Rocket Fuel Inc.
Form S-1/A
January 27, 2014

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**As filed with the Securities and Exchange Commission on January 27, 2014.**

**Registration No. 333-193492**

# 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**

# ROCKET FUEL INC.

(Exact name of registrant as specified in its charter)

| | | |
|---|---|---|
| **Delaware** | **7370** | **30-0472319** |
| (State or other jurisdiction of incorporation or organization) | (Primary Standard Industrial Classification Code Number) | (I.R.S. Employer Identification Number) |

**350 Marine Parkway**
**Marina Park Center**
**Redwood City, CA 94065**
**(650) 595-1300**
(Address, including zip code and telephone number, including area code, of registrant's principal executive offices)

**George H. John**
**Chief Executive Officer**
**Rocket Fuel Inc.**
**350 Marine Parkway**
**Marina Park Center**
**Redwood City, CA 94065**
**(650) 595-1300**
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**Copies to:**


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| | **(650) 595-1300** | |


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

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: o

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

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. o

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 statement number of the earlier effective registration statement for the same offering. o

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

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

**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 which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.**

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**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 January 27, 2014**

**PRELIMINARY PROSPECTUS**

## 5,000,000 Shares

# Rocket Fuel Inc.

## Common Stock

Rocket Fuel Inc. is selling 2,000,000 shares of common stock, and the selling stockholders identified in this prospectus are selling 3,000,000 shares of common stock. We will not receive any of the proceeds from the sale of shares of common stock by the selling stockholders.

Our common stock is listed on the NASDAQ Global Select Market under the symbol "FUEL". On January 24, 2014, the last reported sale price of our common stock on the NASDAQ Global Select Market was $62.80 per share.

The underwriters have the option to purchase up to 750,000 additional shares from certain selling stockholders identified in this prospectus at the price to the public less the underwriting discounts and commissions.

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

**Investing in our common stock involves risks. See "Risk Factors" beginning on page 17.**

| | Price to Public | Underwriting Discounts and Commissions(1) | Proceeds to Rocket Fuel | Proceeds to Selling Stockholders |
|---|---|---|---|---|
| Per Share | $ | $ | $ | $ |
| Total | $ | $ | $ | $ |

(1) We have agreed to reimburse the underwriters for certain expenses. See "Underwriting."

Delivery of the shares of common stock is expected to be made on or about , 2014.

Neither the Securities and Exchange Commission nor any other regulatory body have approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

**Credit Suisse** **Citigroup** **Goldman, Sachs & Co.**

**Needham & Company** **Oppenheimer & Co.** **Piper Jaffray** **BMO Capital Markets**

The date of this prospectus is , 2014.

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Neither we, the selling stockholders nor the underwriters have authorized anyone to provide any information or make any representations other than those contained in this prospectus or in any free writing prospectus prepared by or on behalf of us or to which we have referred you. Neither we, the selling stockholders nor the underwriters take responsibility for, and can provide no assurance as to the reliability of, any other information that others may give you. We and the selling stockholders are offering to sell, and seeking offers to buy, shares of common stock only in jurisdictions where offers and sales are permitted. The information contained in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or of any sale of the common stock.

For investors outside of the United States: Neither we, the selling stockholders nor the underwriters have 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 outside the United States are required to inform themselves about, and to observe any restrictions relating to, this offering and the distribution of this prospectus outside of the United States.

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## PROSPECTUS SUMMARY

*The following summary highlights selected information contained elsewhere in this prospectus. This summary does not contain all the information you should consider before investing in our common stock. You should carefully read this prospectus in its entirety before investing in our common stock, including the sections entitled "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and related notes included elsewhere in this prospectus.*

### Overview

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

There are tens of billions of daily trades across all digital advertising exchanges, thousands of times more than the number of daily trades executed by NASDAQ and the NYSE combined. Our Artificial Intelligence, or AI, system autonomously purchases ad spots, or impressions, one at a time, on these exchanges to create portfolios of impressions designed to optimize the goals of our advertisers, such as increased sales, heightened brand awareness and decreased cost per customer acquisition. We believe that our customers value our solution, as our revenue retention rates were 134%, 175% and 178% for the 12 months ended December 31, 2011, 2012 and September 30, 2013, respectively. We define our "revenue retention rate" with respect to a given 12-month period as (i) revenue recognized during such period from customers that contributed to revenue recognized in the prior 12-month period divided by (ii) total revenue recognized in such prior 12-month period.

Our solution is designed to optimize both direct-response campaigns focused on generating specific consumer purchases or responses, as well as brand campaigns geared towards lifting brand metrics, generally defined as cost-per-click and brand survey goals. For the three and nine months ended September 30, 2012 and 2013, direct response campaigns contributed approximately two-thirds of our revenue, with the remaining one-third of our revenue generated through brand campaigns. We have successfully run advertising campaigns for products and brands ranging from consumer products to luxury automobiles to travel and had served well over 100 billion impressions as of September 30, 2013. We provide a differentiated solution that is simple, powerful, scalable and extensible across geographies, industry verticals and the display, mobile, social and video digital advertising channels. According to MAGNA GLOBAL, display, mobile, social and video channels for digital advertising are forecast to grow from $45 billion in 2013 to $82 billion in 2017 globally. Our computational infrastructure supports over 25,000 CPU cores in eight data centers and houses 15 petabytes of data.

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

Our team of award-winning computer scientists developed and continues to enhance our disruptive technology. Our scientists have backgrounds in AI, Big Data, machine learning and high-availability and distributed systems from institutions including Massachusetts Institute of Technology, Stanford University, Indian Institute of Technology and Carnegie Mellon University. Benefiting from our unique combination of technology and industry expertise, we have rapidly grown our business, building a

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diversified customer base that, as of September 30, 2013, included over 70 of the Advertising Age 100 Leading National Advertisers and over 40 of the Fortune 100 companies.

As our customers realize the performance of their campaigns on our platform, we often receive feedback that we are a top performer, and consequently, we often receive increased advertising budget allocations that contribute to our revenue growth. For the years ended December 31, 2010, 2011 and 2012, our revenue was $16.5 million, $44.7 million and $106.6 million, respectively, representing a compound annual growth rate, or CAGR, of 154%. For the nine months ended September 30, 2012 and 2013, our revenue was $66.5 million and $155.0 million, respectively, representing period-over-period growth of 133%. For the years ended December 31, 2010, 2011 and 2012 and the nine months ended September 30, 2012 and 2013, our net loss was $(3.2) million, $(4.3) million, $(10.3) million, $(4.5) million and $(18.8) million, respectively. For the years ended December 31, 2010, 2011 and 2012 and for the nine months ended September 30, 2012 and 2013, our adjusted EBITDA was $(2.9) million, $(3.1) million, $(3.0) million, $(1.7) million and $(4.9) million, respectively. Adjusted EBITDA is a financial measure not presented in accordance with generally accepted accounting principles, or GAAP. For a definition of adjusted EBITDA, an explanation of our management's use of this measure and a reconciliation of adjusted EBITDA to our net loss, see "Selected Consolidated Financial Data  Non-GAAP Financial Measures."

**Our Industry**

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

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

Over the last decade, AI has gained prominence in several fields, including aeronautics, securities trading, logistics, space exploration and medical diagnosis, as well as through seminal technology events, such as IBM's Watson winning Jeopardy, NASA's Curiosity landing itself on the surface of Mars and Google's self-driving cars operating on highways. AI-driven systems can rapidly process enormous amounts of data and execute transactions on a large scale, enabling decision-making capabilities that generally are not otherwise feasible or economical. The cost of computational power is rapidly decreasing, making AI solutions more practical for mainstream business applications. We believe this trend has created a significant opportunity to harness the power of AI to make complex business decisions autonomously.

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

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

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

The Internet has become a primary channel for content creation, consumption, social engagement and commerce. Adults in the United States spend more time online and on mobile devices for non-voice activities than ever before. With the rapid growth of online activity and the proliferation of Internet-connected devices, advertisers are increasingly using the Internet to reach, influence and creatively engage consumers. As a result, digital advertising spending as a percentage of overall advertising spending has increased substantially in recent years. According to eMarketer, worldwide digital advertising spending is expected to grow from $118 billion in 2013 to $173 billion in 2017, or from 22.7% to 28.0% of total worldwide advertising spending, respectively.

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

Real-time advertising exchanges are emerging and growing rapidly, and have reduced the transactional friction that historically was associated with the buying and selling of digital advertising inventory. Real-time bidding, or RTB, is the real-time purchase and sale of advertising inventory on an impression-by-impression basis on advertising exchanges. RTB is expanding faster than any other segment of the digital advertising industry as a result of a number of trends, including the emergence of programmatic buying, which enables the automated purchasing of advertising inventory; the creation of an abundance of digital advertising inventory, which has grown substantially as consumers and content have continued to migrate online; increased use of real-time advertising exchanges by publishers; and recognition by advertisers that using real-time advertising exchanges is an effective way to achieve their advertising campaign goals. Adding to these trends is the virtuous cycle that has been created as publishers increase inventory supply, enabling better advertising results, which then increases demand for additional advertising inventory, leading to increased incentives for publishers to make additional inventory available through real-time advertising exchanges.

**Our Market Opportunity**

According to MAGNA GLOBAL, display, mobile, social and video channels for digital advertising are forecast to grow from $45 billion in 2013 to $82 billion in 2017 globally, a 16% CAGR, broken into the following segments:

*Display.* According to MAGNA GLOBAL, display advertising, excluding mobile, social and video, was a $24 billion market in 2013 and is forecast to decline to $18 billion in 2017. The market for display advertising, excluding mobile, social and video is projected to decline as overall display advertising growth has been driven by mobile, social and video advertising. However, MAGNA GLOBAL forecasts that the growth in mobile, social and video advertising will more than offset the decline in display.

*Mobile.* According to MAGNA GLOBAL, mobile advertising, including social and display, but excluding search, was a $7 billion market in 2013 and is forecast to grow to $32 billion in 2017, a 45% CAGR.

*Social.* According to MAGNA GLOBAL, social advertising, excluding mobile, was a $6 billion market in 2013 and is forecast to grow to $15 billion in 2017, a 24% CAGR.

*Video.* According to MAGNA GLOBAL, online video advertising was a $7 billion market in 2013 and is forecast to grow to $17 billion in 2017, a 23% CAGR.

Digital advertising across these channels is bought and sold using various methods, including RTB exchanges, which, according to IDC, is expanding faster than any other segment of the digital advertising industry.

According to MAGNA GLOBAL, advertising revenue reached $490 billion in 2013 globally. We believe that advertisers will continue to shift advertising spending from traditional media to programmatic buying.

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**Challenges Faced by Digital Advertisers**

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

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

- *Addressing the rapidly changing and highly-fragmented consumer environment.* Consumers' digital-media habits are evolving, with consumers accessing and consuming content across many different Internet-connected devices, resulting in highly-fragmented audiences. As a result, advertisers are demanding the ability to adjust their advertising spending in real time to reach and influence their prospective consumers.

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

- *Leveraging complex data.* Many large advertisers have already made significant investments in data and are struggling with the challenge of how to most effectively make use of the sheer volume of data available to them to gain valuable timely insights.

- *Operating in real time.* The massive volume and real-time creation of data generally precludes effective human review, analysis, optimization and implementation of advertising campaigns, making it difficult and time consuming for conventional providers of digital advertising solutions to make strategic adjustments in their campaigns.

**Our Solution**

Driven by our disruptive AI technology, our real-time optimization engine delivers digital advertising campaigns that are effective and efficient, and are easy for us to set up and manage. We apply our AI-driven proprietary predictive modeling and automated decision-making technology, together with Big Data and our computational infrastructure, to create a new class of technology specifically designed for powerful programmatic buying on real-time advertising exchanges. The key benefits of our solution for advertisers include:

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

- *Business goal oriented.* Our solution transforms the way campaigns are optimized, learning and adapting in real time, which we refer to as "Advertising that Learns," to achieve advertisers' measurable business goals, such as reduced cost per customer acquisition, increased sales and heightened brand awareness.

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

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

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

**Our Competitive Strengths**

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

*Disruptive AI-driven technology that delivers exceptional results for advertisers.* Our AI-driven advertising solution learns and adapts in real time with minimal human inputs.

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

*Scalable comprehensive solution.* Our solution enables us to run direct-responses or brand campaigns for advertisers across and within the display, mobile, social and video digital advertising channels. We provide offerings that are extensible across industry verticals and geographies.

*Premier and diversified customer base.* As of September 30, 2013, we had 938 active customers, including many of the world's leading advertisers across a broad range of industry verticals. Our diversified customer base includes more than 70 of the Advertising Age 100 Leading National Advertisers and over 40 of the Fortune 100 companies.

*Attractive and scalable financial model.* We believe that we benefit from a scalable financial model that has demonstrated high revenue growth. We have reached significant scale since our incorporation in March 2008. Our revenue was $106.6 million in 2012 and $155.0 million for the nine months ended September 30, 2013, representing year-over-year growth of 139% and 133%, respectively. Our net loss was $(10.3) million in 2012 and $(18.8) million for the nine months ended September 30, 2013. We recorded cumulative adjusted EBITDA of $(13.9) million from 2010 through September 30, 2013. We have made significant investments in technology and sales and marketing, and we believe that these investments will provide us with long-term benefits. Our revenue retention rates were 134%, 175% and 178% for the 12 months ended December 31, 2011, December 31, 2012 and September 30, 2013, respectively. Adjusted EBITDA is a non-GAAP financial measure. For a definition of adjusted EBITDA, an explanation of our management's use of this measure and a reconciliation of adjusted EBITDA to our net loss, see "Selected Consolidated Financial Data Non-GAAP Financial Measures."

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

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**Our Growth Strategies**

We plan to continue improving our AI-driven platform to deliver a highly differentiated and disruptive solution. Our key growth strategies include:

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

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

*Increasing our mobile, social and video market penetration.* We intend to continue investing in our engineering and sales and marketing organizations to expand our capabilities in mobile, social and video advertising to efficiently expand our advertiser base, gain market penetration and grow revenue from these channels.

*Continuing our global expansion.* We currently operate in seven countries, and we intend to continue to expand our international business primarily by growing our sales team in certain countries in which we currently operate and establishing a presence in additional countries.

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

**Key Operating and Financial Performance Metrics**

The following table sets forth our key operating and financial performance metrics for the years ended December 31, 2011 and 2012 and the nine months ended September 30, 2012 and 2013, respectively:

| | Years Ended December 31, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | **2011** | **2012** | **2012** | **2013** |
| | **(in thousands, except number of active customers)** | | | |
| Revenue | $ 44,652 | $ 106,589 | $ 66,494 | $ 155,039 |
| Revenue less media costs (non-GAAP)* | $ 22,003 | $ 55,920 | $ 35,874 | $ 87,327 |
| Adjusted EBITDA (non-GAAP)* | $ (3,125) | $ (2,981) | $ (1,656) | $ (4,941) |
| Number of active customers | 266 | 536 | 406 | 938 |

*Revenue less media costs.* We believe that revenue less media costs is a meaningful measure of operating performance because it is frequently used for internal management purposes, it indicates the performance of our solution in balancing the goals of delivering exceptional results to advertisers while meeting our margin objectives and it facilitates a more complete period-to-period understanding of factors and trends affecting our underlying revenue performance.

*Adjusted EBITDA.* We believe adjusted EBITDA provides useful information to understand and evaluate our operating results.

*Number of active customers.* We believe that our ability to increase the number of active customers using our solution is an important indicator of our ability to grow our business, although we expect this number to fluctuate based on the seasonality in our business and other factors.

* For a reconciliation of these Non-GAAP financial measures, see "Selected Consolidated Financial Data Non-GAAP Financial Measures."

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**Risks Affecting Us**

Our business is subject to numerous risks, which are highlighted in the section entitled "Risk Factors" immediately following this prospectus summary. Some of these risks include:

- our limited operating history makes it difficult to evaluate our business and prospects and may increase the risks associated with your investment;
- if we do not manage our growth effectively, the quality of our solution or our relationships with our customers may suffer, and our operating results may be negatively affected;
- if we fail to make the right investment decisions in our offerings and technology platform, we may not attract and retain advertisers and advertising agencies and our revenue and results of operations may decline;
- we have a history of losses and may not achieve or sustain profitability in the future;
- we may experience fluctuations in our operating results, which make our future results difficult to predict and could cause our operating results to fall below investors' and analysts' expectations;
- if we are unable to attract new advertising customers and sell additional offerings to our existing customers, our revenue growth will be adversely affected;
- if the use of "third party cookies" is rejected by Internet users, restricted or otherwise subject to unfavorable regulation, our performance could decline and we could lose advertisers and revenue;
- potential "Do Not Track" standards or government regulation could negatively impact our business by limiting our access to the anonymous user data that informs the advertising campaigns we run, and as a result could degrade our performance for our customers;
- our international expansion subjects us to additional costs and risks and may not yield returns, including anticipated revenue growth, in the foreseeable future, and our continued expansion internationally may not be successful; and
- we may not be able to compete successfully against current and future competitors because competition in our industry is intense, and our competitors may offer solutions that are perceived by our customers to be more attractive than ours, which could result in declining revenue, or inability to grow our business.

**Recent Developments**

***Preliminary Financial Results***

*The following preliminary financial information for the three months and the year ended December 31, 2013 is based upon our estimates and subject to completion of our financial closing procedures. Moreover, these data have been prepared solely on the basis of currently available information by, and are the responsibility of, management. Our independent registered public accounting firm, Deloitte & Touche LLP, has not audited or reviewed, and does not express an opinion with respect to, these data. This summary is not a comprehensive statement of our financial results for this period, and our actual results may differ materially from these estimates due to the completion of our financial closing procedures, final adjustments, completion of the audit of our financial statements and other developments that may arise between now and the time the audit of our financial statements is completed. Our actual results for the three months and the year ended*

*December 31, 2013 will not be available until after this offering is completed. There can be no assurance that these estimates will be realized, and estimates are subject to risks and uncertainties, many of which are not within our control. For additional information regarding the various risks and uncertainties*

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*inherent in estimates of this type, see "Special Note Regarding Forward-Looking Statements" elsewhere in this prospectus.*

We have prepared estimates of the following preliminary financial data for the three months and the year ended December 31, 2013.

| | (in millions) | | | |
|---|---|---|---|---|
| | **Year ended December 31, 2013** | | **Three months ended December 31, 2013** | |
| | **Range** | | **Range** | |
| | **Low** | **High** | **Low** | **High** |
| **GAAP** | | | | |
| Revenue | $ 239.0 | $ 240.0 | $ 84.0 | $ 85.0 |
| Gross Profit | $ 113.5 | $ 114.5 | $ 40.0 | $ 41.0 |
| Net loss | $ (23.8) | $ (22.1) | $ (5.0) | $ (3.3) |
| **Non-GAAP** | | | | |
| Revenue less media costs | $ 135.9 | $ 136.6 | $ 48.6 | $ 49.3 |
| Adjusted EBITDA | $ (1.9) | $ (0.4) | $ 3.0 | $ 4.5 |

**GAAP**

*Revenue*

Our revenue for the year ended December 31, 2013 is estimated to be between $239.0 million and $240.0 million, an increase of between 124% and 125% from revenue of $106.6 million for the fiscal year ended December 31, 2012. Our revenue for the three months ended December 31, 2013 is estimated to be between $84.0 million and $85.0 million, an increase of between 109% and 112% from revenue of $40.1 million for the three months ended December 31, 2012. The estimated increase in revenue for the year and three months ended December 31, 2013 is driven by an increase in spending by existing customers and growth in our number of active customers. Our revenue retention rate for twelve months ended December 31, 2013 was approximately 168%, demonstrating continued increased spend from existing customers. As customers that use our platform continue to increase their spend in absolute dollars, the year-over-year percentage increases in spend are on average smaller, which affects our revenue retention rate. We had over 1,200 active customers as of December 31, 2013, of which over 100 active customers originated through our partnership agreement with a Japanese agency. Growth in our number of active customers was driven in part by growth in new customers, which generally spend less than customers that have used our solution for longer periods of time. The fourth quarter of our fiscal year is typically a seasonally strong quarter due to the increase in advertising activity related to the holidays.

Other channel revenue increased primarily as a result of increased revenue from the mobile channel, followed by the social channel and then the video channel. Estimated revenue from the display channel and from other channels was 76% and 24%, respectively, for the year ended December 31, 2013, compared with 92% and 8% for the year ended December 31, 2012. Estimated revenue from the display channel and from other channels was 68% and 32%, respectively, for the three months ended December 31, 2013, compared to 92% and 8% for the three months ended December 31, 2012. Other channels include advertising delivered to mobile devices and through social and video channels.

*Gross Profit*

Our gross profit for the year ended December 31, 2013 is estimated to be between $113.5 million and $114.5 million, an increase of between 144% and 146% from gross profit of $46.6 million for the year ended December 31, 2012. Our gross profit for the three months ended December 31, 2013 is estimated to be between $40.0 million and $41.0 million, an increase of between 134% and 140% from

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gross profit of $17.1 million for the three months ended December 31, 2012. The estimated increase in gross profit for the year and three months ended December 31, 2013 is primarily related to an estimated increase in revenue less media costs.

*Net Loss*

Our net loss for the year ended December 31, 2013 is estimated to be between $(23.8) million and $(22.1) million, an increase of between 131% and 115% from net loss of $(10.3) million for the fiscal year ended December 31, 2012. Our net loss for the three months ended December 31, 2013 is estimated to be between $(5.0) million and $(3.3) million, a decrease of between 15% and 44% from net loss of $(5.9) million for the three months ended December 31, 2012. The estimated increase in net loss for the year ended December 31, 2013 is primarily related to an increase in operating expenses as we continued to invest in personnel, technology, infrastructure and other growth-related activities partially offset by improvement in gross profit.

**Non-GAAP**

*Revenue Less Media Costs*

Our revenue less media costs for the year ended December 31, 2013 is estimated to be between $135.9 million and $136.6 million, an increase of between 143% and 144% over revenue less media costs of $55.9 million for the fiscal year ended December 31, 2012. Our revenue less media costs for the three months ended December 31, 2013 is estimated to be between $48.6 million and $49.3 million, an increase of 143% and 147% over revenue less media costs of $20.0 million for the three months ended December 31, 2012. The estimated increase in revenue less media costs reflects an increase in revenue, as well as technology improvements.

*Adjusted EBITDA*

Our adjusted EBITDA loss for the year ended December 31, 2013 is estimated to be between $(1.9) million and $(0.4) million, an improvement of between $1.1 million and $2.6 million from adjusted EBITDA loss of $(3.0) million for the fiscal year ended December 31, 2012. Our adjusted EBITDA income for the three months ended December 31, 2013 is estimated to be between $3.0 million and $4.5 million, an improvement of between $4.3 million and $5.8 million from adjusted EBITDA loss of $(1.3) million for the three months ended December 31, 2012. The estimated increase in adjusted EBITDA for the year and three months ended December 31, 2013 is primarily related to an increase in revenue and gross margin.

The following tables present a reconciliation of revenue less media costs and adjusted EBITDA to net loss for each of the periods indicated:

| | (in millions) | | | |
|---|---|---|---|---|
| | Year ended December 31, 2013 | | Three months ended December 31, 2013 | |
| | Range | | Range | |
| **Revenue less media costs** | **Low** | **High** | **Low** | **High** |
| Revenue | $ 239.0 | $ 240.0 | $ 84.0 | $ 85.0 |
| Less: Media costs | 103.1 | 103.4 | 35.4 | 35.7 |
| Revenue less media costs | $ 135.9 | $ 136.6 | $ 48.6 | $ 49.3 |