CHANNELADVISOR CORP
Form S-1/A
October 31, 2013
Table of Contents

As filed with the Securities and Exchange Commission on October 31, 2013
Registration No. 333-191946

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

AMENDMENT NO. 1 TO
FORM S-1
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

CHANNELADVISOR CORPORATION
(Exact name of registrant as specified in its charter)

Delaware	7372	56-2257867
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification Number)

2701 Aerial Center Parkway
Morrisville, NC 27560
(919) 228-4700
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

M. Scot Wingo
Chief Executive Officer
ChannelAdvisor Corporation
2701 Aerial Center Parkway
Morrisville, NC 27560
(919) 228-4700
(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

Brent B. Siler, Esq. Brian F. Leaf, Esq. Cooley LLP 11951 Freedom Drive Reston, VA 20190-5656 Telephone: (703) 456-8000 Fax: (703) 456-8100	John F. Baule Chief Financial Officer ChannelAdvisor Corporation 2701 Aerial Center Parkway Morrisville, NC 27560 Telephone: (919) 228-4700 Fax: (866) 225-3085	Mark G. Borden, Esq. Wilmer Cutler Pickering Hale and Dorr LLP 60 State Street Boston, MA 02109 Telephone: (617) 526-6000 Fax: (617) 526-5000

Approximate date of commencement of proposed sale to the public: As soon as practicable after the effective date of this registration statement.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. ¨
If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨
If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨
If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration number of the earlier effective registration statement for the same offering. ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 under the Securities Exchange Act of 1934. (Check one):
Large Accelerated Filer ¨ Accelerated Filer ¨ Non-accelerated Filer ý Smaller Reporting Company ¨

The registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment that specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until the registration statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

The information in this preliminary prospectus is not complete and may be changed. These securities may not be sold until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell nor does it seek an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

Subject to Completion. Dated October 31, 2013
5,000,000 Shares

Common Stock

ChannelAdvisor Corporation is offering 1,000,000 shares of its common stock and the selling stockholders identified in this prospectus are offering an additional 4,000,000 shares. We will not receive any of the proceeds from the sale of the shares being sold by the selling stockholders.

Our common stock is listed on the New York Stock Exchange under the symbol "ECOM." On October 30, 2013, the last reported sale price of our common stock on the New York Stock Exchange was $34.17 per share.
We are an "emerging growth company" as that term is used in the Jumpstart Our Business Startups Act of 2012 and, as such, have elected to comply with certain reduced public company reporting requirements.

See "Risk Factors" beginning on page 11 to read about factors you should consider before buying shares of our common stock.

Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

	Price to Public	Underwriting Discounts and Commissions	Proceeds to ChannelAdvisor	Proceeds to Selling Stockholders
Per Share	$	$	$	$
Total	$	$	$	$

The selling stockholders have granted the underwriters the option to purchase up to an additional 750,000 shares of common stock.

The underwriters expect to deliver the shares to the purchasers on , 2013.

Goldman, Sachs & Co. Stifel

Pacific Crest Securities

Baird BMO Capital Markets Needham & Company Raymond James

Prospectus dated , 2013

Table of Contents

TABLE OF CONTENTS

We have not, the selling stockholders have not and the underwriters have not authorized anyone to provide any information or to make any representations other than those contained in this prospectus or in any free writing prospectuses we have prepared. We take no responsibility for, and can provide no assurance as to the reliability of, any other information that others may give you. This prospectus is an offer to sell only the shares offered hereby, but only under circumstances and in jurisdictions where it is lawful to do so. The information contained in this prospectus is current only as of its date.

For investors outside the United States: We have not, the selling stockholders have not and the underwriters have not done anything that would permit this offering or possession or distribution of this prospectus in any jurisdiction where action for that purpose is required, other than in the United States. Persons who come into possession of this prospectus and any applicable free writing prospectus in jurisdictions outside the United States are required to inform themselves about and to observe any restrictions as to this offering and the distribution of this prospectus and any such free writing prospectus applicable to that jurisdiction.

PROSPECTUS SUMMARY

This summary highlights information contained elsewhere in this prospectus and does not contain all of the information that you should consider in making your investment decision. Before investing in our common stock, you should carefully read this entire prospectus, including our consolidated financial statements and the related notes thereto and the information set forth under the sections "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations," in each case included in this prospectus. Unless the context otherwise requires, we use the terms "ChannelAdvisor," "company," "we," "us" and "our" in this prospectus to refer to ChannelAdvisor Corporation and, where appropriate, our consolidated subsidiaries.

Company Overview

We are a leading provider of software-as-a-service, or SaaS, solutions that enable our retailer and manufacturer customers to integrate, manage and optimize their merchandise sales across hundreds of online channels. Through our platform, we enable our customers to connect with new and existing sources of demand for their products, including e-commerce marketplaces, such as eBay, Amazon and Newegg, search engines and comparison shopping websites, such as Google, Microsoft's Bing, and Nextag, and emerging channels, such as Facebook and Groupon. Our suite of solutions, accessed through a standard web browser, provides our customers with a single, integrated user interface to manage their product listings, inventory availability, pricing optimization, search terms, data analytics and other critical functions across these channels. Our proprietary cloud-based technology platform delivers significant breadth, scalability and flexibility to our customers. In 2012, our customers processed over $3.5 billion in gross merchandise value, or GMV, through our platform. As of September 30, 2013, our customers managed over 130 million stock-keeping units, or SKUs, of their inventory on our platform.

We serve customers across a wide range of industries and geographies. As of September 30, 2013, we had over 2,200 customers worldwide, including 27% of the top 500 U.S. Internet retailers, as ranked by Internet Retailer magazine based on 2012 sales, up from 16% of the top 500 U.S. Internet retailers, based on 2007 sales, as of December 31, 2007. Our customers include both traditional and online retailers, such as Ann Taylor, eBags.com, J&R Electronics and Jos. A. Bank Clothiers, as well as manufacturers of consumer goods, such as Dell, Dooney and Bourke, Lenovo, Sony and Under Armour. We derive revenue primarily from subscription fees paid to us by our customers for access to our cloud-based solutions. We generally structure our contracts to include both a fixed subscription fee and a variable subscription fee that allows us to participate in a share of our customers' GMV processed through our platform. We believe this contract structure aligns our interests with those of our customers.

The e-commerce market has grown significantly over the last several years, as consumers have increasingly shifted their retail purchases from traditional brick and mortar stores to online stores and marketplaces. This trend has created many opportunities for retailers and manufacturers, but at the same time has resulted in additional complexity and challenges. Retailers and manufacturers seeking new avenues to expand their online sales must manage product data and transactions across hundreds of highly fragmented online channels where data attributes vary, requirements change frequently and the pace of innovation is rapid and increasing.

In response to these challenges, we offer retailers and manufacturers SaaS solutions that enable them to integrate, manage and optimize their merchandise sales across disparate online channels on a unified platform. As channels frequently update their product information requirements, policies, merchandising strategies and integration specifications, retailers and manufacturers must revise their online business strategies, product listings and attributes, and business rules, which can be resource-intensive and time-consuming. Through our SaaS platform, which is delivered using a single code base and multi-tenant architecture, our customers have real-time access to our most up-to-date capabilities for listing and managing their products on new and existing online channels.

From 2010 to 2012, our total revenue increased from $36.7 million to $53.6 million, a compound annual growth rate of 20.9%. Our core revenue increased from $32.7 million in 2010 to $51.2 million in 2012, a compound annual growth rate of 25.1%. Our core revenue excludes revenue attributable to the products from two small acquisitions that we completed prior to 2008 and that are no longer part of our strategic focus, as discussed further in "Management's Discussion and Analysis of Financial Condition and Results of Operations—Key Operating and Financial Performance Metrics." For the nine months ended September 30, 2013 as compared to the same period in 2012, we grew our total revenue from $37.6 million to $47.5 million, an increase of 26.3%, and our core revenue from $35.8 million to $46.1 million, an increase of 28.8%. Our gross margin, based on total revenue, expanded from 66.8% in 2010 to 72.5% in 2012, and from 71.5% for the nine months ended September 30, 2012 to 72.7% for the nine months ended September 30, 2013.

Table of Contents

Industry Background

According to Forrester Research, Inc., or Forrester, an industry research firm, e-commerce consumer spending in the United States, Europe, Asia-Pacific and Latin America is expected to increase from $647 billion in 2012 to $1.1 trillion in 2016, a compound annual growth rate of 14%.

E-commerce is an increasingly complex and fragmented market due to the hundreds of channels available to retailers and manufacturers and the rapid pace of change and innovation across those channels. Several significant trends have contributed to this increasing complexity and fragmentation, including:

- the emergence and growth of online third-party marketplaces;
- mainstream adoption of mobile devices for e-commerce;
- the increased use of search engines and comparison shopping websites;
- global growth in e-commerce driving opportunities for international sales; and
- the increasing use of social networks and other specialty websites as e-commerce channels.

The increasing complexity and fragmentation of e-commerce channels is placing greater demands on retailers and manufacturers that want to grow their online sales. They need solutions that will enable them to easily integrate their product offerings and inventory across multiple online channels. Traditionally, retailers and manufacturers built in-house solutions, purchased channel-specific solutions, known as point solutions, or used the channels' individual capabilities. However, in-house solutions can be costly and difficult to adapt to industry change and innovation, and point solutions, as well as channels' individual solutions, can be narrowly tailored and can limit retailers and manufacturers to managing single online channels or a single category of channels.

SaaS platforms generally offer customers several distinct advantages over these types of traditional models, including lower upfront and ongoing costs, faster speed of implementation and less reliance on internal IT staff. Gartner Inc., or Gartner, an industry research firm, estimates that the total worldwide cloud SaaS market will grow from $14.5 billion in 2011 to $45.6 billion in 2017, a compound annual growth rate of 21%, and that sales of e-commerce enablement services will grow from $4.9 billion in 2011 to $10.1 billion in 2017, a compound annual growth rate of 13%.

Our Solutions

Our suite of SaaS solutions allows our customers to more easily integrate, manage and optimize their online sales across hundreds of available channels through a single, integrated platform. Our suite of solutions includes a number of individual offerings, or modules. Each module integrates with a particular type of channel, such as third-party marketplaces, paid search or comparison shopping websites, or supports specific online functionality, such as creating webstores or employing rich media solutions on their websites. We believe our suite of solutions offers the following key benefits for our customers:

- Single, fully integrated solution. We provide our customers with a single web-based interface as the central location for them to control, analyze and manage their online sales across hundreds of available channels and multiple geographies. This unified view enables our customers to more easily and cost-effectively manage product listings, inventory availability, pricing optimization, search terms, data analytics and other critical functions.
- Reduced integration costs, time to market and dependence on in-house resources. Customers can more easily and quickly introduce their products, both to channels on which they already have a presence and to new channels, without incurring the costs related to installing and maintaining their own hardware and software infrastructure.
- Scalable technology platform. In 2012, our customers processed over $3.5 billion in GMV through our platform, and as of September 30, 2013, our customers managed over 130 million SKUs of their inventory on our platform. We believe that the scalability of our platform allows our customers to quickly and efficiently increase the number of product listings and transactions processed through our platform.
- Flexibility to adapt and instantaneous access to our most up-to-date capabilities. When we develop and deploy new features, functions and capabilities, or make changes to keep up with the

Table of Contents

changing priorities and requirements of each channel, our customers simultaneously benefit from those new capabilities and changes.

- Robust data and reporting analytics. We provide our customers with actionable insights across the latest channel and consumer trends and general product performance, which enables them to evaluate and, if necessary, improve the efficiency of their business rules on existing or new channels.

Our Competitive Strengths

We believe we have the following competitive strengths:

- Industry leadership. We believe that we are regarded as a trusted expert on the e-commerce industry. We have thousands of customers and we also maintain close working relationships with the major channels, including Amazon, eBay and Google. These relationships often provide us early visibility into upcoming changes that are important to our customers.
- Channel independence. Unlike the integration and listings management solutions offered by individual channels or third-party solutions that support only one channel or category of channel, our solutions do not favor any one channel over others. This channel independence enables our customers to optimize their online sales regardless of the specific channels they choose.
- Network effects. We believe the breadth of channels that we support attracts customers to our solutions. As our customer base has grown, we have experienced increased demand from channels seeking to be integrated with our platform. We believe the demands of our customers for access to new online channels, and the demands of online channels for access to new retailers and manufacturers, reinforce each other and enhance the value of our solutions.
- Economies of scale. With over 2,200 customers subscribing to our solutions that generate core revenue, which we refer to as core customers, we believe that we have achieved economies of scale across our customer base that enable us to provide services more cost-effectively than retailers and manufacturers who develop and manage their own in-house systems.
- Established global presence. As of September 30, 2013, we had over 600 core customers outside of the United States. Core customers outside the United States accounted for over 20% of our core revenue during the year ended December 31, 2012 and the nine months ended September 30, 2013. With international offices in the United Kingdom, Ireland, Germany, Australia, Hong Kong and Brazil, we believe that our international presence enhances our ability to connect customers with demand for their products from a global audience.

Our Growth Strategy

We seek to strengthen our position as a leading provider of solutions that connect retailers and manufacturers with established and emerging online sources of demand for their products. The key elements of our growth strategy include:

- Expanding our sales force to acquire new customers. We intend to increase our sales force in order to reach and acquire new customers in existing and new geographies. By increasing investment in our sales and marketing capabilities, we believe that we will be able to further expand our brand among new potential customers, grow our revenue and achieve greater economies of scale.
- Broadening and deepening existing customer relationships. We intend to expand our sales, marketing and services efforts to help our customers increase their overall GMV processed through our platform by taking full advantage of the functionality of our suite of solutions. As our customer service team works with our customers to optimize usage of their existing modules, our customers' online businesses often improve, and customers look to expand into additional modules within our suite of solutions.
- Increasing our global market presence. We intend to continue our international expansion to attract new international customers and help our existing multinational customers grow their online sales. We plan to expand our existing presence in Europe and the Asia-Pacific region and to establish new operations in Latin America.

Table of Contents

- Expanding the number of channels supported by our platform. We intend to continue to integrate our solutions with additional channels both within the United States and abroad, such as MercadoLibre in Latin America and Alibaba in Asia. We believe that by selectively adding more channels, we will grow both our customer base and the potential GMV that customers are able to process through our platform.
- Maintaining innovation leadership. We intend to continue to develop and introduce new features and improved functionality to our platform. Key initiatives include developing increased workflow automation, enhanced data analytics and expanded foreign language support.
- Opportunistically pursuing strategic acquisitions. We may pursue acquisitions of complementary businesses and technologies that are consistent with our overall growth strategy. We believe that a selective acquisition strategy could enable us to enhance our product capabilities, gain new customers and accelerate our expansion into new markets.

Risks Related to our Business

Our business is subject to a number of risks of which you should be aware before making an investment decision. These risks are discussed more fully in the "Risk Factors" section of this prospectus immediately following this prospectus summary. These risks include, among others:

- We have incurred significant net losses since inception, and we expect our operating expenses to increase significantly in the foreseeable future, which may make it more difficult for us to achieve profitability.
- A significant portion of our revenue is attributable to sales by our customers on the Amazon and eBay marketplaces and through advertisements on Google. Our inability to continue to integrate our solutions with these channels would make our solutions less appealing to existing and potential new customers and could significantly reduce our revenue.
- We may not be able to respond to rapid changes in channel technologies or requirements, which could cause us to lose customers and revenue and make it more difficult to achieve profitability.
- We may not be able to compete successfully against current and future competitors, which could include the channels themselves.
- We currently rely on two non-redundant data centers to deliver our SaaS solutions. Any disruption of service at these facilities could harm our business.
- We rely in part on a pricing model under which a portion of the subscription fees we receive from customers is variable, based upon the amount of GMV that those customers process through our platform, and any change in the attractiveness of that model or any decline in our customers' sales could adversely affect our financial results.
- If the e-commerce market does not grow, or grows more slowly than we expect, particularly on the channels that our solutions support, demand for our solutions could be adversely affected.
- Our increasing international operations subject us to increased challenges and risks.
- We may need additional capital in the future to meet our financial obligations and to pursue our business objectives. This capital may not be available on favorable terms, or at all.

Ownership of our Capital Stock

Upon the completion of this offering, our directors and executive officers and their affiliates will beneficially own, in the aggregate, approximately 11.1 million shares of our common stock, or approximately 44% of our outstanding common stock, assuming no exercise of the underwriters' option to purchase additional shares of our common stock in this offering.

Corporate Information

We were incorporated under the laws of the State of Delaware in June 2001. Our principal executive offices are located at 2701 Aerial Center Parkway, Morrisville, North Carolina. Our telephone number is (919) 228-4700. The information contained on our website is not incorporated by reference into this prospectus, and you should not consider any information contained on, or that can be accessed through, our website as part of this prospectus or in deciding whether to purchase our common stock.

Table of Contents

"ChannelAdvisor," the ChannelAdvisor logo, and other trademarks or service marks of ChannelAdvisor Corporation appearing in this prospectus are the property of ChannelAdvisor Corporation. This prospectus contains additional trade names, trademarks and service marks of others, which are the property of their respective owners.

Table of Contents

THE OFFERING

Common stock offered by ChannelAdvisor	1,000,000 shares
Common stock offered by the selling stockholders	4,000,000 shares
Total common stock offered	5,000,000 shares
Total common stock to be outstanding after this offering	22,672,635 shares
Option to purchase additional shares of common stock	The underwriters have an option to purchase a maximum of 750,000 additional shares from the selling stockholders. The underwriters can exercise this option at any time within 30 days from the date of this prospectus.
Use of proceeds	We expect the net proceeds to us from this offering, after expenses, will be approximately $31.9 million, based on an assumed public offering price of $34.17 per share, which is the last reported sales price of our common stock on the New York Stock Exchange on October 30, 2013. We intend to use the net proceeds from this offering for working capital and other general corporate purposes, including further expansion of our sales and marketing capabilities and international operations. In addition, we may use a portion of the proceeds from this offering for opportunistic acquisitions of complementary businesses, technologies or other assets, although we do not currently have plans for any acquisitions. We will not receive any of the proceeds from the sale of shares to be offered by the selling stockholders, including any shares purchased upon the exercise of the underwriters' option to purchase additional shares. See “Use of Proceeds” for additional information.
Risk factors	See the section titled “Risk Factors” and the other information included in this prospectus for a discussion of factors you should carefully consider before deciding to invest in our common stock.
New York Stock Exchange symbol	ECOM

The number of shares of our common stock that will be outstanding after this offering is based on 21,672,635 shares of common stock outstanding as of September 30, 2013 and excludes:

- 2,569,393 shares of our common stock issuable upon the exercise of stock options outstanding under our 2001 stock plan and our 2013 equity incentive plan as of September 30, 2013, at a weighted average exercise price of $5.75 per share, of which 193,299 shares are expected to be issued upon the exercise of options by some of the selling stockholders in connection with this offering;

- 1,625,728 shares of our common stock issuable upon the exercise of warrants outstanding as of September 30, 2013, at a weighted average exercise price of $13.93 per share, of which 491,435 shares are expected to be issued upon the exercise of warrants by some of the selling stockholders in connection with this offering;

6

Table of Contents

- 1,142,479 shares of our common stock reserved for future issuance, as of September 30, 2013, under our 2013 equity incentive plan; and
- any additional shares that may be reserved for future issuance under our 2013 equity incentive plan as a result of automatic annual increases in the share reserve beginning on January 1, 2014.

Except as otherwise indicated herein, all information in this prospectus, including the number of shares that will be outstanding after this offering, assumes:

- no exercise of options or warrants outstanding as of September 30, 2013; and
- no exercise by the underwriters of their option to purchase additional shares.

Table of Contents

Summary Consolidated Financial Data

In the tables below, we provide you with summary consolidated financial data of ChannelAdvisor Corporation for the periods indicated. We have derived the following summary consolidated statement of operations data for the years ended December 31, 2010, 2011 and 2012 from our audited consolidated financial statements appearing elsewhere in this prospectus. We have derived the following summary consolidated statement of operations data for the nine months ended September 30, 2012 and 2013 and balance sheet data as of September 30, 2013 from our unaudited condensed consolidated interim financial statements appearing elsewhere in this prospectus.

Our historical results are not necessarily indicative of the results to be expected in the future, and our operating results for the nine months ended September 30, 2013 are not necessarily indicative of the results to be expected for the entire year ending December 31, 2013.

You should read this summary consolidated financial data together with the historical financial statements and related notes to those statements, as well as "Management's Discussion and Analysis of Financial Condition and Results of Operations," which are included elsewhere in this prospectus.

	Year Ended December 31,			Nine Months Ended September 30,	
	2010	2011	2012	2012	2013
	(in thousands, except share and per share data)				
Consolidated statement of operations data:					
Revenue	$36,688	$43,570	$53,587	$37,594	$47,518
Cost of revenue	12,164	12,248	14,749	10,707	12,971
Gross profit	24,524	31,322	38,838	26,887	34,547
Operating expenses:					
Sales and marketing	14,867	19,106	24,326	18,165	26,398
Research and development	8,416	8,842	10,109	7,533	8,882
General and administrative	6,111	6,551	8,252	5,862	8,641
Total operating expenses	29,394	34,499	42,687	31,560	43,921
Loss from operations	(4,870)	(3,177)	(3,849)	(4,673)	(9,374)
Total other income (expense)	258	(636)	(1,154)	(803)	(2,589)
Loss before income taxes	(4,612)	(3,813)	(5,003)	(5,476)	(11,963)
Income tax expense (benefit)	112	51	(70)	83	56
Net loss	$(4,724)	$(3,864)	$(4,933)	$(5,559)	$(12,019)
Net loss per share—basic and diluted	$(4.77)	(3.45)	$(4.23)	$(4.81)	$(1.13)
Weighted average shares of common stock outstanding used in computing net loss per share—basic and diluted	989,780	1,120,902	1,164,942	1,155,106	10,652,921
Stock-based compensation expense included above:					
Cost of revenue	$21	$15	$64	$38	$159
Sales and marketing	59	16	224	121	439
Research and development	38	58	105	74	264
General and administrative	216	111	245	160	571
Other financial data:					
Adjusted EBITDA(1)	$(422)	$(910)	$(277)	$(2,154)	$(5,305)

(1) We define adjusted EBITDA, which is a non-GAAP financial measure, as net loss plus: income tax expense, interest expense, depreciation and amortization, and stock-based compensation. Please see "—Adjusted EBITDA" for

more information and for a reconciliation of adjusted EBITDA to net loss, the most directly comparable financial measure calculated and presented in accordance with GAAP.

Table of Contents

	As of September 30, 2013 (in thousands)
Consolidated balance sheet data:	
Cash	$90,287
Accounts receivable, net	10,796
Restricted cash	686
Total assets	128,674
Long-term debt, including current portion	11,351
Total liabilities	38,528
Additional paid-in capital	182,104
Total stockholders' equity	90,146

Adjusted EBITDA

To provide investors with additional information regarding our financial results, we have provided within this prospectus adjusted EBITDA, a financial measure that is not calculated in accordance with generally accepted accounting principles, or GAAP. We have provided below a reconciliation of adjusted EBITDA to net loss, the most directly comparable GAAP financial measure.

We have included adjusted EBITDA in this prospectus because it is a key measure used by our management and board of directors to understand and evaluate our operating performance and trends, to prepare and approve our annual budget and to develop short- and long-term operational plans. In particular, the exclusion of some expenses in calculating adjusted EBITDA can provide a useful measure for period-to-period comparisons of our business. Accordingly, we believe that adjusted EBITDA provides useful information to investors in understanding and evaluating our operating results.

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

- although depreciation and amortization are non-cash charges, the assets being depreciated and amortized may have to be replaced in the future, and adjusted EBITDA does not reflect cash capital expenditure requirements for such replacements or for new capital expenditure requirements;
- adjusted EBITDA does not reflect changes in, or cash requirements for, our working capital needs;
- adjusted EBITDA does not reflect the potentially dilutive impact of equity-based compensation;
- adjusted EBITDA does not reflect interest or tax payments that may represent a reduction in cash available to us; and
- other companies, including companies in our industry, may calculate adjusted EBITDA differently, which reduces its usefulness as a comparative measure.

Table of Contents

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

	Year Ended December 31,			Nine Months Ended September 30,	
	2010	2011	2012	2012	2013
	(in thousands)				
Net loss	$(4,724)	$(3,864)	$(4,933)	$(5,559)	$(12,019)
Adjustments:					
Interest expense, net	486	642	1,185	828	2,606
Income tax expense (benefit)	112	51	(70)	83	56
Depreciation and amortization expense	3,370	2,061	2,903	2,101	2,619
Total adjustments, net	3,968	2,754	4,018	3,012	5,281
EBITDA	(756)	(1,110)	(915)	(2,547)	(6,738)
Stock-based compensation expense	334	200	638	393	1,433
Adjusted EBITDA	$(422)	$(910)	$(277)	$(2,154)	$(5,305)

Table of Contents

RISK FACTORS

Investing in our common stock involves a high degree of risk. Before you invest in our common stock, you should carefully consider the following risks, as well as general economic and business risks, and all of the other information contained in this prospectus. Any of the following risks could have a material adverse effect on our business, operating results and financial condition and cause the trading price of our common stock to decline, which would cause you to lose all or part of your investment. When determining whether to invest, you should also refer to the other information contained in this prospectus, including our consolidated financial statements and the related notes thereto.

Risks Related to Our Business

We have incurred significant net losses since inception, and we expect our operating expenses to increase significantly in the foreseeable future, which may make it more difficult for us to achieve profitability.

We incurred net losses of $4.9 million during the year ended December 31, 2012 and $12.0 million during the nine months ended September 30, 2013, and we had an accumulated deficit of $91.5 million as of September 30, 2013. We anticipate that our operating expenses will increase substantially in the foreseeable future as we invest in increased sales and marketing and research and development efforts. As a result, we can provide no assurance as to whether or when we will achieve profitability. In addition, as a newly public company, we have begun, and will continue, to incur significant accounting, legal and other expenses that we did not incur as a private company. To achieve profitability, we will need to either increase our revenue sufficiently to offset these higher expenses or significantly reduce our expense levels. Our recent revenue growth may not be sustainable, and if we are forced to reduce our expenses, our growth strategy could be compromised. If we are not able to achieve and maintain profitability, the value of our company and our common stock could decline significantly.

A significant portion of our revenue is attributable to sales by our customers on the Amazon and eBay marketplaces and through advertisements on Google. Our inability to continue to integrate our solutions with these channels would make our solutions less appealing to existing and potential new customers and could significantly reduce our revenue.

A substantial majority of the gross merchandise value, or GMV, that our customers process through our platform is derived from merchandise sold on the Amazon and eBay marketplaces or advertised on Google, and a similar portion of our variable subscription fees is attributable to sales by our customers through these channels. These channels, and the other channels with which our solutions are integrated, have no obligation to do business with us or to allow us access to their systems, and they may decide at any time and for any reason to significantly curtail or inhibit our ability to integrate our solutions with their channels. Additionally, Amazon, eBay or Google may decide to make significant changes to their respective business models, policies, systems or plans, and those changes could impair or inhibit our customers' ability to use our solutions to sell their products on those channels, or may adversely affect the volume of GMV that our customers can sell on those channels or reduce the desirability of selling on those channels. Further, Amazon, eBay or Google could decide to compete with us more vigorously. Any of these results could cause our customers to reevaluate the value of our products and services and potentially terminate their relationships with us and significantly reduce our revenue.

We may not be able to respond to rapid changes in channel technologies or requirements, which could cause us to lose revenue and make it more difficult to achieve profitability.

The e-commerce market is characterized by rapid technological change and frequent changes in rules, specifications and other requirements for retailers and manufacturers to be able to sell their merchandise on particular channels. Our ability to retain existing customers and attract new customers depends in large part on our ability to enhance and improve our existing solutions and introduce new solutions that can adapt quickly to these technological changes on the part of channels. To achieve market acceptance for our solutions, we must effectively anticipate and offer solutions that meet frequently changing channel requirements in a timely manner. If our solutions fail to do so, our ability to renew our contracts with existing customers and our ability to create or increase demand for our solutions will be impaired.

Table of Contents

If we are unable to retain our existing customers, our revenue and results of operations could be adversely affected.
We sell our solutions pursuant to contractual arrangements that generally have one-year terms. Therefore, our revenue growth depends to a significant degree upon subscription renewals. Our customers have no obligation to renew their subscriptions after the subscription term expires, and these subscriptions may not be renewed or, if renewed, may not be renewed on the same or more favorable terms for us. We may not be able to accurately predict future trends in customer renewals, and our customers' renewal rates may decline or fluctuate because of several factors, including their satisfaction or dissatisfaction with our solutions, the cost of our solutions, the cost of solutions offered by our competitors and reductions in our customers' spending levels. If our customers do not renew their subscriptions, renew on less favorable terms or for fewer modules, or do not purchase additional modules, our revenue may grow more slowly than expected or decline, and our ability to become profitable may be compromised.
We may not be able to compete successfully against current and future competitors. If we do not compete successfully, we could experience lower sales volumes and pricing pressure, which could cause us to lose revenues, impair our ability to pursue our growth strategy and compromise our ability to achieve profitability.
We face intense competition in the market for online channel management solutions and services, and we expect competition to intensify in the future. We have competitors, including some of the channels themselves, with longer operating histories, larger customer bases and greater financial, technical, marketing and other resources than we do. Increased competition may result in reduced pricing for our solutions, longer sales cycles or a decrease in our market share, any of which could negatively affect our revenue and future operating results and our ability to grow our business.
A number of competitive factors could cause us to lose potential sales or to sell our solutions at lower prices or at reduced margins, including:

- Potential customers may choose to continue using or to develop applications in-house, rather than pay for our solutions;
- The channels themselves, which typically offer software tools, often for free, that allow retailers and manufacturers to connect to them, may decide to compete more vigorously with us;
- Competitors may adopt more aggressive pricing policies and offer more attractive sales terms, adapt more quickly to new technologies and changes in customer requirements, and devote greater resources to the promotion and sale of their products and services than we can;
- Current and potential competitors have established or may establish cooperative relationships among themselves or with third parties to enhance their products and expand their markets, and consolidation in our industry is likely to intensify. Accordingly, new competitors or alliances among competitors may emerge and rapidly acquire significant market share;
- Current and potential competitors may offer software that addresses one or more online channel management functions at a lower price point or with greater depth than our solutions and may be able to devote greater resources to those solutions than we can; and
- Software vendors could bundle channel management solutions with other solutions or offer such products at a lower price as part of a larger product sale.

We may not be able to compete successfully against current and future competitors, including any channels that decide to compete against us more vigorously. In addition, competition may intensify as our competitors raise additional capital and as established companies in other market segments or geographic markets expand into our market segments or geographic markets. If we cannot compete successfully against our competitors, our business and our operating and financial results could be adversely affected.

Table of Contents

If the e-commerce industry consolidates around a limited number of online channels, or if the complexities and challenges faced by retailers and manufacturers seeking to sell online otherwise diminish, demand for our solutions could decline.

Our solutions enable retailers and manufacturers to manage their merchandise sales through hundreds of disparate online channels. One of the key attractions of our solutions to retailers and manufacturers is the ability to help address the complexity and fragmentation of selling online. Although the number and variety of online channels available to retailers and manufacturers have been increasing, at the same time the share of online sales made through a small number of larger channels, particularly Amazon and eBay, has also been increasing. If the trend toward consolidation around a few large online channels accelerates, the difficulties faced by retailers and manufacturers could decline, which might make our solutions less important to retailers and manufacturers and could cause demand for our solutions to decline.

Software failures or human error could cause our solutions to oversell our customers' inventory or misprice their offerings, which would hurt our reputation and reduce customer demand.

Our customers rely on our solutions to automate the allocation of their inventory simultaneously across multiple online channels, as well as to ensure that their sales comply with the policies of each channel and sometimes to dynamically determine product pricing at any given moment. Some customers subscribe to our solutions on a managed-service basis, in which case our personnel operate our solutions on behalf of the customer. In the event that our solutions do not function properly, or if there is human error on the part of our service staff, our customers might inadvertently sell more inventory than they actually have in stock, make sales that violate channel policies or underprice or overprice their offerings. Overselling their inventory could force our customers to cancel orders at rates that violate channel policies. Underpricing would result in lost revenue to our customers and overpricing could result in lost sales. In addition, our pricing policies with our customers are largely based upon our customers' expectations of the levels of their GMV that will be processed through our platform over the term of their agreement with us, and errors in our software or human error could cause transactions to be incorrectly processed that would cause GMV to be in excess of our customers' specified minimum amounts, in which case our variable subscription fee-based revenue could be overstated. Any of these results could reduce demand for our solutions and hurt our business reputation. Customers could also seek recourse against us in these cases and, while our contractual arrangements with customers typically provide that we are not liable for damages such as these, it is possible that these provisions would not be sufficient to protect us.

We rely on two non-redundant data centers to deliver our SaaS solutions. Any disruption of service at these facilities could harm our business.

We manage our platform and serve all of our customers from two third-party data center facilities that are non-redundant, meaning that neither facility serves as backup for the other. While we engineer and architect the actual computer and storage systems upon which our platform runs, we do not control the operation of the facilities at which they are deployed.

The owners of our data facilities have no obligation to renew their agreements with us on commercially reasonable terms, or at all. If we are unable to renew these agreements on commercially reasonable terms, we may be required to transfer to new data center facilities, and we may incur significant costs and possible service interruption in connection with doing so.

Any changes in third-party service levels at our data centers or any errors, defects, disruptions or other performance problems with our solutions could harm our reputation and damage our customers' businesses. Interruptions in our services could reduce our revenue, require us to issue credits to customers, subject us to potential liability, cause our existing customers to not renew their agreements or adversely affect our ability to attract new customers.

Our data centers are vulnerable to damage or interruption from human error, intentional bad acts, earthquakes, hurricanes, floods, fires, war, terrorist attacks, power losses, hardware failures, systems failures, telecommunications failures, cyber attacks and similar events. The occurrence of a natural disaster or an act of terrorism, or vandalism or other misconduct, a decision to close the facilities without adequate notice or other unanticipated problems could result in lengthy interruptions in the availability of our SaaS solutions or impair their functionality. Our business, growth prospects and operating results would also be harmed if our customers and potential customers are not confident that our solutions are reliable.

Table of Contents

We rely in part on a pricing model under which a variable portion of the subscription fees we receive from customers is based upon the amount of GMV that those customers process through our platform, and any change in the attractiveness of that model or any decline in our customers' sales could adversely affect our financial results.

We have adopted a pricing model under which a portion of the subscription fees we receive from our customers is variable, based on the amount of our customers' GMV processed through our platform that exceeds a specified amount established by contract, which we refer to as variable subscription fees. Substantially all of our customer contracts include this variable subscription fee component. If sales by our customers processed through our platform were to decline, or if our customers were to demand fully fixed pricing terms that do not provide for any variability based on their GMV processed through our platform, our revenue and margins could decline.

Our quarterly operating results have fluctuated in the past and may do so in the future, which could cause our stock price to decline.

Our operating results have historically fluctuated due to changes in our business, and our future operating results may vary significantly from quarter to quarter due to a variety of factors, many of which are beyond our control. You should not rely on period-to-period comparisons of our operating results as an indication of our future performance. Factors that may cause fluctuations in our quarterly operating results include, but are not limited to, the following:

- seasonal patterns in consumer spending;
- the addition of new customers or the loss of existing customers;
- changes in demand for our software;
- the timing and amount of sales and marketing expenses;
- changes in the prospects of the economy generally, which could alter current or prospective customers' spending priorities, or could increase the time it takes us to close sales;
- changes in our pricing policies or the pricing policies of our competitors;
- costs necessary to improve and maintain our software platform; and
- costs related to acquisitions of other businesses.

Our operating results may fall below the expectations of market analysts and investors in some future periods, which could cause the market price of our common stock to decline substantially.

The seasonality of our business creates significant variance in our quarterly revenue, which makes it difficult to compare our financial results on a sequential quarterly basis.

Our customers are retailers and manufacturers that typically realize a significant portion of their online sales in the fourth quarter of each year during the holiday season. As a result of this seasonal variation, our subscription revenue fluctuates, with the variable portion of our subscription fees being higher in the fourth quarter than in other quarters and with revenue generally declining in the first quarter sequentially from the fourth quarter. Our business is therefore not necessarily comparable on a sequential quarter-over-quarter basis and you should not rely solely on quarterly comparisons to analyze our growth.

Failure to adequately manage our growth could impair our ability to deliver high-quality solutions to our customers, hurt our reputation and compromise our ability to become profitable.

We have experienced, and may continue to experience, significant growth in our business. If we do not effectively manage our growth, the quality of service of our solutions may suffer, which could negatively affect our reputation and demand for our solutions. Our growth has placed, and is expected to continue to place, a significant strain on our managerial, operational and financial resources and our infrastructure. Our future success will depend, in part, upon the ability of our senior management to manage growth effectively. This will require us to, among other things:

- hire additional personnel, both domestically and internationally;
- implement additional management information systems;
- maintain close coordination among our engineering, operations, legal, finance, sales and marketing and client service and support organizations; and

Table of Contents

- further develop our operating, administrative, legal, financial and accounting systems and controls.

Moreover, if our sales continue to increase, we may be required to concurrently deploy our hosting infrastructure at multiple additional locations or provide increased levels of customer service. Failure to accomplish any of these requirements could impair our ability to continue to deliver our solutions in a timely fashion, fulfill existing customer commitments or attract and retain new customers.

If we do not retain our senior management team and key employees, or if we fail to attract additional sales talent, we may not be able to sustain our growth or achieve our business objectives.

Our future success is substantially dependent on the continued service of our senior management team, particularly Scot Wingo, our chief executive officer, Aris Buinevicius, our chief technology officer, David Spitz, our president and chief operating officer, and John Baule, our chief financial officer. Our future success also depends on our ability to continue to attract, retain and motivate highly skilled technical, sales and administrative employees. Competition for these employees in our industry is intense. As a result, we may be unable to attract or retain these management and other key personnel that are critical to our success, resulting in harm to our key client relationships, loss of key information, expertise or know-how and unanticipated recruitment and training costs. The loss of the services of our senior management or other key employees could make it more difficult to successfully operate our business and pursue our business goals.

Our strategy of pursuing opportunistic acquisitions or investments may be unsuccessful and may divert our management’s attention and consume significant resources.

A part of our growth strategy is to opportunistically pursue acquisitions of, or investments in, other complementary businesses or individual technologies. Any acquisition or investment may require us to use significant amounts of cash, issue potentially dilutive equity securities or incur debt. In addition, acquisitions involve numerous risks, any of which could harm our business, including:

- difficulties in integrating the operations, technologies, services and personnel of acquired businesses, especially if those businesses operate outside of our core competency of providing e-commerce software solutions;
- cultural challenges associated with integrating employees from acquired businesses into our organization;
- ineffectiveness or incompatibility of acquired technologies or services;
- failure to successfully further develop the acquired technology in order to recoup our investment;
- potential loss of key employees of acquired businesses;
- inability to maintain the key business relationships and the reputations of acquired businesses;
- diversion of management’s attention from other business concerns;
- litigation for activities of acquired businesses, including claims from terminated employees, customers, former stockholders or other third parties;
- in the case of foreign acquisitions, the need to integrate operations across different cultures and languages and to address the particular economic, currency, political and regulatory risks associated with specific countries;
- costs necessary to establish and maintain effective internal controls for acquired businesses; and
- increased fixed costs.

If current efforts to allow states to require online retailers to collect sales tax on their behalf are successful, e-commerce in general could decline, our solutions could become less attractive and the amount of GMV processed through our platform, and our related revenue, could decline.

Although current U.S. Supreme Court decisions restrict the imposition of obligations to collect state and local sales taxes with respect to remote sales, an increasing number of states have considered or adopted laws that attempt to require out-of-state retailers to collect sales taxes on their behalf. In addition, legislation currently moving through the U.S. Senate and the U.S. House of Representatives, called the Marketplace Fairness Act, would override the Supreme Court rulings and enable states to require that online retailers collect sales tax from the states’ residents. Some larger online retailers, including Amazon, have announced their support for legislation along

Table of Contents

these lines. This is a rapidly evolving area and we cannot predict whether this or other similar legislation will ultimately be adopted or what form it might take if adopted. For example, while the current Senate and House legislation includes an exception for small retailers, some of the state efforts do not and there can be no assurance that any legislation ultimately adopted would include such an exception. If the states or Congress are successful in these attempts to require online retailers to collect state or local income taxes on out-of-state purchases, buying online would lose some of its current advantage over traditional retail models and could become less attractive to consumers. This could cause e-commerce to decline, which would, in turn, hurt the business of our customers, potentially make our products less attractive and cause the amount of GMV processed through our platform, and ultimately our revenue, to decline. In addition, it is possible that one or more states or the federal government or foreign countries may seek to impose a tax collection, reporting or record-keeping obligation on companies like us that facilitate e-commerce, even though we are not an online retailer. Similar issues exist outside of the United States, where the application of value-added tax or other indirect taxes on online retailers and companies like us that facilitate e-commerce is uncertain and evolving.

If the e-commerce market does not grow, or grows more slowly than we expect, particularly on the channels that our solutions support, demand for our online channel management solutions could be adversely affected.

For our existing customers and potential customers to be willing to subscribe to our solutions, the internet must continue to be accepted and widely used for selling merchandise. If consumer utilization of our primary e-commerce channels, such as Amazon, eBay and Google, does not grow or grows more slowly than we expect, demand for our solutions would be adversely affected, our revenue would be negatively impacted and our ability to pursue our growth strategy and become profitable would be compromised.

Evolving domestic and international data privacy regulations may restrict our ability, and that of our customers, to solicit, collect, process, disclose and use personal information or may increase the costs of doing so, which could harm our business.

Federal, state and foreign governments and supervising authorities have enacted, and may in the future enact, laws and regulations concerning the solicitation, collection, processing, disclosure or use of consumers' personal information. Evolving regulations regarding personal data and personal information, in the European Union and elsewhere, especially relating to classification of IP addresses, machine identification, location data and other information, may limit or inhibit our ability to operate or expand our business. Such laws and regulations require or may require us or our customers to implement privacy and security policies, permit consumers to access, correct or delete personal information stored or maintained by us or our customers, inform individuals of security incidents that affect their personal information, and, in some cases, obtain consent to use personal information for specified purposes. Other proposed legislation could, if enacted, impose additional requirements and prohibit the use of specific technologies, such as those that track individuals' activities on web pages or record when individuals click on a link contained in an email message. Such laws and regulations could restrict our customers' ability to collect and use web browsing data and personal information, which may reduce our customers' demand for our solutions.

Changing industry standards and industry self-regulation regarding the collection, use and disclosure of data may have similar effects. Existing and future privacy and data protection laws and increasing sensitivity of consumers to unauthorized disclosures and use of personal information may also negatively affect the public's perception of our customers' sales practices. If our solutions are perceived to cause, or are otherwise unfavorably associated with, invasions of privacy, whether or not illegal, we or our customers may be subject to public criticism. Public concerns regarding data collection, privacy and security may also cause some consumers to be less likely to visit our customers' websites or otherwise interact with our customers, which could limit the demand for our solutions and inhibit the growth of our business.

Any failure on our part to comply with applicable privacy and data protection laws, regulations, policies and standards or any inability to adequately address privacy concerns associated with our solutions, even if unfounded, could subject us to liability, damage our reputation, impair our sales and harm our business. Furthermore, the costs to our customers of compliance with, and other burdens imposed by, such laws, regulations, policies and standards may limit adoption of and demand for our solutions.

Table of Contents

Risks Related to the Software-as-a-Service (SaaS) Model

If we fail to manage and increase the capacity of our hosted infrastructure, our customers may be unable to process transactions through our platform, which could harm our reputation and demand for our solutions.

We have experienced significant growth in the number of users, transactions and data that our hosting infrastructure supports. We seek to maintain sufficient excess capacity in our hosted infrastructure to be sufficiently flexible and scalable to meet the needs of all of our customers. We also seek to maintain excess capacity to facilitate the rapid provision of new customer deployments and the expansion of existing customer deployments and to handle spikes in usage. However, the provision of new hosting infrastructure requires significant lead time. If we do not accurately predict our infrastructure capacity requirements, particularly in the fourth quarter when we typically experience significant increases in the volume of customer transactions processed through our platform, our customers could experience service outages that may subject us to financial penalties or other liabilities, result in customer losses, harm our reputation and adversely affect our ability to grow our revenue.

We derive most of our revenue from annual subscription agreements, as a result of which a significant downturn in our business may not be immediately reflected in our operating results.

We derive most of our revenue from subscription agreements, which are typically one year in length. As a result, a significant portion of the revenue we report in each quarter is generated from customer agreements entered into during previous periods. Consequently, a decline in new or renewed subscriptions in any one quarter may not be reflected in our financial performance in that quarter but might negatively affect our revenue in future quarters. Accordingly, the effect of significant declines in sales and market acceptance of our solutions may not be reflected in our short-term results of operations.

Our business is substantially dependent upon the continued growth of the market for on-demand SaaS solutions. If this market does not continue to grow, demand for our solutions could decline, which in turn could cause our revenues to decline and impair our ability to become profitable.

We derive, and expect to continue to derive, substantially all of our revenue from the sale of our solutions, which are delivered under a SaaS model. As a result, widespread use and acceptance of this business model is critical to our future growth and success. Under the more traditional license model for software procurement, users of the software typically run the applications in-house on their own hardware. Because many companies are generally predisposed to maintaining control of their information technology systems and infrastructure, there may be resistance to the concept of accessing software functionality as a service provided by a third party. In addition, the market for SaaS solutions is still evolving, and existing and new market participants may introduce new types of solutions and different approaches to enable organizations to address their needs. If the market for SaaS solutions fails to grow or grows more slowly than we currently anticipate, demand for our solutions and our revenue, gross margin and other operating results could be negatively impacted.

Risks Related to Our International Operations

Our increasing international operations subject us to increased challenges and risks. If we do not successfully manage the risks associated with international operations, we could experience a variety of costs and liabilities and the attention of our management could be diverted.

Since launching our international operations in 2004, we have expanded, and expect to further expand, our operations internationally by opening offices in new countries and regions worldwide. However, our ability to manage our business and conduct our operations internationally requires considerable management attention and resources and is subject to the particular challenges of supporting a rapidly growing business in an environment of multiple languages, cultures, customs, taxation systems, alternative dispute systems, regulatory systems and commercial infrastructures. International expansion will require us to invest significant funds and other resources. Expanding internationally may subject us to new risks that we have not faced before or increase risks that we currently face, including risks associated with:

- recruiting and retaining employees in foreign countries;
- increased competition from local providers;
- compliance with applicable foreign laws and regulations;

- longer sales or collection cycles in some countries;
- credit risk and higher levels of payment fraud;

- compliance with anti-bribery laws, such as the Foreign Corrupt Practices Act;
- currency exchange rate fluctuations;
- foreign exchange controls that might prevent us from repatriating cash earned outside the United States;
- economic and political instability in some countries;
- less protective intellectual property laws;
- compliance with the laws of numerous foreign taxing jurisdictions in which we conduct business, potential double taxation of our international earnings and potentially adverse tax consequences due to changes in applicable U.S. and foreign tax laws;
- increased costs to establish and maintain effective controls at foreign locations; and
- overall higher costs of doing business internationally.

If our revenue from our international operations does not exceed the expense of establishing and maintaining these operations, our business and operating results will suffer.

We are subject to governmental export and import controls that could impair our ability to compete in international markets due to licensing requirements and subject us to liability if we are not in full compliance with applicable laws.

Our solutions are subject to export controls, including the Commerce Department's Export Administration Regulations and various economic and trade sanctions regulations established by the Treasury Department's Office of Foreign Assets Controls, and exports of our solutions must be made in compliance with these laws. If we fail to comply with these U.S. export control laws and import laws, including U.S. Customs regulations, we could be subject to substantial civil or criminal penalties, including the possible loss of export or import privileges, fines, which may be imposed on us and responsible employees or managers, and, in extreme cases, the incarceration of responsible employees or managers. Obtaining the necessary authorizations, including any required license, for a particular sale may be time-consuming, is not guaranteed and may result in the delay or loss of sales opportunities.

Furthermore, the U.S. export control laws and economic sanctions laws prohibit the shipment or export of specified products and services to U.S. embargoed or sanctioned countries, governments and persons. Even though we take precautions to prevent our solutions from being provided to U.S. sanctions targets, if our solutions and services were to be exported to those prohibited countries despite such precautions, we could be subject to government investigations, penalties, reputational harm or other negative consequences.

Any change in export or import regulations, economic sanctions or related laws, shift in the enforcement or scope of existing regulations, or change in the countries, governments, persons or technologies targeted by such regulations, could result in decreased use of our solutions, or in our decreased ability to export or sell our solutions to existing or potential customers with international operations. Additionally, changes in our solutions may be required in response to changes in export and import regulations, which could lead to delays in the introduction and sale of our solutions in international markets, prevent our customers with international operations from deploying our solutions or, in some cases, prevent the export or import of our solutions to some countries, governments or persons altogether. Any decreased use of our solutions or limitation on our ability to export our solutions or sell them in international markets would hurt our revenue and compromise our ability to pursue our growth strategy.

Risks Related to Intellectual Property

We operate in an industry with extensive intellectual property litigation. Claims of infringement against us may hurt our business.

Our success depends, in part, upon non-infringement of intellectual property rights owned by others and being able to resolve claims of intellectual property infringement without major financial expenditures or adverse consequences. The internet-related software field generally is characterized by extensive intellectual property litigation. Although our industry is rapidly evolving, many companies that own, or claim to own, intellectual property have aggressively asserted their rights. From time to time, we have been subject to legal proceedings and claims relating to the intellectual property rights of others, and we expect that third parties will continue to assert intellectual property claims against us, particularly as we expand the complexity and scope of our business. In addition, most of our subscription agreements require us to indemnify our customers against claims that our solutions infringe the intellectual property rights of third parties.

Table of Contents

Future litigation may be necessary to defend ourselves or our customers by determining the scope, enforceability and validity of third-party proprietary rights or to establish our proprietary rights. Some of our competitors have substantially greater resources than we do and are able to sustain the costs of complex intellectual property litigation to a greater degree and for longer periods of time than we could. In addition, patent holding companies that focus solely on extracting royalties and settlements by enforcing patent rights may target us. Regardless of whether claims that we are infringing patents or other intellectual property rights have any merit, these claims are time-consuming and costly to evaluate and defend and could:

- hurt our reputation;
- adversely affect our relationships with our current or future customers;
- cause delays or stoppages in providing our services;
- divert management's attention and resources;
- require technology changes to our software that would cause us to incur substantial cost;
- subject us to significant liabilities; and
- require us to cease some or all of our activities.

In addition to liability for monetary damages against us, which may be tripled and may include attorneys' fees, or, in some circumstances, damages against our customers, we may be prohibited from developing, commercializing or continuing to provide some or all of our software solutions unless we obtain licenses from, and pay royalties to, the holders of the patents or other intellectual property rights, which may not be available on commercially favorable terms, or at all.

Our failure to protect our intellectual property rights could diminish the value of our services, weaken our competitive position and reduce our revenue.

We regard the protection of our intellectual property, which includes trade secrets, copyrights, trademarks, domain names and patent applications, as critical to our success. We strive to protect our intellectual property rights by relying on federal, state and common law rights, as well as contractual restrictions. We enter into confidentiality and invention assignment agreements with our employees and contractors, and confidentiality agreements with parties with whom we conduct business in order to limit access to, and disclosure and use of, our proprietary information. However, these contractual arrangements and the other steps we have taken to protect our intellectual property may not prevent the misappropriation of our proprietary information or deter independent development of similar technologies by others.

We have sought patent protection for some of our technologies and currently have two U.S. patent applications and one international patent application on file, although there can be no assurance that these patents will ultimately be issued. We are also pursuing the registration of our domain names, trademarks and service marks in the United States and in jurisdictions outside the United States. Effective trade secret, copyright, trademark, domain name and patent protection is expensive to develop and maintain, both in terms of initial and ongoing registration requirements and the costs of defending our rights. We may be required to protect our intellectual property in an increasing number of jurisdictions, a process that is expensive and may not be successful or which we may not pursue in every location. We may, over time, increase our investment in protecting our intellectual property through additional patent filings that could be expensive and time-consuming.

We have licensed in the past, and expect to license in the future, some of our proprietary rights, such as trademarks or copyrighted material, to third parties. These licensees may take actions that diminish the value of our proprietary rights or harm our reputation.

Monitoring unauthorized use of our intellectual property is difficult and costly. Our efforts to protect our proprietary rights may not be adequate to prevent misappropriation of our intellectual property. Further, we may not be able to detect unauthorized use of, or take appropriate steps to enforce, our intellectual property rights. Our competitors may also independently develop similar technology. In addition, the laws of many countries, such as China and India, do not protect our proprietary rights to as great an extent as do the laws of European countries and the United States. Further, the laws in the United States and elsewhere change rapidly, and any future changes could adversely affect us and our intellectual property. Our failure to meaningfully protect our intellectual property could result in competitors offering services that incorporate our most technologically advanced features, which

19

Table of Contents

could seriously reduce demand for our software solutions. In addition, we may in the future need to initiate infringement claims or litigation. Litigation, whether we are a plaintiff or a defendant, can be expensive, time-consuming and may divert the efforts of our technical staff and managerial personnel, which could harm our business, whether or not such litigation results in a determination that is unfavorable to us. In addition, litigation is inherently uncertain, and thus we may not be able to stop our competitors from infringing upon our intellectual property rights.

Our use of "open source" software could negatively affect our ability to sell our solutions and subject us to possible litigation.

A portion of our technology platform and our solutions incorporates so-called "open source" software, and we may incorporate additional open source software in the future. Open source software is generally licensed by its authors or other third parties under open source licenses. If we fail to comply with these licenses, we may be subject to specified conditions, including requirements that we offer our solutions that incorporate the open source software for no cost, that we make available source code for modifications or derivative works we create based upon, incorporating or using the open source software and that we license such modifications or derivative works under the terms of the particular open source license. If an author or other third party that distributes open source software we use were to allege that we had not complied with the conditions of one or more of these licenses, we could be required to incur significant legal expenses defending against such allegations and could be subject to significant damages, including being enjoined from the sale of our solutions that contained the open source software and required to comply with the foregoing conditions, which could disrupt the sale of the affected solutions. In addition, there have been claims challenging the ownership of open source software against companies that incorporate open source software into their products. As a result, we could be subject to suits by parties claiming ownership of what we believe to be open source software. Litigation could be costly for us to defend, have a negative effect on our operating results and financial condition and require us to devote additional research and development resources to change our products.

Risks Related to this Offering and Ownership of Our Common Stock

An active trading market for our common stock may not be sustained.

Although our common stock is listed on the New York Stock Exchange, or NYSE, we cannot assure you that an active trading market for our shares will be sustained. If an active market for our common stock is not sustained, it may be difficult for you to sell shares without depressing the market price for the shares or to sell your shares at all.

The trading price of the shares of our common stock has been and may continue to be volatile, and purchasers of our common stock could incur substantial losses.

Since our initial public offering, or IPO, in May 2013, our stock price has been volatile. The stock market in general and the market for technology companies in particular have experienced extreme volatility that has often been unrelated to the operating performance of particular companies. As a result of this volatility, investors may not be able to sell their common stock at or above the price paid for the shares. The market price for our common stock may be influenced by many factors, including:

- actual or anticipated variations in our operating results;
- changes in financial estimates by us or by any securities analysts who might cover our stock;
- conditions or trends in our industry;
- stock market price and volume fluctuations of comparable companies and, in particular, those that operate in the software industry;
- announcements by us or our competitors of new product or service offerings, significant acquisitions, strategic partnerships or divestitures;
- announcements of investigations or regulatory scrutiny of our operations or lawsuits filed against us;
- capital commitments;
- investors' general perception of our company and our business;
- recruitment or departure of key personnel; and
- sales of our common stock, including sales by our directors and officers or specific stockholders.

In addition, in the past, stockholders have initiated class action lawsuits against technology companies following periods of volatility in the market prices of these companies' stock. Such litigation, if instituted against us, could cause us to incur substantial costs and divert management's attention and resources from our business.

If equity research analysts do not publish research or reports, or publish unfavorable research or reports, about us, our business or our market, our stock price and trading volume could decline.

The trading market for our common stock is influenced by the research and reports that equity research analysts publish about us and our business. As a newly public company, we have only limited research coverage by equity research analysts. Equity research analysts may elect not to initiate or continue to provide research coverage of our common stock, and such lack of research coverage may adversely affect the market price of our common stock. Even if we have equity research analyst coverage, we will not have any control over the analysts or the content and opinions included in their reports. The price of our stock could decline if one or more equity research analysts downgrade our stock or issue other unfavorable commentary or research. If one or more equity research analysts ceases coverage of our company or fails to publish reports on us regularly, demand for our stock could decrease, which in turn could cause our stock price or trading volume to decline.

If you purchase shares of our common stock in this offering, you will suffer immediate dilution of your investment.

The assumed public offering price of our common stock is substantially higher than the net tangible book value per share of our common stock. Therefore, if you purchase shares of our common stock in this offering, you will pay a price per share that substantially exceeds our net tangible book value per share after this offering. Based on an assumed public offering price of $34.17 per share, which was the last reported sales price of our common stock on the NYSE on October 30, 2013, you will experience immediate dilution of $29.53 per share, representing the difference between our as-adjusted net tangible book value per share after giving effect to this offering and the assumed public offering price.

In addition, after this offering, based on shares outstanding as of September 30, 2013, we will have outstanding:

- stock options to purchase an aggregate of 2,569,393 shares of common stock at a weighted average exercise price of $5.75 per share, of which 193,299 shares are expected to be issued upon the exercise of options by some of the selling stockholders in connection with this offering; and
- warrants to purchase an aggregate of 1,625,728 shares of our common stock at a weighted average exercise price of $13.93 per share, of which 491,435 shares are expected to be issued upon the exercise of warrants by some of the selling stockholders in connection with this offering.

To the extent these outstanding options and warrants are exercised, there will be further dilution to investors in this offering.

The issuance of additional stock in connection with financings, acquisitions, investments, our stock incentive plans or otherwise will dilute all other stockholders.

Our certificate of incorporation authorizes us to issue up to 100,000,000 shares of common stock and up to 5,000,000 shares of preferred stock with such rights and preferences as may be determined by our board of directors. Subject to compliance with applicable rules and regulations, 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, investment, our stock incentive plans 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.

A significant portion of our total outstanding shares is restricted from immediate resale but may be sold into the market in the near future. This could cause the market price of our common stock to drop significantly, even if our business is doing well.

Sales of a substantial number of shares of our common stock in the public market could occur at any time. If our stockholders sell, or the market perceives that our stockholders intend to sell, substantial amounts of our common stock in the public market following this offering, the market price of our common stock could decline significantly.

Table of Contents

Upon completion of this offering, based on the number of shares outstanding at September 30, 2013, we will have outstanding 22,672,635 shares of common stock, assuming no exercise of outstanding options or warrants. Of these shares, the 6,612,500 shares issued in our IPO, the 5,000,000 shares sold in this offering and 15,605 additional shares will be freely tradable immediately, 1,172,349 additional shares of common stock will be eligible for sale in the public market on November 19, 2013 upon the expiration of the 180-day lock-up period in connection with our IPO and 9,872,181 additional shares of common stock will be available for sale in the public market beginning 90 days after the date of this prospectus following the expiration of new lock-up agreements between some of our stockholders and the underwriters, in each case subject to volume, manner of sale and other limitations of Rule 144. The representatives of the underwriters may release these stockholders from their lock-up agreements with the underwriters at any time and without notice, which would allow for earlier sales of shares in the public market.

Additionally, upon the completion of this offering, the holders of an aggregate of 9,715,279 shares of our common stock and 1,111,331 shares of our common stock issuable upon the exercise of outstanding warrants, or their transferees, have rights, subject to specified conditions, to require us to file one or more registration statements covering their shares or to include their shares in registration statements that we may file for ourselves or other stockholders, including the registration statement of which this prospectus forms a part. If we were to register the resale of these shares, they could be freely sold in the public market. If these additional shares are sold, or if it is perceived that they will be sold, in the public market, the trading price of our common stock could decline.

Provisions in our corporate charter documents and under Delaware law may prevent or frustrate attempts by our stockholders to change our management and hinder efforts to acquire a controlling interest in us, and the market price of our common stock may be lower as a result.

There are provisions in our certificate of incorporation and bylaws that may make it difficult for a third party to acquire, or attempt to acquire, control of our company, even if a change in control was considered favorable by you and other stockholders. For example, our board of directors has the authority to issue up to 5,000,000 shares of preferred stock. The board of directors can fix the price, rights, preferences, privileges and restrictions of the preferred stock without any further vote or action by our stockholders. The issuance of shares of preferred stock may delay or prevent a change in control transaction. As a result, the market price of our common stock and the voting and other rights of our stockholders may be adversely affected. An issuance of shares of preferred stock may result in the loss of voting control to other stockholders.

Our charter documents also contain other provisions that could have an anti-takeover effect, including:

- only one of our three classes of directors is elected each year;
- stockholders are not entitled to remove directors other than by a 66 $^{2}/_{3}$% vote and only for cause;
- stockholders are not permitted to take actions by written consent;
- stockholders cannot call a special meeting of stockholders; and
- stockholders must give advance notice to nominate directors or submit proposals for consideration at stockholder meetings.

In addition, we are subject to the anti-takeover provisions of Section 203 of the Delaware General Corporation Law, which regulates corporate acquisitions by prohibiting Delaware corporations from engaging in specified business combinations with particular stockholders of those companies. These provisions could discourage potential acquisition proposals and could delay or prevent a change in control transaction. They could also have the effect of discouraging others from making tender offers for our common stock, including transactions that may be in your best interests. These provisions may also prevent changes in our management or limit the price that investors are willing to pay for our stock.

Concentration of ownership of our common stock among our existing executive officers, directors and principal stockholders may prevent new investors from influencing significant corporate decisions.

Upon completion of this offering, our executive officers, directors and current beneficial owners of 5% or more of our common stock and their respective affiliates will, in the aggregate, beneficially own approximately 44% of our outstanding common stock. As a result, these persons, acting together, would be able to significantly

22

Table of Contents

influence all matters requiring stockholder approval, including the election and removal of directors, any merger, consolidation, sale of all or substantially all of our assets or other significant corporate transactions.

Some of these persons or entities may have interests different than yours. For example, because many of these stockholders purchased their shares at prices substantially below the price at which shares are being sold in this offering and have held their shares for a longer period, they may be more interested in selling their shares to an acquirer than other investors, or they may want us to pursue strategies that deviate from the interests of other stockholders.

We are an "emerging growth company" and as a result of the reduced disclosure and governance requirements applicable to emerging growth companies, our common stock may be less attractive to investors.

We are an "emerging growth company" as defined in the Jumpstart Our Business Startups Act of 2012, or JOBS Act, and we intend to take advantage of some of the exemptions from reporting requirements that are applicable to other public companies that are not emerging growth companies, including not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act of 2002, or Sarbanes-Oxley Act, reduced disclosure 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 cannot predict if investors will find our common stock less attractive because we will rely on these exemptions. If some investors find our common stock less attractive as a result, there may be a less active trading market for our common stock and our stock price may be more volatile. We may take advantage of these reporting exemptions until we are no longer an emerging growth company. We will remain an emerging growth company until the earlier of (1) December 31, 2018, (2) the last day of the fiscal year in which we have total annual gross revenue of at least \$1.0 billion, (3) the last day of the fiscal year in which we are deemed to be a large accelerated filer, which means the market value of our common stock that is held by non-affiliates exceeds \$700 million as of the prior June 30th, and (4) any date on which we have issued more than \$1.0 billion in non-convertible debt during the prior three-year period.

Under Section 107(b) of the JOBS Act, emerging growth companies can delay adopting new or revised accounting standards until such time as those standards apply to private companies. We have irrevocably elected not to avail ourselves of this exemption from new or revised accounting standards and, therefore, we will be subject to the same new or revised accounting standards as other public companies that are not emerging growth companies.

If we fail to maintain proper and effective internal controls, our ability to produce accurate financial statements on a timely basis could be impaired.

We are subject to the reporting requirements of the Securities Exchange Act of 1934, the Sarbanes-Oxley Act and the rules and regulations of the NYSE. The Sarbanes-Oxley Act requires, among other things, that we maintain effective disclosure controls and procedures and internal controls over financial reporting. Commencing with our fiscal year ending December 31, 2014, we must perform system and process evaluation and testing of our internal controls over financial reporting to allow management to report on the effectiveness of our internal controls over financial reporting in our Form 10-K filing for that year, as required by Section 404 of the Sarbanes-Oxley Act. This will require that we incur substantial additional professional fees and internal costs to expand our accounting and finance functions and that we expend significant management efforts. Prior to our IPO, we were never required to test our internal controls within a specified period, and, as a result, we may experience difficulty in meeting these reporting requirements in a timely manner.

We may discover weaknesses in our system of internal financial and accounting controls and procedures that could result in a material misstatement of our financial statements. For example, in 2011, we identified a material weakness in our methodology for the accounting of our warrants to purchase redeemable convertible preferred stock. While we believe that this weakness has now been successfully remediated, we may in the future discover additional weaknesses that require improvement. In addition, our internal control over financial reporting will not prevent or detect all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud will be detected.

Table of Contents

If we are not able to comply with the requirements of Section 404 of the Sarbanes-Oxley Act in a timely manner, or if we are unable to maintain proper and effective internal controls, we may not be able to produce timely and accurate financial statements. If that were to happen, the market price of our stock could decline and we could be subject to sanctions or investigations by the NYSE, the Securities and Exchange Commission, or SEC, or other regulatory authorities.

Our management might apply the net proceeds from our recent initial public offering and this offering in ways with which you do not agree and in ways that may not increase the value of your investment.

We intend to use the net proceeds from our recent IPO and this offering for working capital and general corporate purposes, including further expansion of our international operations and sales and marketing capabilities. Our management has broad discretion as to the use of these proceeds and you will be relying on the judgment of our management regarding the application of these proceeds. We might apply these proceeds in ways with which you do not agree, or in ways that do not yield a favorable return. If our management applies these proceeds in a manner that does not yield a significant return, if any, on our investment of these net proceeds, it could compromise our ability to pursue our growth strategy and adversely affect the market price of our common stock.

Because we do not anticipate paying any cash dividends on our common stock in the foreseeable future, capital appreciation, if any, will be your sole source of gains and you may never receive a return on your investment.

You should not rely on an investment in our common stock to provide dividend income. We have not declared or paid cash dividends on our common stock to date. We currently intend to retain our future earnings, if any, to fund the development and growth of our business. In addition, the terms of any existing or future debt agreements may preclude us from paying dividends. As a result, capital appreciation, if any, of our common stock will be your sole source of gain for the foreseeable future. Investors seeking cash dividends should not purchase our common stock.

We will incur increased costs and demands upon management as a result of being a public company.

As a newly public company listed in the United States, we have begun, and will continue, particularly after we cease to be an "emerging growth company," to incur significant additional legal, accounting and other costs. These additional costs could negatively affect our financial results. In addition, changing laws, regulations and standards relating to corporate governance and public disclosure, including regulations implemented by the SEC and stock exchanges, may increase legal and financial compliance costs and make some activities more time consuming. These laws, regulations and standards are subject to varying interpretations and, as a result, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies. We intend to invest resources to comply with evolving laws, regulations and standards, and this investment may result in increased general and administrative expenses and a diversion of management's time and attention from revenue-generating activities to compliance activities. If notwithstanding our efforts to comply with new laws, regulations and standards, we fail to comply, regulatory authorities may initiate legal proceedings against us and our business may be harmed.

Failure to comply with these rules might also make it more difficult for us to obtain some types of insurance, including director and officer liability insurance, and we might be forced to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. The impact of these events could also make it more difficult for us to attract and retain qualified persons to serve on our board of directors, on committees of our board of directors or as members of senior management.

We may need additional capital in the future to meet our financial obligations and to pursue our business objectives. Additional capital may not be available on favorable terms, or at all, which could compromise our ability to meet our financial obligations and grow our business.

While we anticipate that our existing cash, together with our cash flow from operations, availability under our existing credit facility and net proceeds from our IPO and this offering, will be sufficient to fund our operations for at least the next 12 months, we may need to raise additional capital to fund operations in the future or to meet various objectives, including developing future technologies and services, increasing working capital, acquiring businesses and responding to competitive pressures. If we seek to raise additional capital, it may not be available on favorable terms or may not be available at all. In addition, pursuant to the terms of our credit facility, we may be restricted

from using the net proceeds of financing transactions for our operating objectives. Lack of sufficient capital resources could significantly limit our ability to manage our business and to take advantage of business and strategic opportunities. Any additional capital raised through the sale of equity or debt securities with an equity component would dilute our stock ownership. If adequate additional funds are not available, we may be required to delay, reduce the scope of or eliminate material parts of our business strategy, including potential additional acquisitions or development of new technologies.

Table of Contents

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act that involve substantial risks and uncertainties. The forward-looking statements are contained principally in the sections entitled "Prospectus Summary," "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business," but are also contained elsewhere in this prospectus. In some cases, you can identify forward-looking statements by the words "may," "might," "will," "could," "would," "should," "expect," "intend," "plan," "objective," "anticipate," "believe," "estimate," "predict," "project," "potential," "continu
or the negative of these terms, or other comparable terminology intended to identify statements about the future. These statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance or achievements to be materially different from the information expressed or implied by these forward-looking statements. Although we believe that we have a reasonable basis for each forward-looking statement contained in this prospectus, we caution you that these statements are based on a combination of facts and factors currently known by us and our expectations of the future, about which we cannot be certain. Forward-looking statements include statements about:

- the growth of the e-commerce industry and the SaaS enterprise application software market in general;
- the expected growth of advertising dollars spent on paid search and GMV sold on comparison shopping websites;
- consumer adoption of mobile devices and usage for commerce;
- the growth of social networking and commerce applications; and
- our growth strategy.

You should refer to the "Risk Factors" section of this prospectus for a discussion of important factors that may cause our actual results to differ materially from those expressed or implied by our forward-looking statements. As a result of these factors, we cannot assure you that the forward-looking statements in this prospectus will prove to be accurate. Furthermore, if our forward-looking statements prove to be inaccurate, the inaccuracy may be material. In light of the significant uncertainties in these forward-looking statements, you should not regard these statements as a representation or warranty by us or any other person that we will achieve our objectives and plans in any specified time frame, or at all. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

You should read this prospectus and the documents that we reference in this prospectus and have filed as exhibits to the registration statement, of which this prospectus is a part, completely and with the understanding that our actual future results may be materially different from what we expect. We qualify all of our forward-looking statements by these cautionary statements.

Table of Contents

INDUSTRY AND MARKET DATA

Some of the industry and market data contained in this prospectus are based on independent industry publications, including those generated by Gartner Inc., or Gartner, Forrester Research, Inc., or Forrester, International Data Corporation and ZenithOptimedia, as well as other publicly available information. This information involves a number of assumptions and limitations. Although we believe that each source is reliable as of its respective date, neither we nor the underwriters have independently verified the accuracy or completeness of this information. The industry in which we operate is subject to a high degree of uncertainty and risk due to a variety of factors, including those described in “Risk Factors.” These and other factors could cause results to differ materially from those expressed in these publications.

The Gartner report from which market data included in this prospectus has been derived, “Forecast: Public Cloud Services, Worldwide, 2011-2017, 3Q13 Update”, E. Anderson, Y. Dharmasthira, September 27, 2013, represents data, research opinion or viewpoints published as part of a syndicated subscription service by Gartner and are not representations of fact. The Gartner report speaks as of its original publication date, and not as of the date of this prospectus, and the opinions expressed in the Gartner report are subject to change without notice.

The Forrester reports described in this prospectus represent data, research opinion or viewpoints published as part of a syndicated subscription service, by Forrester and are not representations of fact. Each Forrester report speaks as of its original publication date, and not as of the date of this prospectus, and the opinions expressed in the Forrester reports are subject to change without notice. The Forrester reports consist of:

- “The Evolution of Global eCommerce Markets,” Forrester Research, Inc., June 25, 2013; and
- “US Mobile Retail Forecast, 2012 To 2017,” Forrester Research, Inc., January 16, 2013.

We have also included in this prospectus industry and market data derived from International Data Corporation, “Worldwide Smartphone 2013-2017 Forecast Update: September 2013”, doc #242924, September 2013 and ZenithOptimedia, "Advertising Expenditure Forecasts September 2013", September 2013.

Table of Contents

USE OF PROCEEDS

We estimate that the net proceeds from our issuance and sale of 1,000,000 shares of our common stock in this offering will be approximately $31.9 million, based upon an assumed public offering price of $34.17 per share, which is the last reported sales price of our common stock on the New York Stock Exchange on October 30, 2013, after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us. We will not receive any of the proceeds from the sale of shares by the selling stockholders, including the shares subject to the underwriters' option, although we will bear the costs, other than the underwriting discounts and commissions, associated with those sales.

We intend to use the net proceeds from this offering for working capital and other general corporate purposes, including further expansion of our international operations and sales and marketing capabilities. We may also use a portion of the net proceeds from this offering for the future acquisition of, or investment in, complementary businesses, products or technologies. However, we do not have plans, agreements or commitments for any specific acquisitions or investments and we have not allocated specific amounts of net proceeds for any of these purposes.

Our management will have broad discretion in the application of the net proceeds, and investors will be relying on the judgment of our management regarding the application of the net proceeds of this offering. The timing and amount of our actual expenditures will be based on many factors, including cash flows from operations and the anticipated growth of our business. Pending these uses, we plan to invest these net proceeds in short-term, interest bearing obligations, investment-grade instruments, certificates of deposit or direct or guaranteed obligations of the United States.

MARKET PRICE OF COMMON STOCK

Our common stock commenced trading on the New York Stock Exchange under the symbol "ECOM" on May 23, 2013. The following table sets forth, for the periods indicated, the high and low reported sales prices of our common stock as reported on the New York Stock Exchange:

	High	Low
2013		
Second quarter (from May 23, 2013)	$19.77	$14.25
Third quarter	$41.25	$15.16
Fourth quarter (through October 30, 2013)	$40.91	$31.90

As of October 30, 2013, there were approximately 237 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. This number of holders of record also does not include stockholders whose shares may be held in trust by other entities. The last reported sale price of our common stock on the New York Stock Exchange on October 30, 2013 was $34.17 per share.

DIVIDEND POLICY

We have never declared or paid any dividends on our common stock. We anticipate that we will retain all of our future earnings, if any, for use in the operation and expansion of our business and do not anticipate paying cash dividends in the foreseeable future. Additionally, our ability to pay dividends on our common stock is limited by restrictions under the terms of the agreements governing our credit facility.

Table of Contents

CAPITALIZATION

The following table sets forth our cash and our capitalization as of September 30, 2013:

- on an actual basis; and
- on an as-adjusted basis to give effect to our sale of 1,000,000 shares of common stock in this offering at an assumed public offering price of $34.17 per share, which is the last reported sales price of our common stock on the New York Stock Exchange on October 30, 2013, after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us.

The following information is illustrative only of our cash and capitalization following the completion of this offering and will change based on the actual public offering price and other terms of this offering determined at pricing. You should read this table together with “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our financial statements and the related notes appearing elsewhere in this prospectus.

	As of September 30, 2013	
	Actual	As adjusted
	(in thousands, except share and per share data)	
Cash	$90,287	$122,217
Stockholders’ equity:		
Preferred stock, $0.001 per share; 5,000,000 shares authorized, no shares issued or outstanding, actual and as adjusted	$—	$—
Common stock, $0.001 par value; 100,000,000 shares authorized, 21,672,635 shares issued and outstanding, actual; 100,000,000 shares authorized, 22,672,635 shares issued and outstanding, as adjusted	21	22
Additional paid-in-capital	182,104	214,033
Accumulated other comprehensive loss	(485)	(485)
Accumulated deficit	(91,494)	(91,494)
Total stockholders’ equity	90,146	122,076
Total capitalization	$90,146	$122,076

The number of shares of common stock outstanding in the table above excludes:

- 2,569,393 shares of our common stock issuable upon the exercise of stock options outstanding under our 2001 stock plan and our 2013 equity incentive plan as of September 30, 2013, at a weighted average exercise price of $5.75 per share, of which 193,299 shares are expected to be issued upon the exercise of options by some of the selling stockholders in connection with this offering;
- 1,625,728 shares of our common stock issuable upon the exercise of warrants outstanding as of September 30, 2013, at a weighted average exercise price of $13.93 per share, of which 491,435 shares are expected to be issued upon the exercise of warrants by some of the selling stockholders in connection with this offering;
- 1,142,479 shares of our common stock reserved for future issuance, as of September 30, 2013, under our 2013 equity incentive plan; and
- any additional shares that may be reserved for future issuance under our 2013 equity incentive plan as a result of automatic annual increases in the share reserve beginning on January 1, 2014.

Table of Contents

DILUTION

If you invest in our common stock in this offering, your interest will be diluted to the extent of the difference between the public offering price per share and the as-adjusted net tangible book value per share of our common stock immediately after this offering. Net tangible book value per share is determined by dividing our total tangible assets less total liabilities by the number of outstanding shares of our common stock.

As of September 30, 2013, our net tangible book value was $73.3 million, or approximately $3.38 per share of common stock.

Investors participating in this offering will incur immediate and substantial dilution. After giving effect to the issuance and sale of 1,000,000 shares of our common stock in this offering at an assumed public offering price of $34.17 per share, which is the last reported sales price of our common stock on the New York Stock Exchange on October 30, 2013, after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us, our as-adjusted net tangible book value as of September 30, 2013 would have been approximately $105.2 million, or approximately $4.64 per share of common stock. This represents an immediate increase in the net tangible book value of $1.26 per share to existing stockholders, and an immediate dilution in the net tangible book value of $29.53 per share to investors purchasing shares of our common stock in this offering. The dilution information discussed above is for illustrative purposes only and will change based on the actual public offering price. The following table illustrates this per share dilution:

Assumed public offering price per share		$34.17
Actual net tangible book value per share as of September 30, 2013	$3.38	
Increase in net tangible book value per share attributable to new investors participating in this offering	1.26	
As-adjusted net tangible book value per share after this offering		4.64
Dilution per share to investors participating in this offering		$29.53

Table of Contents

SELECTED CONSOLIDATED FINANCIAL DATA

The following tables set forth selected consolidated financial data of ChannelAdvisor Corporation for the periods indicated. The following selected consolidated statement of operations data for the years ended December 31, 2010, 2011 and 2012 and the selected consolidated balance sheet data as of December 31, 2011 and 2012 are derived from our audited consolidated financial statements appearing elsewhere in this prospectus. The selected consolidated balance sheet data as of December 31, 2010 is derived from audited financial statements not included in this prospectus. The data should be read together with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and in conjunction with the consolidated financial statements, related notes, and other financial information included elsewhere in this prospectus. The selected consolidated statement of operations data for the nine months ended September 30, 2012 and 2013 and the selected consolidated balance sheet data as of September 30, 2013 are derived from unaudited condensed consolidated financial statements.

The unaudited condensed consolidated financial data include all adjustments, consisting of normal recurring adjustments, which management considers necessary for a fair presentation of the financial position and the results of operations for these periods. Our historical results are not necessarily indicative of the results to be expected in the future, and our operating results for the nine months ended September 30, 2013 are not necessarily indicative of the results that may be expected for the entire year ending December 31, 2013.

	Year Ended December 31,			Nine Months Ended September 30,	
	2010	2011	2012	2012	2013
	(in thousands, except share and per share data)				
Consolidated statement of operations data:					
Revenue	$36,688	$43,570	$53,587	$37,594	$47,518
Cost of revenue	12,164	12,248	14,749	10,707	12,971
Gross profit	24,524	31,322	38,838	26,887	34,547
Operating expenses:					
Sales and marketing	14,867	19,106	24,326	18,165	26,398
Research and development	8,416	8,842	10,109	7,533	8,882
General and administrative	6,111	6,551	8,252	5,862	8,641
Total operating expenses	29,394	34,499	42,687	31,560	43,921
Loss from operations	(4,870)	(3,177)	(3,849)	(4,673)	(9,374)
Total other income (expense)	258	(636)	(1,154)	(803)	(2,589)
Loss before income taxes	(4,612)	(3,813)	(5,003)	(5,476)	(11,963)
Income tax expense (benefit)	112	51	(70)	83	56
Net loss	$(4,724)	$(3,864)	$(4,933)	$(5,559)	$(12,019)
Net loss per share—basic and diluted	$(4.77)	$(3.45)	$(4.23)	$(4.81)	$(1.13)
Weighted average shares of common stock outstanding used in computing net loss per share—basic and diluted	989,780	1,120,902	1,164,942	1,155,106	10,652,921
Stock-based compensation expense included above:					
Cost of revenue	$21	$15	$64	$38	$159
Sales and marketing	59	16	224	121	439
Research and development	38	58	105	74	264
General and administrative	216	111	245	160	571
Other financial data:					
Adjusted EBITDA(1)	$(422)	$(910)	$(277)	$(2,154)	$(5,305)

(1) We define adjusted EBITDA as net loss plus: income tax expense, interest expense, depreciation and amortization, and stock-based compensation. Please see “—Adjusted EBITDA” for more information and for a reconciliation of adjusted EBITDA to net loss, the most directly comparable financial measure calculated and presented in accordance with GAAP.

31

Table of Contents

	As of December 31,			As of September 30, 2013
	2010	2011	2012	
	(in thousands)			
Consolidated balance sheet data:				
Cash	$6,939	$4,998	$10,865	$90,287
Accounts receivable, net	6,235	7,677	9,571	10,796
Restricted cash	890	886	687	686
Total assets	36,029	35,777	48,022	128,674
Long-term debt, including current portion	5,330	4,826	10,972	11,351
Series A and Series C warrants liability	331	592	3,235	—
Total liabilities	13,973	17,217	33,706	38,528
Total redeemable convertible preferred stock	90,363	90,413	90,495	—
Additional paid-in capital	2,684	2,932	3,584	182,104
Total stockholders' (deficit) equity	(68,307)	(71,853)	(76,179)	90,146

Adjusted EBITDA

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

We have included adjusted EBITDA in this prospectus because it is a key measure used by our management and board of directors to understand and evaluate our operating performance and trends, to prepare and approve our annual budget and to develop short- and long-term operational plans. In particular, the exclusion of some expenses in calculating adjusted EBITDA can provide a useful measure for period-to-period comparisons of our business. Accordingly, we believe that adjusted EBITDA provides useful information to investors in understanding and evaluating our operating results.

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

- although depreciation and amortization are non-cash charges, the assets being depreciated and amortized may have to be replaced in the future, and adjusted EBITDA does not reflect cash capital expenditure requirements for such replacements or for new capital expenditure requirements;
- adjusted EBITDA does not reflect changes in, or cash requirements for, our working capital needs;
- adjusted EBITDA does not reflect the potentially dilutive impact of equity-based compensation;
- adjusted EBITDA does not reflect interest or tax payments that may represent a reduction in cash available to us; and
- other companies, including companies in our industry, may calculate adjusted EBITDA differently, which reduces its usefulness as a comparative measure.

Table of Contents

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

	Year Ended December 31,			Nine Months Ended September 30,	
	2010	2011	2012	2012	2013
	(in thousands)				
Net loss	$(4,724)	$(3,864)	$(4,933)	$(5,559)	$(12,019)
Adjustments:					
Interest expense, net	486	642	1,185	828	2,606
Income tax expense (benefit)	112	51	(70)	83	56
Depreciation and amortization expense	3,370	2,061	2,903	2,101	2,619
Total adjustments, net	3,968	2,754	4,018	3,012	5,281
EBITDA	(756)	(1,110)	(915)	(2,547)	(6,738)
Stock-based compensation expense	334	200	638	393	1,433
Adjusted EBITDA	$(422)	$(910)	$(277)	$(2,154)	$(5,305)

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 together with our consolidated financial statements and the related notes and other financial information included elsewhere in this prospectus. Some of the information contained in this discussion and analysis or set forth elsewhere in this prospectus, including information with respect to our plans and strategy for our business, includes forward-looking statements that involve risks and uncertainties. You should review the "Risk Factors" section of this prospectus for a discussion of important factors that could cause actual results to differ materially from the results described in or implied by the forward-looking statements contained in the following discussion and analysis.

Overview

We are a leading provider of software-as-a-service, or SaaS, solutions that enable our retailer and manufacturer customers to integrate, manage and optimize their merchandise sales across hundreds of online channels. Through our platform, we enable our customers to connect with new and existing sources of demand for their products, including e-commerce marketplaces, such as eBay, Amazon and Newegg, search engines and comparison shopping websites, such as Google, Bing and Nextag, and emerging channels, such as Facebook and Groupon. Our suite of solutions, accessed through a standard web browser, provides our customers with a single, integrated user interface to manage their product listings, inventory availability, pricing optimization, search terms, data analytics and other critical functions across these channels. Our proprietary cloud-based technology platform delivers significant breadth, scalability and flexibility to our customers. In 2012, our customers processed over $3.5 billion in gross merchandise value, or GMV, through our platform. As of September 30, 2013, our customers managed over 130 million stock-keeping units, or SKUs, of their inventory on our platform.

We sell subscriptions to our SaaS solutions primarily through our direct sales force. Our customers include the online businesses of traditional retailers, online retailers and brand manufacturers, as well as advertising agencies that use our solutions on behalf of their retailer clients. As of September 30, 2013, we had over 2,200 core customers worldwide, including 27% of the top 500 U.S. Internet retailers, as identified by Internet Retailer magazine based on their 2012 online sales.

We operate in one segment and derive our revenue from our customers' access to and usage of our SaaS solutions, which are organized into modules. Each module integrates with a particular type of channel, such as third-party marketplaces, paid search or comparison shopping websites, or supports a specific online functionality, such as creating webstores or employing rich media solutions on their websites. The majority of our revenue is derived from subscription fees paid to us by our customers for access to and usage of our SaaS solutions for a specified contract term, which is usually one year. A portion of the subscription fee is typically fixed and is based on a specified minimum amount of GMV that a customer expects to process through our platform. The remaining portion of the subscription fee is variable and is based on a specified percentage of GMV processed through our platform in excess of the customer's specified minimum GMV amount. We also receive implementation fees, which may include fees for providing launch assistance and training.

We have grown our total revenue from $36.7 million for the year ended December 31, 2010 to $53.6 million for the year ended December 31, 2012, a compound annual growth rate of 20.9%. Our total revenue increased from $37.6 million for the nine months ended September 30, 2012 to $47.5 million for the nine months ended September 30, 2013, an increase of 26.4%. Our revenue growth has been driven primarily by an increase in the number of core customers utilizing our solutions and an increase in the average revenue per core customer, as well as by an increase in the amount of our customers' GMV processed through our platform. During 2012 and the nine months ended September 30, 2013, over 20% of our core revenue was derived from customers located outside of the United States. We currently offer the same solutions internationally as we do in the United States, and we intend to continue expanding our international operations.

We do not take title to any of the merchandise processed through our platform and we generally do not collect payments on behalf of our customers. We do not hold any inventory of merchandise and we are not involved in the physical logistics of shipping merchandise to buyers, which is handled by our customers.

We plan to grow our revenue by adding new customers, helping our existing customers increase their GMV processed through our platform by taking full advantage of its functionality and selling additional module subscriptions to existing customers to allow them to sell merchandise through new channels.

Table of Contents

We face a variety of challenges and risks, which we will need to address and manage as we pursue our growth strategy. In particular, we will need to continue to innovate in the face of a rapidly changing e-commerce landscape if we are to remain competitive, and we will need to effectively manage our growth, especially related to our international expansion. Our senior management continuously focuses on these and other challenges, and we believe that our culture of innovation and our history of growth and expansion will contribute to the success of our business. We cannot, however, assure you that we will be successful in addressing and managing the many challenges and risks that we face.

We commenced operations in 2001. From 2001 through 2008, we invested heavily in product development, sales and marketing and acquisitions to drive growth. During this period, we generated substantial losses and raised several rounds of financing from venture capital investors to fund our operations. In late 2008, in an effort to better focus our business model on our current market opportunity and to improve our profitability, we implemented a number of cost reduction measures, including a reduction in headcount. In 2009 and 2010, having substantially improved our cost structure as a result of this restructuring of our operations, we began reinvesting in sales and marketing in order to grow our business, and from 2009 through 2012 and the nine months ended September 30, 2013, we experienced increasing rates of revenue growth.

Key Financial and Operating Performance Metrics

We regularly monitor a number of financial and operating metrics in order to measure our performance and project our future performance. These metrics aid us in developing and refining our growth strategies and making strategic decisions. We discuss revenue, gross margin and the components of net income in the section below entitled "Components of Operating Results." In addition, we utilize other key metrics as described below.

Core Revenue

Our reported operating results include revenue attributable to the products from two small legacy acquisitions, both of which occurred prior to 2008 and focused on solutions for lower-volume eBay sellers. We do not consider these products to be a core part of our strategic focus going forward. Each of these acquisitions contributed a relatively large number of customers with revenue per customer substantially lower than is characteristic of the rest of our business. We exclude the revenue attributable to these non-core, legacy products in calculating a measure we refer to as core revenue. We anticipate that the revenue associated with these non-core, legacy products will continue to decline over time both in absolute terms and as a percentage of our total revenue.

Number of Core Customers

The number of customers subscribing to our solutions is a primary determinant of our core revenue. We refer to the customers who subscribe to any of our solutions, other than the non-core, legacy products described above, as our core customers. The number of core customers was 1,673, 1,710 and 1,928 as of December 31, 2010, 2011 and 2012, respectively, and 1,896 and 2,287 as of September 30, 2012 and 2013, respectively.

Average Revenue per Core Customer

The average revenue generated by our core customers is the other primary determinant of our core revenue. We calculate this metric by dividing our total core revenue for a particular period by the average monthly number of core customers during the period, which is calculated by taking the sum of the number of core customers at the end of each month in the period and dividing by the number of months in the period. We typically calculate average revenue per core customer in absolute dollars on a rolling twelve-month basis, but we may also calculate percentage changes in average revenue per core customer on a quarterly basis in order to help us evaluate our period-over-period performance. Our average revenue per core customer was $20,456, $24,240 and $28,050 for the years ended December 31, 2010, 2011 and 2012, respectively, and $26,987 and $30,113 for the twelve months ended September 30, 2012 and 2013, respectively.

Subscription Dollar Retention Rate

We believe that our ability to retain our core customers and expand the revenue they generate for us over time is an important component of our growth strategy and reflects the long-term value of our customer relationships. We measure our performance on this basis using a metric we refer to as our subscription dollar retention rate. We calculate this metric for a particular period by establishing the cohort of core customers that had active contracts as of the end of the prior period. We then calculate our subscription dollar retention rate by taking the amount of fixed subscription revenue we recognized for the cohort in the period for which we are reporting the rate and dividing it by the fixed subscription revenue we recognized for the same cohort in the prior period. For this purpose, we do not include any revenue from the non-core, legacy products described above, any variable subscription fees paid by our customers or any implementation fees.

Although some customers in any given period elect not to renew their contracts with us, our customers that do renew their subscriptions often increase their fixed subscription pricing levels to align with their increasing GMV volumes processed through our platform and may subscribe to additional modules as well. If our subscription dollar retention rate for a period is over 100%, this means that the increased subscription revenue we recognized from customers that renewed their contracts during the period, or whose contracts did not come up for renewal during the period, more than offset the subscription revenue we lost from customers that did not renew their contracts.

For each of the twelve months ended December 31, 2010, 2011 and 2012 and each of the twelve months ended September 30, 2012 and 2013, our subscription dollar retention rate exceeded 100%.

Adjusted EBITDA

Adjusted EBITDA represents our earnings before interest expense, income tax expense and depreciation and amortization, adjusted to eliminate stock-based compensation expense, which is a non-cash item. We believe that excluding these expenses in calculating adjusted EBITDA provides our management with a useful measure for period-to-period comparisons of our business. However, adjusted EBITDA is not a measure calculated in accordance with GAAP. Please refer to “Selected Consolidated Financial Data—Adjusted EBITDA” in this prospectus for a discussion of the limitations of adjusted EBITDA and a reconciliation of adjusted EBITDA to net loss, the most comparable GAAP measurement, for the years ended December 31, 2010, 2011 and 2012 and the nine months ended September 30, 2012 and 2013.

Adjusted EBITDA should not be considered as an alternative to any measure of financial performance calculated and presented in accordance with GAAP. In addition, adjusted EBITDA may not be comparable to similarly titled measures of other companies because other companies may not calculate adjusted EBITDA in the same manner that we do. We prepare adjusted EBITDA to eliminate the impact of stock-based compensation expense, which we do not consider indicative of our operating performance. We encourage you to evaluate these adjustments, the reasons we consider them appropriate and the material limitations of using non-GAAP measures as described in “Selected Consolidated Financial Data—Adjusted EBITDA.”

Components of Operating Results

Revenue

We derive the majority of our revenue from subscription fees paid to us by our customers for access to and usage of our SaaS solutions for a specified contract term, which is usually one year. A portion of the subscription fee is typically fixed and based on a specified minimum amount of GMV that a customer expects to process through our platform. The remaining portion of the subscription fee is variable and is based on a specified percentage of GMV processed through our platform in excess of the customer’s specified minimum GMV. In most cases, the specified percentage of excess GMV on which the variable portion of the subscription is based is fixed and does not vary depending on the amount of the excess. We also receive implementation fees, which may include fees for providing launch assistance and training.

Because our customer contracts contain both fixed and variable pricing components, changes in GMV between periods do not translate directly or linearly into changes in our revenue. We use customized pricing structures for each of our customers depending upon the individual situation of the customer. For example, some customers may commit to a higher specified minimum GMV amount per month in exchange for a lower fixed percentage fee on that committed GMV. In addition, the percentage fee assessed on the variable GMV in excess of the committed minimum for each customer is typically higher than the fee on the fixed, committed portion. As a result, our overall revenue could increase or decrease even without any change in overall GMV between periods, depending on which customers generated the GMV. In addition, changes in GMV from month to month for any individual customer that are below the specified minimum amount would have no effect on our revenue from that customer, and each customer may alternate between being over the committed amount or under it from month to month. For these reasons, while GMV is an important qualitative and directional indicator, we do not regard it as a useful quantitative measurement of our historic revenues or as a predictor of future revenues.

Table of Contents

The following table shows the percentage of our total revenue attributable to fixed subscription fees plus implementation fees, as compared to the percentage attributable to variable subscription fees, for each of the periods indicated.

	Year Ended December 31,						Nine Months Ended September 30,			
	2010		2011		2012		2012		2013	
	(as a percentage of total revenue)									
Fixed subscription fees plus implementation fees	48.7	%	55.0	%	61.4	%	62.6	%	67.8	%
Variable subscription fees	51.3		45.0		38.6		37.4		32.2	
Total revenue	100.0	%	100.0	%	100.0	%	100.0	%	100.0	%

We recognize fixed subscription fees and implementation fees ratably over the contract period once four conditions have been satisfied:

- the contract has been signed by both parties;
- the customer has access to our platform and transactions can be processed;
- the fees are fixed or determinable; and
- collection is reasonably assured.

We generally invoice our customers for the fixed portion of the subscription fee in advance, in monthly, quarterly, semi-annual or annual installments. We invoice our customers for the implementation fee at the inception of the arrangement. Fixed subscription and implementation fees that have been invoiced are initially recorded as deferred revenue and are generally recognized ratably over the contract term.

We invoice and recognize revenue from the variable portion of subscription fees in the period in which the related GMV is processed, assuming that the four conditions specified above have been met.

Cost of Revenue

Cost of revenue primarily consists of salaries and personnel-related costs for employees providing services to our customers and supporting our platform infrastructure, including benefits, bonuses and stock-based compensation. Additional expenses include co-location facility costs for our data centers, depreciation expense for computer equipment directly associated with generating revenue, infrastructure maintenance costs, fees we pay to credit card vendors in connection with our customers’ payments to us and other direct costs. We plan to continue to expand our capacity to support our growth, which will result in higher cost of revenue in absolute dollars.

Operating Expenses

Operating expenses consist of sales and marketing, research and development and general and administrative expenses. Salaries and personnel-related costs are the most significant component of each of these expense categories.

Sales and marketing expense. Sales and marketing expense consists primarily of salaries and personnel-related costs for our sales and marketing and customer support employees, including benefits, bonuses, stock-based compensation and commissions. We record expense for commissions at the time of contract signing. Additional expenses include marketing, advertising and promotional event programs, corporate communications and travel.

Research and development expense. Research and development expense consists primarily of salaries and personnel-related costs for our research and development employees, including benefits, bonuses and stock-based compensation. Additional expenses include costs related to the development, quality assurance and testing of new technology and enhancement of our existing platform technology, consulting and travel.

General and administrative expense. General and administrative expense consists primarily of salaries and personnel-related costs for administrative, finance and accounting, information systems, legal and human resource employees, including benefits, bonuses and stock-based compensation. Additional expenses include consulting and professional fees, insurance, other corporate expenses and travel, as well as costs associated with

Table of Contents

compliance with the Sarbanes-Oxley Act and other regulations governing public companies, directors' and officers' liability insurance, increased professional services and an enhanced investor relations function now that we are a public company.

Other Income (Expense)

Other income and expense consists primarily of interest income and expense and, prior to the closing of our IPO on May 29, 2013, changes in the fair value of our preferred stock warrant liability. Interest income represents interest received on our cash. Interest expense consists primarily of the interest incurred on outstanding borrowings under our credit facilities and the accretion of the debt discount on our subordinated loan.

Income Tax Expense (Benefit)

Income tax expense (benefit) consists of U.S. federal, state and foreign income taxes. We incurred minimal income tax expense for the years ended December 31, 2010 and 2011 and a benefit for the year ended December 31, 2012.

Results of Operations

The following table sets forth selected consolidated statement of operations data for each of the periods indicated.

	Year Ended December 31,			Nine Months Ended September 30,	
	2010	2011	2012	2012	2013
	(in thousands)				
Revenue	$36,688	$43,570	$53,587	$37,594	$47,518
Cost of revenue	12,164	12,248	14,749	10,707	12,971
Gross profit	24,524	31,322	38,838	26,887	34,547
Operating expenses:					
Sales and marketing	14,867	19,106	24,326	18,165	26,398
Research and development	8,416	8,842	10,109	7,533	8,882
General and administrative	6,111	6,551	8,252	5,862	8,641
Total operating expenses	29,394	34,499	42,687	31,560	43,921
Loss from operations	(4,870)	(3,177)	(3,849)	(4,673)	(9,374)
Other income (expense):					
Interest expense, net	(486)	(642)	(1,185)	(828)	(2,606)
Other income, net	744	6	31	25	17
Total other income (expense)	258	(636)	(1,154)	(803)	(2,589)
Loss before income taxes	(4,612)	(3,813)	(5,003)	(5,476)	(11,963)
Income tax expense (benefit)	112	51	(70)	83	56
Net loss	$(4,724)	$(3,864)	$(4,933)	$(5,559)	$(12,019)

The following table sets forth our consolidated statement of operations data as a percentage of revenue for each of the periods indicated.

	Year Ended December 31,			Nine Months Ended September 30,	
	2010	2011	2012	2012	2013
	(as a percentage of revenue)				
Revenue	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
Cost of revenue	33.2	28.1	27.5	28.5	27.3
Gross profit	66.8	71.9	72.5	71.5	72.7
Operating expenses:					
Sales and marketing	40.5	43.9	45.4	48.3	55.6
Research and development	22.9	20.3	18.9	20.0	18.7
General and administrative	16.7	15.0	15.4	15.6	18.2
Total operating expenses	80.1	79.2	79.7	83.9	92.5
Loss from operations	(13.3)	(7.3)	(7.2)	(12.4)	(19.8)
Other income (expense):					
Interest expense, net	(1.3)	(1.5)	(2.2)	(2.2)	(5.5)
Other income, net	2.0	0.0	0.1	0.1	0.0
Total other income (expense)	0.7	(1.5)	(2.1)	(2.1)	(5.5)
Loss before income taxes	(12.6)	(8.8)	(9.3)	(14.5)	(25.3)
Income tax expense (benefit)	0.3	0.1	(0.1)	0.2	0.1
Net loss	(12.9)%	(8.9)%	(9.2)%	(14.7)%	(25.4)%

Table of Contents

Comparison of Nine Months Ended September 30, 2012 and 2013

	Nine Months Ended September 30,				Period-to-Period Change	
	2012		2013			
	Amount	Percentage of Revenue	Amount	Percentage of Revenue	Amount	Percentage
	(dollars in thousands)					
Revenue	$37,594	100.0 %	$47,518	100.0 %	$9,924	26.4 %
Cost of revenue	10,707	28.5	12,971	27.3	2,264	21.1
Gross profit	26,887	71.5	34,547	72.7	7,660	28.5
Operating expenses:						
Sales and marketing	18,165	48.3	26,398	55.6	8,233	45.3
Research and development	7,533	20.0	8,882	18.7	1,349	17.9
General and administrative	5,862	15.6	8,641	18.2	2,779	47.4
Total operating expenses	31,560	83.9	43,921	92.5	12,361	39.2
Loss from operations	(4,673)	(12.4)	(9,374)	(19.8)	(4,701)	100.6
Other (expense) income:						
Interest expense, net	(828)	(2.2)	(2,606)	(5.5)	(1,778)	214.7
Other income, net	25	0.1	17	0.0	(8)	(32.0)
Total other (expense) income	(803)	(2.1)	(2,589)	(5.5)	(1,786)	222.4
Loss before income taxes	(5,476)	(14.5)	(11,963)	(25.3)	(6,487)	118.5
Income tax expense	83	0.2	56	0.1	(27)	(32.5)
Net loss	$(5,559)	(14.7)%	$(12,019)	(25.4)%	$(6,460)	116.2

Revenue

	Nine Months Ended September 30,		Period-to-Period Change	
	2012	2013	Amount	Percentage
	(dollars in thousands)			
Revenue	$37,594	$47,518	$9,924	26.4 %

Revenue for the nine months ended September 30, 2013 increased by $9.9 million, or 26.4%, compared to the nine months ended September 30, 2012. The increase in revenue for the nine months ended September 30, 2013 was mainly driven by the expansion of our international operations and an increase in our core revenue, which is discussed below.

Our revenue from international operations of $10.0 million, or 21.1% of total revenue, for the nine months ended September 30, 2013 increased from $8.0 million, or 21.3% of total revenue, for the nine months ended September 30, 2012. The increase in revenue from our international operations was primarily attributable to an increase in the number of international customers.

Table of Contents

Core Revenue

	Nine Months Ended September 30,		Period-to-Period	Change
	2012	2013	Amount	Percentage
	(dollars in thousands)			
Core revenue	$35,786	$46,142	$10,356	28.9 %
Percentage of total revenue	95.2 %	97.1 %		
Non-core revenue	$1,808	$1,376	$(432)	(23.9)%
Percentage of total revenue	4.8 %	2.9 %		
Total revenue	$37,594	$47,518	$9,924	26.4 %

Core revenue for the nine months ended September 30, 2013 increased by $10.4 million, or 28.9%, compared to the nine months ended September 30, 2012.

This growth was primarily attributable to a 20.6% increase in the number of core customers using our platform at September 30, 2013 as compared to September 30, 2012. The increase in core customers accounted for 56.2% of the increase in core revenue during the nine months ended September 30, 2013.

In addition, we experienced a 10.9% increase in the average revenue per core customer during the nine months ended September 30, 2013 as compared to the nine months ended September 30, 2012, which accounted for 43.8% of the increase in core revenue during the period. The increase in the average revenue per core customer was primarily attributable to an overall increase in transaction volume and, to a lesser extent, to modest overall increases in the percentage fees assessed on the fixed and variable portions of GMV under our contractual arrangements with some of our customers during the year. Because we generally enter into annual contracts with our customers, we may renegotiate either or both of the fixed and variable components of the pricing structure of a customer’s contract each year. In addition, the increase in average revenue per core customer was due in part to a general shift in our customer base toward a greater proportion of larger enterprise customers, all of which are core customers. Our enterprise customers generally commit to a higher specified minimum amount of GMV per month, which results in a higher proportion of fixed subscription fees.

This growth in core revenue was partially offset by a $0.4 million, or 23.9%, decrease in our non-core revenue over the same period.

Cost of revenue

	Nine Months Ended September 30,		Period-to-Period	Change
	2012	2013	Amount	Percentage
	(dollars in thousands)			
Cost of revenue	$10,707	$12,971	$2,264	21.1 %
Percentage of total revenue	28.5 %	27.3 %		

Cost of revenue for the nine months ended September 30, 2013 increased by $2.3 million, or 21.1%, compared to the nine months ended September 30, 2012. The increase in cost of revenue was primarily attributable to a $1.5 million increase in salaries and personnel-related costs, as we increased the number of employees providing services to our expanding customer base and supporting our platform infrastructure from 109 at September 30, 2012 to 129 at September 30, 2013. In addition, we experienced a $0.5 million increase in depreciation expense associated with equipment for our data centers and a $0.2 million increase in credit card vendor transaction fees. As a percentage of revenue, cost of revenue declined from 28.5% for the nine months ended September 30, 2012 to 27.3% for the nine months ended September 30, 2013.

Table of Contents

Operating Expenses

Sales and marketing

	Nine Months Ended September 30,		Period-to-Period Change	
	2012	2013	Amount	Percentage
	(dollars in thousands)			
Sales and marketing	$18,165	$26,398	$8,233	45.3 %
Percentage of total revenue	48.3 %	55.6 %		

Sales and marketing expense for the nine months ended September 30, 2013 increased by $8.2 million, or 45.3%, compared to the nine months ended September 30, 2012. The increase in sales and marketing expense was primarily attributable to a $6.4 million increase in salaries and personnel-related costs, as we increased the number of sales and marketing and customer support personnel to continue driving revenue growth. The number of full-time sales and marketing employees increased from 185 at September 30, 2012 to 259 at September 30, 2013. In addition, we experienced a $1.8 million increase in our marketing and advertising expenses, promotional event programs and travel costs. The increase in sales and marketing expense as a percentage of revenue for the nine months ended September 30, 2013 reflects our strategy of adding sales and marketing professionals and expanding our marketing activities in order to continue to grow our business.

Research and development

	Nine Months Ended September 30,		Period-to-Period Change	
	2012	2013	Amount	Percentage
	(dollars in thousands)			
Research and development	$7,533	$8,882	$1,349	17.9 %
Percentage of total revenue	20.0 %	18.7 %		

Research and development expense for the nine months ended September 30, 2013 increased by $1.3 million, or 17.9%, compared to the nine months ended September 30, 2012. The increase in research and development expense was primarily attributable to a $1.2 million increase in salaries and personnel-related costs associated with an increase in research and development personnel. The number of full-time research and development employees increased from 69 at September 30, 2012 to 80 at September 30, 2013.

General and administrative

	Nine Months Ended September 30,		Period-to-Period Change	
	2012	2013	Amount	Percentage
	(dollars in thousands)			
General and administrative	$5,862	$8,641	$2,779	47.4 %
Percentage of total revenue	15.6 %	18.2 %		

General and administrative expense for the nine months ended September 30, 2013 increased by $2.8 million, or 47.4%, compared to the nine months ended September 30, 2012. The increase in general and administrative expense was primarily attributable to a $1.5 million increase in salaries and personnel-related costs associated with an increase in general and administrative personnel to support our growing business and obligations as a newly public company. The number of full-time general and administrative employees increased from 35 at September 30, 2012 to 48 at September 30, 2013. We also experienced a $0.9 million increase in professional fees related to legal, consulting and audit and tax services. In addition, we experienced a $0.2 million increase in insurance costs.

Table of Contents

Comparison of Years Ended December 31, 2011 and 2012

	Year Ended December 31, 2011		2012		Period-to-Period Change	
	Amount	Percentage of Revenue	Amount	Percentage of Revenue	Amount	Percentage
	(dollars in thousands)					
Revenue	$43,570	100.0 %	$53,587	100.0 %	$10,017	23.0 %
Cost of revenue	12,248	28.1	14,749	27.5	2,501	20.4
Gross profit	31,322	71.9	38,838	72.5	7,516	24.0
Operating expenses:						
Sales and marketing	19,106	43.9	24,326	45.4	5,220	27.3
Research and development	8,842	20.3	10,109	18.9	1,267	14.3
General and administrative	6,551	15.0	8,252	15.4	1,701	26.0
Total operating expenses	34,499	79.2	42,687	79.7	8,188	23.7
Loss from operations	(3,177)	(7.3)	(3,849)	(7.2)	(672)	21.2
Other (expense) income:						
Interest expense, net	(642)	(1.5)	(1,185)	(2.2)	(543)	84.6
Other income, net	6	0.0	31	0.1	25	416.7
Total other (expense) income	(636)	(1.5)	(1,154)	(2.1)	(518)	81.4
Loss before income taxes	(3,813)	(8.8)	(5,003)	(9.3)	(1,190)	31.2
Income tax expense (benefit)	51	0.1	(70)	(0.1)	(121)	*
Net loss	$(3,864)	(8.9)%	$(4,933)	(9.2)%	$(1,069)	27.7

* = not applicable

Revenue

	Year Ended December 31, 2011	2012	Period-to-Period Amount	Change Percentage
	(dollars in thousands)			
Revenue	$43,570	$53,587	$10,017	23.0 %

Revenue for the year ended December 31, 2012 increased by $10.0 million, or 23.0%, compared to the year ended December 31, 2011. The increase in revenue for the year ended December 31, 2012 was mainly driven by the expansion of our international operations and an increase in our core revenue, which is discussed below.

Our revenue from international operations increased from $8.8 million, or 20.1% of total revenue, for the year ended December 31, 2011, to $11.4 million, or 21.4% of total revenue, for the year ended December 31, 2012. The increase in revenue from our international operations was primarily attributable to an increase in the number of international customers.

Table of Contents

Core Revenue

	Year Ended December 31,		Period-to-Period Change	
	2011	2012	Amount	Percentage
	(dollars in thousands)			
Core revenue	$40,557	$51,224	$10,667	26.3 %
Percentage of total revenue	93.1 %	95.6 %		
Non-core revenue	$3,013	$2,363	$(650)	(21.6)%
Percentage of total revenue	6.9 %	4.4 %		
Total revenue	$43,570	$53,587	$10,017	23.0 %

Core revenue for the year ended December 31, 2012 increased by $10.7 million, or 26.3%, compared to the year ended December 31, 2011.

This growth was primarily attributable to a 15.7% increase in the average revenue per core customer during the year ended December 31, 2012 as compared to the year ended December 31, 2011, which accounted for 65.2% of the increase in core revenue during the period. The increase in the average revenue per core customer was primarily attributable to an overall increase in transaction volume and, to a lesser extent, to modest overall increases in the percentages assessed on the fixed and variable portions of GMV under our contractual arrangements with some of our customers during the year. In addition, the increase in average revenue per core customer was due in part to a general shift in our customer base toward a greater proportion of larger enterprise customers, all of which are core customers. Our enterprise customers generally commit to a higher specified minimum amount of GMV per month.

In addition, we experienced a 12.7% increase in the number of core customers using our platform during the year ended December 31, 2012 as compared to the year ended December 31, 2011, which accounted for 34.8% of the increase in core revenue during the period.

This growth in core revenue was partially offset by a $0.7 million, or 21.6%, decrease in our non-core revenue over the same period.

Cost of revenue

	Year Ended December 31,		Period-to-Period Change	
	2011	2012	Amount	Percentage
	(dollars in thousands)			
Cost of revenue	$12,248	$14,749	$2,501	20.4 %
Percentage of total revenue	28.1 %	27.5 %		

Cost of revenue for the year ended December 31, 2012 increased by $2.5 million, or 20.4%, compared to the year ended December 31, 2011. The increase in cost of revenue was primarily attributable to a $1.8 million increase in salaries and personnel-related costs, as we increased the number of employees providing services to our expanding customer base and supporting our platform infrastructure from 90 at December 31, 2011 to 110 at December 31, 2012. In addition, we experienced a $0.8 million increase in depreciation expense associated with equipment for our data centers. These increases were partially offset by a $0.2 million decrease in co-location facility costs resulting from efficiencies gained through virtualization. As a percentage of revenue, cost of revenue declined from 28.1% for the year ended December 31, 2011 to 27.5% for the year ended December 31, 2012.

Table of Contents

Operating Expenses

Sales and marketing

	Year Ended December 31,		Period-to-Period Change	
	2011	2012	Amount	Percentage
	(dollars in thousands)			
Sales and marketing	$19,106	$24,326	$5,220	27.3 %
Percentage of total revenue	43.9 %	45.4 %		

Sales and marketing expense for the year ended December 31, 2012 increased by $5.2 million, or 27.3%,compared to the year ended December 31, 2011. The increase in sales and marketing expense was primarily attributable to a $5.4 million increase in salaries and personnel-related costs, as we increased the number of sales and marketing and customer support personnel to continue driving revenue growth. The number of full-time sales and marketing employees increased from 148 at December 31, 2011 to 189 at December 31, 2012.

Research and development

	Year Ended December 31,		Period-to-Period Change	
	2011	2012	Amount	Percentage
	(dollars in thousands)			
Research and development	$8,842	$10,109	$1,267	14.3 %
Percentage of total revenue	20.3 %	18.9 %		

Research and development expense for the year ended December 31, 2012 increased by $1.3 million, or 14.3%, compared to the year ended December 31, 2011. The increase in research and development expense was primarily attributable to a $1.5 million increase in salaries and personnel-related costs associated with an increase in research and development personnel. The number of full-time research and development employees increased from 57 at December 31, 2011 to 70 at December 31, 2012.

General and administrative

	Year Ended December 31,		Period-to-Period Change	
	2011	2012	Amount	Percentage
	(dollars in thousands)			
General and administrative	$6,551	$8,252	$1,701	26.0 %
Percentage of total revenue	15.0 %	15.4 %		

General and administrative expense for the year ended December 31, 2012 increased by $1.7 million, or 26.0%, compared to the year ended December 31, 2011. The increase in general and administrative expense was primarily attributable to a $0.7 million increase in salaries and personnel-related costs associated with an increase in general and administrative personnel to support our growing business. The number of full-time general and administrative employees increased from 30 at December 31, 2011 to 36 at December 31, 2012. In addition, we experienced a $0.5 million increase in information systems and consulting costs and a $0.2 million increase in recruiting costs.

Table of Contents

Comparison of Years Ended December 31, 2010 and 2011

	Year Ended December 31,					
	2010		2011		Period-to-Period Change	
	Amount	Percentage of Revenue	Amount	Percentage of Revenue	Amount	Percentage
	(dollars in thousands)					
Revenue	$36,688	100.0 %	$43,570	100.0 %	$6,882	18.8 %
Cost of revenue	12,164	33.2	12,248	28.1	84	0.7
Gross profit	24,524	66.8	31,322	71.9	6,798	27.7
Operating expenses:						
Sales and marketing	14,867	40.5	19,106	43.9	4,239	28.5
Research and development	8,416	22.9	8,842	20.3	426	5.1
General and administrative	6,111	16.7	6,551	15.0	440	7.2
Total operating expenses	29,394	80.1	34,499	79.2	5,105	17.4
Loss from operations	(4,870)	(13.3)	(3,177)	(7.3)	1,693	(34.8)
Other income (expense):						
Interest expense, net	(486)	(1.3)	(642)	(1.5)	(156)	32.1
Other income, net	744	2.0	6	0.0	(738)	(99.2)
Total other income (expense)	258	0.7	(636)	(1.5)	(894)	*
Loss before income taxes	(4,612)	(12.6)	(3,813)	(8.8)	799	(17.3)
Income tax expense	112	0.3	51	0.1	(61)	(54.5)
Net loss	$(4,724)	(12.9)%	$(3,864)	(8.9)%	$860	(18.2)

* = not applicable

Revenue

	Year Ended December 31,		Period-to-Period Change	
	2010	2011	Amount	Percentage
	(dollars in thousands)			
Revenue	$36,688	$43,570	$6,882	18.8 %

Revenue for the year ended December 31, 2011 increased by $6.9 million, or 18.8%, compared to the year ended December 31, 2010. The increase in revenue for the year ended December 31, 2011 was mainly driven by the expansion of our international operations and an increase in our core revenue, which is discussed below.

Our revenue from international operations increased from $7.0 million, or 19.1% of total revenue, for the year ended December 31, 2010, to $8.8 million, or 20.1% of total revenue, for the year ended December 31, 2011. The revenue growth in our international operations was primarily attributable to an increase in the number of international customers.

Table of Contents

Core Revenue

	Year Ended December 31,		Period-to-Period Change	
	2010	2011	Amount	Percentage
	(dollars in thousands)			
Core revenue	$32,707	$40,557	$7,850	24.0%
Percentage of total revenue	89.1%	93.1%		
Non-core revenue	$3,981	$3,013	$(968)	(24.3)%
Percentage of total revenue	10.9%	6.9%		
Total revenue	$36,688	$43,570	$6,882	18.8%

Core revenue for the year ended December 31, 2011 increased by $7.9 million, or 24.0%, compared to the year ended December 31, 2010.

This growth was primarily attributable to an 18.5% increase in the average revenue per core customer during the year ended December 31, 2011 as compared to the year ended December 31, 2010, which accounted for 80.7% of the increase in core revenue during the period. The increase in the average revenue per core customer was primarily attributable to an overall increase in transaction volume and, to a lesser extent, to modest overall increases in the percentages assessed on the fixed and variable portions of GMV under our contractual arrangements with some of our customers during the year. In addition, the increase in average revenue per core customer was due in part to a general shift in our customer base toward a greater proportion of larger enterprise customers, all of which are core customers. In addition, we experienced a 2.2% increase in the number of core customers using our platform during the year ended December 31, 2011 as compared to the year ended December 31, 2010, which accounted for 19.3% of the increase in core revenue during the period.

This growth in core revenue was partially offset by a $1.0 million, or 24.3%, decrease in our non-core revenue over the same period.

Cost of revenue

	Year Ended December 31,		Period-to-Period Change	
	2010	2011	Amount	Percentage
	(dollars in thousands)			
Cost of revenue	$12,164	$12,248	$84	0.7%
Percentage of total revenue	33.2%	28.1%		

Cost of revenue for the year ended December 31, 2011 increased by $0.1 million, or 0.7%, compared to the year ended December 31, 2010. The increase in cost of revenue was primarily attributable to a $0.7 million increase in salaries and personnel-related costs, as we increased the number of employees providing services to our expanding customer base and supporting our platform infrastructure from 79 at December 31, 2010 to 90 at December 31, 2011. In addition, we experienced a $0.4 million increase in infrastructure maintenance costs to support our platform and a $0.1 million increase in credit card vendor transaction fees. These increases were partially offset by a $0.7 million decrease in co-location facility costs resulting from efficiencies gained through virtualization and a $0.4 million decrease in depreciation expense associated with equipment for our data centers. As a percentage of revenue, cost of revenue declined from 33.2% for the year ended December 31, 2010 to 28.1% for the year ended December 31, 2011.

Table of Contents

Operating Expenses

Sales and marketing

	Year Ended December 31,		Period-to-Period Change	
	2010	2011	Amount	Percentage
	(dollars in thousands)			
Sales and marketing	$14,867	$19,106	$4,239	28.5 %
Percentage of total revenue	40.5 %	43.9 %		

Sales and marketing expense for the year ended December 31, 2011 increased by $4.2 million, or 28.5%, compared to the year ended December 31, 2010. The increase in sales and marketing expense was primarily attributable to a $2.8 million increase in salaries and personnel-related costs, as we increased the number of sales and marketing and customer support personnel to continue driving revenue growth. The number of full-time sales and marketing employees increased from 128 at December 31, 2010 to 148 at December 31, 2011. In addition, we experienced a $1.0 million increase in our marketing, advertising and promotional event programs and travel.

Research and development

	Year Ended December 31,		Period-to-Period Change	
	2010	2011	Amount	Percentage
	(dollars in thousands)			
Research and development	$8,416	$8,842	$426	5.1 %
Percentage of total revenue	22.9 %	20.3 %		

Research and development expense for the year ended December 31, 2011 increased by $0.4 million, or 5.1%, compared to the year ended December 31, 2010. The increase in research and development expense was primarily attributable to a $0.4 million increase in salaries and personnel-related costs associated with an increase in research and development personnel. The number of full-time research and development employees increased from 51 at December 31, 2010 to 57 at December 31, 2011.

General and administrative

	Year Ended December 31,		Period-to-Period Change	
	2010	2011	Amount	Percentage
	(dollars in thousands)			
General and administrative	$6,111	$6,551	$440	7.2 %
Percentage of total revenue	16.7 %	15.0 %		

General and administrative expense for the year ended December 31, 2011 increased by $0.4 million, or 7.2%, compared to the year ended December 31, 2010. The increase in general and administrative expense was primarily attributable to a $0.4 million increase in salaries and personnel-related costs associated with an increase in general and administrative personnel to support our growing business. The number of full-time general and administrative employees increased slightly from 29 at December 31, 2010 to 30 at December 31, 2011.

Other income, net

During the year ended December 31, 2010, we recognized other income, net, of $0.7 million primarily related to the sale of four patents to a third party.

Quarterly Results of Operations

The following tables show our unaudited consolidated quarterly statement of operations data for each of our eight most recently completed quarters, as well as the percentage of revenue for each line item shown. This information has been derived from our unaudited financial statements, which, in the opinion of management, have been prepared on the same basis as our audited financial statements and include all adjustments, consisting of normal recurring adjustments and accruals, necessary for the fair presentation of the financial information for the quarters presented. Historical results are not necessarily indicative of the results to be expected in future periods, and operating results for a quarterly period are not necessarily indicative of the operating results for a full year. This

Table of Contents

information should be read in conjunction with the consolidated financial statements and related notes included elsewhere in this prospectus.

	Three Months Ended							
	Dec. 31, 2011	March 31, 2012	June 30, 2012	Sept. 30, 2012	Dec. 31, 2012	March 31, 2013	June 30, 2013	Sept. 30, 2013
	(in thousands)							
Revenue	$12,801	$12,166	$12,408	$13,020	$15,993	$14,922	$15,976	$16,620
Cost of revenue	2,918	3,246	3,630	3,831	4,042	3,947	4,469	4,555
Gross profit	9,883	8,920	8,778	9,189	11,951	10,975	11,507	12,065
Operating expenses:								
Sales and marketing	4,549	5,390	6,616	6,159	6,161	7,790	9,292	9,316
Research and development	2,357	2,551	2,523	2,459	2,576	2,981	2,910	2,991
General and administrative	1,702	1,788	1,986	2,088	2,390	2,341	2,801	3,499
Total operating expenses	8,608	9,729	11,125	10,706	11,127	13,112	15,003	15,806
Income (loss) from operations	1,275	(809)	(2,347)	(1,517)	824	(2,137)	(3,496)	(3,741)
Other (expense) income:								
Interest expense, net	(286)	(22)	(399)	(407)	(357)	(597)	(1,489)	(520)
Other income, net	2	4	12	9	6	11	2	4
Total other (expense) income	(284)	(18)	(387)	(398)	(351)	(586)	(1,487)	(516)
Income (loss) before income taxes	991	(827)	(2,734)	(1,915)	473	(2,723)	(4,983)	(4,257)
Income tax expense (benefit)	170	24	16	43	(153)	7	14	35
Net income (loss)	$821	$(851)	$(2,750)	$(1,958)	$626	$(2,730)	$(4,997)	$(4,292)

	Three Months Ended							
	Dec. 31, 2011	March 31, 2012	June 30, 2012	Sept. 30, 2012	Dec. 31, 2012	March 31, 2013	June 30, 2013	Sept. 30, 2013
	(as a percentage of revenue)							
Revenue	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
Cost of revenue	22.8	26.7	29.3	29.4	25.3	26.5	28.0	27.4
Gross profit	77.2	73.3	70.7	70.6	74.7	73.5	72.0	72.6
Operating expenses:								
Sales and marketing	35.5	44.3	53.3	47.3	38.5	52.2	58.2	56.1
Research and development	18.4	21.0	20.3	18.9	16.1	20.0	18.2	18.0
General and administrative	13.3	14.7	16.0	16.0	14.9	15.7	17.5	21.1
Total operating expenses	67.2	80.0	89.6	82.2	69.5	87.9	93.9	95.2
Income (loss) from operations	10.0	(6.7)	(18.9)	(11.6)	5.2	(14.4)	(21.9)	(22.6)

Other (expense) income:								
Interest expense, net	(2.2)	(0.2)	(3.2)	(3.1)	(2.2)	(4.0)	(9.3)	(3.1)
Other income, net	0.0	0.0	0.1	0.1	0.0	0.1	0.0	0.0
Total other (expense) income	(2.2)	(0.2)	(3.1)	(3.0)	(2.2)	(3.9)	(9.3)	(3.1)
Income (loss) before income taxes	7.8	(6.9)	(22.0)	(14.6)	3.0	(18.3)	(31.2)	(25.7)
Income tax expense (benefit)	1.3	0.2	0.1	0.3	(1.0)	0.0	0.1	0.2
Net income (loss)	6.5 %	(7.1)%	(22.1)%	(14.9)%	4.0 %	(18.3)%	(31.3)%	(25.9)%

49

Table of Contents

Quarterly Trends and Seasonality

Our overall operating results fluctuate from quarter to quarter as a result of a variety of factors, some of which are outside our control. In general, our revenue has increased as a result of an increase in the number of core customers using our platform and an increase in average revenue per core customer, driven in part by an increase in the amount of GMV processed through our platform. In most of the quarters presented, we added sales and marketing personnel to focus on adding new customers and increasing penetration within our existing customer base and added technical support, services, research and development and administrative personnel to support our growth. Our historical results should not be considered a reliable indicator of our future results of operations.

Our revenue fluctuates as a result of seasonal variations in our business, principally due to the peak consumer demand and related increased volume of our customers' GMV during the year-end holiday season. As a result, we have historically had higher revenue in our fourth quarter than other quarters in a given year due to increased GMV processed through our platform, resulting in higher variable subscription fees. For example, our revenue in the fourth quarter of 2012 exceeded revenue in each of the preceding three quarters.

Along with the seasonally higher revenue we have experienced in the fourth quarter, we have also experienced higher gross margins in the fourth quarter. Our cost to run our platform infrastructure is generally fixed. Therefore, when applied against our generally fixed costs, the higher revenue in the fourth quarter has resulted in higher overall gross margins for us.

Liquidity and Capital Resources

Sources of Liquidity

Prior to our IPO in May 2013, we funded our operations primarily through cash from operating activities, bank and subordinated debt borrowings and private placements of our redeemable convertible preferred stock. From 2003 to 2008, we raised an aggregate of $90.4 million from the sale of preferred stock to third parties.

In December 2009, we entered into a loan and security agreement with a lender, which was most recently amended in September 2013. The agreement, as amended, includes a revolving line of credit of up to $6.0 million and an equipment line of credit of up to $1.0 million.

The revolving line of credit has a current term through September 2014 and requires interest-only payments to be made monthly on any outstanding advances at the lender's prime rate, which was 3.25% at September 30, 2013, plus 1%. Borrowings under the equipment line of credit accrue interest at a rate of 6.5% per annum and are payable in 36 monthly installments from the date of each respective borrowing. The equipment line of credit matures on June 1, 2014. The loans are collateralized by all of our assets, excluding our intellectual property, although we may not encumber our intellectual property without the consent of the lender.

In March 2012, we entered into a loan and security agreement with a subordinated lender. Under the agreement, we borrowed $5.0 million in March 2012 and an additional $5.0 million in December 2012. Borrowings under the agreement accrue interest at an annual rate of 10.5%. We are required to make interest-only payments on outstanding balances through March 1, 2015, after which the debt will be payable in monthly installments of both principal and interest through February 2017.

Under the terms of our loan and security agreements, we are required to meet and maintain specified financial and nonfinancial covenants. As of September 30, 2013, we were in compliance with all such covenants.

The following table summarizes the outstanding principal balances of our debt as of September 30, 2013 (in thousands):

	Outstanding Principal Balance
Revolving line of credit	$3,300
Subordinated loan	10,000
Total	$13,300

Initial Public Offering

On May 29, 2013, we closed our IPO, in which we sold an aggregate of 6,612,500 shares of common stock, including the full exercise of the underwriters' option to purchase additional shares, for net proceeds of $82.0 million.

Working Capital

The following table summarizes our cash, accounts receivable, working capital and cash flows for the periods indicated:

	As of and for the Year Ended December 31,			As of and for the Nine Months Ended September 30,	
	2010	2011	2012	2012	2013
	(in thousands)				
Cash	$6,939	$4,998	$10,865	$7,644	$90,287
Accounts receivable, net of allowance	6,235	7,677	9,571	8,078	10,796
Working capital	2,579	(1,317)	3,006	(1,551)	76,319
Cash (used in) provided by:					
Operating activities	(783)	161	1,191	822	(1,036)
Investing activities	(912)	(1,723)	(2,094)	(1,991)	(2,952)
Financing activities	(1,219)	(443)	6,806	3,837	83,581

Our cash at September 30, 2013 was held for working capital purposes. We do not enter into investments for trading or speculative purposes. Our policy is to invest any cash in excess of our immediate requirements in investments designed to preserve the principal balance and provide liquidity. Accordingly, our cash is invested primarily in demand deposit accounts that are currently providing only a minimal return.

Cash Flows

Operating Activities

For the nine months ended September 30, 2013, our net cash used in operating activities of $1.0 million consisted of a net loss of $12.0 million, partially offset by $5.9 million in adjustments for non-cash items and $5.1 million of cash provided by changes in working capital. Adjustments for non-cash items primarily consisted of depreciation and amortization expense of $2.6 million, non-cash stock compensation expense of $1.4 million, change in fair value of preferred stock warrants of $1.1 million, which was reclassified to additional paid-in capital upon the closing of our IPO, and accretion of debt discount of $0.4 million. The increase in cash resulting from changes in working capital primarily consisted of an increase in deferred revenue of $4.2 million as a result of an increased number of customers prepaying for subscription services, and an increase in accounts payable and accrued expenses of $2.3 million, primarily driven by increased operating costs during the period. These increases were partially offset by decreases in operating cash flow due to a $1.5 million increase in accounts receivable, primarily driven by increased revenue during the year as we continued to expand our operations, both domestically and internationally.

For the nine months ended September 30, 2012, our net cash provided by operating activities of $0.8 million consisted of a net loss of $5.6 million, offset by $3.1 million of cash provided by changes in working capital and $3.3 million in adjustments for non-cash items. Adjustments for non-cash items primarily consisted of depreciation and amortization expense of $2.1 million, non-cash rent expense of $0.5 million, non-cash stock compensation expense of $0.4 million, accretion of debt discount of $0.2 million and change in fair value of preferred stock warrants of $0.1 million. The increase in cash resulting from changes in working capital primarily consisted of an increase in deferred revenue of $3.8 million as a result of an increased number of customers prepaying for subscription services. These increases were partially offset by decreases in operating cash flow due to a $0.4 million increase in accounts receivable, primarily driven by increased revenue during the year as we continued to expand our operations, both domestically and internationally, and an increase in prepaid expenses and other assets of $0.3 million.

For the year ended December 31, 2012, our net cash provided by operating activities of $1.2 million consisted of a net loss of $4.9 million, offset by $1.4 million of cash provided by changes in working capital and $4.7

51

Table of Contents

million in adjustments for non-cash items. Adjustments for non-cash items primarily consisted of depreciation and amortization expense of $2.9 million, non-cash stock compensation expense of $0.6 million, non-cash rent expense of $0.5 million and accretion of debt discount of $0.4 million. The increase in cash resulting from changes in working capital primarily consisted of an increase in deferred revenue of $3.9 million as a result of an increased number of customers prepaying for subscription services and an increase in accounts payable and accrued expenses of $0.4 million, primarily driven by increased operating costs during the period. These increases were partially offset by decreases in operating cash flow due to a $2.0 million increase in accounts receivable, primarily driven by increased revenue during the year as we continue to expand our operations, both domestically and internationally, and an increase in prepaid expenses and other assets of $1.1 million.

For the year ended December 31, 2011, our net cash provided by operating activities of $0.2 million consisted of a net loss of $3.9 million, offset by cash of $1.0 million provided by changes in working capital and $3.1 million in adjustments for non-cash items. Adjustments for non-cash items primarily consisted of depreciation and amortization expense of $2.1 million, non-cash stock compensation expense of $0.2 million, non-cash rent expense of $0.3 million and change in fair value of preferred stock warrants of $0.3 million. The increase in cash resulting from changes in working capital primarily consisted of an increase in deferred revenue of $1.9 million as a result of an increased number of customers prepaying for subscription services and an increase in accounts payable and accrued expenses of $1.4 million, primarily driven by increased operating costs during the period. These increases were offset by decreases in operating cash flow due to a $1.5 million increase in accounts receivable, primarily driven by increased revenue during the year as we continue to expand our operations both domestically and internationally and an increase in prepaid expenses and other assets of $0.8 million.

For the year ended December 31, 2010, our net cash used in operating activities of $0.8 million consisted of a net loss of $4.7 million, offset by cash of $0.1 million provided by changes in working capital and $3.8 million in adjustments for non-cash items. Adjustments for non-cash items primarily consisted of depreciation and amortization expense of $3.4 million and non-cash stock compensation expense of $0.3 million. The increase in cash resulting from changes in working capital primarily consisted of an increase in deferred revenue of $1.5 million as a result of an increased number of customers prepaying for subscription services. These increases were offset by decreases in operating cash flow due to a $1.3 million increase in accounts receivable, primarily driven by increased revenue during the year as we continue to expand our operations both domestically and internationally and a decrease in accounts payable and accrued expenses of $0.1 million.

Investing Activities

For the nine months ended September 30, 2013, net cash used in investing activities was $3.0 million, consisting of $2.0 million for the purchase of property and equipment and $1.0 million for the payment of internal-use software development costs.

For the nine months ended September 30, 2012, net cash used in investing activities was $2.0 million, consisting of $1.8 million for the purchase of property and equipment and $0.2 million for the payment of internal-use software development costs.

For the years ended December 31, 2010, 2011 and 2012, net cash used in investing activities was $0.9 million, $1.7 million and $2.1 million, respectively, for the purchase of property and equipment.

Financing Activities

For the nine months ended September 30, 2013, net cash provided by financing activities was $83.6 million, consisting of $86.1 million of proceeds from our IPO, net of underwriting discounts and commissions but before offering expenses, and $0.9 million in cash received upon the exercise of stock options. These amounts were partially offset by $2.5 million in payments of costs related to our IPO that had been deferred and $0.9 million in repayments of debt and capital leases.

For the nine months ended September 30, 2012, net cash provided by financing activities was $3.8 million, consisting of $4.9 million in net borrowings under our subordinated loan and $0.1 million in cash received upon the exercise of stock options, partially offset by $1.2 million in repayments of debt and capital leases.

For the year ended December 31, 2012, net cash provided by financing activities was $6.8 million, consisting of $9.9 million in net borrowings under our subordinated loan and $0.2 million in cash received upon the exercise of stock options, offset by $1.5 million in repayments of debt and capital leases, $1.5 million in payments of costs in

Table of Contents

connection with this offering that have been deferred and $0.2 million used to repurchase common stock from two former employees.

For the year ended December 31, 2011, net cash used in financing activities was $0.4 million, consisting of $1.5 million in repayments of debt and capital leases, offset by $1.0 million in borrowings under our revolving line of credit and $0.1 million in cash received upon the exercise of stock options.

For the year ended December 31, 2010, net cash used in financing activities was $1.2 million, consisting of $1.5 million in repayments of debt and capital leases, offset by $0.2 million in borrowings under capital lease agreements and $0.1 million in cash received upon the exercise of stock options.

Operating and Capital Expenditure Requirements

Based on our current level of operations and anticipated growth, we believe our future cash flows from operating activities and existing cash balances, which include the net proceeds from our IPO, will be sufficient to meet our cash requirements for at least the next 12 months. During this period, we expect our capital expenditure requirements to be approximately $6.0 million to $7.0 million. If our available cash balances and net proceeds from the IPO and this offering are insufficient to satisfy our liquidity requirements, we may seek to sell equity or convertible debt securities or enter into an additional credit facility. The sale of equity and convertible debt securities may result in dilution to our stockholders and those securities may have rights senior to those of our common shares. If we raise additional funds through the issuance of convertible debt securities, these securities could contain covenants that would restrict our operations. We may require additional capital beyond our currently anticipated amounts. Additional capital may not be available on reasonable terms, or at all.

Contractual Obligations

Our principal commitments consist of obligations under our outstanding debt facilities, non-cancelable leases for our office space and computer equipment and purchase commitments for our co-location and other support services. The following table summarizes these contractual obligations at December 31, 2012. Future events could cause actual payments to differ from these estimates.

Contractual Obligations	Payment due by period				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
	(in thousands)				
Long-term debt:					
Principal payments	$13,370	$3,370	$3,914	$6,086	$—
Interest payments	3,432	1,043	1,975	414	—
Operating lease obligations	11,051	1,484	4,882	2,955	1,730
Capital lease obligations	2,439	1,209	1,230	—	—
Purchase commitments	3,766	2,074	1,692	—	—
Total	$34,058	$9,180	$13,693	$9,455	$1,730

Subsequent to December 31, 2012, we leased additional office space with total collective future minimum lease payments of $2.7 million. In addition, we entered into a lease for hardware, software licenses and managed services with total collective future minimum lease payments of $0.6 million. We also entered into leases for the purchase of fixed assets with total collective future minimum lease payments of $1.9 million.

Off-Balance Sheet Arrangements

As of September 30, 2013, we did not have any off-balance sheet arrangements, as defined in Item 303(a)(4)(ii) of SEC Regulation S-K, such as the use of unconsolidated subsidiaries, structured finance, special purpose entities or variable interest entities.

Critical Accounting Policies and Significant Judgments and Estimates

Our management's discussion and analysis of our financial condition and results of operations is based on our consolidated financial statements, which have been prepared in accordance with GAAP. The preparation of

53

these consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reported period. In accordance with GAAP, we base our estimates on historical experience and on various other assumptions that we believe are reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions, and to the extent that there are differences between our estimates and actual results, our future financial statement presentation, financial condition, results of operations and cash flows will be affected.

While our significant accounting policies are more fully described in Note 2 to our consolidated financial statements appearing elsewhere in this prospectus, we believe the following accounting policies are critical to the process of making significant judgments and estimates in the preparation of our consolidated financial statements.

Revenue Recognition and Deferred Revenue

We derive the majority of our revenue from subscription fees paid to us by our customers for access to and usage of our SaaS solutions for a specified contract term, which is typically one year. A portion of the subscription fee is typically fixed and is based on a specified minimum amount of GMV that a customer expects to process through our platform over the contract term. The remaining portion of the subscription fee is variable and is based on a specified percentage of GMV processed through our platform in excess of the customer's specified minimum GMV amount. We also receive implementation fees, which may include fees for providing launch assistance and training. Customers do not have the contractual right to take possession of our software at any time.

We recognize revenue when there is persuasive evidence of an arrangement, we have provided the service, the fees to be paid by the customer are fixed and determinable and collectability is reasonably assured. We consider that delivery of our SaaS solutions has commenced once our customer has access to our platform and can process transactions.

We generally recognize the fixed portion of our subscription fees and our implementation fees ratably over the contract term once the criteria for revenue recognition described above have been satisfied. Some of our customers elect a managed-service solution and contract with us to manage some or all aspects of our SaaS solutions on their behalf. Under these managed-service arrangements, customer transactions cannot be processed through our platform until the completion of the implementation services. Therefore, we commence revenue recognition once transactions can be processed on our platform, provided all other revenue recognition criteria have been satisfied. At that time, we recognize the portion of the fees earned since the inception of the arrangement. We recognize the balance of the fees ratably over the remaining contract term.

We recognize the variable portion of subscription fee revenue in the period in which the related GMV is processed, as long as all other revenue recognition criteria have been satisfied.

We record deferred revenue when we receive cash payments from or invoice our customers in advance of when we provide or perform the services under our arrangements with them.

Accounts Receivable and Allowances for Doubtful Accounts

Accounts receivable are stated at realizable value, net of an allowance for doubtful accounts that we maintain for estimated losses expected to result from the inability of some customers to make payments as they become due. Our estimated allowance is based on our analysis of past due amounts and ongoing credit evaluations. Historically, our actual collection experience has not varied significantly from our estimates, due primarily to our credit and collection policies and the financial strength of our customers.

Goodwill

Goodwill represents the excess of the aggregate of the fair value of consideration transferred in a business combination over the fair value of assets acquired, net of liabilities assumed. Goodwill is not amortized but is subject to an annual impairment test. We test goodwill for impairment annually on December 31 or more frequently if events or changes in business circumstances indicate the asset might be impaired. Goodwill is tested for impairment at the reporting unit level. During the year ended December 31, 2012, we adopted new accounting guidance, which gives us the option of performing a qualitative assessment for testing goodwill for impairment. Under the qualitative assessment, we determine whether the existence of events and circumstances indicate that it is more likely than not that the goodwill is impaired. The qualitative factors that we consider include, but are not

Table of Contents

limited to, macroeconomic conditions, industry and market conditions, company-specific events, changes in circumstances and after-tax cash flows.

If we determine that the qualitative factors indicate that it is more likely than not that the fair value of the reporting unit is less than its carrying amount, we would test goodwill for impairment at the reporting unit level using a two-step approach. The first step is to compare the fair value of the reporting unit to the carrying value of the net assets assigned to the reporting unit. If the fair value of the reporting unit is greater than the carrying value of the net assets assigned to the reporting unit, the assigned goodwill is not considered impaired. If the fair value is less than the reporting unit's carrying value, step two is performed to measure the amount of the impairment, if any. In the second step, the fair value of goodwill is determined by deducting the fair value of the reporting unit's identifiable assets and liabilities from the fair value of the reporting unit as a whole, as if the reporting unit had just been acquired and the fair value was being initially allocated. If the carrying value of goodwill exceeds the implied fair value, an impairment charge would be recorded in the period the determination is made.

We have determined that we have a single, entity-wide reporting unit. To determine the fair value of our reporting unit for the quantitative approach, we primarily use a discounted cash flow analysis, which requires significant assumptions and estimates about future operations. Significant judgments inherent in this analysis include the determination of an appropriate discount rate, estimated terminal value and the amount and timing of expected future cash flows. We may also determine fair value of our reporting unit using a market approach by applying multiples of earnings of peer companies to our operating results.

Based upon the quantitative assessment that we performed as of December 31, 2011, our reporting unit was not considered at risk of failing step one of the goodwill impairment test. Accordingly, a qualitative assessment was performed as of December 31, 2012, and we determined, after assessing all relevant events and circumstances, that the reporting unit did not have a carrying value that was more likely than not to exceed its fair value.

Stock-Based Compensation

Stock options awarded to employees, directors and non-employee third parties are measured at fair value at each grant date. Prior to our IPO, we considered what we believed to be comparable publicly traded companies, discounted free cash flows, and an analysis of our enterprise value in estimating the fair value of our common stock. We recognize stock-based compensation expense using the accelerated attribution method, net of estimated forfeitures, in which compensation cost for each vesting tranche in an award is recognized ratably from the service inception date to the vesting date for that tranche. Options generally vest quarterly over a four-year period.

Determination of the Fair Value of Stock-based Compensation Grants

The determination of the fair value of stock-based compensation arrangements is affected by a number of variables, including estimates of the fair value of our common stock, expected stock price volatility, risk-free interest rate and the expected life of the award. We value stock options using the Black-Scholes option-pricing model, which was developed for use in estimating the fair value of traded options that are fully transferable and have no vesting restrictions. Black-Scholes and other option valuation models require the input of highly subjective assumptions, including the expected stock price volatility.

The following summarizes the assumptions used for estimating the fair value of stock options granted to employees for the periods indicated:

	Year Ended December 31,			Nine Months Ended September 30,	
	2010	2011	2012	2012	2013
Assumptions:					
Risk-free interest rate	0.5% - 3.0%	0.4% - 2.0%	0.1% - 0.9%	0.4% - 0.9%	0.3% - 1.7%
Expected life (years)	6.25	6.25	4.00 - 6.25	5.00 - 6.25	5.00 - 6.25
Expected volatility	39% - 55%	28% - 56%	49% - 61%	51% - 61%	49% - 59%
Dividend yield	0%	0%	0%	0%	0%
Weighted average grant date fair value	$0.64	$0.80	$2.88	$3.07	$4.73

We have assumed no dividend yield because we do not expect to pay dividends in the future, which is consistent with our history of not paying dividends. The risk-free interest rate assumption is based on observed interest rates for constant maturity U.S. Treasury securities consistent with the expected life of our employee stock

55

Table of Contents

options. The expected life represents the period of time the stock options are expected to be outstanding and is based on the simplified method. Under the simplified method, the expected life of an option is presumed to be the midpoint between the vesting date and the end of the contractual term. We used the simplified method due to the lack of sufficient historical exercise data to provide a reasonable basis upon which to otherwise estimate the expected life of the stock options. Expected volatility is based on historical volatilities for publicly traded stock of comparable companies over the estimated expected life of the stock options. During the year ended December 31, 2012, we updated and expanded the list of comparable companies used to estimate expected volatility by including companies in our industry that had recently completed initial public offerings, and replacing some of the companies that had been used in prior periods with others that we believed to be more comparable to us in terms of size, business model or stage of development.

Our estimate of pre-vesting forfeitures, or forfeiture rate, is based on our analysis of historical behavior by stock option holders. The estimated forfeiture rate is applied to the total estimated fair value of the awards, as derived from the Black-Scholes model, to compute the stock-based compensation expense, net of pre-vesting forfeitures, to be recognized in our consolidated statements of operations.

Based upon an assumed public offering price of $34.17 per share, which is the last reported sales price of our common stock on the New York Stock Exchange on October 30, 2013, the aggregate intrinsic value of outstanding options to purchase shares of our common stock as of September 30, 2013 was $73.0 million, of which $41.6 million related to vested options and $31.4 million to unvested options.

Determination of the Fair Value of Common Stock on Grant Dates

Prior to our IPO in May 2013, we were a private company with no active public market for our common stock. Therefore, in response to Section 409A of the Internal Revenue Code of 1986, as amended, related regulations issued by the Internal Revenue Service and accounting standards related to stock-based compensation, we periodically determined for financial reporting purposes the estimated per share fair value of our common stock at various dates using contemporaneous valuations performed in accordance with the guidance outlined in the American Institute of Certified Public Accountants Practice Aid, “Valuation of Privately-Held Company Equity Securities Issued as Compensation,” also known as the Practice Aid. We performed these contemporaneous valuations as of June 30, 2010, June 30, 2011, March 31, 2012, June 30, 2012, September 30, 2012 and December 31, 2012. In conducting the contemporaneous valuations, we considered all objective and subjective factors that we believed to be relevant for each valuation conducted, including management’s best estimate of our business condition, prospects and operating performance at each valuation date. Within the contemporaneous valuations performed by our management, a range of factors, assumptions and methodologies were used. The significant factors included:

- independent third-party valuations performed contemporaneously or shortly before the grant date, as applicable;
- the fact that we were a privately held technology company and our common stock was illiquid;
- the nature and history of our business;
- our historical financial performance;
- our discounted future cash flows, based on our projected operating results;
- valuations of comparable public companies;
- the potential impact on common stock of liquidation preference rights of redeemable convertible preferred stock under different valuation scenarios;
- general economic conditions and the specific outlook for our industry;
- the likelihood of achieving a liquidity event for shares of our common stock, such as an initial public offering, or IPO, or a sale of our company, given prevailing market conditions, or remaining a private company; and
- the state of the IPO market for similarly situated privately held technology companies.

The dates of our contemporaneous valuations did not always coincide with the dates of our stock-based compensation grants. In such instances, management’s estimates were based on the most recent contemporaneous valuation of our shares of common stock and our assessment of additional objective and subjective factors we believed were relevant as of the grant date. The additional factors considered when determining any changes in fair value between the most recent contemporaneous valuation and the grant dates

56

included our stage of development, our operating and financial performance, current business conditions and the market performance of comparable publicly traded companies.

There were significant judgments and estimates inherent in these contemporaneous valuations. These judgments and estimates included assumptions regarding our future operating performance, the time to completing an IPO or other liquidity event, and the determinations of the appropriate valuation methods. If we had made different assumptions, our stock-based compensation expense, net loss and net loss per share could have been significantly different.

Pre-IPO Common Stock Valuation Methodologies

Historically, we prepared our common stock valuations utilizing the probability weighted expected return method, or PWERM, approach to allocate value to our common shares. The PWERM approach employs various market, income or cost approach calculations depending on the likelihood of various liquidation scenarios. For each of the various scenarios, an equity value is estimated and the rights and preferences for each shareholder class are considered to allocate the equity value to common shares. The common share value is then multiplied by a discount factor reflecting the calculated discount rate and the timing of the event. Lastly, the common share value is multiplied by an estimated probability for each scenario. The probability and timing of each scenario are based on discussions between our board of directors and our management team. Under the PWERM, the value of our common stock is based on four possible future events for our company:

- an IPO;
- a strategic merger or sale;
- our remaining a private company; and
- the sale of our technology and the resulting dissolution of our company.

More recently, greater certainty developed regarding our plans for an IPO, and while we continued to use the PWERM approach for allocating our enterprise value to our common stock, we modified the treatment of the non-IPO scenarios within the PWERM beginning with the valuation performed as of December 31, 2012. In particular, in the December 31, 2012 analysis, the PWERM included both a near-term IPO scenario, consistent with the September 30, 2012 analysis, and a non-IPO scenario, corresponding to the sale and stay private scenarios used in the September 30, 2012 analysis. In the non-IPO scenario, the analysis used an Option Pricing Model, or OPM, to reflect the full distribution of possible non-IPO outcomes. We considered this “hybrid” method (PWERM using OPM within one of the scenarios) to be a more appropriate model of the non-IPO scenarios due to uncertainty regarding the timing or likelihood of specific alternative exit events if we do not complete the near-term IPO as planned.

In the OPM scenario, the value of our common stock and our redeemable convertible preferred stock are estimated as call options on the enterprise value, with exercise prices based on the respective liquidation preferences of each series of the redeemable convertible preferred stock. Under the OPM, our common stock has value only if the funds available for distribution to common stockholders exceed the value of the liquidation preference of our redeemable convertible preferred stock at the time of the liquidity event. The characteristics of each class of stock, including the conversion ratio and any liquidation preference of the redeemable convertible preferred stock, determine the class of stock’s claim on the enterprise value. Essentially, the rights of the common stockholders are equivalent to a call option on any value above the redeemable convertible preferred stockholders’ liquidation preferences. Thus, our common stock can be valued by estimating the value of its portion of each of these call option rights.

Market Approach

The market approach uses similar companies or transactions in the marketplace. When using the guideline company method of the market approach in determining the fair value of our common stock under the IPO scenario, we identified companies similar to our business and used these guideline companies to develop relevant market multiples and ratios. We then applied these market multiples and ratios to our financial forecasts to create an indication of total equity value. In selecting the guideline companies used in our analysis, we applied several criteria, including companies in the e-commerce platform industry, companies displaying economic and financial similarity in certain aspects of primary importance in the eyes of the investing public, and businesses that entail a similar degree of investment risk. When using the similar transaction methodology of the market approach in determining the fair value of our common stock under the strategic merger or sale scenario, we used publicly

Table of Contents

disclosed data from arm's-length transactions involving similar companies to develop relationships or value measures between the prices paid for the target companies and the underlying financial performance of those companies. These value measures are then applied to our applicable operating data to create an indication of total equity value.

We used the market approach as the primary method of determining the fair value of our common stock under the IPO scenario and the strategic merger or sale scenario starting with our March 31, 2012 independent valuation and for all subsequent independent valuations. For each of these independent valuations, we performed a discrete assessment of publicly traded comparable companies, including companies that had recently completed initial public offerings, to ensure that we had a representative sample of guideline companies upon which to base the valuations. The guideline companies we used in the market approach for each of these valuations were the same companies we used to estimate our expected volatility for purposes of determining our stock-based compensation expense related to stock options granted during the period from April 1, 2012 to March 31, 2013. While our selection of guideline companies remained the same for each independent valuation in 2012, they may change in the future if we determine that the current guideline companies are no longer comparable.

Income Approach

For the income approach, we used the discounted free cash flow method, which is based on the premise that equity value as of the respective valuation date is equal to the projected future free cash flows and expected terminal value of the business, discounted by a required rate of return that investors would demand given the risks of ownership and the risks associated with achieving the stream of projected future free cash flows.

We used the income approach as the primary method of determining the fair value of our common stock under the IPO scenario, the strategic merger or sale scenario and the remain private scenario for our June 30, 2010 and June 30, 2011 independent valuations.

Cost Approach

The cost approach involves identifying our significant tangible assets, estimating the individual current market values of each and then totaling them to derive the value of the business as a whole. We used the cost approach to value our adjusted net assets available to common shareholders if we were forced to liquidate our assets if our business model failed and we were unable to raise additional financing.

The following table summarizes by grant date the number of shares of common stock subject to stock options granted from January 1, 2011 through the date of this prospectus, as well as the associated per share exercise price and the estimated fair value per share of our common stock on the grant date.

Grant Date	Number of Shares Underlying Options Granted	Exercise Price per Share	Estimated Fair Value per Share
February 11, 2011	291,001	$2.24	$2.24
August 29, 2011	322,005	$2.24	$2.24
December 19, 2011	11,675	$2.24	$2.24
June 19, 2012	170,403	$6.88	$6.88
October 18, 2012	159,602	$8.64	$8.64
December 12, 2012	317,870	$8.64	$8.64
March 8, 2013	572,956	$8.80	$8.80
August 9, 2013	108,757	$25.00	$25.00

Significant factors contributing to the determination of common stock fair value at the date of each grant beginning in fiscal year 2011 were as follows:

February 2011 Stock Option Grants. The compensation committee of our board of directors granted options to purchase 291,001 shares of common stock with an exercise price per share of $2.24 on February 11, 2011. In estimating the fair value of our common stock to set the exercise price of such options as of February 11, 2011, the committee reviewed and considered an independent valuation report for our common stock as of June 30, 2010. The independent valuation report reflected a fair value for our common stock of $2.24 as of June 30, 2010.

Table of Contents

Our compensation committee determined that there were no significant factors affecting the value of our common stock that had occurred between June 30, 2010 and February 11, 2011.

The primary valuation considerations were:

- The liquidity event scenario probabilities and valuation method used for determining the fair value of our common stock were as follows:

Scenario	Probability		Valuation Method
IPO	25	%	Income
Strategic merger or sale	50	%	Income
Remain private	20	%	Income
Dissolution / technology sale	5	%	Cost

Our compensation committee determined that the general IPO market for small technology companies was not very strong as reflected by the small number of IPOs in the first half of 2010 and that our operating performance, stock market conditions in general, and the market for IPOs in particular, were such that it was unlikely that we would be able to successfully complete an offering before the end of 2012. The committee considered remaining private to still be possible but less likely, resulting in this scenario being assigned a 20% probability. The dissolution and sale of our technology was deemed unlikely and was assigned only a 5% probability.

- A discount rate of 25%, based on our estimated cost of capital.
- A lack of marketability discount of 25% and a lack of control discount of 20%.
- The macro-economic conditions at the time, with uncertainty as to whether the overall economy would rebound in the near term, and the uncertainty as to the impact of the recession on the purchasing patterns of our customer base, did not warrant a change in valuation as of the February 11, 2011 stock option grant date.

August and December 2011 Stock Option Grants. Our compensation committee granted options to purchase 322,005 shares of common stock with an exercise price per share of $2.24 on August 29, 2011. In estimating the fair value of our common stock to set the exercise price of such options as of August 29, 2011, the committee reviewed and considered an independent valuation report for our common stock as of June 30, 2011. The independent valuation report reflected a fair value for our common stock of $2.24 as of June 30, 2011. Our compensation committee determined that there were no significant factors affecting the value of our common stock that had occurred between June 30, 2011 and August 29, 2011.

Less than four months later, on December 19, 2011, when our results were similar to prior months, our compensation committee granted options to purchase 11,675 shares of common stock with an exercise price per share of $2.24. Little had changed since the last stock option grant date and, although we finished the third quarter with our revenue on plan, the overall market conditions had not changed significantly. Therefore, the committee determined that the estimated fair value of common stock had not changed since the August 29, 2011 grants.

The primary valuation considerations were:

- The liquidity event scenario probabilities and valuation method used for determining the fair value of our common stock were as follows:

Scenario	Probability		Valuation Method
IPO	65	%	Income
Strategic merger or sale	25	%	Income
Remain private	5	%	Income
Dissolution / technology sale	5	%	Cost

The probability for an IPO scenario increased from 25% as of the June 30, 2010 valuation date to 65% as of the June 30, 2011 valuation date due to progress in our business which indicated that an IPO in the future was more likely than previously estimated. In addition, our compensation committee

determined that the IPO market appeared to be improving significantly during the first half of 2011, particularly within the technology sector and for companies of similar size and scale to us. Remaining private and the dissolution and sale of our technology were both deemed unlikely and were each assigned only a 5% probability.

- A discount rate of 15%, based on our estimated cost of capital.
- A lack of marketability discount of 20% and a lack of control discount of 20%.
- The macro-economic conditions at the time, with uncertainty as to whether the overall economy would rebound in the near term, and the uncertainty as to the impact of the recession on the purchasing patterns of our customer base, did not warrant a change in valuation as of the August and December stock option grant dates.

June 2012 Stock Option Grants. Our compensation committee granted options to purchase 170,403 shares of common stock with an exercise price per share of $6.88 on June 19, 2012. In estimating the fair value of our common stock to set the exercise price of such options as of June 19, 2012, the committee reviewed and considered an independent valuation report for our common stock as of March 31, 2012. The independent valuation report reflected a fair value for our common stock of $6.88 as of March 31, 2012. Our compensation committee determined that there were no significant factors affecting the value of our common stock that had occurred between March 31, 2012 and June 19, 2012.

The primary valuation considerations were:

- The liquidity event scenario probabilities and valuation method used for determining the fair value of our common stock were as follows:

Scenario	Probability		Valuation Method
IPO—Early	20	%	Market
IPO—Late	20	%	Market
Strategic merger or sale—High	15	%	Market
Strategic merger or sale—Medium	25	%	Market
Strategic merger or sale—Low	10	%	Market
Dissolution / technology sale	10	%	Cost

The probability of an IPO was broken down into early (June 30, 2013) and late (June 30, 2014) scenarios based on the anticipated timing for a possible IPO. In addition, the probability of a strategic merger or sale was broken down into high, medium and low valuation scenarios based on the anticipated timing of a potential strategic merger or sale and the impact of the timing on the estimated valuation. In determining the probabilities, our compensation committee determined that the IPO market was continuing to improve during the first quarter of 2012, particularly within the technology sector and for companies of similar size and scale to us, and believed an IPO in mid-2013 was a possibility but not definitive at the time. Unlike previous valuations, the committee determined that there was no significant probability that we would remain private and therefore did not include this scenario in the valuation analysis. The sale of our intellectual property was still deemed unlikely and was assigned only a 10% probability.

- A discount rate of 25%, based on our estimated cost of capital.
- A lack of marketability discount of 20%.

The increase in the estimated fair value of our common stock from $2.24 per share as of December 19, 2011 to $6.88 per share as of June 19, 2012 was primarily due to the following:

- increased market valuations of the guideline companies used in determining total equity value;
- a higher projected revenue forecast for us;
- application of a higher revenue multiple based on the then-current market conditions for our guideline companies to our higher projected revenue forecast;

Table of Contents

- our strong operating performance during the fourth quarter of 2011 and the first quarter of 2012, primarily attributable to revenue growth from an increase in the number of core customers using our platform; and
- significant improvement in overall macroeconomic conditions.

October and December 2012 Stock Option Grants. Our compensation committee granted options to purchase 159,602 shares of common stock on October 18, 2012 and 317,870 shares on December 12, 2012, in each case with an exercise price per share of $8.64. In estimating the fair value of our common stock to set the exercise price of such options as of these grant dates, the committee reviewed and considered an independent valuation report for our common stock as of September 30, 2012. The independent valuation report reflected a fair value for our common stock of $8.64 as of September 30, 2012. Our compensation committee determined that there were no significant factors affecting the value of our common stock that had occurred between September 30, 2012 and these grant dates. The primary valuation considerations were:

- The liquidity event scenario probabilities and valuation method used for determining the fair value of our common stock were as follows:

Scenario	Probability		Valuation Method
IPO—Early	35	%	Market
IPO—Late	25	%	Market
Strategic merger or sale—High	5	%	Market
Strategic merger or sale—Medium	15	%	Market
Strategic merger or sale—Low	10	%	Market
Dissolution / technology sale	10	%	Cost

The probability of an IPO was broken down into early (June 30, 2013) and late (June 30, 2014) scenarios based on the anticipated timing for a possible IPO. In addition, the probability of a strategic merger or sale was broken down into high, medium and low valuation scenarios based on the anticipated timing of a potential strategic merger or sale and the impact of the timing on the estimated valuation. In determining the probabilities, our compensation committee determined that the IPO market was continuing to improve during the first three quarters of 2012, particularly within the technology sector and for companies of similar size and scale to us, and believed an IPO in mid 2013 was a possibility but not definitive at the time. As with the June 2012 valuation, the committee did not include a private company scenario in the valuation analysis. The sale of our intellectual property was still deemed unlikely and was assigned only a 10% probability.

- A discount rate of 25%, based on our estimated cost of capital.
- A lack of marketability discount of 20%.

The increase in the estimated fair value of the common stock from $6.88 per share as of June 19, 2012 to $8.64 per share as of October 18, 2012 was primarily due to the assignment of a higher probability for a positive outcome of either an early or late IPO and the greater proximity of both the estimated early and late IPO dates.

March 2013 Stock Option Grants. Our compensation committee granted options to purchase 572,956 shares of common stock with an exercise price per share of $8.80 on March 8, 2013. In estimating the fair value of our common stock to set the exercise price of such options as of March 8, 2013, the committee reviewed and considered an independent valuation report for our common stock as of December 31, 2012. The independent valuation report reflected a fair value for our common stock of $8.80 as of December 31, 2012. Our compensation committee determined that there were no significant factors affecting the value of our common stock that had occurred between December 31, 2012 and March 8, 2013.

Table of Contents

The primary valuation considerations were:

- The liquidity event scenario probabilities and valuation method used for determining the fair value of our common stock were as follows:

Scenario	Probability	Valuation Method
IPO	60 %	Market
Other possible scenarios	40 %	Market

As greater certainty developed around the expected timing of an IPO, the IPO liquidity event was no longer assigned early and late scenarios. In addition, other possible liquidity event scenarios, such as a strategic merger or sale or a dissolution, were modeled collectively using the OPM due to uncertainties in their timing.

- A discount rate of 20%, based on our estimated cost of capital.
- A lack of marketability discount of 10%.
- Inputs for the OPM calculation:
- A risk-free interest rate of 0.2%.
- An expected life, or time until a liquidity event, of 1.1 years.
- An expected volatility yield of 47% based on historical trading volatility for our comparable guideline companies.
- A dividend yield of 0%.

The increase in the estimated fair value of our common stock from $8.64 per share as of December 12, 2012 to $8.80 per share as of March 8, 2013 was primarily due to the use of a lower lack of marketability discount resulting from the greater proximity of the estimated IPO date. This was slightly offset by lower market valuations of the guideline companies used in determining total equity value.

Determination of Initial Public Offering Price. In May 2013, we estimated our initial public offering price per share to be between $12.00 and $14.00 per share. As is typical in IPOs, the preliminary range was not derived using a formal determination of fair value, but was determined based upon discussions between us and the underwriters. Among the factors considered in setting the preliminary range were prevailing market conditions and estimates of our business potential. In addition to this difference in purpose and methodology, we believe that the difference in value between the midpoint of the preliminary range and management’s determination of the fair value of our common stock on March 8, 2013, $8.80 per share, was primarily the result of the following factors:

- The independent valuation prepared as of December 31, 2012 was the basis for the determination of the fair value of our common stock on March 8, 2013. The PWERM valuation contained an IPO scenario with a probability of 60% and an OPM scenario to collectively model the full distribution of possible non-IPO scenarios with a probability of 40%. In addition, the PWERM valuation included a discount of approximately 9% to reflect the time value of money for the period from the assumed IPO date back to the valuation date as well as a 10% discount for lack of marketability of our common stock. If we had considered only a single scenario with 100% probability of an IPO occurring by June 30, 2013 and without applying a discount for lack of marketability or the time value of money, the independent valuation would have been $13.92 per share.
- During the last half of March and first half of April 2013, we completed several critical events necessary to proceed toward an IPO, including the presentation of our full year 2012 financial results to our underwriters and their research analysts, in order for them to assess the Company’s marketability, and an assessment of our first quarter 2013 results to determine whether the underwriters would support proceeding with an IPO.
- Our convertible preferred stock had substantial economic rights and preferences over our common stock. An IPO would result in the conversion of our preferred stock upon the completion of the offering and the corresponding elimination of these preferences, which would result in an increased common

Table of Contents

stock valuation as compared to the valuation as of March 8, 2013, which did not assume a 100% probability of an IPO.

- The proceeds of a successful IPO would substantially strengthen our balance sheet by increasing our liquidity. Additionally, the completion of an IPO would provide us with access to the public company debt and equity markets. These projected improvements in our financial position would increase the valuation of our common stock as compared to the valuation as of March 8, 2013.

Post-IPO Common Stock Value Determinations

Following our IPO, we established a policy of using the closing sale price per share of our common stock as quoted on the New York Stock Exchange on the date of grant for purposes of determining the exercise price per share of our options to purchase common stock.

Income Taxes

We account for income taxes under the asset and liability method. We recognize deferred tax assets and liabilities for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, as well as for operating loss and tax credit carryforwards. We measure deferred tax assets and liabilities using enacted tax rates expected to apply to taxable income in the years in which we expect to recover or settle those temporary differences. We recognize the effect of a change in tax rates on deferred tax assets and liabilities in the results of operations in the period that includes the enactment date. We reduce the measurement of a deferred tax asset, if necessary, by a valuation allowance if it is more likely than not that we will not realize some or all of the deferred tax asset.

We account for uncertain tax positions by recognizing the financial statement effects of a tax position only when, based upon technical merits, it is more likely than not that the position will be sustained upon examination. We recognize potential accrued interest and penalties associated with unrecognized tax positions within our global operations in income tax expense.

Recent Accounting Pronouncements

We have reviewed accounting pronouncements that were issued as of September 30, 2013 and do not believe that these pronouncements will have a material impact on our financial position or results of operations.

Quantitative and Qualitative Disclosures about Market Risk

Market risk is the risk of loss to future earnings, values or future cash flows that may result from changes in the price of a financial instrument. The value of a financial instrument may change as a result of changes in interest rates, exchange rates, commodity prices, equity prices and other market changes. We are exposed to market risk related to changes in foreign currency exchange rates. We do not use derivative financial instruments for speculative, hedging or trading purposes, although in the future we may enter into exchange rate hedging arrangements to manage the risks described below.

Interest Rate Sensitivity

We are subject to interest rate risk in connection with borrowings under our revolving line of credit which are subject to a variable interest rate. At September 30, 2013, we had borrowings under our revolving line of credit of $3.3 million. As a result, each change of one percentage point in interest rates would result in an approximate $33,000 change in our annual interest expense on our outstanding borrowings at September 30, 2013. Any debt we incur in the future may also bear interest at variable rates.

Foreign Currency Exchange Risk

With international operations, we face exposure to adverse movements in foreign currency exchange rates. These exposures may change over time as business practices evolve, and if our exposure increases, adverse movement in foreign currency exchange rates could have a material adverse impact on our financial results. Historically, our primary exposures have been related to non-U.S. dollar denominated operating expenses in the United Kingdom, Europe and Australia. As a result, our results of operations would generally be adversely affected by a decline in the value of the U.S. dollar relative to these foreign currencies. However, based on the size of our international operations and the amount of our expenses denominated in foreign currencies, we would not expect a

63

Table of Contents

10% decline in the value of the U.S. dollar from rates on September 30, 2013 to have a material effect on our financial position or results of operations. Substantially all of our sales contracts are currently denominated in U.S. dollars. Therefore, we have minimal foreign currency exchange risk with respect to our revenue.

Inflation

We do not believe that inflation has had a material effect on our business, financial condition or results of operations. We continue to monitor the impact of inflation in order to minimize its effects through pricing strategies, productivity improvements and cost reductions. If our costs were to become subject to significant inflationary pressures, we may not be able to fully offset such higher costs through price increases. Our inability or failure to do so could harm our business, financial condition and results of operations.

Table of Contents

BUSINESS

Overview

We are a leading provider of software-as-a-service, or SaaS, solutions that enable our retailer and manufacturer customers to integrate, manage and optimize their merchandise sales across hundreds of online channels. Through our platform, we enable our customers to connect with new and existing sources of demand for their products, including e-commerce marketplaces, such as eBay, Amazon and Newegg, search engines and comparison shopping websites, such as Google, Microsoft's Bing, and Nextag, and emerging channels, such as Facebook and Groupon. Our suite of solutions, accessed through a standard web browser, provides our customers with a single, integrated user interface to manage their product listings, inventory availability, pricing optimization, search terms, data analytics and other critical functions across these channels. Our proprietary cloud-based technology platform delivers significant breadth, scalability and flexibility. In 2012, our customers processed over $3.5 billion in gross merchandise value, or GMV, through our platform. As of September 30, 2013, our customers managed over 130 million stock-keeping units, or SKUs, of their inventory on our platform.

We serve customers across a wide range of industries and geographies. As of September 30, 2013, we had over 2,200 customers worldwide, including 27% of the top 500 U.S. Internet retailers, as ranked by Internet Retailer magazine based on 2012 sales, up from 16% of the top 500 U.S. Internet retailers, based on 2007 sales, as of December 31, 2007. Our customers include both traditional and online retailers, such as Ann Taylor, eBags.com, J&R Electronics and Jos. A. Bank Clothiers, as well as manufacturers of consumer goods, such as Dell, Dooney and Bourke, Lenovo, Sony and Under Armour.

E-commerce has grown significantly over the last several years, as consumers have increasingly shifted their retail purchases from traditional brick and mortar stores to online stores and marketplaces. According to Forrester Research, Inc., or Forrester, an industry research firm, e-commerce consumer spending in the United States, Europe, Asia-Pacific and Latin America is expected to grow from $647 billion in 2012 to $1.1 trillion in 2016, a compound annual growth rate of 14%. This growth has been due to a number of factors, including:

- the availability of a broader selection of merchandise online;
- consumer convenience and ease of use;
- more competitive and transparent pricing;
- increased functionality and reliability of e-commerce websites;
- the emergence of mobile connected devices and specialized websites; and
- the proliferation of online distribution channels.

As a result of these factors, consumers today have more options than ever before to discover, research and purchase products online.

While these e-commerce growth drivers create significant opportunity for retailers and manufacturers, they also create additional complexity and challenges. Retailers and manufacturers seeking new avenues to expand their online sales must manage product data and transactions across hundreds of highly fragmented online channels where data attributes vary, requirements change frequently and the pace of innovation is rapid and increasing.

We address these challenges by offering retailers and manufacturers SaaS solutions that enable them to integrate, manage and optimize their merchandise sales on a unified platform across these disparate online channels. We generate revenue from our customers' access to and usage of our SaaS solutions, which are organized into modules. Each module integrates with a particular type of channel, such as third-party marketplaces, paid search or comparison shopping websites, or supports specific online functionality aimed at customers wanting to establish their own e-commerce presence or enhance the effectiveness of their existing storefronts, such as creating webstores or employing rich media solutions on their websites. Using our solutions, customers can:

- connect with new channels and more easily integrate with channels they already use;
- access emerging online sources of consumer demand, such as social networks and mobile devices;

Table of Contents

- adapt to the frequently changing policies and requirements of each channel;
- manage real-time inventory allocation and availability across channels;
- implement dynamic pricing and promotion strategies across channels;
- efficiently manage, evaluate and optimize customer traffic to their own e-commerce websites;
- more easily sell into new geographic territories worldwide;
- reduce dependence on in-house information technology staff and avoid significant up-front capital expenses; and
- access in real-time the latest product and software upgrades that we regularly release on our SaaS platform to keep up with the rapid pace of change and innovation in the market.

We derive our revenue primarily from subscription fees paid to us by our customers for access to and usage of our SaaS solutions for a specified contract term, which is usually one year. A portion of the subscription fee is typically fixed and is based on a specified minimum amount of GMV that a customer expects to process through our platform. The remaining portion of the subscription fee is variable and is based on a specified percentage of GMV processed through our platform in excess of the customer's specified minimum GMV amount. We believe that our subscription fee pricing model aligns our interests with those of our customers. We also receive implementation fees, which may include fees for providing launch assistance and training.

Industry Background

Large, growing and global e-commerce market

E-commerce is a large and global market that continues to expand as retailers and manufacturers continue to increase their online sales. Forrester estimates that e-commerce consumer spending in the United States, Europe, Asia-Pacific and Latin America will increase from $647 billion in 2012 to $1.1 trillion in 2016, a compound annual growth rate of 14%.

Increasing complexity and fragmentation for retailers and manufacturers selling online

E-commerce is an increasingly complex and fragmented market due to the hundreds of channels available to retailers and manufacturers and the rapid pace of change and innovation across those channels. Historically, a retailer or manufacturer might have simply established an online storefront and used a basic paid search program to drive traffic to its website. Today, in order to gain consumers' attention in a more crowded and competitive online marketplace, many retailers and an increasing number of manufacturers sell their merchandise through multiple online channels, each with its own rules, requirements and specifications. In addition, retailers and manufacturers often seek to sell their products in multiple countries, each with its own local consumer preferences and behaviors.

Several significant trends have contributed to this increasing complexity and fragmentation, including:

- Emergence and growth of online third-party marketplaces. Third-party marketplaces, which are marketplaces that aggregate many sellers, are an increasingly important driver of growth for a number of large online retailers. Some of these marketplaces, such as Amazon, offer products from their own inventory, known as first-party products, as well as products sold by others, known as third-party products; other marketplaces, such as eBay, offer only third-party products. Amazon has reported that third-party products represented 39% of its total paid units sold in the fourth quarter of 2012, up from 36% in the fourth quarter of 2011. In addition, several of the largest traditional brick-and-mortar retailers, including Wal-Mart, Best Buy, Sears and Tesco, have incorporated third-party marketplaces into their online storefronts, allowing other retailers and manufacturers to market their products to consumers they might not otherwise reach.
- Mainstream adoption of mobile devices for e-commerce. Adoption of mobile internet-enabled devices, such as smartphones and tablets, continues to increase rapidly. According to International Data Corporation, or IDC, a market research firm, the number of smartphones shipped by vendors worldwide is expected to increase from 723.8 million in 2012 to 1.7 billion by 2017, a compound annual growth rate of 19%. This increase in penetration of internet-enabled mobile devices coincides with a similar increase in mobile commerce. According to Forrester, mobile commerce is expected to grow

Table of Contents

from $8 billion, or 3% of all e-commerce, in 2012 to $31 billion, or 9% of all e-commerce, in 2017, a compound annual growth rate of 31%. Additionally, mobile devices enable new consumer shopping behaviors, such as in-store barcode scanning to find online promotions, better pricing or alternative products, a practice commonly known as "showrooming." While benefiting consumers by increasing the transparency and accessibility of e-commerce, this proliferation of mobile devices and mobile commerce requires retailers and manufacturers to build additional device-specific optimization and functionality into their sites, increasing the complexity of managing their online presences.

- Growth of additional online consumer touch points. As consumers have moved more of their shopping and product discovery online, paid search and comparison shopping sites have emerged as key influencers and important points of product research for consumers making purchase decisions. ZenithOptimedia, a media agency, estimates that, in the United States, advertising dollars spent on paid search will grow from $11.4 billion in 2011 to $18.9 billion in 2015, a compound annual growth rate of 13%.
-