic and diluted weighted-average shares used to compute net loss per share attributable to common stockholders

(1) Includes stock-based compensation expense as follows:

	Years Ended December 31,			
	2013	2012	2011	2010
	(in thousands)			
Cost of revenue	$ 471	$ 37	$ 7	$
Research and development	2,308	734	8	13
Sales and marketing	4,482	1,100	66	20
General and administrative	3,581	1,450	83	8
	$ 10,842	$ 3,321	$ 164	$ 41

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(2)
See Note 10 to our consolidated financial statements for a description of the method used to compute basic and diluted net loss per share attributable to common stockholders.

	Years Ended December 31,			
	2013	2012	2011	2010
	(in thousands)			
Other Financial Data:				
Revenue less media costs(1)	$ 136,968	$ 55,920	$ 22,003	$ 7,209
Adjusted EBITDA(2)	$ 319	$ (2,981)	$ (3,125)	$ (2,869)

(1)
Revenue less media costs is a financial measure not presented in accordance with generally accepted accounting principles, or GAAP. We define revenue less media costs as GAAP revenue less media costs consisting of costs for advertising impressions we purchase from real-time advertising exchanges or other third parties. Please see " Non-GAAP Financial Measures Revenue less media costs" for more information as to the limitations of using non-GAAP measures and for the reconciliation of revenue less media costs to revenue, the most directly comparable financial measure calculated in accordance with GAAP.

(2)
Adjusted EBITDA is a non-GAAP financial measure. We define adjusted EBITDA as net loss before income tax (expense) benefit, interest expense, net, depreciation and amortization (excluding amortization of internal-use software), and stock-based compensation expense and change in fair value of convertible preferred stock warrant liability. Please see " Non-GAAP Financial Measures Adjusted EBITDA" for more information as to the limitations of using non-GAAP measures and for the reconciliation of adjusted EBITDA to net loss, the most directly comparable financial measure calculated in accordance with GAAP.

	As of December 31,			
	2013	2012	2011	2010
	(in thousands)			
Consolidated Balance Sheet Data:				
Cash and cash equivalents	$ 113,873	$ 14,896	$ 5,071	$ 8,523
Property, equipment and software, net	25,794	10,939	4,941	2,212
Working capital	140,850	37,935	12,962	11,192
Total assets	237,508	75,189	27,158	17,839
Debt obligations, current and non-current	26,811	6,966	4,379	2,736
Total stockholders' equity	143,167	40,863	13,388	10,982

Non-GAAP Financial Measures

Revenue Less Media Costs

Revenue less media costs is a non-GAAP financial measure defined as GAAP revenue less media costs consisting of costs for advertising impressions we purchase from real-time advertising exchanges or through other third parties. We present revenue less media costs as a metric used by us for evaluation and decision-making purposes. A limitation of revenue less media costs is that it is a measure that we have defined for internal purposes that may be unique to us, and therefore it may not enhance the comparability of our results to other companies in our industry that have similar business arrangements but present the impact of media costs differently. Management compensates for these limitations by also relying on the comparable GAAP financial measures of revenue, cost of revenue and

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total operating expenses. The following table presents a reconciliation of revenue less media costs to revenue for each of the periods indicated:

	Years Ended December 31,			
	2013	2012	2011	2010
	(in thousands)			
Revenue	$ 240,605	$ 106,589	$ 44,652	$ 16,527
Less: Media costs	103,637	50,669	22,649	9,318
Revenue less media costs	$ 136,968	$ 55,920	$ 22,003	$ 7,209

Adjusted EBITDA

To provide investors with additional information regarding our financial results, we have presented adjusted EBITDA, a non-GAAP financial measure. We have provided below a reconciliation of adjusted EBITDA to net loss, the most directly comparable GAAP financial measure.

We have presented adjusted EBITDA in this Annual Report on Form 10-K because it is a key measure used by our management and 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 the expenses eliminated 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 measure used by the compensation committee of our board of directors in connection with the determination of compensation for our executive officers and other employees. 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.

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 financial results as reported under GAAP. Some of these limitations are as follows:

- although depreciation and amortization of property and equipment (excluding amortization of internal-use software) 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: (i) changes in, or cash requirements for, our working capital needs; (ii) the potentially dilutive impact of equity-based compensation; or (iii) tax payments that may represent a reduction in cash available to us; and

- other companies, including companies in our industry, may calculate adjusted EBITDA or similarly titled measures differently, which reduces its usefulness as a comparative measure.

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Because of these and other limitations, you should consider adjusted EBITDA along with other GAAP-based financial performance measures, including various cash flow metrics, net income or loss, and our other GAAP financial results. The following table presents a reconciliation of adjusted EBITDA to net loss for each of the periods indicated:

	Years Ended December 31,			
	2013	2012	2011	2010
	(in thousands)			
Net loss	$ (20,932)	$ (10,343)	$ (4,325)	$ (3,242)
Adjustments:				
Interest expense, net	917	316	250	158
Income tax expense	285	84	28	
Depreciation and amortization expense (excluding amortization of internal-use software)	4,467	1,333	463	68
Stock-based compensation expense	10,842	3,321	164	41
Change in fair value of convertible preferred stock warrant liability	4,740	2,308	295	106
Total adjustments	21,251	7,362	1,200	373
Adjusted EBITDA	$ 319	$ (2,981)	$ (3,125)	$ (2,869)

Adjusted Net Loss

Adjusted net loss and adjusted diluted net loss per share are non-GAAP financial measures that are useful to us and investors because they present an additional measurement of our financial performance, taking into account depreciation, which we believe is an ongoing cost of doing business, but excluding the impact of certain non-cash expenses (e.g. stock-based compensation). We believe that investors and analysts use adjusted net income (loss) and adjusted diluted net income (loss) per share as supplemental measures to evaluate the overall operating performance of companies in our industry.

A limitation of adjusted net income (loss) is that our measurement of it may be unique to the Company and may not enhance the comparability of the Company's results to other companies in the same industry that define adjusted net income (loss) differently. This measure may also exclude expenses that may have a material impact on the Company's reported financial results. Our management compensates for these limitations by also considering the comparable GAAP financial measure of net income (loss).

	Years Ended December 31,			
	2013	2012	2011	2010
	(in thousands, except per share data)			
Net loss	$ (20,932)	$ (10,343)	$ (4,325)	$ (3,242)
Adjustments:				
Stock-based compensation expense	10,842	3,321	164	41
Change in fair value of convertible preferred stock warrant liability	4,740	2,308	295	106
Tax impact of the above items				
Adjusted net loss	$ (5,350)	$ (4,714)	$ (3,866)	$ (3,095)
Adjusted diluted net loss per share	$ (0.35)	$ (0.59)	$ (0.51)	$ (0.46)

Weighted average shares used in computing adjusted diluted net loss per share	15,177	8,024	7,600	6,794

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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 the consolidated financial statements included later 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 Annual Report on Form 10-K, particularly in "Risk Factors" and "Special Note Regarding Forward-Looking Statements."

Overview

Rocket Fuel is a technology company that has developed an Artificial Intelligence and Big Data-driven predictive modeling and automated decision-making platform. Our technology is designed to address the needs of markets in which the volume and speed of information render real-time human analysis infeasible. We are focused on the large and growing digital advertising market that faces these challenges.

There are tens of billions of daily trades across all digital advertising exchanges, thousands of times more than the number of daily trades executed by NASDAQ and the NYSE combined. Our Artificial Intelligence, or AI, system autonomously purchases ad spots, or impressions, one at a time, on these exchanges to create portfolios of impressions designed to optimize the goals of our advertisers, such as increased sales, heightened brand awareness and decreased cost per customer acquisition. We believe that our customers value our solution, as our revenue retention rate was 168%, 175% and 134% for the twelve months ended December 31, 2013, 2012 and 2011, respectively. We define our "revenue retention rate" with respect to a given twelve-month period as (i) revenue recognized during such period from customers that contributed to revenue recognized in the prior twelve-month period divided by (ii) total revenue recognized in the prior twelve-month period.

Benefiting from our unique combination of technology and industry expertise, we have rapidly grown our business, building a diversified customer base that, as of December 31, 2013, included over 70 of the Advertising Age 100 Leading National Advertisers and over 50 of the Fortune 100 companies.

Our solution is designed to optimize both direct-response campaigns focused on generating specific consumer purchases or responses, generally defined as cost per action goals, as well as brand campaigns geared towards lifting brand metrics, generally defined as cost-per-click and brand survey goals. For the years ended December 31, 2013 and 2012, direct response campaigns contributed approximately two-thirds of our revenue, with the remaining one-third of our revenue generated through brand campaigns. We have successfully run advertising campaigns for products and brands ranging from consumer products to luxury automobiles to travel and had served well over 180 billion impressions as of December 31, 2013. We provide a differentiated solution that is simple, powerful, scalable and extensible across geographies, industry verticals and advertising channels. Our computational infrastructure supports over 25,000 CPU cores in eight data centers and houses 15 petabytes of data.

We generate revenue by delivering digital advertisements to consumers through our platform across display, mobile, social and video channels. Historically, our revenue has predominantly come from display advertising because display advertising inventory was the first to be made available for programmatic buying through real-time advertising exchanges. The digital advertising industry is rapidly adopting programmatic buying for mobile, social and video advertising, accelerating the amount of digital advertising inventory available through real-time advertising exchanges. We offer a single solution for advertisers across all of these channels to compete for a larger share of advertisers'

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budgets. While a majority of our revenue currently comes from display advertising, we are focused on offering advertisers a comprehensive solution that addresses the display, mobile, social and video channels.

Our contracts typically have a term of less than one year, and we recognize revenue as we deliver advertising impressions, subject to satisfying all other revenue recognition criteria. Our revenue recognition policies are discussed in more detail under "Nature of Business and Summary of Significant Accounting Policies."

We plan to invest for long-term growth. We anticipate that our operating expenses will increase significantly in the foreseeable future as we invest in research and development to enhance our solution, in sales and marketing to acquire new customers and reinforce our relationships with existing customers and in our infrastructure, including our IT, financial and administrative systems and controls. We believe that these investments will contribute to our long-term growth, although they will reduce our profitability in the near term.

Since our incorporation in March 2008, we have achieved significant growth as we have scaled our platform and expanded our offerings. For the years ended December 31, 2013, 2012 and 2011, our revenue was $240.6 million, $106.6 million and $44.7 million, respectively, representing a compound annual growth rate, or CAGR, of 126%. For the years ended December 31, 2013, 2012 and 2011, our net loss was $(20.9) million, $(10.3) million and $(4.3) million, respectively. For the years ended December 31, 2013, 2012 and 2011, our adjusted EBITDA was $0.3 million, $(3.0) million and $(3.1) million, respectively. Adjusted EBITDA is a non-GAAP financial measure. For a definition of adjusted EBITDA, an explanation of our management's use of this measure and a reconciliation of adjusted EBITDA to our net loss, see "Selected Financial Data Non-GAAP Financial Measures."

Key Operating and Financial Performance Metrics

We monitor the key operating and financial performance metrics set forth below to help us evaluate growth, establish budgets, measure the effectiveness of our research and development and sales and marketing and other investments, and assess our operational efficiencies. Revenue less media costs, adjusted EBITDA, and number of active customers are discussed immediately following the table below. Revenue is discussed under the headings " Components of Our Results of Operations" and " Results of Operations."

	Years Ended December 31,		
	2013	2012	2011
	(in thousands, except number of active customers)		
Revenue	$ 240,605	$ 106,589	$ 44,652
Revenue less media costs (non-GAAP)	136,968	55,920	22,003
Adjusted EBITDA (non-GAAP)	319	(2,981)	(3,125)
Number of active customers	1,224	536	266

Revenue Less Media Costs

Revenue less media costs is a non-GAAP financial measure defined by us as generally accepted accounting principles, or GAAP, revenue less media costs consisting of costs for advertising impressions we purchase from real-time advertising exchanges or through other third parties. We believe that revenue less media costs is a meaningful measure of operating performance because it is frequently used for internal management purposes, indicates the performance of our solution in balancing the goals of delivering exceptional results to advertisers while meeting our margin objectives and facilitates a more complete period-to-period understanding of factors and trends affecting our underlying revenue performance. Please see "Selected Financial Data Non-GAAP Financial Measures" for information as

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to the limitations of using revenue less media costs and for a reconciliation of revenue less media costs to revenue, the most directly comparable financial measure calculated in accordance with GAAP.

Adjusted EBITDA

Adjusted EBITDA is a non-GAAP financial measure defined by us as net loss before income tax (expense) benefit, interest expense, net, depreciation and amortization (excluding amortization of internal-use software), stock-based compensation expense and change in fair value of convertible preferred stock warrant liability. We have presented adjusted EBITDA in this Annual Report on Form 10-K because it is a key measure used by our management and 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 operating plans and to determine bonus payouts. In particular, we believe that the exclusion of the expenses eliminated 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 measure 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 in understanding and evaluating our operating results. Please see "Selected Financial Data Non-GAAP Financial Measures" for information regarding the limitations of using adjusted EBITDA as a financial measure and for a reconciliation of adjusted EBITDA to net loss, the most directly comparable financial measure calculated in accordance with GAAP.

Number of Active Customers

We define an active customer as a customer from whom we recognized revenue in the last three months. A customer can be either an advertiser who purchases our solution from us directly or an advertiser who purchases our solution through an advertising agency or other third party. We count all advertisers within a single corporate structure as one customer even in cases where multiple brands, branches or divisions of an organization enter into separate contracts with us. We believe that our ability to increase the number of active customers using our solution is an important indicator of our ability to grow our business, although we expect this number to fluctuate based on the seasonality in our business.

Factors Affecting Our Performance

We believe that the growth of our business and our future success depend on various opportunities, challenges and other factors, including the following:

Investment in Growth

We plan to invest for long-term growth. We have invested and will continue to invest in research and development to enhance our solution and create additional offerings, in sales and marketing to acquire new customers and reinforce our relationships with existing customers and in our infrastructure, including our IT, financial and administrative systems and controls, data centers and leasehold improvements. We expect our capital expenditures to increase significantly in 2014 as compared to 2013. We are also investing to further automate our business processes with the goal of enhancing our profitability. We believe that these investments will contribute to our long-term growth, although they will reduce our profitability in the near term. We also believe that as our sales team becomes more seasoned, we will experience an increase in sales productivity.

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Technology Enhancements and Customer Satisfaction

We will continue to make improvements to our technology platform that may have an impact on both our gross profit margin and our performance against advertiser objectives. While our technology improvements in the third and fourth quarters of 2013 enabled significant margin improvement, we do not currently expect the margin performance achieved in those quarters to continue to improve or be maintained at this level. We expect that our margin may be impacted not only by technology improvements, but also by our commitment to satisfying advertiser objectives, the impact of seasonality in the advertising business, the supply and demand dynamics of real-time advertising exchange-traded media, and the number and types of campaigns that we run and customers that we serve as we scale our business.

Ability to Increase Penetration in All Channels

Historically, our revenue has predominantly come from display advertising, which has constituted the majority of online advertising. Our future performance is dependent on our continued ability to penetrate and grow our revenue in display, as well as mobile, social and video channels. These latter channels are now growing faster than display. Our technology platform is scalable and extensible across all channels, so technology will not be a barrier to penetration of mobile, social and video channels.

Customer Growth and Retention

While we have a significant customer base, we must continue to attract new customers, and gain a larger amount of our current customers' advertising budgets, to continue our growth. Our number of active customers increased from 266 as of December 31, 2011 to 536 as of December 31, 2012 and 1,224 as of December 31, 2013, and our revenue retention rate was 175% and 168% for the years ended December 31, 2012 and December 31, 2013, respectively. As customers that use our platform continue to increase their spend in absolute dollars, the year-over-year percentage increases in spend are on average smaller, which affects our revenue retention rate. Of the $106.6 million of revenue for the year ended December 31, 2012, $78.2 million, or 73%, was from customers that contributed to revenue recognized in the prior year. For the year ended December 31, 2013, the amount was $180.0 million, or 74%.

Growth of the Real-time Advertising Exchange Market and Digital Advertising

Our performance is significantly affected by growth rates in both real-time advertising exchanges and the digital advertising channels that we address. These markets have grown rapidly in the past several years, and any acceleration, or slowing, of this growth would affect our overall performance.

Seasonality

In the advertising industry, companies commonly experience seasonal fluctuations in revenue. For example, many advertisers allocate the largest portion of their budgets to the fourth quarter of the calendar year to coincide with increased holiday purchasing. Historically, the fourth quarter of the year reflects our highest level of advertising activity, and the first quarter reflects the lowest level of such activity. We expect our revenue to continue to fluctuate based on seasonal factors that affect the advertising industry as a whole.

Components of Our Results of Operations

Revenue

We generate revenue by delivering digital advertisements to consumers through the display channel and other channels such as mobile devices and advertising delivered through social and video channels.

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For the years ended December 31, 2013 and 2012, direct-response campaigns, which are focused on generating specific consumer purchases or responses, contributed approximately two-thirds of our revenue, while brand campaigns, which are focused on lifting brand metrics, contributed the remaining one-third of our revenue. We predominantly contract with advertising agencies who purchase our solution on behalf of advertisers. When we contract with an agency, it acts as an agent for a disclosed principal, which is the advertiser. Our contracts usually provide that if the advertiser does not pay the agency, the agency is not liable to us, and we must seek payment solely from the advertiser. Our contracts with advertisers, including advertising agencies representing advertisers, are generally in the form of an insertion order. An insertion order is a contract that outlines the terms and conditions of an advertising campaign and its objectives. Our contracts typically have a term of less than a year, and we recognize revenue as we deliver advertising impressions, subject to satisfying all other revenue recognition criteria. Our revenue recognition policies are discussed in more detail under " Critical Accounting Policies and Estimates."

Cost of Revenue

Cost of revenue consists primarily of media costs, and to a lesser extent, personnel costs, depreciation expense, amortization of internal-use software development costs on revenue-producing technologies, third party inventory validation and data vendor costs, hosting costs and allocated costs. Media costs consist primarily of costs for advertising impressions we purchase from real-time advertising exchanges and other third parties, which are expensed when incurred. We typically pay these advertising exchanges on a per impression basis. Personnel costs include salaries, bonuses, stock-based compensation expense and employee benefit costs. These personnel costs are primarily attributable to individuals maintaining our servers and members of our network operations group, which initiates, sets up and launches advertising campaigns. We capitalize costs associated with software that is developed or obtained for internal-use and amortize these costs in cost of revenue over the internal-use software's useful life. Third party inventory validation and data vendor costs consist primarily of costs to augment campaign performance and monitor our brand safety efforts. Cost of revenue also includes third-party data center costs and depreciation of data center equipment. Allocated costs include charges for facilities, office expenses, telephones, and other miscellaneous expenses. We anticipate that our cost of revenue will increase in absolute dollars as our revenue increases.

Operating Expenses

We classify our operating expenses into three categories: research and development, sales and marketing and general and administrative. Our operating expenses consist primarily of personnel costs, and, to a lesser extent, professional fees and allocated costs. Personnel costs for each category of operating expense generally include salaries, bonuses and commissions for sales personnel, stock-based compensation expense and employee benefit costs. Allocated costs include charges for facilities, office expenses, telephones, and other miscellaneous expenses.

Research and development. Our research and development expenses consist primarily of personnel costs and professional services associated with the ongoing development and maintenance of our technology. We believe that continued investment in technology is critical to pursuing our strategic objectives, and, as a result, we expect research and development expenses to increase in absolute dollars in future periods.

Sales and marketing. Our sales and marketing expenses consist primarily of personnel costs (including commissions) and, to a lesser extent, allocated costs, professional services, brand marketing, travel, trade shows and marketing materials. Our sales organization focuses on (i) marketing our solution to generate awareness; (ii) increasing the adoption of our solution by existing and new advertisers; and (iii) expanding our international business, primarily by growing our sales team in certain countries in which we currently operate and establishing a presence in

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additional countries. We expect sales and marketing expenses to increase in absolute dollars in future periods.

General and administrative. Our general and administrative expenses consist primarily of personnel costs associated with our executive, finance, legal, human resources, compliance and other administrative functions, as well as accounting and legal professional services fees, allocated costs and other corporate expenses. We expect to continue to invest in corporate infrastructure and incur additional expenses associated with being a public company, including increased legal and accounting costs, investor relations costs, higher insurance premiums and compliance costs associated with Section 404 of the Sarbanes-Oxley Act of 2002. As a result, we expect general and administrative expenses to increase in absolute dollars in future periods.

Other Expense, Net

Interest expense. Interest expense is related to our credit facilities and our previous term debt.

Other income (expense) net. Other income (expense) net consists primarily of interest income, gains and losses on the sale and disposal of property, equipment and software, as well as gains and losses on foreign currency translation. We have foreign currency exposure related to our accounts receivable that are denominated in currencies other than the U.S. dollar, principally the British pound sterling and the euro.

Change in fair value of convertible preferred stock warrant liability. During 2013, 2012 and 2011, we had two outstanding warrants to purchase shares of our capital stock. The convertible preferred stock warrants were subject to re-measurement at each balance sheet date, and any change in fair value was recognized as a component of other expense, net. In connection with the closing of our initial public offering, or IPO, in September 2013, one of the warrants was automatically converted into shares of common stock and the other warrant was converted into a warrant to purchase shares of common stock, which was exercised by the holder following the completion of the IPO. As such, beginning with the fourth quarter of 2013, we no longer are required to remeasure the value of the converted common stock warrant, and therefore, no further charges or credits related to such warrant will be made to other income and expense.

Provision for Income Taxes

Provision for income taxes consists primarily of federal and state income taxes in the United States and income taxes in foreign jurisdictions in which we conduct business. Due to uncertainty as to the realization of benefits from our deferred tax assets, including net operating loss carry-forwards, research and development and other tax credits, we have a full valuation allowance reserved against such assets. We expect to maintain this full valuation allowance at least in the near term.

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Results of Operations

The following tables set forth our consolidated results of operations and our consolidated results of operations as a percentage of revenue for the periods presented.

	Years Ended December 31,		
	2013	2012	2011
	(in thousands)		
Consolidated Statements of Operations Data:			
Revenue	$ 240,605	$ 106,589	$ 44,652
Cost of revenue(1)	125,520	60,011	27,300
Gross profit	115,085	46,578	17,352
Operating expenses:			
Research and development(1)	17,714	4,876	1,545
Sales and marketing(1)	83,345	41,069	17,256
General and administrative(1)	28,708	8,403	2,336
Total operating expenses	129,767	54,348	21,137
Loss from operations	(14,682)	(7,770)	(3,785)
Other expense, net:			
Interest expense	(917)	(316)	(250)
Other income (expense) net	(308)	135	33
Change in fair value of convertible preferred stock warrant liability	(4,740)	(2,308)	(295)
Other expense, net	(5,965)	(2,489)	(512)
Loss before income taxes	(20,647)	(10,259)	(4,297)
Provision for income taxes	(285)	(84)	(28)
Net loss	$ (20,932)	$ (10,343)	$ (4,325)
Loss per share:			
Net loss per share, basic and diluted	$ (1.38)	$ (1.29)	$ (0.57)

(1) Includes stock-based compensation expense as follows:

	Years Ended December 31,		
	2013	2012	2011
	(in thousands)		
Cost of revenue	$ 471	$ 37	$ 7
Research and development	2,308	734	8
Sales and marketing	4,482	1,100	66
General and administrative	3,581	1,450	83
	$ 10,842	$ 3,321	$ 164

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	Years Ended December 31,		
	2013	2012	2011
Consolidated Statements of Operations Data:*			
Revenue	100%	100%	100%
Cost of revenue	52	56	61
Gross profit	48	44	39
Operating expenses:			
Research and development	7	5	3
Sales and marketing	35	39	39
General and administrative	12	8	5
Total operating expenses	54	51	47
Loss from operations	(6)	(7)	(8)
Other expense, net:			
Interest expense			(1)
Other expense net			
Change in fair value of convertible preferred stock warrant liability	(2)	(2)	(1)
Other expense, net	(2)	(2)	(1)
Loss before income taxes	(9)	(10)	(10)
Provision for income taxes			
Net loss	(9)%	(10)%	(10)%

* Certain figures may not sum due to rounding.

Comparison of the Years Ended December 31, 2013, 2012 and 2011

Revenue

	Years Ended December 31,	% Change	
		2013 vs 2012	2012 vs 2011

	2013	2012	2011		
	(in thousands, except percentages)				
Revenue	$ 240,605	$ 106,589	$ 44,652	126%	139%

Revenue increased $134.0 million, or 126%, during the year ended December 31, 2013 compared to the year ended December 31, 2012. Revenue from the display channel was $182.8 million, or 76%, of revenue and $98.1 million, or 92%, of revenue for the years ended December 31, 2013 and 2012, respectively. Revenue growth was attributable in part to growth in revenue from channels other than display. Revenue from other channels was $57.8 million, or 24%, of revenue and $8.5 million, or 8%, of revenue for the years ended December 31, 2013 and 2012, respectively. Revenue from the display channel increased by $84.8 million, or 86%, and revenue from other channels increased by $49.3 million, or 577%, during the year ended December 31, 2013 compared to the year ended December 31, 2012. The $49.3 million increase in other channel revenue was primarily from the mobile channel, which was 14% of revenue for the year ended December 31, 2013, followed by the social channel and then the video channel.

The increase in revenue was attributable to both increased spending by existing customers and an increase in the number of active customers adopting our solution. The number of active customers increased from 536 as of December 31, 2012 to 1,224 as of December 31, 2013. Within the 1,224 active customers, 117 active customers originated through our licensing agreement with a Japanese advertising agency. Growth in our number of active customers was driven primarily by growth in new customers,

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which generally spend less than customers that have used our solution for longer periods of time. This growth in active customers and new customers also resulted in a 122% increase in the number of campaigns during the year ended December 31, 2013 compared to the year ended December 31, 2012. Due to the higher number of campaigns, the volume of impressions delivered increased by 165% during the year ended December 31, 2013 compared to the year ended December 31, 2012. The average cost per mille (or cost per thousand impressions), or CPM, decreased by 15%, and revenue less media costs as a percentage of revenue increased to 57% from 52% during the year ended December 31, 2013 compared to the year ended December 31, 2012. Revenue from outside of North America increased by 162% for the year ended December 31, 2013 compared to the year ended December 31, 2012. Revenue from outside of North America, as a percentage of revenue, increased to 11% from 10% during the years ended December 31, 2013 and 2012, respectively.

Revenue increased $61.9 million, or 139%, during the year ended December 31, 2012 compared to the year ended December 31, 2011. Revenue from the display channel was $98.1 million, or 92%, of revenue and $42.8 million, or 96%, of revenue for the years ended December 31, 2012 and 2011, respectively. Revenue from other channels was $8.5 million, or 8%, of revenue and $1.8 million, or 4%, of revenue for the years ended December 31, 2012 and 2011, respectively. Revenue from the display channel increased by $55.2 million, or 129%, and revenue from other channels increased by $6.7 million, or 371%, for the year ended December 31, 2012 compared to the year ended December 31, 2011. Revenue from each of our other channels was less than 10% of our revenue for each of those same periods. The number of active customers increased to 536 as of December 31, 2012 from 266 as of December 31, 2011, resulting in an increased number of campaigns during the year ended December 31, 2012 compared to the year ended December 31, 2011. Due to the higher number of campaigns, the volume of impressions delivered increased by 180% during the year ended December 31, 2012 compared to the year ended December 31, 2011. The average CPM decreased by 15%, and revenue less media costs as a percentage of revenue increased by 3%, in each case, during the year ended December 31, 2012 compared to the year ended December 31, 2011. Revenue from outside of North America increased to 10% from 3% during the years ended December 31, 2012 and 2011, respectively.

Cost of Revenue, Gross Profit and Gross Margin

	Years Ended December 31,			% Change	
	2013	2012	2011	2013 vs 2012	2012 vs 2011
	(in thousands, except percentages)				
Cost of revenue	$ 125,520	$ 60,011	$ 27,300	109%	120%
Gross profit	$ 115,085	$ 46,578	$ 17,352	147%	168%
Gross margin	48%	44%	39%		

Cost of revenue increased by $65.5 million, or 109%, during the year ended December 31, 2013 compared to the year ended December 31, 2012. This increase was primarily due to an increase in media costs from $50.7 million to $103.6 million and, to a lesser extent, to an increase in personnel costs of $3.7 million, an increase in data and inventory validation costs of $3.3 million, an increase in depreciation and amortization of capitalized internal-use software and other fixed assets of $3.0 million, and an increase in hosting costs of $1.7 million. The $53.0 million increase in media costs was due to our increased sales volume. Media costs represented approximately 43% and 48% of revenue in the years ended December 31, 2013 and 2012, respectively. The decrease in media costs as a percentage of revenue was due to improvements in our AI-driven platform, which allowed us to more efficiently deliver our solution. The increase in personnel costs was primarily driven by increased headcount. The increase in data and hosting costs represents increases in costs to support our rapid growth. The amortization of capitalized internal-use software was $3.4 million and $2.3 million for the years ended December 31, 2013 and 2012, respectively. Gross profit increased by 147% primarily due to the

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increase in revenue less media costs from $55.9 million to $137.0 million for the year ended December 31, 2012 compared to the year ended December 31, 2013. This increase was due to technology and scale-driven efficiencies. Gross margin increased from 44% for the year ended December 31, 2012 to 48% for the year ended December 31, 2013. Our gross profit margins are driven by continued advancements in our artificial intelligence and Big Data technologies. The increase of 4% was primarily due to decreases in media costs by 5%, partially offset by increases in other fixed costs by 1%, in each case as a percentage of revenue for the year ended December 31, 2013 compared to the year ended December 31, 2012.

Cost of revenue increased by $32.7 million, or 120%, during the year ended December 31, 2012 compared to the year ended December 31, 2011. This increase was primarily due to an increase in media costs of $28.0 million and, to a lesser extent, to an increase in data and hosting costs of $1.4 million, an increase in depreciation and amortization of capitalized internal-use software and other fixed assets of $1.4 million and an increase in personnel costs of $1.2 million. The increase in media costs to $50.7 million from $22.6 million for the years ended December 31, 2012 and 2011, respectively, was driven by the increase in revenue. The increase in data, hosting, depreciation and amortization expense reflected costs incurred in support of our rapid growth. The increase in personnel costs was due to increased headcount. Media costs represented approximately 48% and 51% of revenue for the years ended December 31, 2012 and 2011, respectively. Gross margin increased to 44% for the year ended December 31, 2012 from 39% for the year ended December 31, 2011. The increase in gross margin was primarily due to a decrease in media costs as a percentage of revenue and, to a lesser extent, to a decrease in other fixed costs. The decrease in media costs as a percentage of revenue was driven by improvements in our AI-driven platform, which allowed us to more efficiently deliver our solution.

Research and Development

	Year Ended December 31,			% Change	
	2013	**2012**	**2011**	**2013 vs 2012**	**2012 vs 2011**
	(in thousands, except percentages)				
Research and development	$ 17,714	$ 4,876	$ 1,545	263%	216%
Percent of revenue	7%	5%	3%		

Research and development expense increased by $12.8 million, or 263%, during the year ended December 31, 2013 compared to the year ended December 31, 2012. This increase was primarily due to an increase in personnel expense of $10.1 million and, to a lesser extent, to an increase in allocated costs of $1.8 million and an increase in professional services costs of $0.4 million. The increase in personnel expense and allocated costs was primarily due to an increase in headcount, which reflects our continued hiring of engineers to maintain our technologies and support our research and development efforts. Allocated costs include charges for facilities, office expenses, telephones, and other miscellaneous expenses.

We capitalized internal-use software development costs of $6.3 million and $4.7 million for the years ended December 31, 2013 and 2012, respectively. The increase was due to additional headcount devoted to internal-use software development.

Research and development expense increased by $3.3 million, or 216%, during the year ended December 31, 2012 compared to the year ended December 31, 2011. This increase was primarily due to an increase in personnel costs of $2.3 million and, to a lesser extent, to an increase in professional services costs of $0.2 million and an increase in allocated costs of $0.4 million. The increase in personnel costs and allocated costs was due to increased headcount as we continued to hire engineers to maintain our technologies and support our research and development efforts.

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We capitalized internal-use software development costs of $4.7 million and $2.6 million for the years ended December 31, 2012 and 2011, respectively. The increase was due to additional headcount devoted to internal-use software development.

Sales and Marketing

	Years Ended December 31,			% Change	
	2013	2012	2011	2013 vs 2012	2012 vs 2011
	(in thousands, except percentages)				
Sales and marketing	$ 83,345	$ 41,069	$ 17,256	103%	138%
Percent of revenue	35%	39%	39%		

Sales and marketing expense increased by $42.3 million, or 103%, during the year ended December 31, 2013 compared to the year ended December 31, 2012. This increase was primarily due to an increase in personnel expense of $31.1 million and, to a lesser extent, to an increase in travel and related expenses of $3.3 million, an increase in allocated costs of $3.3 million, an increase in marketing expenses of $1.6 million, an increase in marketing events of $1.4 million and an increase in professional services costs of $1.0 million. The increase in personnel expense was primarily due to an increase in headcount and, to a lesser extent, to an increase in commission expense related to the increase in revenue. Our sales and marketing headcount increased by 95% and our commission expense increased by 82% during the year ended December 31, 2013 compared to the year ended December 31, 2012, primarily due to our focus on (i) marketing our solution to generate awareness, (ii) increasing the adoption of our solution by existing and new advertisers and (iii) establishing a presence in international markets. Allocated costs include charges for facilities, office expenses, telephones, and other miscellaneous expenses.

Sales and marketing expense increased by $23.8 million, or 138%, during the year ended December 31, 2012 compared to the year ended December 31, 2011. This increase was primarily due to an increase in personnel costs of $16.2 million and, to a lesser extent, to allocated costs of $2.2 million, travel and related costs of $2.6 million and costs associated with marketing activities of $2.2 million. The increase in personnel expense was primarily due to an increase in headcount and, to a lesser extent, to an increase in commission expense related to the increase in revenue. Our sales and marketing headcount increased by 117% for the year ended December 31, 2012 compared to the year ended December 31, 2011, primarily due to our focus on (i) marketing our solution to generate awareness; (ii) increase the adoption of our solution by existing and new advertisers; and (iii) establishing a presence in international markets. The increase in facilities and other allocated costs was also due to increased headcount. The increase in travel and marketing activities reflects our efforts to increase awareness of our solution and support and build customer relationships.

General and Administrative

	Years Ended December 31,			% Change	
	2013	2012	2011	2013 vs 2012	2012 vs 2011
	(in thousands, except percentages)				
General and administrative	$ 28,708	$ 8,403	$ 2,336	242%	260%
Percent of revenue	12%	8%	5%		

General and administrative expense increased by $20.3 million, or 242%, during the year ended December 31, 2013 compared to the year ended December 31, 2012. This increase was primarily due to an increase in personnel expense of $10.8 million and, to a lesser extent, to an increase in professional services of $4.6 million, an increase in allocated costs of $2.3 million, an increase in other miscellaneous expenses of $1.1 million and an increase in depreciation expense of $0.4 million. The increase in personnel costs was driven primarily by increased stock-based compensation expense and

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increased headcount. The increase in third-party professional services was primarily due to increased accounting and legal services. We also continued to invest in our infrastructure and in recruiting services to grow our general and administrative headcount. Allocated costs include charges for facilities, office expenses, telephones, and other miscellaneous expenses. Other miscellaneous expenses primarily includes local taxes, fees and charitable contributions.

General and administrative expense increased by $6.1 million, or 260%, during the year ended December 31, 2012 compared to the year ended December 31, 2011. The increase was primarily due to an increase in personnel costs of $3.5 million, an increase in professional services costs of $1.4 million, an increase in allocated costs of $0.4 million and an increase in travel-related costs of $0.3 million. The increase in personnel costs was due to an increase in headcount and stock-based compensation expense. The increase in third-party professional services for accounting, recruiting and legal services was due to our investment in infrastructure and growing our headcount in preparation for being a public company. The increase in allocated costs was also driven by headcount growth.

Other Expense, Net

	Years Ended December 31,			% Change	
	2013	2012	2011	2013 vs 2012	2012 vs 2011
			(in thousands)		
Interest expense	$ (917)	$ (316)	$ (250)	190%	26%
Gain (loss) on foreign currency translation	(205)	43		(577)%	n/a
Other income (expense) net	(103)	92	33	(212)%	179%
Change in fair value of convertible preferred stock warrant liability	(4,740)	(2,308)	(295)	105%	682%
Total other expense, net	$ (5,965)	$ (2,489)	$ (512)	140%	386%

The increase in other expense, net, in 2013 compared to 2012 primarily relates to revaluations of convertible preferred stock warrants and, to a lesser extent, to foreign currency translations and interest related to our additional borrowings under our revolving line of credit and term debt. The increase in the value of our convertible preferred stock warrant liability was due to the significant increase in the value of our common stock. The increase in unrealized loss on foreign currency translation was due to a higher outstanding balance in foreign currency accounts receivable for the year ended December 31, 2013 as we expanded our business globally.

The increase in other expense, net, in 2012 compared to 2011 was primarily due to the revaluation of outstanding convertible preferred stock warrants and, to a lesser extent, to increased interest related to our additional borrowings under our revolving line of credit and term debt. The increase in the value of our convertible preferred stock warrant liability was directly attributable to the significant increase in the value of our common stock.

Provision for Income Taxes

Our provision for income taxes of $0.3 million and $0.1 million for the years ended December 31, 2013 and 2012, respectively, primarily relates to taxes due in foreign jurisdictions.

Our provision for income taxes of $84,000 and $28,000 for the years ended December 31, 2012 and 2011, respectively, primarily relates to taxes due in foreign jurisdictions.

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Quarterly Results of Operations and Key Metrics

Quarterly Results of Operations Data

The following tables set forth our quarterly consolidated statements of operations data in dollars and as a percentage of total revenue for each of the twelve quarters in the period ended December 31, 2013. We have prepared the quarterly consolidated statements of operations data on a basis consistent with the audited consolidated financial statements included elsewhere in this Annual Report on Form 10-K. In the opinion of management, the financial information in these tables reflects all adjustments, consisting only of normal recurring adjustments, that management considers necessary for a fair presentation of this data. This information should be read in conjunction with the audited consolidated financial statements and related notes included elsewhere in this Annual Report on Form 10-K. The results of historical periods are not necessarily indicative of the results for any future period.

	Three Months Ended											
	Mar 31, 2011	**Jun 30, 2011**	**Sep 30, 2011**	**Dec 31, 2011**	**Mar 31, 2012**	**Jun 30, 2012**	**Sep 30, 2012**	**Dec 31, 2012**	**Mar 31, 2013**	**Jun 30, 2013**	**Sep 30, 2013**	**Dec 31, 2013**
	(in thousands)											
Consolidated Statements of Operations Data:												
Revenue:												
Revenue	$ 7,792	$ 8,802	$ 11,616	$ 16,442	$ 16,623	$ 22,969	$ 26,902	$ 40,095	$ 38,212	$ 54,369	$ 62,458	$ 85,566
Cost of revenue(1)	4,576	6,220	7,498	9,006	9,449	12,584	14,955	23,023	20,671	28,981	31,877	43,991
Gross profit	3,216	2,582	4,118	7,436	7,174	10,385	11,947	17,072	17,541	25,388	30,581	41,575
Operating expenses:												
Research and development(1)	349	309	454	433	727	811	1,066	2,272	2,412	3,711	4,464	7,127
Sales and marketing(1)	3,226	3,978	4,448	5,604	6,844	8,698	10,351	15,176	16,230	18,419	21,644	27,052
General and administrative(1)	460	478	541	857	1,087	1,483	1,675	4,158	5,177	5,775	8,719	9,037
Total operating expenses	4,035	4,765	5,443	6,894	8,658	10,992	13,092	21,606	23,819	27,905	34,827	43,216
Income (loss) from operations	(819)	(2,183)	(1,325)	542	(1,484)	(607)	(1,145)	(4,534)	(6,278)	(2,517)	(4,246)	(1,641)
Other expense, net	(50)	(176)	(153)	(133)	(112)	(228)	(829)	(1,320)	(1,740)	(1,336)	(2,481)	(408)
Net income (loss) before income and taxes	(869)	(2,359)	(1,478)	409	(1,596)	(835)	(1,974)	(5,854)	(8,018)	(3,853)	(6,727)	(2,049)
Income tax expense	(2)	(7)	(8)	(11)	(14)	(25)	(28)	(17)	(54)	14	(133)	(112)
Net income (loss)	$ (871)	$ (2,366)	$ (1,486)	$ 398	$ (1,610)	$ (860)	$ (2,002)	$ (5,871)	$ (8,072)	$ (3,839)	$ (6,860)	$ (2,161)

Loss per share:												
Net loss per share, basic	$ (0.12)	$ (0.31)	$ (0.19)	$ 0.00	$ (0.20)	$ (0.11)	$ (0.25)	$ (0.72)	$ (0.97)	$ (0.46)	$ (0.61)	$ (0.07)