GrubHub Inc.
Form 10-K
February 26, 2016

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2015

OR

¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM TO
Commission File Number 1-36389

GRUBHUB INC.

(Exact name of Registrant as specified in its Charter)

Delaware	46-2908664
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
111 W. Washington Street, Suite 2100	
Chicago, Illinois	60602
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (877) 585-7878

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

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, $0.0001 par value per share	New York Stock Exchange

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

None

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. YES x NO o

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. YES o NO x

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405) is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. 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 definition of "large accelerated filer", "accelerated filer", and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

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

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the Registrant, based on the closing price of the shares of common stock on The New York Stock Exchange on June 30, 2015, was

$2,186,085,162.

The number of shares of Registrant’s Common Stock outstanding as of February 19, 2016 was 84,576,652.

Portions of the Registrant’s Definitive Proxy Statement relating to the Annual Meeting of Stockholders, scheduled to be held on May 11, 2016, are incorporated by reference into Part III of this Annual Report on Form 10-K.

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The following should be read in conjunction with the audited consolidated financial statements and the notes thereto included elsewhere in this Annual Report on Form 10-K. Unless otherwise stated, the discussion below primarily reflects the historical condition and results of operations for (i) Seamless Holdings Corporation ("Seamless Holdings" and, together with Seamless North America, the "Seamless Platform" or "Seamless"), from January 1, 2013 through August 8, 2013 (the "Merger Date"), (ii) for both Grubhub Holdings Inc. (the "Grubhub Platform" or "Grubhub" and collectively with the Seamless Platform, the "platform") and the Seamless Platform after the Merger Date through December 31, 2013 (iii) Grubhub Inc. as of December 31, 2013, 2014 and 2015 and for the years ended December 31, 2014 and 2015 and (iv) the results of acquired businesses from the relevant acquisition dates in 2015. In addition to historical consolidated financial information, the following discussion contains forward-looking statements that reflect the plans, estimates, and beliefs of the Company (as defined below). Actual results could differ materially from those discussed in the forward-looking statements. Factors that could cause or contribute to these differences include those discussed below and elsewhere in this Annual Report on Form 10-K, particularly in Part I, Item 1A, "Risk Factors". The forward-looking statements in this Annual Report on Form 10-K are made as of the date of this Annual Report on Form 10-K, and the Company disclaims any intention or obligation to update or revise any forward-looking statements to reflect events or circumstances occurring after the date of this Annual Report on Form 10-K. See "Cautionary Statement Regarding Forward-Looking Statements" below for additional information.

PART I.

Item 1. Business

Company Overview

Grubhub Inc. and its wholly-owned subsidiaries (collectively referred to as the "Company," "Grubhub," "we," "us," and "our") the leading online and mobile platform for restaurant pick-up and delivery orders, which the Company refers to as takeout. The Company connects more than 40,000 local restaurants with hungry diners in more than 1,000 cities across the United States and is focused on transforming the takeout experience. For restaurants, Grubhub generates higher margin takeout orders at full menu prices. The Grubhub platform empowers diners with a "direct line" into the kitchen, avoiding the inefficiencies, inaccuracies and frustrations associated with paper menus and phone orders. The Company has a powerful two-sided network that creates additional value for both restaurants and diners as it grows.

The Company's target market is primarily composed of independent restaurants. These independent restaurants remain local, highly fragmented and are mostly owner-operated family businesses. According to Euromonitor, Americans spent $221 billion at these approximately 365,000 independent restaurants in 2013. Of that amount, the Company believes that Americans spent approximately $70 billion on takeout at these independent restaurants in 2013. Additionally, the Company's delivery services have increased its opportunity to work with restaurant chains. Based on forecast amounts included in the 2013 Euromonitor report, the Company believes that Americans spent more than $200 billion on takeout at restaurant chains and independent restaurants in 2015.

For restaurants, takeout enables them to grow their business without adding seating capacity or wait staff. Advertising for takeout, typically done through the distribution of menus to local households or advertisements in local publications, is often inefficient and requires upfront payment with no certainty of success. In contrast, Grubhub provides restaurants on its platform with an efficient way to generate more takeout orders. Grubhub enables restaurants to access local diners at the moment when those diners are hungry and ready to purchase takeout. In addition, the Company does not charge the restaurants in its network any upfront or subscription fees, does not require any discounts from their full price menus and only gets paid for the orders the Company generates for them, providing restaurants with a low-risk, high-return solution. The Company charges restaurants a per-order commission that is primarily percentage-based. In certain markets, the Company also provides delivery services to restaurants on its platform that do not have their own delivery operations. As of December 31, 2015, the Company was providing delivery services in approximately 50 markets across the country.

For diners, the traditional takeout ordering process is often a frustrating experience—from using paper menus to communicating an order by phone to a busy restaurant employee. In contrast, ordering on Grubhub is enjoyable and a dramatic improvement over the “menu drawer.” The Company provides diners on the platform with an easy-to-use, intuitive and personalized platform that helps them search for and discover local restaurants and then accurately and efficiently place an order from any Internet-connected device. Grubhub also provides diners with information and transparency about their orders and status and solves problems that may arise. In addition, the Company makes re-ordering convenient by storing previous orders, preferences and payment information, helping to promote diner frequency and drive strong repeat business.

The proliferation of mobile devices over the past few years has significantly increased the value of the Grubhub platform. The Company’s powerful, easy-to-use mobile applications for iPhone, iPad, Android, iWatch and Apple TV enable diners to access Grubhub whenever and wherever they want takeout. The discovery and ordering capabilities that are available on the Company’s consumer websites are also available through its mobile applications. Grubhub monetizes the orders placed through its mobile applications using the same rate as orders placed through its websites. The Company’s mobile applications make ordering from Grubhub more accessible and personal, driving increased use of the platform by restaurants and diners. Orders placed on mobile devices increased from approximately 39% of consumer orders during the first quarter of 2013 to approximately 58% of consumer orders during the quarter ended December 31, 2015.

The Company generates revenues primarily when diners place an order on its platform. Restaurants pay a commission, typically a percentage of the transaction on orders that are processed through the Company's platform. Most of the restaurants on the Company's platform can choose their level of commission rate, at or above the minimum rate, to affect their relative priority in the Company's sorting algorithms, with restaurants paying higher commission rates generally appearing higher in the search order than restaurants paying lower commission rates. Additionally, restaurants that use the Company's delivery services pay an additional commission on the transaction for the use of those services. For most orders, diners use a credit card to pay the Company for their meal when the order is placed. For these transactions, the Company collects the total amount of the diner's order net of payment processing fees from the payment processor and remits the net proceeds to the restaurant less commission. The Company generally accumulates funds and remits the net proceeds to the restaurants on at least a monthly basis. The Company also deducts commissions for other transactions that go through its platform, such as cash transactions for restaurants in the network, from the aggregate proceeds received. Additionally, the Company provides consolidated invoicing for its corporate program customers generally on a monthly basis.

Organization

Grubhub was founded in 2004 and Seamless was founded in 1999. The merger of Grubhub and Seamless was completed on August 8, 2013 (the "Merger"). The Merger enabled the Company to expand its two-sided network, connecting customers in the geographies it serves with more restaurants. The Merger also enabled the Company to eliminate duplicative expenses and take advantage of a complementary geographic footprint.

On April 4, 2014, the Company completed an initial public offering (the "IPO") and its common stock is listed on The New York Stock Exchange (the "NYSE") under the ticker symbol "GRUB". For additional details regarding the Company's IPO, see Note 11,"Stockholder's Equity", to the accompanying notes to the consolidated financial statements included in Part II, Item 8 of this Annual Report on Form 10-K.

Acquisitions

In February 2015, the Company acquired the assets of DiningIn.com, Inc. and certain of its affiliates (collectively, "DiningIn") and the membership units of Restaurants on the Run, LLC ("Restaurants on the Run"), and, in December 2015, the Company acquired the membership units of Mealport USA, LLC d/b/a Delivered Dish ("Delivered Dish"). For a description of the Company's acquisition of these restaurant delivery services, see Note 3, "Acquisitions", to the accompanying notes to the consolidated financial statements included in Part II, Item 8 of this Annual Report on Form 10-K.

Growth Strategy

The Company strives to make Grubhub an integral part of everyday life for restaurants and diners through the following growth strategies:

- Grow the Two-Sided Network. The Company intends to continue to grow the number of independent restaurants and restaurant chains in existing and new geographic markets by providing them with opportunities to generate more takeout orders and by offering delivery services. The Company intends to continue to grow the number of diners and orders placed on the network primarily through word-of-mouth referrals, marketing that encourages adoption of the Company's mobile applications and increased order frequency.
- Enhance the Platform. The Company plans to continue to invest in its websites and mobile products and its independent delivery network, develop new products and better leverage the significant amount of order data that the Company collects.

- Deliver Excellent Customer Service. By meeting and exceeding the expectations of both restaurants and diners through customer service, the Company seeks to gain their loyalty and support for the platform.
- Pursue Strategic Acquisitions. The Company intends to continue to pursue expansion opportunities in existing and new markets, as well as in core and adjacent categories through strategic acquisitions.

Key Metrics

For a description of the Company's key metrics, including Active Diners, Daily Average Grubs and Gross Food Sales, see Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" in this Annual Report on Form 10-K.

The Grubhub Solution

The Company focuses on providing value to both restaurants and diners through its two-sided network. Grubhub provides restaurants with more orders, helps them serve diners better, facilitates delivery logistics in certain markets, and enables them to improve the efficiency of their takeout business. For diners, Grubhub makes takeout accessible, simple and enjoyable, enabling them to discover new restaurants and accurately and easily place their orders anytime and from anywhere.

Restaurant Benefits

With more than 40,000 restaurants in the Company's network as of December 31, 2015, management believes that Grubhub provides restaurants with the following key benefits:

- More Orders. Through Grubhub, restaurants in the network receive more orders at full menu prices.
- Targeted Reach. Restaurants in the network gain an online and mobile presence with the ability to reach their most valuable target audience—hungry diners in their area.
- Low Risk, High Return. Grubhub generates higher margin takeout orders for the restaurants in its network by enabling them to leverage their existing fixed costs.
- Efficiency. Restaurants in the network can receive and handle a larger volume of takeout orders more accurately, increasing their operational efficiency while providing their takeout diners with a high-quality experience.
- Insights. Grubhub provides restaurants with actionable insights based on the significant amount of order data the Company gathers, helping them to optimize their delivery footprints, menus, pricing and online profiles.
- Delivery. In certain markets, the Company offers delivery services to the restaurants on its platform. By providing delivery services, the Company allows restaurants to focus on making great food while Grubhub handles the complexity of operating the delivery networks.

Diner Benefits

With 6.7 million Active Diners as of December 31, 2015 and more than 227,100 combined Daily Average Grubs during the year ended December 31, 2015, management believes that Grubhub provides diners with the following key benefits:

- Discovery. Grubhub aggregates menus and enables ordering from restaurants across more than 1,000 cities in the United States as of December 31, 2015, in most cases providing diners with more choices than the "menu drawer" and allowing them to discover hidden gems from local restaurants in the network.
- Convenience. Using Grubhub, diners do not need to place their orders over the phone. Grubhub provides diners with an easy-to-use, intuitive and personalized platform that makes ordering simple from any connected device.
- Control and Transparency. The Grubhub platform empowers diners with a "direct line" into the kitchen, without having to talk to a distracted order-taker in an already error-prone process.
- Service. For diners, Grubhub's role is similar to that of the waiter in a restaurant, providing a critical layer of customer service that is typically missing in takeout.

Challenges

The Company faces several key challenges in continuing to grow its business and maintaining profitability. These challenges include that:

- long-term growth depends on the Company's ability to continue to expand its network of restaurants and diners in a cost-effective manner;

- the ability to realize the benefits of acquired businesses depends on the successful integration of the operations of the acquired businesses with those of the Company;
- the ability to realize the benefits of the investment in the Company's delivery network depends on the efficient utilization and expansion of such network; and
- while the Company's primary competition remains the traditional offline takeout ordering method, new competitors could emerge and existing competitors could gain traction in the Company's markets. These competitors may have greater resources than Grubhub and could impact the Company's growth rates and ability to maintain profitability.

Factors Affecting Performance

- The Size of the Company’s Two-Sided Network. Grubhub’s growth has come, and is expected to continue to come, from the Company’s ability to successfully expand its two-sided network, which occurs through the growth of the number of restaurants and diners on the platform. The Company believes that increases in the number of restaurants will make the platform more attractive to diners and increases in the number of diners will make the platform more attractive to restaurants. Furthermore, the number of popular restaurants in each local market is an important factor in making the platform more attractive to diners.
- Seasonality. In metropolitan markets, the Company generally experiences a relative increase in diner activity from September to April and a relative decrease in diner activity from May to August. In addition, the Company benefits from increased order volumes in campus markets when school is in session and experiences a decrease in order volumes when school is not in session (during summer breaks and other vacation periods).
- Weather. Diner activity can also be impacted by colder or more inclement weather, which typically increases order volumes, and warmer or sunny weather, which typically decreases order volumes.

Products and Services

The following is a list of the Company’s primary products and services. The Company’s primary revenues are the commissions earned from restaurants for consumer orders generated on its platform.

Products

Grubhub and Seamless Websites

Diners can access the platform through www.grubhub.com and www.seamless.com. To use the websites, diners either enter their delivery address or use geo-location within the mobile applications and are presented with local restaurants that provide takeout. Diners can further refine their search results using the search capability, enabling them to filter results across cuisine types, restaurant names, menu items, proximity, ratings and other criteria. Once diners have found what they are looking for, they place their orders using easy-to-use and intuitive menus, enabling them to discover food choices, select options and provide specific instructions on a dish-by-dish basis. Once an order is received, the Company transmits it to the restaurant, while saving the diners’ preferences for future orders, thus providing diners with a convenient repeat order experience.

Grubhub and Seamless Mobile Apps and Mobile Website

The Company offers diners access to the network through its mobile applications designed for iPhone, iPad, Android, iWatch and Apple TV devices. The mobile applications provide diners with the same functionality as the Company’s websites, including restaurant discovery, search and ordering. Diners can also access the platform from their mobile devices through the mobile website using any mobile browser. For restaurants, all mobile orders are received in the same way as the website-based orders, and the Company charges the same commission for both.

Corporate Program

The Company provides a corporate program that helps businesses address inefficiencies in food ordering and associated billing. The corporate program offers employees a wide variety of food and ordering options, including options for individual meals, group ordering and catering, as well as proprietary tools that consolidate all food ordering into a single online account that enables companies to proactively manage food spend by automating the enforcement of budgets and rules. The corporate tools provide consolidated ordering and invoicing, eliminating the need for employee expense reports and therefore significantly reducing administrative overhead relating to office food ordering.

Delivery

In certain markets, the Company offers delivery services to the restaurants on its platform. By providing delivery services, the Company is able to significantly broaden the number of restaurants it can offer to diners while enhancing the transparency, consistency and reliability of the diner experience. Delivery services benefit the restaurants by allowing them to focus on making great food while Grubhub handles the complexity of operating the delivery networks.

Allmenus and MenuPages

Allmenus.com and MenuPages.com ("MenuPages") provide an aggregated database of approximately 380,000 menus from restaurants across all 50 U.S. states. The websites are searchable by cuisine type, restaurant name, menu items and other criteria. For those restaurants whose menus are posted on allmenus.com or MenuPages and which are also part of the Company's restaurant network, the sites provide a link from their menus to grubhub.com and seamless.com, as applicable, through which diners can then place their orders, providing the Company with an efficient customer acquisition channel.

OrderHub, Boost and GrubCentral

Restaurants have historically received orders from Grubhub through a facsimile or email and are required to confirm the order over the phone. Though most of the restaurants on the Company's platform still use this traditional method, several thousand restaurants use the tablet solutions, OrderHub and Boost, and the responsive web application that can be accessed from computers and mobile devices, GrubCentral. These tools can electronically receive and display orders at the restaurant and provide operators with the capability to acknowledge receipt of the order, update the estimated completion time and status, specify driver pick-up times, monitor delivery status for delivery drivers in Grubhub's network, update menu items and perform other administrative functions with an easy-to-use application. OrderHub, Boost and GrubCentral allow the Company to monitor orders through the takeout process (receipt, ready for pickup, on the way, etc.). In turn, Grubhub can make that information available to hungry diners who are waiting for their orders, thus providing greater transparency, reducing their frustration and making the takeout experience more enjoyable.

Restaurant Websites

The Company offers the restaurants in its network a turnkey website design and hosting service powered by template-driven technology, which provides the restaurants in the network with a simple yet effective online presence. Grubhub processes the orders placed through these websites through its platforms.

Customer Care

Restaurants

Customer service is an important component of Grubhub's value proposition for restaurants, enabling them to focus on food preparation. The Company provides restaurants with 24/7 service, where representatives are able to assist with problems that may arise. The Company tracks and manages restaurant performance on the platform, helping restaurants manage capacity issues while ensuring that diners receive the service they expect.

In addition to operations-related services, the Company offers restaurants actionable insights based on the significant amount of order data the Company gathers, helping restaurants optimize their delivery footprint, menus, pricing and online profiles.

Diners

The customer service the Company offers to diners is also an important component of Grubhub's value proposition, helping to generate diner satisfaction and positive word-of-mouth referrals. The Company believes that it is its responsibility to make diners happy. When diners call the 24/7 customer service line, the Company typically helps them add items to orders that have already been placed and informs them of the status of their orders. The Company believes that its excellent customer service drives diner referrals, more frequent ordering and overall loyalty to the platform.

Geographic Markets

The Company's geographic reach includes more than 1,000 cities across the United States as of December 31, 2015. The Company's largest markets are: Boston, Chicago, Los Angeles, New York, Philadelphia, San Francisco and Washington, D.C. During the years ended December 31, 2015, 2014 and 2013, the Company also generated a nominal amount of foreign revenues through its U.K. subsidiary.

Sales and Marketing

The Company's sales team adds new restaurants to the network by emphasizing Grubhub's low risk, high return proposition: providing more orders, without charging any upfront payments or subscription fees or requiring any discounts from a restaurant's full price menus, and Grubhub only gets paid on orders it generates for them. The Company's delivery network has also expanded the Company's offerings and ability to attract restaurants that do not have their own delivery operations. Many of the leads for new restaurants are generated through the Company's websites, including allmenus.com and MenuPages, which provide insights into which restaurants are popular with diners and are not yet on the network. The Company then contacts those restaurants either through the inside sales team, based in the Chicago office, or through the local, "feet-on-the-street" sales force. Once restaurants have joined the network, Grubhub representatives continue to work with them to maintain quality control and to increase their order volume. The sales team also focuses on adding new corporate program clients by emphasizing Grubhub's value proposition: a wide variety of ordering options for employees and proprietary tools that provide rule-based ordering and consolidated reporting and invoicing for employers.

The Company believes that its online ordering platform, innovative products and excellent customer service are its best and most effective marketing tools, helping to generate strong word-of-mouth referrals, which have been the primary driver of the Company’s diner growth. The Company’s integrated marketing efforts are aimed at encouraging new diners to try the platform and driving existing diners to engage more frequently with the platform. The Company uses both online as well as offline advertising. The advertisements educate people about Grubhub in an amusing and sometimes irreverent way, generating awareness among potential diners and driving overall order growth.

Technology

The Company generally develops additional features for its platform in-house, focusing on quick release cycles and constant improvement. Grubhub’s web and mobile properties are either stored on secure remote servers and software networks through a public cloud provider or hosted by a third-party provider of hosting services. The Company’s primary third-party hosting service providers are located in Illinois and Utah. The platform includes a variety of encryption, antivirus, firewall and patch-management technology to protect and maintain the systems and computers across the business. The Company relies on third-party off-the-shelf technology as well as internally developed and proprietary products and systems to ensure rapid, high-quality customer service, software development, website integration, updates and maintenance. The Company leverages off-the-shelf hardware and software platforms in order to build and customize its hardware-based products, such as tablets (based on the Android operating system) installed with OrderHub, Boost or GrubCentral applications.

Customers

As of December 31, 2015, the Company served approximately 6.7 million Active Diners and over 40,000 restaurants. For the years ended December 31, 2015, 2014 and 2013, none of these Active Diners or restaurants accounted for 1% or more of the Company’s net revenues.

Competition

The Company primarily competes with the traditional offline ordering process used by the vast majority of restaurants and diners involving paper menus that restaurants distribute to diners, as well as advertising that restaurants place in local publications to attract diners. For diners, Grubhub competes with the traditional ordering process by aggregating restaurant and menu information in one place online so that it is easier and more convenient to find a desirable restaurant option and place a customized order without having to interact directly with the restaurants. For restaurants, the Company offers a more targeted marketing opportunity than the yellow pages, billboards or other local advertising mediums since diners typically access the Company’s platform when they are looking to place a takeout order, and Grubhub captures the transaction right when a diner has made a decision.

The Company’s online competition consists primarily of national and local service providers, point-of-sale module vendors that serve some independent restaurants who have their own standalone websites and the online interfaces of chain restaurants that also offer takeout. Compared to other online platforms, Grubhub offers diners choices, with over 40,000 restaurants on the Company’s platform, including low cost delivery, no service or processing fees and no menu mark-ups. The Company also competes for diners with online competitors on the basis of convenience, control and customer service. For restaurants, Grubhub competes with other online platforms based on its ability to generate additional orders, manage challenges such as customization, change orders, menu updates and specials and the ability to help them improve their operational efficiency, with product innovations like GrubCentral, OrderHub and Boost, and diner experience.

Management believes the Company competes favorably based on these factors and its singular focus on connecting restaurants and diners for takeout ordering. Although paper menus are still the Company’s biggest competition, based on available information regarding the number of diners and restaurants on the platform and the number of orders processed through the platform, management believes Grubhub is the largest online provider of takeout orders in the

United States for independent restaurants.

Seasonality

The Company’s business is dependent on diner behavior patterns. In metropolitan markets, the Company generally experiences a relative increase in diner activity from September to April and a relative decrease in diner activity from May to August. In addition, the Company benefits from increased order volume in its campus markets when school is in session and experiences a decrease in order volume when school is not in session, during summer breaks and other vacation periods. Diner activity can also be impacted by colder or more inclement weather, which typically increases order volume, and warmer or sunny weather, which typically decreases order volume. Seasonality may cause fluctuations in the Company’s financial results on a quarterly basis.

Intellectual Property

The Company protects its intellectual property through a combination of trademarks, trade dress, domain name registrations, copyrights, trade secrets and patents applications, as well as contractual provisions and restrictions on access to and use of proprietary information.

As of December 31, 2015, the Company had nearly 50 trademarks registered in the United States and five registered abroad, including: “Grubhub,” “happy eating,” “Seamless,” “OrderHub” and “Your food is here.” The Company has also filed eleven other trademark applications including eight applications pending in the United States and three applications pending abroad and may pursue additional trademark registrations to the extent management believes it will be beneficial and cost-effective. In 2015, the Company acquired nine trademarks registered in the United States and Canada through the acquisitions of DiningIn and Restaurants on the Run.

As of December 31, 2015, the Company had six patents issued in the United States, three of which are scheduled to expire in 2020, two of which are scheduled to expire in 2031, and one of which is scheduled to expire in 2032. The Company also had 15 patent applications pending in the United States and three patent applications pending in foreign countries as of December 31, 2015, which seek to cover proprietary inventions relevant to the Company’s products and services. The Company may pursue additional patent protection to the extent management believes it will be beneficial and cost effective.

The Company is the registered holder of a variety of domestic and international domain names that include the terms “Grubhub,” “Seamless,” “Allmenus,” “MenuPages,” “DiningIn,” “ROTR”, “Delivered Dish” and certain other trademarks and similar variations of such terms.

In addition to the protection provided by the Company’s intellectual property rights, the Company enters into confidentiality agreements with its employees, consultants, contractors and business partners who are given access to confidential information. Further, employees and contractors who contribute to the development of material intellectual property on the Company’s behalf are also subject to invention assignment and/or license agreements, as appropriate. The Company further controls the use of its proprietary technology and intellectual property through its general websites and product-specific terms of use and policies.

Employees

As of February 19, 2016, the Company had approximately 1,105 full-time equivalent employees. None of the Company’s employees is represented by a labor union with respect to his or her employment with Grubhub.

Available Information

The Company is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the “Exchange Act”) and files or furnishes reports, proxy statements and other information with the Securities and Exchange Commission (the “SEC”). The Company’s Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to reports filed pursuant to Sections 13(a) and 15(d) of the Exchange Act, are filed with the SEC and are available free of charge on the Company’s website at investors.grubhub.com/investors/sec-filings at the same time as when the reports are available on the SEC’s website. The Company also maintains websites at www.grubhub.com and www.seamless.com. The contents of the websites referenced herein are not incorporated into this filing. Further, the Company’s references to the URLs for these websites are intended to be inactive textual references only.

The public may read and copy any materials filed by the Company with the SEC at the SEC’s Public Reference Room at 100 F Street, NE, Washington, DC 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC at http://www.sec.gov.

Emerging Growth Company Status

As of June 30, 2015, the Company had a public float of greater than $700 million and is therefore no longer considered an “emerging growth company” as defined in Section 2(a) of the Securities Act of 1933, as amended (the “Securities Act”), as modified by the Jumpstart Our Business Startups Act of 2012 as of the filing of this Annual Report on Form 10-K for the fiscal year ending December 31, 2015. As such, the Company is no longer eligible to take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not “emerging growth companies” including, but not limited to:

- an exemption from complying with the auditor attestation requirements of Section 404 of the Sarbanes Oxley Act of 2002, as amended (“Section 404”);

- a requirement to have only two years of audited financial statements and only two years of related selected financial data and management's discussion and analysis of financial condition and results of operations disclosure;
- reduced disclosure obligations regarding executive compensation in periodic reports and proxy statements; and
- an exemption from the requirement to seek non-binding advisory votes on executive compensation and stockholder approval of any golden parachute payments not previously approved.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

In this section and elsewhere in this Annual Report on Form 10-K, we discuss and analyze the results of operations and financial condition of the Company. In addition to historical information about the Company, we also make statements relating to the future called "forward-looking statements," which are provided under the "safe harbor" of the U.S. Private Securities Litigation Act of 1995. Forward-looking statements involve substantial risks, known or unknown, and uncertainties that may cause actual results to differ materially from future results or outcomes expressed or implied by such forward-looking statements. Forward-looking statements generally relate to future events or our future financial or operating performance. In some cases, you can identify forward-looking statements because they contain words such as "anticipates," "believes," "contemplates," "continue," "could," "estimates," "expects," "int "may," "plans," "potential," "predicts," "projects," "should," "target" or "will" or the negative of these words or other similar t expressions that concern the Company's expectations, strategy, plans or intentions.

We cannot guarantee that any forward-looking statement will be realized. These forward-looking statements are subject to a number of risks, uncertainties and assumptions, including those discussed elsewhere in this Annual Report on Form 10-K and in Part I. Item 1A, "Risk Factors", that could affect the future results of the Company and could cause those results or other outcomes to differ materially from those expressed or implied in the Company's forward-looking statements.

While forward-looking statements are our best prediction at the time they are made, you should not rely on them. Forward-looking statements speak only as of the date of this document or the date of any document that may be incorporated by reference into this document.

Consequently, you should consider forward-looking statements only as the Company's current plans, estimates and beliefs. The Company does not undertake and specifically declines any obligation to publicly update or revise forward-looking statements, including those set forth in this Annual Report on Form 10-K, to reflect any new events, information, events or any change in conditions or circumstances unless required by law. You are advised, however, to consult any further disclosures we make on related subjects in our Quarterly Reports on Form 10-Q, Current Reports on 8-K and future Annual Reports on 10-K and our other filings with the SEC.

Item 1A. Risk Factors

Our business is subject to numerous risks. You should carefully consider the following risk factors and all other information contained in this Annual Report on Form 10-K. Any of these risks could harm our business, results of operations, and financial condition and our prospects. In addition, risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and operating results.

Risks Related to Our Business

We have a limited operating history in an evolving industry, which makes it difficult to evaluate our future prospects and may increase the risk that we will not be successful.

We have a limited operating history in an evolving industry that may not develop as expected. Assessing our business and future prospects is challenging in light of the risks and difficulties we may encounter. These risks and difficulties include our ability to:

- accurately forecast our revenues and plan our operating expenses;
- increase the number of and retain existing restaurants and diners using our platform;
- successfully compete with the traditional telephone, pen-and-paper takeout ordering process, along with other companies that are currently in, or may in the future enter, the business of allowing diners to order takeout food online;
- successfully expand our business in existing markets and enter new markets;
- successfully provide restaurant delivery services in a cost-efficient manner;
- adapt to rapidly evolving trends in the ways consumers and businesses interact with technology;

- avoid interruptions or disruptions in our service;
- develop a scalable, high-performance technology infrastructure that can efficiently and reliably handle increased usage, as well as the deployment of new features and products;
- hire, integrate and retain talented sales, customer service, technology and other personnel; and
- effectively manage rapid growth in our personnel and operations.

If the demand for ordering food online and through mobile applications does not develop as we expect, or if we fail to address the needs of restaurants or diners, our business will be harmed. We may not be able to successfully address these risks and difficulties, which could harm our business and results of operations.

If we fail to retain our existing restaurants and diners or to acquire new restaurants and diners in a cost-effective manner, our revenue may decrease and our business may be harmed.

We believe that growth of our business and revenue is dependent upon our ability to continue to grow our two-sided network in existing geographic markets by retaining our existing restaurants and diners and adding new restaurants and diners. The increase in restaurants attracts more diners to our platform and the increase in diners attracts more restaurants. This two-sided network takes time to build and may grow more slowly than we expect or than it has grown in the past. In addition, as we have become larger through organic growth, the growth rates for Active Diners, Daily Average Grubs and Gross Food Sales have at times slowed, and may similarly slow in the future, even if we continue to add restaurants and diners on an absolute basis. Although we expect that our growth rates will continue to slow during certain periods as our business increases in size, if we fail to retain either our existing restaurants (especially our most popular restaurants) or diners, the value of our two-sided network will be diminished. In addition, although we believe that many of our new restaurants and diners originate from word-of-mouth and other non-paid referrals from existing restaurants and diners, we also expect to continue to spend to acquire additional restaurants and diners. We cannot assure you that the revenue from the restaurants and diners we acquire will ultimately exceed the cost of acquisition.

While a key part of our business strategy is to add restaurants and diners in our existing geographic markets, to a lesser degree, we may also expand our operations into new geographic markets. In doing so, we may incur losses or otherwise fail to enter new markets successfully. Our expansion into new markets may place us in unfamiliar competitive environments and involve various risks, including the need to invest significant resources and the possibility that returns on such investments will not be achieved for several years or at all.

Growth of our business will depend on a strong brand and any failure to maintain, protect and enhance our brand would hurt our ability to retain or expand our base of restaurants and diners and our ability to increase their level of engagement.

We believe that a strong brand is necessary to continue to attract and retain diners and, in turn, the restaurants in our network. We need to maintain, protect and enhance our brand in order to expand our base of diners and increase their engagement with our websites and mobile applications. This will depend largely on our ability to continue to provide differentiated products, and we may not be able to do so effectively. While we may choose to engage in a broader marketing campaign to further promote our brand, this effort may not be successful or cost effective. If we are unable to maintain or enhance restaurant and diner awareness in a cost-effective manner, our brand, business, results of operations and financial condition could be harmed. Furthermore, negative publicity about our Company, including delivery problems, issues with our technology and complaints about our personnel or customer service, could diminish confidence in, and the use of, our products, which could harm our results of operations and business.

We rely on restaurants in our network for many aspects of our business, and any failure by them to maintain their service levels could harm our business.

We rely upon restaurants in our network, principally small and local independent businesses, and, to a lesser degree, our independent contractor driver network, to provide quality food to our diners on a timely basis. If these restaurants or our independent contractor driver network experience difficulty servicing diner demand, producing quality food, providing timely delivery and good service or meeting our other requirements or standards, our reputation and brand could be damaged. In addition, if restaurants in our network were to cease operations, temporarily or permanently, face financial distress or other business disruption, or if our relationships with restaurants in our network deteriorate, we may not be able to provide diners with restaurant choices. This risk is more pronounced in markets where we have fewer restaurants. In addition, if we are unsuccessful in choosing or finding popular restaurants, if we fail to negotiate satisfactory pricing terms with them or if we ineffectively manage these relationships, it could harm our business and results of operations.

We experience significant seasonal fluctuations in our financial results, which could cause our stock price to fluctuate.

Our business is highly dependent on diner behavior patterns that we have observed over time. In our metropolitan markets, we generally experience a relative increase in diner activity from September to April and a relative decrease in diner activity from May to August. In addition, we benefit from increased order volume in our campus markets when school is in session and experience a decrease in order volume when school is not in session, during summer breaks and other vacation periods. Diner activity can also be impacted by colder or more inclement weather, which typically increases order volume, and warmer or sunny weather, which typically decreases order volume. Seasonality will likely cause fluctuations in our financial results on a quarterly basis. In addition, other seasonality trends may develop and the existing seasonality and diner behavior that we experience may change or become more extreme.

We may not continue to grow at historical rates or maintain profitability in the future.

While our revenue has grown in recent periods, this growth rate may not be sustainable and we may not realize sufficient revenue to maintain profitability. We may incur significant losses in the future for a number of reasons, including insufficient growth in the number of restaurants and diners on our platform, increasing competition, as well as other risks described in this Annual Report on Form 10-K, and we may encounter unforeseen expenses, difficulties, complications and delays and other unknown factors. We expect to continue to make investments in the development and expansion of our business, which may not result in increased revenue or growth. In addition, as a public company, we incur and will continue to incur significant legal, accounting and other expenses that we did not incur as a private company. As a result of these increased expenditures, we will have to generate and sustain increased revenue to maintain profitability. Accordingly, we may not be able to maintain profitability and we may incur significant losses in the future, and this could cause the price of our common stock to decline.

If we fail to manage our growth effectively, our brand, results of operations and business could be harmed.

We have experienced rapid growth in our headcount and operations, both through organic growth and recent acquisitions. This growth places substantial demands on management and our operational infrastructure. Many of our employees have been with us for fewer than 18 months. We have and intend to continue to make substantial investments in our technology, customer service, sales and marketing infrastructure. As we continue to grow, we must effectively integrate, develop and motivate a large number of new employees, while maintaining the beneficial aspects of our Company culture. We may not be able to manage growth effectively. If we do not manage the growth of our business and operations effectively, the quality of our platform and efficiency of our operations could suffer, which could harm our brand, business and results of operations.

The impact of economic conditions, including the resulting effect on consumer spending, may harm our business and results of operations.

Our performance is subject to economic conditions and their impact on levels of consumer spending. Some of the factors having an impact on discretionary consumer spending include general economic conditions, unemployment, consumer debt, reductions in net worth, residential real estate and mortgage markets, taxation, energy prices, interest rates, consumer confidence and other macroeconomic factors. Consumer purchases of discretionary items generally decline during recessionary periods and other periods in which disposable income is adversely affected. Small businesses that do not have substantial resources, like virtually all of the restaurants in our network, tend to be more adversely affected by poor economic conditions than large businesses. Also, because spending for food purchases from restaurants is generally considered to be discretionary, any decline in consumer spending may have a disproportionate effect on our business relative to those businesses that sell products or services considered to be necessities. If spending at many of the restaurants in our network declines, or if a significant number of these restaurants go out of business, diners may be less likely to use our service, which could harm our business and results of operations. In addition, significant adverse economic conditions could harm the businesses of our corporate customers, resulting in decreased use of our platform. Moreover, the majority of restaurants in our network are located in major metropolitan areas like New York City, Chicago and the San Francisco Bay Area. To the extent any one of these geographic areas experience any of the above-described conditions to a greater extent than other geographic areas, the harm to our business and results of operations could be exacerbated.

We make the restaurant and diner experience our highest priority. Our dedication to making decisions based primarily on the best interests of restaurants and diners may cause us to forego short-term opportunities, which could impact our profitability.

We base many of our decisions upon the best interests of the restaurants and diners who use our platform. We believe that this approach has been essential to our success in increasing our growth rate and the frequency with which restaurants and diners use our platform and has served our long-term interests and those of our stockholders. We believe that it is our responsibility to make our diners happy. In the past, we have foregone, and we may in the future forego, certain expansion or revenue opportunities that we do not believe are in the best interests of our restaurants and diners, even if such decisions negatively impact our business or results of operations in the short term. Our focus on making decisions based primarily on the interests of the restaurants and diners who use our platform may not result in the long-term benefits that we expect, and our business and results of operations may be harmed.

If use of the Internet via websites, mobile devices and other platforms, particularly with respect to online food ordering, does not continue to increase as rapidly as we anticipate, our business and growth prospects will be harmed.

Our business and growth prospects are substantially dependent upon the continued and increasing use of the Internet as an effective medium of transactions by diners. Internet use may not continue to develop at historical rates, and diners may not continue to use the Internet and other online services to order their food at current or increased growth rates or at all. In addition, the Internet and mobile applications may not continue to be accepted as a viable platform or resource for a number of reasons, including:

- actual or perceived lack of security of information or privacy protection;
- possible disruptions, computer viruses or other damage to Internet servers, users' computers or mobile applications;
- excessive governmental regulation; and
- unacceptable delays due to actual or perceived limitations of wireless networks.

We face potential liability, expenses for legal claims and harm to our business based on the nature of our business and the content on our platform.

We face potential liability, expenses for legal claims and harm to our business relating to the nature of the takeout food business, including potential claims related to food offerings, delivery and quality. For example, third parties could assert legal claims against us in connection with personal injuries related to food poisoning or tampering or accidents caused by the delivery drivers of restaurants in our network or drivers in our delivery network. Alternatively, we could be subject to legal claims relating to the delivery of alcoholic beverages sold by restaurants on our network to underage diners.

Reports, whether true or not, of food-borne illnesses (such as E. Coli, avian flu, bovine spongiform encephalopathy, hepatitis A, trichinosis or salmonella) and injuries caused by food tampering have severely injured the reputations of participants in the food business and could do so in the future as well. The potential for acts of terrorism on our nation's food supply also exists and, if such an event occurs, it could harm our business and results of operations. In addition, reports of food-borne illnesses or food tampering, even those occurring solely at restaurants that are not in our network, could, as a result of negative publicity about the restaurant industry, harm our business and results of operations.

In addition, we face potential liability and expense for claims relating to the information that we publish on our websites and mobile applications, including claims for trademark and copyright infringement, defamation, libel and negligence, among others. For example, we could be subject to claims related to the content published on allmenus.com and MenuPages, which contain approximately 380,000 menus, based on the fact that we do not obtain prior permission from restaurants to include their menus.

We have incurred and expect to continue to incur legal claims. Potentially, the frequency of such claims could increase in proportion to the number of restaurants and diners that use our platform and as we grow. These claims could divert management time and attention away from our business and result in significant costs to investigate and defend, regardless of the merits of the claims. In some instances, we may elect or be compelled to remove content or may be forced to pay substantial damages if we are unsuccessful in our efforts to defend against these claims. If we elect or are compelled to remove valuable content from our websites or mobile applications, our platform may become less useful to restaurants and diners and our traffic may decline, which could harm our business and results of operations.

We may not timely and effectively scale and adapt our existing technology and network infrastructure to ensure that our platform is accessible, which would harm our reputation, business and results of operations.

It is critical to our success that restaurants and diners within our geographic markets be able to access our platform at all times. We have previously experienced service disruptions and, in the future, we may experience service disruptions, outages or other performance problems due to a variety of factors, including infrastructure changes, human or software errors, capacity constraints due to an overwhelming number of diners accessing our platform simultaneously, and denial of service or fraud or security attacks. In some instances, we may not be able to identify the cause or causes of these performance problems within an acceptable period of time. It may become increasingly difficult to maintain and improve the availability of our platform, especially during peak usage times and as our products become more complex and our diner traffic increases. If our platform is unavailable when diners attempt to access it or it does not load as quickly as they expect, diners may seek other services, and may not return to our platform as often in the future, or at all. This would harm our ability to attract restaurants and diners and decrease the frequency with which they use our platform. We expect to continue to make significant investments to maintain and improve the availability of our platform and to enable rapid releases of new features and products. To the extent that we do not effectively address capacity constraints, respond adequately to service disruptions, upgrade our systems as needed or continually develop our technology and network architecture to accommodate actual and anticipated changes in technology, our business and results of operations would be harmed.

Our failure to protect personal information provided by our diners against inappropriate disclosure, including security breaches, could violate applicable law and contracts with our service providers and could result in liability to us, damage to our reputation and brand and harm to our business.

We rely on third-party payment processors and encryption and authentication technology licensed from third parties that is designed to effect secure transmission of personal information provided by our diners. We may need to expend significant resources to protect against impermissible disclosure, including security breaches, or to address problems caused by such disclosure. If we, or our third-party providers, are unable to maintain the security of our diners' personal information, our reputation and brand could be harmed and we may be exposed to litigation and possible liability.

Because we process and transmit payment card information, we are subject to the Payment Card Industry ("PCI") and Data Security Standard (the "Standard"). The Standard is a comprehensive set of requirements for enhancing payment account data security that was developed by the PCI Security Standards Council to help facilitate the broad adoption of consistent data security measures. We are required by payment card network rules to comply with the Standard, and our failure to do so may result in fines or restrictions on our ability to accept payment cards. Under certain circumstances specified in the payment card network rules, we may be required to submit to periodic audits, self-assessments or other assessments of our compliance with the Standard. Such activities may reveal that we have failed to comply with the Standard. If an audit, self-assessment or other test determines that we need to take steps to remediate any deficiencies, such remediation efforts may distract our management team and require us to undertake costly and time consuming remediation efforts. In addition, even if we comply with the Standard, there is no assurance that we will be protected from a security breach.

We are subject to payment-related risks, and if payment processors are unwilling or unable to provide us with payment processing service or impose onerous requirements on us in order to access their services, or if they increase the fees they charge us for these services, our business and results of operations could be harmed.

We accept payments using a variety of methods, including credit and debit cards. For certain payment methods, including credit and debit cards, we pay bank interchange and other fees. These fees may increase over time and raise our operating costs and lower our profitability. We rely on third parties to provide payment processing services, including the processing of credit and debit cards. Our business may be disrupted for an extended period of time if any of these companies becomes unwilling or unable to provide these services to us. We are also subject to payment card association operating rules, certification requirements and rules governing electronic funds transfers, which could change or be reinterpreted to make it difficult or impossible for us to comply. If we fail to comply with these rules or requirements, we may be subject to fines and higher transaction fees and/or lose our ability to accept credit and debit card payments from diners or facilitate other types of online payments, and our business and results of operations could be harmed.

We rely on third parties, including our payment processor and data center hosts, and if these or other third parties do not perform adequately or terminate their relationships with us, our costs may increase and our business and results of operations could be harmed.

Our success will depend upon our relationships with third parties, including our payment processor and data center hosts. We rely on a third-party payment processor and encryption and authentication technology licensed from third parties that is designed to effect secure transmission of personal information provided by our diners. We also rely on third-party data center hosts to provide a reliable network backbone with the speed, data capacity, security and hardware necessary for reliable Internet access and services. If our payment processor, or a data center host, or another third party, does not perform adequately, terminates its relationship with us or refuses to renew its agreement with us on commercially reasonable terms, we may have difficulty finding an alternate provider on similar terms and in an acceptable timeframe, our costs may increase and our business and results of operations could be harmed.

In addition, we rely on off-the-shelf hardware and software platforms developed by third parties to build and customize our OrderHub, GrubCentral and Boost tablet and mobile applications. If third parties fail to continue to produce or maintain these hardware and software platforms, our OrderHub, GrubCentral and Boost tablet and mobile applications may become less accessible to restaurants and diners, and our business and results of operations could be harmed.

If our security measures are compromised, or if our platform is subject to attacks that degrade or deny the ability of restaurants and diners to access our content, restaurants and diners may curtail or stop use of our platform.

Like all online services, our platform is vulnerable to computer viruses, break-ins, phishing attacks, attempts to overload our servers with denial-of-service, misappropriation of data through website scraping or other attacks and similar disruptions from unauthorized use of our computer systems, any of which could lead to interruptions, delays or website shutdowns, causing loss of critical data or the unauthorized disclosure or use of personally identifiable or other confidential information. Like most Internet companies, we have experienced interruptions in our service in the past due to software and hardware issues as well as denial-of-service and other cyber-attacks and, in the future, may experience compromises to our security that result in performance or availability problems, the complete shutdown of our websites or the loss or unauthorized disclosure of confidential information. In the event of a prolonged service interruption or significant breach of our security measures, our restaurants and diners may lose trust and confidence in us and decrease their use of our platform or stop using our platform entirely. We may be unable to implement adequate preventative measures against or proactively address techniques used to obtain unauthorized access, disable or degrade service or sabotage systems because such techniques change frequently, often remain undetected until launched against a target and may originate from remote areas around the world that are less regulated. Any or all of these issues could harm our ability to attract new restaurants and diners or deter current restaurants and diners from returning, reduce the frequency with which restaurants and diners use our platform, or subject us to third-party lawsuits, regulatory fines or other action or liability, thereby harming our business and results of operations.

We compete primarily with the traditional offline ordering process and adherence to this traditional ordering method and pressure from existing and new companies that offer online ordering could harm our business and results of operations.

We primarily compete with the traditional offline ordering process used by the vast majority of restaurants and diners involving the telephone and paper menus that restaurants distribute to diners, as well as advertising that restaurants place in local publications to attract diners. Changing traditional ordering habits is difficult and if restaurants and diners do not embrace the transition to online food ordering as we expect, our business and results of operations could be harmed.

In addition to the traditional takeout ordering process, we compete with other online food ordering businesses, chain restaurants that have their own online ordering platforms, point of sale companies and restaurant delivery services. Our current and future competitors may enjoy competitive advantages, such as greater name recognition, longer operating histories, greater market share in certain markets and larger existing user bases in certain markets and substantially greater financial, technical and other resources than we have. Greater financial resources and product development capabilities may allow these competitors to respond more quickly to new or emerging technologies and changes in restaurant and diner requirements that may render our products less attractive or obsolete. These competitors have and may continue to introduce new products with competitive price and performance characteristics and they may undertake more aggressive marketing campaigns than ours. Large Internet companies with substantial resources, users and brand power have also entered our market and compete with us. Furthermore, independent restaurants could determine that it is more cost effective to develop their own platform to permit online takeout orders rather than use our service.

If we lose existing restaurants or diners in our network, fail to attract new restaurants or diners or are forced to reduce our commission percentage or make pricing concessions as a result of increased competition, our business and results of operations could be harmed.

If we do not continue to innovate and provide useful products or if our introduced products do not perform or are not adopted by restaurants in accordance with our expectations, we may not remain competitive and our business and results of operations could suffer.

Our success depends in part on our ability to continue to innovate. To remain competitive, we must continuously enhance and improve the functionality and features of our platform, including our websites and mobile applications. The Internet and the online commerce industry are rapidly changing and becoming more competitive. If competitors introduce new products embodying new technologies, or if new industry standards and practices emerge, our existing websites, technology and mobile applications may become obsolete. Our future success could depend on our ability to:

- enhance our existing products and develop new products;
- persuade restaurants to adopt our new technologies and products in a timely manner; and
- respond to technological advances and emerging industry standards and practices on a cost-effective and timely basis.

Developing our platform, which includes our mobile applications, websites and other technologies entails significant technical and business risks. We may use new technologies ineffectively, or we may fail to adapt to emerging industry standards. If we face material delays in introducing new or enhanced products or if our recently introduced products do not perform in accordance with our expectations, the restaurants and diners in our network may forego the use of our products in favor of those of our competitors.

Internet search engines drive traffic to our platform and our new diner growth could decline and our business and results of operations would be harmed if we fail to appear prominently in search results.

Our success depends in part on our ability to attract diners through unpaid Internet search results on search engines like Google, Yahoo! and Bing. The number of diners we attract to our platform from search engines is due in large part to how and where our websites rank in unpaid search results. These rankings can be affected by a number of factors, many of which are not under our direct control and may change frequently. For example, a search engine may change its ranking algorithms, methodologies or design layouts. As a result, links to our websites may not be prominent enough to drive traffic to our websites, and we may not know how or otherwise be in a position to influence the results. In some instances, search engine companies may change these rankings in a way that promotes their own competing products or services or the products or services of one or more of our competitors. Search engines may also adopt a more aggressive auction-pricing system for keywords that would cause us to incur higher advertising costs or reduce our market visibility to prospective diners. Our websites have experienced fluctuations in search result rankings in the past, and we anticipate similar fluctuations in the future. Any reduction in the number of diners directed to our platform could harm our business and results of operations.

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

Our results of operations could vary significantly from quarter to quarter and year to year because of a variety of factors, many of which are outside of our control. As a result, comparing our results of operations on a period-to-period basis may not be meaningful. In addition to other risk factors discussed in this section, factors that may contribute to the variability of our quarterly and annual results include:

- our ability to attract new restaurants and diners and retain existing restaurants and diners in our network in a cost effective manner;
- our ability to accurately forecast revenue and appropriately plan our expenses;
- the effects of changes in search engine placement and prominence;
- the effects of increased competition on our business;
- our ability to successfully expand in existing markets and successfully enter new markets;
- the impact of worldwide economic conditions, including the resulting effect on diner spending on takeout;
- the seasonality of our business, including the effect of academic calendars on college campuses and seasonal patterns in restaurant dining;
- the impact of weather on our business;
- our ability to protect our intellectual property;
- our ability to maintain an adequate rate of growth and effectively manage that growth;
- our ability to maintain and increase traffic to our platform;
- our ability to keep pace with technology changes in the takeout industry;
- the success of our sales and marketing efforts;
- costs associated with defending claims, including intellectual property infringement claims and related judgments or settlements;
- changes in governmental or other regulation affecting our business;
- interruptions in service and any related impact on our business, reputation or brand;
- the attraction and retention of qualified employees and key personnel;
- our ability to choose and effectively manage third-party service providers;
- changes in diner behavior with respect to takeout, especially in New York City, Chicago and the San Francisco Bay Area;
- the effects of natural or man-made catastrophic events;
- the effectiveness of our internal controls;
- the impact of payment processor costs and procedures;
- changes in the online payment transfer rate; and
- changes in our tax rates or exposure to additional tax liabilities.

The loss of key senior management personnel could harm our business and future prospects.

We depend on our senior management and other key personnel. We may not be able to retain the services of any of our senior management or other key personnel. Although we have employment agreements with our key senior management personnel, their employment is at-will and they could leave at any time. The loss of any of our executive officers or other key employees could harm our business and future prospects.

We depend on talented personnel to grow and operate our business, and if we are unable to hire, retain, manage and motivate our personnel, or if our new personnel do not perform as we anticipate, we may not be able to grow effectively.

Our future success will depend upon our ability to continue to identify, hire, develop, motivate and retain talented personnel. We may not be able to retain the services of any of our employees or other members of senior management in the future. In addition, from time to time, there may be changes in our senior management team that may be disruptive to our business. If our senior management team fails to work together effectively and to execute our plans and strategies, our business and results of operations could be harmed.

Our growth strategy also depends on our ability to expand our organization by attracting and hiring high-quality personnel. Identifying, attracting, recruiting, training, integrating, managing and motivating talented individuals will require significant time, expense and attention. Competition for talent is intense, particularly in technology driven industries such as ours. If we are not able to effectively recruit and retain our talent, our business and our ability to achieve our strategic objectives would be harmed.

Unfavorable media coverage could harm our business and results of operations.

We are the subject of media coverage from time to time. Unfavorable publicity regarding our business model, content, personnel, customer service, technology, product changes, product quality or privacy practices could harm our reputation. Such negative publicity could also harm the size of our network and engagement and loyalty of our restaurants and diners, which could adversely impact our business and results of operations.

Our business, and that of our third-party providers and third-party data center, is subject to the risks of severe weather, earthquakes, fires, floods, hurricanes and other natural catastrophic events and to interruption by man-made problems such as computer viruses or terrorism.

Our business, particularly in areas of significant concentration like New York, Chicago and San Francisco, is subject to damage or interruption from severe weather, earthquakes, fires, floods, tornadoes, hurricanes, power losses, telecommunications failures, terrorist attacks, acts of war and similar events. For example, severe weather in Chicago, the location of our corporate headquarters and most of our customer service staff, could inhibit the ability of our customer service staff to get to work, which could result in service problems and complaints from restaurants or diners. As we rely heavily on our servers, computer and communications systems, as well as those of our third-party providers and third-party data centers, and the Internet to conduct our business and provide high quality customer service, disruptions could harm our ability to run our business, which could harm our results of operations and financial condition. For example, in October 2012, Superstorm Sandy caused blackouts throughout significant portions of New York City, which resulted in restaurants and diners being unable to access our platform for several days. These events could also negatively impact diner activity or the ability of restaurants to continue to operate.

Increases in food, labor, energy and other costs could adversely affect results of operations.

An increase in restaurant operating costs could cause restaurants in our network to raise prices or cease operations. Factors such as inflation, increased food costs, increased labor and employee benefit costs, increased rent costs and increased energy costs may increase restaurant operating costs. Many of the factors affecting restaurant costs are beyond the control of the restaurants in our network. In many cases, these restaurants may not be able to pass along these increased costs to diners and, as a result, may cease operations, which could harm our profitability and results of operations. Additionally, if these restaurants raise prices, order volume may decline, which could harm our profitability and results of operations.

Acquisitions could disrupt our business and harm our business and results of operations.

As part of our business strategy, we have and we will continue to selectively explore acquisition opportunities of companies and technologies to strengthen our platform. For example, in 2015, we completed the acquisitions of DiningIn, Restaurants on the Run and Delivered Dish. The identification of suitable acquisition candidates can be difficult, time consuming and costly, and we may not be able to successfully complete identified acquisitions. The risks we face in connection with acquisitions include:

- regulatory hurdles;
- anticipated benefits may not materialize;
- diversion of management time and focus from operating our business to addressing acquisition integration challenges;
- transition of the acquired company’s users to our websites and mobile applications;
- retention of employees from the acquired company;
- assimilation, integration and maintenance of the acquired company’s business;
- cultural challenges associated with integrating employees from the acquired company into our organization;
- integration of the acquired company’s accounting, management information, human resources and other administrative systems;

- the need to implement or improve controls, procedures and policies at a business that prior to the acquisition may have lacked effective controls, procedures and policies;
- coordination of product development and sales and marketing functions;
- liability for activities of the acquired company before the acquisition, including patent and trademark infringement claims, violations of laws, commercial disputes, tax liabilities and other known and unknown liabilities; and
- litigation or other claims in connection with the acquired company, including claims from terminated employees, users, former stockholders or other third parties.

Our failure to address these risks or other problems encountered in connection with our past or future acquisitions and investments could cause us to fail to realize the anticipated benefits of these acquisitions or investments, cause us to incur unanticipated liabilities, and harm our business generally. Future acquisitions could also result in dilutive issuances of our equity securities, the incurrence of debt, contingent liabilities, amortization expenses or the impairment of goodwill, any of which could harm our business and results of operations.

Government regulation of the Internet and e-commerce is evolving, and unfavorable changes could substantially harm our business and results of operations.

We are subject to general business regulations and laws as well as federal and state regulations and laws specifically governing the Internet and e-commerce. Existing and future laws and regulations may impede the growth of the Internet, e-commerce or other online services, and increase the cost of providing online services. These regulations and laws may cover sweepstakes, taxation, tariffs, user privacy, data protection, pricing, content, copyrights, distribution, electronic contracts and other communications, consumer protection, broadband residential Internet access and the characteristics and quality of services. It is not clear how existing laws governing issues such as property ownership, sales, use and other taxes, libel and personal privacy apply to the Internet and e-commerce. Unfavorable resolution of these issues may harm our business and results of operations.

Our business is subject to a variety of U.S. laws, many of which are unsettled and still developing and which could subject us to claims or otherwise harm our business or results of operations.

We are subject to a variety of laws in the United States, including laws regarding data retention, online credit card payments, privacy, data security, distribution of user-generated content, consumer protection, tax and securities laws, which are frequently evolving and developing. The scope and interpretation of the laws that are or may be applicable to us are often uncertain and may be conflicting.

In addition, we may be subject to foreign data protection, privacy, and other laws and regulations, which can be more restrictive than those in the United States and could impact our ability to transfer, process and/or receive transnational data. For example, in October 2015, the European Court of Justice overturned the validity of the U.S.–E.U. Safe Harbor framework. It is difficult to ascertain whether or how this ruling or any subsequent agreement may impact our business in the United Kingdom. It is also likely that if our business grows and evolves and our products are used in a greater number of geographies, we will become subject to laws and regulations in additional jurisdictions. It is difficult to predict how existing laws will be applied to our business and the new laws to which we may become subject.

If we are not able to comply with these laws or regulations or if we become liable under these laws or regulations, we could be harmed, and we may be forced to implement new measures to reduce our exposure to this liability. This may require us to expend substantial resources or to discontinue certain products or features, which would negatively affect our business. In addition, the increased attention focused upon liability issues as a result of lawsuits and legislative proposals could harm our reputation or otherwise impact the growth of our business. Any costs incurred to prevent or mitigate this potential liability could also harm our business and results of operations.

Grubhub is expanding its independent contractor driver network. The status of the drivers as independent contractors, rather than employees, has been and may continue to be challenged. A reclassification of the drivers as employees could harm our business or results of operations.

We are involved or may become involved in legal proceedings that claim that members of the delivery network who we treat as independent contractors for all purposes, including employment tax and employee benefits, should instead be treated as employees. In addition, there can be no assurance that legislative, judicial or regulatory (including tax) authorities will not introduce proposals or assert interpretations of existing rules and regulations that would mandate that we change our classification of the drivers. In the event of a reclassification of members of our independent contractor driver network as employees, we could be exposed to various liabilities and additional costs. These liabilities and costs could have an adverse effect on our business and results of operations and/or make it cost prohibitive for us to deliver orders using our driver network, particularly in geographic areas where we don't have a lot of volume. These liabilities and additional costs could include exposure (for prior and future periods) under federal, state and local tax laws, and workers' compensation, unemployment benefits, labor, and employment laws, as well as potential liability for penalties and interest.

Failure to adequately protect our intellectual property could harm our business and results of operations.

Our business depends on our intellectual property, the protection of which is crucial to the success of our business. We rely on a combination of patent, trademark, trade secret and copyright law and contractual restrictions to protect our intellectual property. In addition, we attempt to protect our intellectual property, technology and confidential information by requiring our employees and consultants who develop intellectual property on our behalf to enter into confidentiality and assignment of inventions agreements and non-competition agreements, and third parties to enter into nondisclosure agreements. These agreements may not effectively prevent unauthorized use or disclosure of our confidential information, intellectual property or technology and may not provide an adequate remedy in the event of unauthorized use or disclosure of our confidential information, intellectual property or technology. Despite our efforts to protect our proprietary rights, unauthorized parties may copy aspects of our website features, software and functionality or obtain and use information that we consider proprietary.

We have registered, among numerous other trademarks, “Grubhub,” “happy eating,” “Seamless,” “OrderHub” and “Your food is here” as trademarks in the United States. Competitors have and may continue to adopt service names similar to ours, thereby harming our ability to build brand identity and possibly leading to user confusion. In addition, there could be potential trade name or trademark infringement claims brought by owners of other trademarks that are similar to our trademarks. Litigation or proceedings before the U.S. Patent and Trademark Office or other governmental authorities and administrative bodies in the United States and abroad may be necessary in the future to enforce our intellectual property rights and to determine the validity and scope of the proprietary rights of others. Our efforts to enforce or protect our proprietary rights may be ineffective and could result in substantial costs and diversion of resources, which could harm our business and results of operations.

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

We have registered domain names for our websites that we use in our business, most importantly seamless.com, grubhub.com, MenuPages.com and allmenus.com. If we lose the ability to use a domain names, whether due to trademark claims, failure to renew the applicable registration, or any other cause, we may be forced to market our products under a new domain name, which could cause us substantial harm, or to incur significant expense in order to purchase rights to the domain name in question. In addition, our competitors and others could attempt to capitalize on our brand recognition by using domain names similar to ours. Domain names similar to ours have been registered in the United States and elsewhere. We may be unable to prevent third parties from acquiring and using domain names that infringe on, are similar to, or otherwise decrease the value of our brand or our trademarks or service marks. Protecting and enforcing our rights in our domain names may require litigation, which could result in substantial costs and diversion of resources, which could in turn harm our business and results of operations.

Intellectual property infringement assertions by third parties could result in significant costs and harm our business, results of operations and reputation.

We operate in an industry with extensive intellectual property litigation. Other parties have asserted, and in the future may assert, that we have infringed their intellectual property rights. Such litigation may involve patent holding companies or other adverse patent owners who have no relevant product revenue, and therefore our own issued and pending patents may provide little or no deterrence. We could be required to pay substantial damages or cease using intellectual property or technology that is deemed infringing.

For example, we are currently a defendant in a patent infringement suit filed by Ameranth, Inc. (“Ameranth”) in which we are alleged to infringe on patents relating to online ordering software. See Part I, Item 3, “Legal Proceedings,” and Part II, Item 8, Note 8, “Commitments and Contingencies,” to the accompanying consolidated financial statements in this Annual Report on Form 10-K for a further discussion of this litigation. This litigation could cause us to incur significant expenses and costs. In addition, the outcome of any litigation is inherently unpredictable and, as a result of this litigation, we may be required to pay damages, an injunction may be entered against us, or a license or other right to continue to deliver an unmodified version of the service may not be made available to us at all or may require us to pay ongoing royalties and comply with unfavorable terms. Any of these outcomes could harm our business. Even if we were to prevail, this litigation could be costly and time-consuming, could divert the attention of our management and key personnel from our business operations, and may discourage restaurants and diners from using our products.

Furthermore, we cannot predict whether other assertions of third-party intellectual property rights or claims arising from such assertions will substantially harm our business and results of operations. The defense of these claims and any future infringement claims, whether they are with or without merit or are determined in our favor, may result in costly litigation and diversion of technical and management personnel. Furthermore, an adverse outcome of a dispute may require us to pay damages, potentially including treble damages and attorneys' fees if we are found to have willfully infringed a party's patent or copyright rights; cease making, licensing or using products that are alleged to incorporate the intellectual property of others; expend additional development resources to redesign our products; and enter into potentially unfavorable royalty or license agreements in order to obtain the right to use necessary technologies. Royalty or licensing agreements, if required, may be unavailable on terms acceptable to us, or at all. In any event, we may need to license intellectual property which would require us to pay royalties or make one-time payments. Even if these matters do not result in litigation or are resolved in our favor or without significant cash settlements, the time and resources necessary to resolve them could harm our business, results of operations and reputation.

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

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

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

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

Our business and results of operations may be harmed if we are deemed responsible for the collection and remittance of state sales taxes for our restaurants.

If we are deemed an agent for the restaurants in our network under state tax law, we may be deemed responsible for collecting and remitting sales taxes directly to certain states. It is possible that one or more states could seek to impose sales, use or other tax collection obligations on us with regard to such food sales. These taxes may be applicable to past sales. A successful assertion that we should be collecting additional sales, use or other taxes or remitting such taxes directly to states could result in substantial tax liabilities for past sales and additional administrative expenses, which would harm our business and results of operations.

As a public company, we incur significant costs to comply with the laws and regulations affecting public companies which could harm our business and results of operations.

As a public company, we are subject to the reporting requirements of the Exchange Act, the Sarbanes-Oxley Act of 2002 (the “Sarbanes-Oxley Act”), the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”) and the listing requirements of the NYSE, and other applicable securities rules and regulations. These rules and regulations have increased and will continue to increase our legal, accounting and financial compliance costs and have made and will continue to make some activities more time consuming and costly. For example, these rules and regulations could make it more difficult and more costly for us to obtain director and officer liability insurance, and we may be required to accept reduced policy limits and coverage or to incur substantial costs to maintain the same or similar coverage. These rules and regulations could also make it more difficult for us to attract and retain qualified persons to serve on our board of directors or our board committees or as executive officers. Our management and other personnel devote a substantial amount of time to these compliance initiatives. As a result, management's attention may be diverted from other business concerns, which could harm our business and operating results. Although we have hired additional employees to comply with these requirements, we may need to hire more employees in the future, which will increase our costs and expenses.

Our management team, including our CEO, has limited experience in managing publicly traded companies. Our management team and other personnel devote a substantial amount of time to new compliance initiatives and we may not successfully or efficiently manage our transition to a public company. To comply with the requirements of being a public company, including the Sarbanes-Oxley Act, we have taken various actions, such as implementing new internal controls and procedures and hiring accounting or internal audit staff, which have required us to incur additional costs and expenses and could harm our results of operations.

Risks Related to Ownership of Our Common Stock

A significant portion of our common stock is held by our existing executive officers, directors and holders of 5% or more of our outstanding common stock, whose interests may differ from yours.

As of February 19, 2016, our current executive officers, directors and holders of 5% or more of our outstanding common stock beneficially owned, in the aggregate, approximately 60% of our outstanding shares of common stock. Some of these persons or entities may have interests that are different from yours. For example, these stockholders may support proposals and actions with which you may disagree or which are not in your interests or which adversely impact the value of your investment. These stockholders will be able to exercise a significant level of control over all matters requiring stockholder approval, including the election of directors, amendment of our certificate of incorporation and approval of significant corporate transactions. This control could have the effect of delaying or preventing a change of control in us or changes in management and could also make the approval of certain transactions difficult or impossible without the support of these stockholders, which in turn could reduce the price of our common stock.

The trading price of our common stock has been and may continue to be volatile, and you could lose all or part of your investment.

Since shares of our common stock were sold in our IPO in April 2014 at a price of $26.00 per share, the reported high and low sales prices of our common stock has ranged from $22.49 to $47.95 through December 31, 2015. An active, liquid and orderly market for our common stock may not be sustained, which could depress the trading price of our common stock. The trading price of our common stock has been and may continue to be subject to wide fluctuations in response to various factors, some of which are beyond our control. These fluctuations could cause you to lose all or part of your investment in our common stock since you might be unable to sell your shares at or above the price you paid. In addition to the factors discussed in this "Risk Factors" section and elsewhere in this Annual Report on Form 10-K, factors that could cause fluctuations in the trading price of our common stock include the following:

- price and volume fluctuations in the overall stock market from time to time;
- volatility in the market prices and trading volumes of technology stocks, particularly Internet stocks;
- changes in operating performance and stock market valuations of other technology companies generally, or those in our industry in particular;
- sales of shares of our common stock by us or our stockholders;
- failure of securities analysts to maintain coverage of us, changes in financial estimates by any securities analysts who follow our Company or our failure to meet these estimates or the expectations of investors;
- the financial projections we may provide to the public, any changes in those projections or our failure to meet those projections;
- announcements by us or our competitors of new products;
- the public's reaction to our press releases, other public announcements and filings with the SEC;
- rumors and market speculation involving us or other companies in our industry;
- actual or anticipated changes in our results of operations or fluctuations in our results of operations;
- actual or anticipated developments in our business, our competitors' businesses or the competitive landscape generally;
- litigation involving us, our industry or both, or investigations by regulators into our operations or those of our competitors;
- developments or disputes concerning our intellectual property or other proprietary rights;
- announced or completed acquisitions of businesses or technologies by us or our competitors;
- new laws or regulations or new interpretations of existing laws or regulations applicable to our business;
- changes in accounting standards, policies, guidelines, interpretations or principles;
- any significant change in our management; and
- general economic conditions and slow or negative growth of our markets.

In addition, in the past, securities class action litigation has often been instituted against companies following periods of volatility in the overall market and in the market price of a company's securities. Such litigation, if instituted against us, could result in substantial costs, divert our management's attention and resources and harm our business and results of operations.

We cannot guarantee that we will repurchase additional shares of our common stock pursuant to our ongoing share repurchase program or that our share repurchase program will enhance stockholder value. Share repurchases could also increase the volatility of the price of our common stock and could diminish our cash reserves.

On January 22, 2016, our Board of Directors approved a program that authorizes the repurchase of up to $100 million of our common stock exclusive of any fees, commissions or other expenses relating to such repurchases through open market purchases or privately negotiated transactions at the prevailing market price at the time of purchase.

Although our Board of Directors has approved the share repurchase program, we are not obligated to repurchase any specific dollar amount or to acquire any specific number of shares. The timing and amount of repurchases, if any, will depend upon several factors, including market and business conditions, the trading price of our common stock and the nature of other investment opportunities. The repurchase program may be limited, suspended or discontinued at any time without prior notice, which could result in a decrease in the trading price of our common stock. In addition, repurchases of our common stock pursuant to our share repurchase program could affect the trading price of our common stock or increase its volatility. For example, the existence of a share repurchase program could cause our stock price to be higher than it would be in the absence of such a program and could potentially reduce the market liquidity for our common stock. Additionally, our share repurchase program may cause us to incur debt or reduce our cash reserves, and those reserves may be reduced further in the future, which may impact our ability to finance future growth and to pursue possible future strategic opportunities and acquisitions. There is no assurance that our share repurchase program will enhance stockholder value and short-term stock price fluctuations could reduce the program's effectiveness.

If we are unable to implement and maintain effective internal control over financial reporting, the accuracy and timeliness of our financial reporting may be adversely affected.

We are responsible for implementing and maintaining adequate internal control over financial reporting and are required, pursuant to Section 404, to furnish a report by management on, among other things, the effectiveness of our internal control over financial reporting. This assessment requires disclosure of any material weaknesses identified by our management in our internal control over financial reporting. While we have determined that our internal control over financial reporting was effective as of December 31, 2015, as indicated in our Management's Report on Internal Control over Financial Reporting included in this Annual Report on Form 10-K for the fiscal year ended December 31, 2015, we must continue to monitor and assess our internal control over financial reporting. If during the evaluation and testing process we identify one or more material weaknesses in our internal control over financial reporting, we will be unable to assert that our internal controls are effective. If we are unable to assert that our internal control over financial reporting is effective, or if our independent registered public accounting firm is unable to express an opinion on the effectiveness of our internal controls or concludes that we have a material weakness in our internal controls, investors may lose confidence in the accuracy and completeness of our financial reports, which could adversely affect the market price of our common stock. In addition, if we are not able to comply with the requirements of Section 404 in a timely manner each year, we could be subject to sanctions or investigations by the SEC, the NYSE or other regulatory authorities which would require additional financial and management resources and could adversely affect the market price of our stock.

In addition, implementing any appropriate changes to our internal controls may distract our officers and employees, entail substantial costs to implement new processes and modify our existing processes and take significant time to complete. Moreover, any such changes do not guarantee that we will be effective in maintaining the adequacy of our internal controls, and any failure to maintain that adequacy, or consequent inability to produce accurate financial statements on a timely basis, could increase our operating costs and harm our business. Furthermore, investors' perceptions that our internal controls are inadequate or that we are unable to produce accurate financial statements on a timely basis may harm our stock price.

Anti-takeover provisions contained in our certificate of incorporation and bylaws, as well as provisions of Delaware law, could impair a takeover attempt.

Our certificate of incorporation and bylaws contain and Delaware law contains provisions, which could have the effect of rendering more difficult, delaying or preventing an acquisition deemed undesirable by our board of directors. Our corporate governance documents include provisions:

- creating a classified board of directors whose members serve staggered three-year terms;
- authorizing “blank check” preferred stock, which could be issued by our board of directors without stockholder approval and may contain voting, liquidation, dividend and other rights superior to our common stock;
- limiting the liability of, and providing indemnification to, our directors and officers;
- limiting the ability of our stockholders to call and bring business before special meetings;
- requiring advance notice of stockholder proposals for business to be conducted at meetings of our stockholders and for nominations of candidates for election to our board of directors;

- controlling the procedures for the conduct and scheduling of board of directors and stockholder meetings; and
- providing our board of directors with the express power to postpone previously scheduled annual meetings and to cancel previously scheduled special meetings.

These provisions, alone or together, could delay or prevent hostile takeovers and changes in control or changes in our management.

As a Delaware corporation, we are also subject to provisions of Delaware law, including Section 203 of the Delaware General Corporation law, which prevents some stockholders holding more than 15% of our outstanding common stock from engaging in certain business combinations without approval of the holders of substantially all of our outstanding common stock.

Any provision of our certificate of incorporation, bylaws or Delaware law that has the effect of delaying or deterring a change in control could limit the opportunity for our stockholders to receive a premium for their shares of our common stock, and could also affect the price that some investors are willing to pay for our common stock.

If securities or industry analysts issue an adverse or misleading opinion regarding our common stock or do not publish or cease publishing research or reports about us, our business or our market, or if they change their recommendations regarding our common stock adversely, our stock price and trading volume could decline.

The trading market for our common stock is influenced, to some extent, by the research and reports that industry or securities analysts may publish about us, our business, our market or our competitors. We do not control these analysts or the content and opinions included in their reports. If any of the analysts who cover us change their recommendation regarding our common stock adversely, or provide more favorable relative recommendations about our competitors, our stock price would likely decline. If any analyst who covers us were to cease coverage of our Company or fail to publish reports on us regularly or if analysts elect not to provide research coverage of our common stock, we could lose visibility in the financial markets, which in turn could cause our stock price or trading volume to decline.

We do not expect to declare any dividends in the foreseeable future.

We do not anticipate declaring any cash dividends to holders of our common stock in the foreseeable future. Consequently, investors may need to rely on sales of their common stock after price appreciation, which may never occur, as the only way to realize any future gains on their investment. Investors seeking cash dividends should not purchase our common stock.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

The Company's principal executive offices are located at 111 W. Washington, Suite 2100, Chicago, Illinois 60602. As of December 31, 2015, the Company leased approximately 102,132 square feet of office space that houses the principal operations in Chicago, Illinois, approximately 28,700 square feet of office space in New York, New York and an aggregate of approximately 46,000 square feet of office space in various locations throughout the U.S. as a result of recent acquisitions. Under the terms of the second amendment to the lease agreement, the size of the Company's Chicago office will be increased by an additional 26,355 square feet by September 4, 2016. The Company believes these facilities are in good condition and sufficient for its current needs, but may need to seek additional or expanded facilities if the business continues to grow.

Item 3. Legal Proceedings

In August 2011, Ameranth filed a patent infringement action against a number of defendants, including Grubhub Holdings Inc. in the U.S. District Court for the Southern District of California (the "Court"), Case No. 3:11-cv-1810 ("'1810 action"). In September 2011, Ameranth amended its complaint in the '1810 action to also allege patent infringement against Seamless North America. Ameranth alleged that the Grubhub Holdings Inc. and Seamless North America ordering systems, products and services infringe claims 12 through 15 of U.S. Patent No. 6,384,850 (the “850 patent”) and claims 11 and 15 of U.S. Patent No. 6,871,325 (the “325 patent”).

In March 2012, Ameranth initiated eight additional actions for infringement of a third, related patent, U.S. Patent No. 8,146,077, (the “077 patent”) in the same forum, including separate actions against Grubhub Holdings Inc., Case No. 3:12-cv-739 (the “’739 action”), and Seamless North America, Case No. 3:12-cv-737 (the “’737 action”). In August 2012, the Court severed the claims against Grubhub Holdings Inc. and Seamless North America in the ’1810 action and consolidated them with the ’739 action and the ’737 action, respectively. Later, the Court consolidated these separate cases against Grubhub Holdings Inc. and Seamless North America, along with the approximately 40 other cases Ameranth filed in the same district, with the original ’1810 action. In their answers, Grubhub Holdings Inc. and Seamless North America denied infringement and interposed various defenses, including non-infringement, invalidity, unenforceability and inequitable conduct.

No trial date has been set for this case and the consolidated case remains stayed. Management believes this case lacks merit and that the Company has strong defenses to all of the infringement claims. The Company intends to defend the suit vigorously. However, management is unable to predict the likelihood of success of Ameranth’s infringement claims and is unable to predict the likelihood of success of the counterclaims. The Company has not recorded an accrual related to this lawsuit as of December 31, 2015, as it does not believe a material loss is probable. It is a reasonable possibility that a loss may be incurred; however, the possible range of loss is not estimable given the early stage of the dispute and the uncertainty as to whether the claims at issue are with or without merit, will be settled out of court, or will be determined in the Company’s favor, whether the Company may be required to expend significant management time and financial resources on the defense of such claims, and whether the Company will be able to recover any losses under its insurance policies.

In addition to the matters described above, from time to time, the Company is involved in various other legal proceedings arising from the normal course of business activities.

Item 4: Mine Safety Disclosures

Not applicable.

PART II.

Item 5. Market for Grubhub Inc.'s Common Equity, Related Stockholder Matter and Issuer Purchases of Equity Securities

The Company's common stock began trading on the NYSE under the symbol "GRUB" on April 4, 2014. Before then, there was no public market for the Company's common stock.

Price Range of Common Stock

The following table sets forth, for the periods indicated, the high and low intraday sales prices of the Company's common stock as reported by the NYSE:

	Intraday Sales Prices			
	2015		2014	
	High	Low	High	Low
First Quarter	$47.95	$33.83	n/a	n/a
Second Quarter(a)	47.38	33.27	40.80	29.86
Third Quarter	36.31	23.53	45.80	30.62
Fourth Quarter	32.97	22.49	39.56	30.91

(a) Reflects for the second quarter of 2014 the high and low intraday sales price for the period beginning April 4, 2014 through June 30, 2014.

Holders

As of the close of business on February 19, 2016, there were approximately 109 stockholders of record of the Company's common stock. The number of holders of record is based upon the actual number of holders registered at such date and does not include holders of shares in "street name" or persons, partnerships, associates, corporations or other entities in security position listings maintained by depositories.

Dividends

The Company made total cash distributions to common and preferred stockholders of $0.3 million and $1.9 million in 2014 and 2013, respectively. There were no distributions to common and preferred stockholders during the year ended December 31, 2015 and the Company currently intends to retain any future earnings and does not expect to pay any dividends in the foreseeable future. Any future determination to declare dividends will be made at the discretion of the Company's board of directors, subject to applicable laws, and will depend on a number of factors, including the Company's financial condition, results of operations, capital requirements, contractual restrictions, general business conditions and other factors that the board of directors may deem relevant.

Use of Proceeds and Issuer Purchases of Equity Securities

Use of Proceeds

On April 3, 2014, the Company's registration statement on Form S-1 (File No. 333-194219) was declared effective by the SEC for an initial public offering pursuant to which the Company issued and sold 4,000,000 shares of common stock at a public offering price of $26.00 per share. The offering resulted in net proceeds of $94.9 million after deducting underwriting discounts and commissions of $6.5 million and other offering expenses of approximately $2.6 million. There have been no material changes in the planned use of proceeds from the IPO from that described in the Company's final prospectus filed with the SEC pursuant to Rule 424(b) under the Securities Act on April 7, 2014.

Unregistered Sales of Equity Securities

There were no sales of unregistered equity securities during the three months ended December 31, 2015.

Issuer Purchases of Equity Securities

There were no repurchases of equity securities during the three months ended December 31, 2015.

On January 22, 2016, the Board of Directors of the Company approved a program that authorizes the repurchase of up to $100 million of the Company’s common stock (see Part II, Item 8, Note 15, “Subsequent Events” to the accompanying consolidated financial statements in this Annual Report on Form 10-K for additional details).

Company Stock Performance Graph

The following graph shows a comparison of cumulative total return for the Company’s common stock, the NYSE Composite Index and the RDG Internet Composite Index from April 4, 2014 (the date the Company’s common stock commenced trading on the NYSE) through January 31, 2016. The graph assumes that $100 was invested at market close on April 3, 2014 in each of the Company’s common stock, the NYSE Composite Index and the RDG Internet Composite Index. Such returns are based on historical results and are not intended to suggest future performance. The cumulative total returns for the NYSE Composite Index and the RDG Internet Composite Index assume reinvestment of dividends.

This performance graph shall not be deemed “soliciting material” or to be “filed” with the SEC for purposes of Section 18 of the Exchange Act, or otherwise subject to the liabilities under that Section, and shall not be deemed to be incorporated by reference into any filing of Grubhub Inc. under the Securities Act, or the Exchange Act.

Item 6. Selected Financial Data

The selected financial data presented below reflects the results of operations and financial condition of (i) the Seamless Platform as of and for the years ended December 31, 2011 and 2012 (ii) the Seamless Platform from January 1, 2013 through August 8, 2013 (the "Merger Date") and for both the Seamless Platform and the Grubhub Platform after the Merger Date (iii) Grubhub Inc. for the years ended December 31, 2014 and 2015 and as of December 31, 2013, 2014 and 2015 and (iv) the results of acquired businesses from the relevant acquisition dates in 2015. The audited consolidated financial statements reflect, in the opinion of management, all adjustments of a normal, recurring nature that are necessary for the fair presentation of the financial statements. The following selected consolidated financial data is not necessarily indicative of the results of future operations and should be read in conjunction with Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," and the consolidated financial statements and the related notes thereto included in Part II, Item 8, "Financial Statements and Supplementary Data" of this Annual Report on Form 10-K to fully understand factors that may affect the comparability of the information presented below.

	Year Ended December 31,				
	2015	2014	2013(a)	2012	2011
	(in thousands, except per share data)				
Consolidated Statements of Operations Data:					
Revenues	$361,825	$253,873	$137,143	$82,299	$60,611
Total costs and expenses	299,896	208,889	122,254	73,567	50,620
Income before provision for income taxes	61,929	44,984	14,889	8,732	9,991
Net income	38,077	24,263	6,747	7,919	15,211
Net income per share attributable to common stockholders:					
Basic	$0.45	$0.33	$0.14	$0.24	$0.48
Diluted	$0.44	$0.30	$0.12	$0.19	$0.36
Consolidated Balance Sheet Data:					
Cash, cash equivalents and short term investments	$310,741	$313,137	$86,542	$41,161	$3,383
Working capital(b)(c)	266,662	241,199	25,880	3,811	(11,931)
Total assets(c)	1,060,248	978,877	759,124	206,229	184,940
Redeemable common stock	—	—	18,415	—	—
Total stockholders' equity	877,596	770,522	557,375	137,888	131,971
Other Financial Information:					
Adjusted EBITDA(d)	$104,967	$78,703	$38,134	$17,185	$14,827
Cash Flow Data:					
Net cash provided by operating activities	$44,755	$72,904	$40,819	$29,578	$32,094
Net cash provided by (used in) investing activities	(116,397)	(118,740)	6,245	10,303	(36,949)
Net cash provided by (used in) financing activities	39,404	161,332	(1,842)	(2,218)	7,321

Reflects results of acquired businesses from the relevant acquisition dates.

(a) Includes results for the Seamless Platform through the Merger Date, and of Grubhub Inc., for the remainder of the period.
(b) Working capital is calculated as current assets less current liabilities.
(c) Prior period amounts have been retrospectively adjusted to reflect the change in presentation of current deferred tax assets (see Part II, Item 8, Note 2, "Summary of Significant Accounting Policies – Recently Issued Accounting Pronouncements" for additional details).

(d) See the section titled “Non-GAAP Financial Measures” in Part II, Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” for more information and for a reconciliation of Adjusted EBITDA to net income, the most directly comparable financial measure calculated and presented in accordance with accounting principles generally accepted in the United States of America (“GAAP”).

Includes the following significant items:

For 2015: Acquisition of three restaurant delivery services for an aggregate of $73.9 million in cash, net purchases of investments of $30.8 million, accelerated depreciation and amortization expense related to retired assets of $1.9 million and acquisition and restructuring costs of $1.6 million.

For 2014: Net proceeds from the issuance of common stock in the IPO and the follow-on offering of $142.5 million, purchases of investments of $113.2 million and acquisition and restructuring costs of $1.6 million.

For 2013: Acquired $13.3 million in cash from the Merger and incurred merger and restructuring costs of $4.8 million.

For 2012: Net proceeds on note receivable from Aramark Holdings Corporation (“Aramark”), a related party, of $16.0 million and contributions from members of $6.0 million.

For 2011: Contributions from members of $22.4 million, distributions to stockholders of $16.7 million, payments of $16.0 million for the issuance of a related party note receivable, payments of $12.2 million for the acquisition of Slick City Media, Inc., and a reversal of a deferred tax liability of $8.1 million associated with the sale of preferred stock to SLW Investors, LLC.

Key Business Metrics

To analyze the Company’s business performance, determine financial forecasts and help develop long-term strategic plans, management reviews the following key business metrics:

	Year Ended December 31,				
	2015	2014	2013(a)	2012	2011
Key Business Metrics:					
Active Diners(b)	6,746,000	5,029,000	3,421,000	986,000	689,000
Daily Average Grubs(c)	227,100	182,800	107,900	62,000	45,700
Gross Food Sales (in millions)(d)	$2,353.6	$1,787.4	$1,014.9	$568.8	$412.2

Reflects results of acquired businesses from the relevant acquisition dates.

(a) Includes results for the Seamless Platform through the Merger Date, and of Grubhub Inc., for the remainder of the period.
(b) Active Diners are the number of unique diner accounts from which an order has been placed in the past twelve months through the Company’s platform. Active Diners from the Grubhub Platform are included from the Merger Date.
(c) Daily Average Grubs are the number of revenue generating orders placed on the platform divided by the number of days for a given period.
(d) Gross Food Sales are the total value of food, beverages, taxes, prepaid gratuities, and any delivery fees processed through the Company’s platform. All revenue generating orders placed on the platform are included, but only the commissions from the transaction are recognized as revenues, which are a percentage of the total Gross Food Sales for such transaction.

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

Overview

The following Management’s Discussion and Analysis of Financial Condition and Results of Operations (“MD&A”) should be read in conjunction with the consolidated financial statements and the notes thereto included elsewhere in this Annual Report on Form 10-K. Unless otherwise stated, the discussion below primarily reflects the historical condition and results of operations for (i) the Seamless Platform from January 1, 2013 through the Merger Date, (ii) for both the Grubhub Platform and the Seamless Platform after the Merger Date through December 31, 2013, (iii) Grubhub Inc. as of December 31, 2013, 2014 and 2015 and for the years ended December 31, 2014 and 2015 and (iv) the results of acquired businesses from the relevant acquisition dates in 2015. In addition to historical consolidated financial information, the following discussion contains forward-looking statements that reflect the Company’s plans, estimates, and beliefs. Actual results could differ materially from those discussed in the forward-looking statements. Factors that could cause or contribute to these differences include those discussed below and elsewhere in this Annual Report on Form 10-K, particularly in Part I, Item 1A, “Risk Factors”. This overview summarizes the MD&A, which includes the following sections:

- Our Business –for a general description of our business, strategy, challenges and products and services see Part I, Item 1, “Business” of this Annual Report on Form 10-K.
- Significant Accounting Policies and Critical Estimates – a discussion of accounting policies that require critical judgments and estimates.
- Operations Review – an analysis of our consolidated results of operations for the three years presented in our consolidated financial statements, pro-forma results of operations and non-GAAP financial measures.
- Liquidity and Capital Resources – an analysis of cash flows, contractual obligations and commitments, the impact of inflation, changes in interest rates and fluctuations in foreign currency and an overview of financial position.

Significant Accounting Policies and Critical Estimates

Our financial statements are prepared in accordance with GAAP. The preparation of these financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, expenses and related disclosures. We evaluate our estimates and assumptions on an ongoing basis. Our estimates are based on historical experience and various other assumptions that we believe to be reasonable under the circumstances. Our actual results could differ from these estimates. We believe our most critical accounting policies and estimates relate to the following:

- Revenue recognition
- Website and software development costs
- Recoverability of intangible assets with finite lives and other long-lived assets
- Stock-based compensation
- Goodwill
- Income Taxes

For further information on all of our significant accounting policies discussed below, see Part II, Item 8, Note 2, “Summary of Significant Accounting Policies” of the accompanying notes to our consolidated financial statements in this Annual Report on Form 10-K.

Revenue Recognition

In general, we recognize revenue when (i) persuasive evidence of an arrangement exists, (ii) delivery has occurred or services have been rendered to the customer, (iii) the fee is fixed or determinable and (iv) collectability is reasonably assured. We consider a signed agreement, a binding contract with the restaurant or other similar documentation reflecting the terms and conditions under which products or services will be provided to be persuasive evidence of an arrangement.

We generate revenues primarily when diners place an order on our platform. Restaurants pay us a commission, typically a percentage of the transaction, on orders that are processed through our platform. Most of our restaurants can choose their level of commission rate, at or above our base rates, to affect their relative priority in our sorting algorithms, with restaurants paying higher commission rates generally appearing higher in the search order than restaurants paying lower commission rates. Commissions are generally based on a fixed percentage of the value of the order. Additionally, restaurants that use our delivery services pay an additional commission for the use of those services. Because we are acting as an agent of the merchant in the transaction, we recognize as revenues only our commissions from the transaction, which are a percentage of the total Gross Food Sales for such transaction.

Revenues from online and phone delivery orders are recognized when orders are placed to the restaurants. The amount of the revenue we record is based on the contractual arrangement with the related restaurant, and is adjusted for any cash credits, including incentive offers provided to restaurants and diners, related to the transaction. We also recognize as revenue any fees charged to the diner for delivery services we provide. We record an amount representing the restaurant food liability for the net balance due the restaurant.

Website and Software Development Costs

The costs incurred in the preliminary stages of development are expensed as incurred. Once an application has reached the development stage, internal and external costs, if direct and incremental and deemed by management to be significant, are capitalized and amortized on a straight-line basis over their estimated useful lives. Maintenance and enhancement costs, including those costs in the post-implementation stages, are typically expensed as incurred, unless such costs relate to substantial upgrades and enhancements to the website or software that result in added functionality, in which case the costs are capitalized and amortized on a straight-line basis over the estimated useful lives. Amortization expense related to capitalized website and software development costs is included in depreciation and amortization.

Recoverability of Intangible Assets with Finite Lives and Other Long-Lived Assets

We evaluate intangible assets and other long-lived assets for impairment whenever events or circumstances indicate they may not be recoverable. Recoverability is measured by comparing the carrying amount of an asset group to future undiscounted net cash flows expected to be generated. We group assets for purposes of such review at the lowest level for which identifiable cash flows of the asset group are largely independent of the cash flows of the other groups of assets and liabilities. If this comparison indicates impairment, the amount of impairment to be recognized is calculated as the difference between the carrying value and the fair value of the asset group.

Stock-Based Compensation

We measure compensation expense for all stock-based awards, including stock options, restricted stock units and restricted stock awards, at fair value on the date of grant and recognize compensation expense over the service period for awards expected to vest.

We use the Black-Scholes option-pricing model to determine the fair value for stock option awards and recognize compensation expense on a straight-line basis over the awards' vesting periods. Management has determined the Black-Scholes fair value of our stock option awards and related stock-based compensation expense with the assistance of third-party valuations. Determining the fair value of stock-based awards at the grant date requires judgment. The determination of the grant date fair value of options using an option-pricing model is affected by our estimated common stock fair value as well as assumptions regarding a number of other complex and subjective variables. If any of the assumptions used in the Black-Scholes model changes significantly, stock-based compensation for future awards may differ materially compared with the awards granted previously. In valuing our options, we make assumptions about risk-free interest rates, dividend yields, volatility and weighted-average expected lives, including estimated forfeiture rates, of the options.

The Black-Scholes option-pricing model requires the use of highly subjective and complex assumptions, including the expected term and the price volatility of the underlying stock, which determine the fair value of stock-based awards. These assumptions include:

- Risk-free rate. Risk-free interest rates are derived from U.S. Treasury securities as of the option grant date.
- Expected dividend yields. Expected dividend yields are based on our historical dividend payments, which have been zero to date (excluding the preferred stock tax distributions made by Seamless Holdings).
- Volatility. Because there was no public market for our shares prior to our IPO, we estimate volatility of our share price based on a combination of the published historical volatilities of comparable publicly-traded companies in our vertical markets and the historical volatility of our common stock.
- Expected term. We estimate the weighted-average expected life of the options as the average of the vesting option schedule and the term of the award, since, due to the limited period of time stock-based awards have been exercisable, we do not have sufficient historical exercise data to provide a reasonable basis upon which to estimate the expected term. The term of the award is estimated using the simplified method as the awards granted are plain vanilla stock options.
- Forfeiture rate. Forfeiture rates are estimated using historical actual forfeiture trends as well as our judgment of future forfeitures. These rates are evaluated at least annually and any change in compensation expense is recognized in the period of the change. The estimation of stock awards that will ultimately vest requires judgment and, to the extent actual results or updated estimates differ from our current estimates, such amounts will be recorded as a cumulative adjustment in the period in which the estimates are revised. We consider many factors when estimating expected forfeitures, including the types of awards and employee class. Actual results, and future changes in estimates, may differ substantially from management's current estimates.

The following table presents the weighted-average assumptions used to estimate the fair value of options granted during the years presented:

	2015	2014	2013
Weighted-average fair value options granted	$14.66	$13.87	$3.97
Average risk-free interest rate	1.65 %	1.97 %	1.41%
Expected stock price volatilities	48.4 %	50.3 %	50.7%
Dividend yield	None	None	None
Expected stock option life (years)	6.07	6.26	5.20

Prior to the IPO, we obtained periodic valuation analyses prepared by independent third-party valuation firms to assist us with the determination of the fair value of our common stock. The valuation firms utilized approaches and methodologies consistent with the American Institute of Certified Public Accountants Practice Aid, Valuation of Privately-Held-Company Equity Securities Issued as Compensation and information provided by our management, including historical and projected financial statements, prospects and risks, our performance, various corporate documents, capitalization, and economic and financial market conditions. The third-party valuation firms also utilized other economic, industry, and market information obtained from other resources considered reliable. The valuation analyses were reviewed by management and the board of directors in conjunction with share-based compensation grants. Management and our board of directors have considered these valuation analyses and other qualitative and quantitative factors to determine the best estimate of the fair value of our common stock at each stock option grant date. These factors included:

- key employee hires and terminations;
- seasonality of our business;
- general market conditions in the technology and food order industries;
- our operating performance and competitive position within the online food ordering industry;

- achievement of enterprise milestones;
- financial statement projections;
- our cash burn rate;
- our need for future financing rounds to fund operations;
- market value of companies considered comparable to our Company; and
- likelihood of achieving certain liquidity events, such as a sale or merger, given prevailing market conditions.

We obtained contemporaneous independent third-party valuations of our common stock as of March 1, 2013, August 15, 2013, September 30, 2013 and December 31, 2013. Given that option grants were completed periodically between the dates of the valuations prepared by the third-party valuation firms, the fair value of common stock was interpolated on a monthly basis during these periods.

The valuation analyses employed market and income approaches to estimate our enterprise value and allocated our enterprise value among our various equity classes utilizing option pricing and probability-weighted expected return ("PWERM") methods. The valuation analyses were based on contemporaneous information as of each respective valuation date.

Under the income approach, specifically the discounted cash flow method, forecast cash flows are discounted to the present value at a risk-adjusted discount rate. The valuation analyses determine discrete free cash flows over several years based on forecast financial information provided by our management and a terminal value for the residual period beyond the discrete forecast, which are discounted at our estimated weighted-average cost of capital to estimate our enterprise value.

Under the market approach there are three standard methodologies, the guideline public company method, the guideline transaction method, and subject company transaction method. The guideline public company method involves selecting publicly traded companies with similar financial and operating characteristics as our Company, and calculating valuation multiples based on the guideline public company's financial information and market data. Based on the observed valuation multiples, an appropriate multiple was selected to apply to our financial statistics. The guideline transaction method involves selecting sale transactions of companies with similar financial and operating characteristics as our Company and calculating valuation multiples based on the acquisition price and the acquired company's financial information. An appropriate multiple was selected to apply to our financial statistics. The same set of guideline public companies was utilized for both the common stock valuation and the expected volatility estimate for the valuation of the stock-based compensation awards. In August 2013, the set of guideline public companies was revised to reflect the size, growth and risk of the Company in connection with the Merger. Additionally, we determined it was more appropriate to compare the Company to other Internet service companies, instead of other Internet retail companies, given the Company's focus on providing online and mobile food ordering services for restaurants and customers. The subject company transaction method involves the utilization of a company's own relevant stock transactions, such as a preferred stock issuance, to calculate the enterprise value based on the transaction price of the stock.

After determining an estimate of the fair value of the enterprise, the valuation analyses allocated the enterprise value among the equity classes outstanding at each valuation date utilizing the option pricing method ("OPM"), specifically the Black-Scholes-Merton option pricing model. The OPM requires inputs for the exercise price, term, expected volatility and risk-free rate. The exercise prices were calculated based on the enterprise values at which the equity classes either begin or stop participating in the next incremental enterprise value, which were determined based on the liquidation preferences and conversion rights of each equity class. The term was the estimated time to a liquidity event, such as a sale or merger or initial public offering, which was determined based on information provided by our management and outside research. The expected volatility for the enterprise was estimated based on a historical analysis of publicly traded companies with similar financial and operating characteristics as our company and consideration of the relative differences between our company and the selected comparable companies, such as stage of development, earning margins, leverage, and other risk factors. The risk-free rates were based on U.S. treasury securities with terms to maturity consistent with the estimated time to a liquidity event.

The PWERM was utilized in the March 1, 2013, August 15, 2013, September 30, 2013 and December 31, 2013 valuation analyses, which was determined to be appropriate given the expectation of a liquidity event in the near-term (approximately zero to two years) and a more discrete distribution of likely liquidity events. Under the PWERM, the fair value of common stock is estimated based on likely liquidity event scenarios. For each identified liquidity scenario it is necessary to estimate the timing to liquidity event, future enterprise value, probability of occurrence, and risk-adjusted discount rate. The valuation analyses estimated the future enterprise values utilizing the guideline public company method and guideline transaction method and information provided by our management. The timing to each liquidity event and the probability of occurrence were estimated based on information provided by our management and outside research. The risk-adjusted discount rates were estimated based on market data and outside research of required rates of return for companies at a similar stage of development and risk factors. The future enterprise values under each scenario were allocated to the various equity classes based on the liquidation preferences and conversion rights of each equity class. The future values for each equity class under each scenario were discounted to a present value at the selected risk-adjusted discount rate. The present values under each scenario were probability-weighted to determine the value of common stock before applicable discounts.

After obtaining the value allocated to the common stock under either the OPM or PWERM, several discounts were considered to adjust for the fact that a share of common stock is a minority, non-marketable interest. The discounts are determined based on qualitative and quantitative analyses.

Goodwill

Goodwill represents the excess of the cost of an acquired business over the fair value of the assets acquired at the date of acquisition. Our methodology for allocating the purchase price of acquisitions is based on established valuation techniques that consider a number of factors, including valuations performed by third-party appraisers. We assess the impairment of goodwill at least annually and also whenever events or changes in circumstances indicate that goodwill may be impaired. Absent any special circumstances that could require an interim test, we have elected to test for goodwill impairment as of September 30th of each year. We test for impairment using a two-step process. The first step of the goodwill impairment test identifies if there is potential goodwill impairment. If step one indicates that an impairment may exist, a second step is performed to measure the amount of the goodwill impairment, if any, by comparing the implied fair value of goodwill to the carrying amount. If the implied goodwill is less than the carrying amount, a write-down is recorded. We have determined that we have one reporting unit in testing goodwill for impairment.

Management determined the fair value of the Company as of September 30, 2015 by using a market-based approach that utilized our market capitalization, as adjusted for factors such as a control premium. After consideration of our market capitalization, business growth and other factors, management determined that it was more likely than not that the fair value of the Company exceeded its carrying amount at September 30, 2015 and that further analysis was not required.

Additionally, as part of our interim review for indicators of impairment, management analyzed potential changes in value based on operating results for the three months ended December 31, 2015 compared to expected results. Management also considered how our market capitalization, business growth and other factors used in the September 30, 2015 impairment analysis, could be impacted by changes in market conditions and economic events. Since September 30, 2015, the fair market value of our stock has decreased. Management considered these trends in performing its assessment of whether an interim impairment review was required. Based on this interim assessment, management concluded that as of December 31, 2015, there were no events or changes in circumstances that indicated it was more likely than not that our fair value was below our carrying value. Nevertheless, significant changes in global economic and market conditions could result in changes to expectations of future financial results and key valuation assumptions. Such changes could result in revisions of management's estimates of our fair value and could result in a material impairment of goodwill. As of December 31, 2015, the Company had $396.2 million in goodwill.

Income Taxes

The provision (benefit) for income taxes is determined using the asset and liability method. Under this method, deferred tax assets and liabilities are calculated based upon the temporary differences between the financial statement and income tax bases of assets and liabilities using the enacted tax rates that are applicable in a given year. The utilization of deferred tax assets is limited by the amount of taxable income expected to be generated within the allowable carryforward period and other factors. We record a valuation allowance to reduce deferred tax assets to the amount we believe is more likely than not to be realized. As of December 31, 2015 and 2014, a valuation allowance of $0.9 million was recorded on our consolidated balance sheets.

We utilize a two-step approach to recognizing and measuring uncertain tax positions ("tax contingencies"). The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes. The second step is to measure the tax benefit as the largest amount which is more than 50% likely to be realized upon ultimate settlement. We consider many factors when evaluating and estimating our tax positions and tax benefits, which may require periodic adjustments and which may not accurately forecast actual outcomes.

We believe that it is more likely than not that forecasted income, including future reversals of existing taxable temporary differences, will be sufficient to fully recover the net deferred tax assets. In the event we determine that all or part of the net deferred tax assets are not realizable in the future, we will adjust the valuation allowance with the adjustment recognized as expense in the period in which such determination is made. The calculation of income tax liabilities involves significant judgment in estimating the impact of uncertainties and complex tax laws. In addition, our tax returns are subject to audit by various U.S. and foreign tax authorities. Resolution of these uncertainties in a manner inconsistent with our expectations could have a material impact on our financial position and results of operations.

Deferred U.S. income taxes and foreign taxes are not provided on the accumulated earnings of our U.K. subsidiary as we intend to permanently reinvest those earnings in the future operations in that country. Management regularly evaluates whether foreign earnings are expected to be permanently reinvested. This evaluation requires judgment about the future operating and liquidity needs of the Company’s foreign subsidiary. Changes in economic and business conditions, foreign or U.S. tax laws, or the Company’s financial situation could result in changes in these judgments and the need to record additional tax liabilities. We estimate the potential additional tax liability that would result from the complete repatriation of accumulated earnings to be approximately $1.9 million as of December 31, 2015.

Operations Review

Executive Overview

In 2015, we continued our strong growth trajectory, generating 43% revenue growth and a 57% increase in net income compared to 2014, while making significant investments in delivery services.

Compared to 2014, our revenues increased by $108.0 million, or 43%, to $361.8 million for the year ended December 31, 2015. The increase was primarily related to the significant organic growth in Active Diners, which increased from 5.0 million as of December 31, 2014 to 6.7 million at the end of December 31, 2015, driving an increase in Daily Average Grubs to 227,100 during the year ended December 31, 2015 from 182,800 Daily Average Grubs during 2014. We processed $2,353.6 million in Gross Food Sales in 2015, a 32% increase from the $1,787.4 million in Gross Food Sales processed in 2014. The growth in Active Diners and Daily Average Grubs was due primarily to marketing efforts, investments in our platform to drive more orders, and organic growth from word-of-mouth referrals. In addition, revenue increased during the year ended December 31, 2015 compared to the same period in 2014 due to the inclusion of results from our recent acquisitions (see Part II, Item 8, Note 3, “Acquisitions,” to the Company’s consolidated financial statements in this Annual Report on Form 10-K) as well as an increase in the Company’s average commission rates. The increase in our average commission rates was driven by the implementation of a new feature on the Seamless Platform in April of 2014 that allows restaurants to influence how high they appear in the search results based on the commission rate they choose as well as, to a lesser extent, higher commission rates on delivery services including our recent acquisitions.

Net income increased by $13.8 million to $38.1 million during the year ended December 31, 2015 compared to the year ended December 31, 2014. The increase was primarily related to the increase in revenues described above, partially offset by an increase in operating expenses primarily due to the inclusion of results from recent acquisitions, delivery related expenses and an increase in certain other expenses to support organic growth in the business, including advertising costs, compensation and benefits expense and payment processing costs.

In 2015, we completed the acquisitions of restaurant delivery services, DiningIn, Restaurants on the Run and Delivered Dish. Aggregate consideration for the three acquisitions was approximately $73.9 million in cash and 407,812 restricted shares of our common stock, or an estimated total transaction value of approximately $89.9 million, net of cash acquired of $0.7 million, based on our closing share price on the respective closing dates. The acquisitions have expanded and enhanced the Company’s service offerings for its customers, particularly in the delivery space. See Part II, Item 8, Note 3, “Acquisitions,” to the Company’s consolidated financial statements in this Annual Report on Form 10-K for additional details.

Key Business Metrics

To analyze our business performance, determine financial forecasts and help develop long-term strategic plans, we review the following key business metrics:

Active Diners.

We count Active Diners as the number of unique diner accounts from which an order has been placed in the past twelve months through our platform. We began including Active Diners from the Grubhub Platform as of the Merger Date. Diner accounts from which an order has been placed on one of our websites or one of our mobile applications are included in our Active Diner metrics. Active Diners is an important metric for us because the number of diners using our platform is a key revenue driver and a valuable measure of the size of our engaged diner community. Some of our diners could have more than one account if they were to set up multiple accounts using a different e-mail address for each account. As a result, it is possible that our Active Diners metric may count certain diners more than once during any given period.

Daily Average Grubs.

We count Daily Average Grubs as the number of revenue generating orders placed on our platform divided by the number of days for a given period. Daily Average Grubs is an important metric for us because the number of orders processed on our platform is a key revenue driver and, in conjunction with the number of Active Diners, a valuable measure of diner activity on our platform for a given period.

Gross Food Sales.

We calculate Gross Food Sales as the total value of food, beverages, taxes, prepaid gratuities, and any delivery fees processed through our platform. We include all revenue generating orders placed on our platform. Gross Food Sales is an important metric for us because the total volume of food sales transacted through our platform is a key revenue driver. Because we act as an agent of the merchant in the transaction, we recognize as revenues only our commissions from the transaction, which are a percentage of the total Gross Food Sales for such transaction.

Our key business metrics are as follows for the periods presented:

	Year Ended December 31,			Year Ended December 31,		
	2015	2014	% Change	2014	2013	% Change
Active Diners	6,746,000	5,029,000	34 %	5,029,000	3,421,000	47 %
Daily Average Grubs	227,100	182,800	24 %	182,800	107,900	69 %
Gross Food Sales (in millions)	$2,353.6	$1,787.4	32 %	$1,787.4	$1,014.9	76 %

We experienced significant growth across all of our key business metrics, Active Diners, Daily Average Grubs and Gross Food Sales, during the periods presented.

2015 compared to 2014

Growth in all metrics was primarily attributable to increased product and brand awareness by diners primarily as a result of marketing efforts and word-of-mouth referrals, better restaurant choices for diners in our markets, as well as, to a lesser extent, an increase from the inclusion of results from 2015 acquisitions.

2014 compared to 2013

Growth in all metrics was attributable to a combination of the impact of the Merger and organic growth. The Merger significantly increased each of our key business metrics. In addition to the figures in the table above, from January 1, 2013 through the Merger Date, the Grubhub Platform had 37,000 Daily Average Grubs and generated $270.9 million in Gross Food Sales. The Grubhub Platform also had 1.7 million Active Diners at the Merger Date.

Organic growth was largely due to increased product and brand awareness by diners primarily as a result of marketing efforts and word-of-mouth referrals, better restaurant choices for diners in our markets and an increase in the use of our mobile applications, which allow diners to order takeout through our platform using their mobile devices.

Basis of Presentation

Revenues

We generate revenues primarily when diners place an order on our platform. Restaurants pay us a commission, typically a percentage of the transaction on orders that are processed through our platform. Most of the restaurants on our platform can choose their level of commission rate, at or above the minimum rate, to affect their relative priority in our sorting algorithms, with restaurants paying higher commission rates generally appearing higher in the search order than restaurants paying lower commission rates. Additionally, restaurants that use our delivery services pay an additional commission for the use of those services. For most orders, diners use a credit card to pay us for their meal when the order is placed. For these transactions, we collect the total amount of the diner’s order net of payment processing fees from the payment processor and remit the net proceeds to the restaurant less commission. We generally accumulate funds and remit the net proceeds to the restaurants on at least a monthly basis. We also deduct commissions for other transactions that go through our platform, such as cash transactions for restaurants in our network, from the aggregate proceeds received. Additionally, we recognize as revenue any fees charged to the diner for delivery services we provide.

We periodically provide incentive offers to restaurants and diners to use our platform. These promotions are generally cash credits to be applied against purchases. These incentive offers are recorded as reductions in revenues, generally on the date the corresponding revenue is recorded.

We generate a small amount of revenues directly from companies that participate in our corporate ordering program and by selling advertising on our allmenus.com and MenuPages websites to third parties. We do not anticipate that corporate fees or advertising will generate a significant portion of our revenues in the foreseeable future.

Costs and Expenses

Sales and Marketing

Sales and marketing expenses consist of salaries, commissions, benefits, stock-based compensation expense and bonuses for restaurant sales, restaurant sales support and marketing employees and payments to contractors. Sales and marketing expenses also contain advertising expenses including search engine marketing, television, online display, media and other programs and facilities costs allocated on a headcount basis.

Operations and Support

Operations and support expenses consist of salaries and benefits, stock-based compensation expense and bonuses for salaried employees and payments to independent contractors engaged in customer service, operations and restaurant delivery services. Operations and support expenses also include payment processing costs for diner orders, costs of uploading and maintaining restaurant menu content, communications costs related to orders, facilities costs allocated on a headcount basis and other expenses related to the maintenance of an independent delivery network.

Technology (exclusive of amortization)

Technology (exclusive of amortization) expenses consist of salaries and benefits, stock-based compensation expense and bonuses for salaried employees and payments to contractors engaged in the design, development, maintenance and testing of our platform, including our websites, mobile applications and other products. Technology expenses also include facilities costs allocated on a headcount basis but do not include amortization of capitalized website and software development costs.

General and Administrative

General and administrative expenses consist of salaries, benefits, stock-based compensation expense and bonuses for executive, finance, accounting, legal, human resources and administrative support. General and administrative expenses also include legal, accounting, other third-party professional services, other miscellaneous expenses and facilities costs allocated on a headcount basis.

Depreciation and Amortization

Depreciation and amortization expenses primarily consist of amortization of acquired intangibles and depreciation of computer equipment, furniture and fixtures, leasehold improvements, delivery equipment and capitalized website and software development costs.

Provision for Income Taxes

Provision for income taxes consists of federal and state income taxes in the United States and income taxes in certain foreign jurisdictions, deferred income taxes reflecting the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes, and the realization of excess tax benefits and net operating loss carryforwards.

Results of Operations

The following tables set forth our results of operations for the periods presented in dollars and as a percentage of our revenues:

	Year Ended December 31,								
	2015			2014			2013		
	Amount	% of revenue		Amount	% of revenue		Amount	% of revenue	
	(in thousands, except percentages)								
Revenues	$361,825	100	%	$253,873	100	%	$137,143	100	%
Costs and expenses:									
Sales and marketing	91,150	25	%	66,201	26	%	37,347	27	%
Operations and support	107,424	30	%	62,509	25	%	34,173	25	%
Technology (exclusive of amortization)	32,782	9	%	25,185	10	%	15,357	11	%
General and administrative	40,506	11	%	32,307	13	%	21,907	16	%
Depreciation and amortization	28,034	8	%	22,687	9	%	13,470	10	%
Total costs and expenses(a)	299,896	83	%	208,889	82	%	122,254	89	%
Income before provision for income taxes	61,929	17	%	44,984	18	%	14,889	11	%
Provision for income taxes	23,852	7	%	20,721	8	%	8,142	6	%

Net income	38,077	11 %	24,263	10 %	6,747	5 %
Preferred stock tax distributions	—	— %	(320)	(0 %)	(1,073)	(1 %)
Net income attributable to common stockholders	$38,077	11 %	$23,943	9 %	$5,674	4 %
NON-GAAP FINANCIAL MEASURES:						
Adjusted EBITDA(b)	$104,967	29 %	$78,703	31 %	$38,134	28 %

(a) Totals of percentage of revenues may not foot due to rounding

(b) For an explanation of Adjusted EBITDA as a measure of the Company's operating performance and a reconciliation to net earnings, see "Non-GAAP Financial Measure—Adjusted EBITDA" below.

Revenues

	Year Ended December 31,			Year Ended December 31,		
	2015	2014	% Change	2014	2013	% Change
	(in thousands, except percentages)					
Revenues	$361,825	$253,873	43 %	$253,873	$137,143	85 %

2015 compared to 2014

Revenues increased by $108.0 million, or 43%, for the year ended December 31, 2015 compared to 2014. The increase was primarily related to significant organic growth in Active Diners, which increased from 5.0 million to 6.7 million at the end of each year, driving an increase in Daily Average Grubs to 227,100 during the year ended December 31, 2015 from 182,800 Daily Average Grubs during 2014. The growth in Active Diners and Daily Average Grubs was due primarily to marketing efforts, investments in our platform to drive more orders, and organic growth from word-of-mouth referrals. In addition, revenue increased during the year ended December 31, 2015 compared to 2014 due to the inclusion of results from our recent acquisitions (see Part II, Item 8, Note 3, “Acquisitions,” to the Company’s consolidated financial statements in this Annual Report on Form 10-K) as well as an increase in our average commission rates. The increase in commission rates was driven by the implementation of a new feature on the Seamless platform in April of 2014 that allows restaurants to influence how high they appear in the search results based on the commission rate they choose as well as, to a lesser extent, higher commission rates on delivery services including our recent acquisitions.

2014 compared to 2013

Revenues increased by $116.7 million, or 85%, for the year ended December 31, 2014 compared to the year ended December 31, 2013. The increase was primarily related to the inclusion of results from the Grubhub Platform after the Merger Date and growth in Active Diners, which increased from 3.4 million as of December 31, 2013 to 5.0 million at the end of December 31, 2014, driving an increase in Daily Average Grubs to 182,800 during the year ended December 31, 2014 from 107,900 Daily Average Grubs during the year ended December 31, 2013. For the year ended December 31, 2013, there were approximately 37,000 Daily Average Grubs through the Merger Date on the Grubhub Platform that would have been included had the Merger been completed as of January 1, 2013. The growth in Active Diners and Daily Average Grubs unrelated to the Merger was due primarily to marketing efforts, investments in our platform to drive more orders, and organic growth from word-of-mouth referrals. In addition, revenue increased during the year ended December 31, 2014 due to the implementation of a new feature on the Seamless platform in April of 2014 that allows restaurants to influence how high they appear in the search results based on the commission rate they choose.

Sales and Marketing

Year Ended December 31,			Year Ended December 31,		
2015	2014	% Change	2014	2013	% Change
(in thousands, except percentages)					

Sales and marketing	$91,150		$66,201		38	%	$66,201	$37,347	77	%
Percentage of revenues	25	%	26	%			26 %	27 %		

2015 compared to 2014

Sales and marketing expense increased by $24.9 million, or 38%, for the year ended December 31, 2015 compared to 2014. The increase was primarily attributable to an increase in our advertising campaigns across all media channels, as well as a 16% growth in our sales and marketing teams including the addition of sales and marketing personnel from recent acquisitions. For the year ended December 31, 2015 versus 2014, advertising spending increased by $18.5 million.

2014 compared to 2013

Sales and marketing expense increased by $28.9 million, or 77%, for the year ended December 31, 2014 compared to the year ended December 31, 2013. The increase was primarily attributable to an increase in the size of our advertising campaigns, particularly in television, the inclusion of results from the Grubhub Platform following the Merger Date and growth in our sales and marketing teams. For the year ended December 31, 2014 compared to the year ended December 31, 2013, advertising spending increased by $20.9 million primarily as a result of an increase in our advertising efforts as well as the inclusion of advertising spending for the Grubhub Platform. The average number of marketing and sales personnel during the same period increased by 61% and 57%, respectively, primarily as a result of the inclusion of sales and marketing personnel from the Grubhub Platform for the full year in 2014.

Operations and Support

	Year Ended December 31,			Year Ended December 31,		
	2015	2014	% Change	2014	2013	% Change
	(in thousands, except percentages)					
Operations and support	$107,424	$62,509	72 %	$62,509	$34,173	83 %
Percentage of revenues	30 %	25 %		25 %	25 %	

2015 compared to 2014

Operations and support expense increased by $44.9 million, or 72%, for the year ended December 31, 2015 compared to 2014. This increase was primarily attributable to expenses related to restaurant delivery services, higher payment processing costs related to the growth in orders, and an increase in internal and external customer service and operations personnel costs to support higher order volume. Delivery expenses increased during the year ended December 31, 2015 compared to nominal related expenses in the prior year due to our investment in capacity for the delivery network and the acquisitions of DiningIn, Restaurants on the Run and Delivered Dish. In addition, payment processing costs increased $9.2 million, or 29%, for the year ended December 31, 2015 compared to the prior year due to the 32% growth in Gross Food Sales. During the same period, the number of customer service and operations personnel increased by 37%, including the addition of customer service and operations personnel from acquisitions.

2014 compared to 2013

Operations and support expense increased by $28.3 million, or 83%, for the year ended December 31, 2014 compared to the year ended December 31, 2013. This increase was primarily attributable to an increase in payment processing costs related to orders, the inclusion of results from the Grubhub Platform following the Merger Date and growth in our customer service teams. In addition to the amounts in the table above, from January 1, 2013 through the Merger Date, operations and support expense for the Grubhub Platform was $11.5 million, which would have been included here had the Merger been completed as of January 1, 2013. Payment processing costs increased $13.0 million, or 70%, for the year ended December 31, 2014 compared to the same period in 2013 due to the 76% growth in Gross Food Sales. During the same period, the average number of our customer service personnel increased by 91% primarily as a result of the inclusion of operations and support personnel from the Grubhub Platform for the full year in 2014 as well as growth to support the increase in orders.

Technology (exclusive of amortization)

	Year Ended December 31,			Year Ended December 31,		
	2015	2014	% Change	2014	2013	% Change
	(in thousands, except percentages)					
Technology (exclusive of amortization)	$32,782	$25,185	30 %	$25,185	$15,357	64 %
Percentage of revenues	9 %	10 %		10 %	11 %	

2015 compared to 2014

Technology expense increased by $7.6 million, or 30%, for the year ended December 31, 2015 compared to 2014. The increase was primarily attributable to growth in our technology team, including salaries, benefits, payroll taxes, stock-based compensation expense and bonuses, and higher consulting costs to support the growth and development of the Seamless and Grubhub platforms. During the year ended December 31, 2015, the number of technology personnel increased by 26% compared to the prior year.

2014 compared to 2013

Technology expense increased by $9.8 million, or 64%, for the year ended December 31, 2014 compared to the year ended December 31, 2013. The increase was primarily attributable to growth in our technology team, the inclusion of technology expense from the Grubhub Platform following the Merger Date and higher stock-based compensation expense. During the year ended December 31, 2014, the average number of our technology personnel increased by 71% compared to the year ended December 31, 2013, primarily due to the inclusion of technology personnel from the Grubhub Platform for the full year in 2014 as well as growth to support the development of the Seamless and Grubhub platforms, including our websites, mobile applications and other products.

General and Administrative

	Year Ended December 31,			Year Ended December 31,		
	2015	2014	% Change	2014	2013	% Change
	(in thousands, except percentages)					
General and administrative	$40,506	$32,307	25 %	$32,307	$21,907	47 %
Percentage of revenues	11 %	13 %		13 %	16 %	

2015 compared to 2014

General and administrative expense increased by $8.2 million, or 25%, for the year ended December 31, 2015 compared to 2014. The increase was primarily attributable to the inclusion of general and administrative expenses from our recent acquisitions, higher stock-based compensation expense, acquisition-related expenses and an increase in other miscellaneous expenses required to support growth in the business, partially offset by restructuring expenses incurred during the year ended December 31, 2014.

2014 compared to 2013

General and administrative expense increased by $10.4 million, or 47%, for the year ended December 31, 2014 compared to the year ended December 31, 2013. The increase was primarily attributable to the inclusion of general and administrative expenses from the Grubhub Platform following the Merger Date, higher stock-based compensation expense, costs associated with being a public company, restructuring expenses and an increase in other miscellaneous expenses required to support growth in our business, partially offset by lower legal and professional fees for expenses due to the Merger being completed in 2013 and lower employee vacation expense due to a change in our vacation policy.

Depreciation and Amortization

	Year Ended December 31,			Year Ended December 31,		
	2015	2014	% Change	2014	2013	% Change
	(in thousands, except percentages)					
Depreciation and amortization	$28,034	$22,687	24 %	$22,687	$13,470	68 %
Percentage of revenues	8 %	9 %		9 %	10 %	

2015 compared to 2014

Depreciation and amortization expense increased by $5.3 million, or 24%, for the year ended December 31, 2015 compared to 2014. The increase was primarily attributable to the amortization of intangible assets acquired in recent acquisitions of $4.1 million as well as the accelerated amortization and depreciation of certain assets, partially offset by lower depreciation and amortization expense for certain assets that were fully amortized and disposed of during the year. During the year ended December 31, 2015, we recorded approximately $1.9 million of accelerated depreciation and amortization expense for developed and purchased software and computer equipment assets that were disposed of in June of 2015 with the migration of nearly all of the Seamless consumer diner traffic to a new web and mobile platform.

2014 compared to 2013

Depreciation and amortization expense increased by $9.2 million, or 68%, for the year ended December 31, 2014 compared to the year ended December 31, 2013. The increase was primarily attributable to the increase in amortization expense of intangible assets acquired in the Merger of $7.2 million for the year ended December 31, 2014 as compared to the year ended December 31, 2013, and increased investment in infrastructure to support our growing business.

Provision for Income Taxes

	Year Ended December 31,			Year Ended December 31,		
	2015	2014	% Change	2014	2013	% Change
	(in thousands, except percentages)					
Provision for income taxes	$23,852	$20,721	15 %	$20,721	$8,142	*
Effective income tax rate	39 %	46 %		46 %	55 %	

*Not meaningful

2015 compared to 2014

Income tax expense increased by $3.1 million for the year ended December 31, 2015 compared to 2014. The increase was primarily due to the increase in income before provision for income taxes due to the factors described above, partially offset by the decrease in the effective tax rate due to the reorganization of our U.S. legal and tax structure in the fourth quarter of 2014 and a $2.0 million increase in our deferred tax liabilities as a result of a change in state tax law during the year ended December 31, 2014.

2014 compared to 2013

Income tax expense increased by $12.6 million for the year ended December 31, 2014 compared to the year ended December 31, 2013. The increase was primarily attributable to the increase in income before provision for income taxes due to the factors described above. In addition, we recognized a $2.0 million increase in our deferred tax liabilities as a result of a change in state tax law and a net benefit of $0.4 million as a result of the reorganization of our U.S. legal and tax structure in 2014.

Restructuring

On November 20, 2013, we announced plans to close our Sandy, Utah office location in 2014. During the year ended December 31, 2014, total restructuring costs associated with the office closing were approximately $1.3 million, including lease termination costs of $0.5 million and payroll related expense for the service vesting requirements for identified employees who worked for various periods beyond the communication date. The office facility was closed on November 30, 2014, however, a limited number of employees worked until January 2, 2015. We recognized restructuring expense in general and administrative expense in the consolidated statements of operations. We paid the remaining severance and payroll related benefits of $0.7 million due to terminated employees as of December 31, 2014 in the first quarter of 2015. We did not incur any restructuring expense during the year ended December 31, 2015 related to the Sandy, Utah facility closure.

Non-GAAP Financial Measure - Adjusted EBITDA

Adjusted EBITDA is a financial measure that is not calculated in accordance with GAAP. We define Adjusted EBITDA as net income adjusted to exclude merger, acquisition and restructuring costs, income taxes, depreciation and amortization and stock-based compensation expense. A reconciliation of Adjusted EBITDA to net income, the most directly comparable financial measure calculated and presented in accordance with GAAP, is provided below. Adjusted EBITDA should not be considered as an alternative to net income or any other measure of financial performance calculated and presented in accordance with GAAP. The Company's Adjusted EBITDA may not be comparable to similarly titled measures of other organizations because other organizations may not calculate Adjusted EBITDA in the same manner.

We have included Adjusted EBITDA in this Annual Report on Form 10-K because it is an important measure upon which management assesses the Company's operating performance. We use Adjusted EBITDA as a key performance measure because we believe it facilitates operating performance comparisons from period to period by excluding potential differences primarily caused by variations in capital structures, tax positions, the impact of acquisitions and restructuring, the impact of depreciation and amortization expense on the Company's fixed assets and the impact of stock-based compensation expense. Because Adjusted EBITDA facilitates internal comparisons of our historical operating performance on a more consistent basis, we also use Adjusted EBITDA for business planning purposes and in evaluating business opportunities. In addition, management believes Adjusted EBITDA and similar measures are widely used by investors, securities analysts, ratings agencies and other parties in evaluating companies in the industry as a measure of financial performance and debt-service capabilities.

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:

- Adjusted EBITDA does not reflect our cash expenditures for capital equipment or other contractual commitments;
- 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 capital expenditure requirements for such replacements;
- Adjusted EBITDA does not reflect changes in, or cash requirements for, our working capital needs; and
- other companies, including companies in the same industry, may calculate Adjusted EBITDA differently, which reduces its usefulness as a comparative measure.

In evaluating Adjusted EBITDA, you should be aware that in the future the Company will incur expenses similar to some of the adjustments in this presentation. The presentation of Adjusted EBITDA should not be construed as indicating that our future results will be unaffected by these expenses or by any unusual or non-recurring items. When evaluating our performance, you should consider Adjusted EBITDA alongside other financial performance measures, including net income and other GAAP results.

The following table sets forth Adjusted EBITDA and a reconciliation to net income for each of the periods presented below:

	Year Ended December 31,		
	2015	2014	2013
	(in thousands)		
Net income	$38,077	$24,263	$6,747
Income taxes	23,852	20,721	8,142
Depreciation and amortization	28,034	22,687	13,470
EBITDA	89,963	67,671	28,359
Acquisition and restructuring costs(a)	1,554	1,639	4,842
Stock-based compensation	13,450	9,393	4,933
Adjusted EBITDA	$104,967	$78,703	$38,134

(a) Merger, acquisition and restructuring costs include transaction and integration-related costs, such as legal and accounting costs, associated with the Merger, acquisitions and restructuring initiatives.

PRO FORMA FINANCIAL INFORMATION

On August 8, 2013, Grubhub Inc. acquired all of the equity interests of each of Seamless North America, Seamless Holdings and Grubhub Holdings, pursuant to the Reorganization and Contribution Agreement, dated as of May 19, 2013, by and among Grubhub Inc., Seamless, Seamless Holdings, Grubhub Holdings and the other parties thereto (the "Reorganization Agreement").

For purposes of the Unaudited Pro Forma Statement of Operations for the year ended December 31, 2013, we assumed that the Merger occurred on January 1, 2013. As a result, the Unaudited Pro Forma Consolidated Statement of Operations was derived from:

- the unaudited historical statement of operations of Seamless Holdings (Acquirer) for the year ended December 31, 2013; and
- the unaudited historical statement of operations of Grubhub Holdings (Acquiree) for the period from January 1, 2013 through August 8, 2013.

The Unaudited Pro Forma Consolidated Statement of Operations is presented for illustration purposes only and does not necessarily indicate the results of operations that would have been achieved if the Merger had occurred at the beginning of the year of acquisition, nor is it indicative of future results of operations.

The Unaudited Pro Forma Consolidated Statement of Operations should be read in conjunction with our consolidated financial statements and accompanying notes included in this Annual Report on Form 10-K.

Grubhub Inc. Basic and Diluted earnings per share:

Basic: The weighted-average number of shares outstanding used to calculate basic earnings per share in the Unaudited Pro Forma Consolidated Statements of Operations does not account for the automatic conversion of preferred stock into shares of common stock that occurred immediately prior to the IPO.

Diluted: Diluted net income per share attributable to common stockholders is computed by dividing net income by the weighted-average number of common shares outstanding during the period and potentially dilutive common stock equivalents, except in cases where the effect of the common stock equivalent would be antidilutive. Potential common stock equivalents consist of common stock issuable upon exercise of stock options using the treasury stock method and common stock issuable upon conversion of the Series A Preferred Stock.

Pro Forma Basic and Diluted earnings per share:

Basic: The weighted-average number of shares outstanding used to calculate the pro forma basic earnings per share in the Unaudited Pro Forma Consolidated Statements of Operations reflects the common stock issued at the time of the Merger as if the common stock had been issued as of January 1, 2013.

Diluted: Diluted net income per share attributable to common stockholders is computed by dividing net income by the weighted-average number of common shares outstanding during the period and potentially dilutive common stock equivalents, except in cases where the effect of the common stock equivalent would be antidilutive. Potential common stock equivalents consist of common stock issuable upon exercise of stock options using the treasury stock method and common stock issuable upon conversion of the Series A Preferred Stock.

The Unaudited Pro Forma Consolidated Statement of Operations for the year ended December 31, 2013 and the results of operations for years ended December 31, 2014 and 2015 were as follows:

	Year Ended December 31, 2013					
	Grubhub Inc.	Grubhub Holdings from January 1, 2013 through August 8, 2013	Acquisition Adjustments	Pro Forma	Year Ended December 31, 2014	Year Ended December 31, 2015
	(in thousands, except per share data)					
Revenues	$137,143	$ 32,943	$ —	$170,086	$253,873	$361,825
Sales and marketing	37,347	10,948	540	48,835	66,201	91,150
Operations and support	34,173	11,466	491	46,130	62,509	107,424
Technology (exclusive of amortization)	15,357	3,794	306	19,457	25,185	32,782
General and administrative	21,907	10,495	(7,471)	24,931	32,307	40,506
Depreciation and amortization	13,470	1,536	6,475	21,481	22,687	28,034
Total operating expenses	122,254	38,239	341	160,834	208,889	299,896
Income (loss) before provision for income taxes	14,889	(5,296)	(341)	9,252	44,984	61,929
Provision (benefit) for income taxes	8,142	—	(3,050)	5,092	20,721	23,852
Net income (loss)	6,747	(5,296)	2,709	4,160	24,263	38,077
Preferred stock tax distributions	(1,073)	—	—	(1,073)	(320)	—
Net income (loss) attributable to common stockholders	$5,674	$ (5,296)	$ 2,709	$3,087	$23,943	$38,077
Net income per share attributable to common stockholders						
Basic	$0.14			$0.06	$0.33	$0.45
Diluted	$0.12			$0.06	$0.30	$0.44
Weighted average number of shares outstanding:						
Basic	40,681			54,774	73,571	84,076
Diluted	56,645			75,634	81,698	85,706

Acquisition Adjustments

Amortization

The pro forma adjustments reflect the additional amortization that would have been recognized for the acquired intangible assets for the year ended December 31, 2013 had the Merger occurred on January 1, 2013.

	Useful Life	January 1, 2013 through August 8, 2013
		(in thousands)
Developed technology	3 years	$ 1,038
Customer list	16.4 years	6,171
Total pro forma impact		7,209
Less amounts already recorded		(734)
Amortization adjustment		$ 6,475

Replacement stock option awards

In connection with the Merger, the Company was required to replace the Grubhub Platform stock-based payment awards. The fair value of the replacement options for services performed after the Merger was recognized as compensation cost. The pro forma adjustments reflect an adjustment of $3.0 million for the period from January 1, 2013 through the Merger Date had the Merger occurred on January 1, 2013.

Transaction costs

The pro forma adjustments reflect the elimination of the transaction costs of $9.1 million incurred in connection with the Merger for the year ended December 31, 2013 including $4.7 million of transaction costs at Grubhub Inc. for the year ended December 31, 2013 and $4.4 million of transaction costs at Grubhub Holdings for the year ended December 31, 2013.

Income taxes

The pro forma adjustments reflect the estimated income tax benefit of $3.0 million that would have been recognized for the year ended December 31, 2013, respectively, had the acquisition occurred on January 1, 2013. The pro forma tax benefit was determined by using the Company's historical effective tax rate.

Liquidity and Capital Resources

As of December 31, 2015, we had cash and cash equivalents of $169.3 million consisting of cash, money market funds, commercial paper and U.S. and non-U.S.-issued corporate debt securities with original maturities of three months or less and short term investments of $141.4 million consisting of commercial paper and U.S. and non-U.S.-issued corporate and U.S. government agency debt securities with original maturities greater than three months, but less than one year. Our primary source of liquidity is cash flows from operations.

As of December 31, 2015, cash and cash equivalents of $169.3 million included $6.6 million held in the accounts of our U.K. subsidiary. We have not provided for U.S. income tax on the accumulated earnings of approximately $7.7 million of our U.K. subsidiary, Seamless Europe, Ltd., as we intend to permanently reinvest those undistributed earnings into future operations in that country. We estimate the potential additional U.S. tax liabilities that would result from the complete repatriation of those accumulated earnings to be approximately $1.9 million.

Amounts deposited with third-party financial institutions exceed Federal Deposit Insurance Corporation and Securities Investor Protection insurance limits, as applicable. These cash, cash equivalents and short term investments balances could be affected if the underlying financial institutions fail or if there are other adverse conditions in the financial markets. We have not experienced any loss or lack of access to our invested cash, cash equivalents or short term investments; however, such access could be adversely impacted by conditions in the financial markets in the future.

We believe that our existing cash, cash equivalents and short term investments will be sufficient to meet our working capital requirements for at least the next twelve months. However, our liquidity assumptions may prove to be incorrect, and we could utilize our available financial resources sooner than currently expected. Our future capital requirements and the adequacy of available funds will depend on many factors, including those set forth in Part I, Item 1A, "Risk Factors" of this Annual Report on Form 10-K. If we are unable to obtain needed additional funds, we will have to reduce operating costs, which could impair our growth prospects and could otherwise negatively impact our business.

For most orders, diners use a credit card to pay us for their meal when the order is placed. For these transactions, we collect the total amount of the diner's order net of payment processing fees from the payment processor and remit the net proceeds to the restaurant less commission. Outstanding credit card receivables are generally settled with the payment processors within two to four business days. We generally accumulate funds and remit the net proceeds to the restaurants on at least a monthly basis. Restaurants have different contractual arrangements with us regarding payment frequency. They may be paid bi-weekly, weekly, monthly or, in some cases, more frequently when requested by the restaurant. We generally hold accumulated funds prior to remittance to the restaurants in a non-interest bearing operating bank account that is used to fund daily operations, including the liability to the restaurants. However, the Company is not restricted from earning investment income on these funds under its restaurant contract terms and has made short-term investments of proceeds in excess of our restaurant liability as described above.

Seasonal fluctuations in our business may also affect the timing of cash flows. In metropolitan markets, we generally experience a relative increase in diner activity from September to April and a relative decrease in diner activity from May to August. In addition, we benefit from increased order volume in our campus markets when school is in session and experience a decrease in order volume when school is not in session, during summer breaks and other vacation periods. Diner activity can also be impacted by colder or more inclement weather, which typically increases order volume, and warmer or sunny weather, which typically decreases order volume. These changes in diner activity and order volume have a direct impact on operating cash flows. While we expect this seasonal cash flow pattern to continue, changes in our business model could affect the timing or seasonal nature of our cash flows.

On January 22, 2016, our Board of Directors approved a program that authorizes the repurchase of up to $100 million of our common stock exclusive of any fees, commissions or other expenses relating to such repurchases through open market purchases or privately negotiated transactions at the prevailing market price at the time of purchase. The repurchased stock may be retired or held as authorized but unissued treasury shares. The repurchase authorizations do no obligate us to acquire any particular amount of common stock or adopt any particular method of repurchase and may be modified, suspended or terminated at any time at management’s discretion. Repurchased and retired shares will result in an immediate reduction of the outstanding shares used to calculate the weighted-average common shares outstanding for basic and diluted net income per share at the time of the transaction.

From January 1, 2016 through February 19, 2016, we repurchased and retired 506,673 shares of our common stock at a weighted-average share price of $19.26, or an aggregate of $9.8 million.

On January 25, 2016, we announced our intention to enter into a new credit facility of up to $200 million and to borrow funds under such facility to provide additional financing for the repurchase of shares of our common stock, to fund working capital and for other general corporate purposes including acquisitions.

The following table sets forth certain cash flow information for the periods presented:

	Year Ended December 31,		
	2015	2014	2013
	(in thousands)		
Net cash provided by operating activities	$44,755	$72,904	$40,819
Net cash provided by (used in) investing activities	(116,397)	(118,740)	6,245
Net cash provided by (used in) financing activities	39,404	161,332	(1,842)

Cash Flows Provided by Operating Activities

For the year ended December 31, 2015, net cash provided by operating activities was $44.8 million compared to $72.9 million for the same period in 2014. The decrease in cash flows from operations was driven primarily by significant changes in our operating assets and liabilities and changes in deferred taxes of $8.4 million, partially offset by an increase in net income of $13.8 million and an increase in non-cash expenses, including $5.3 million related to higher depreciation and amortization and an increase of $4.1 million related to stock-based compensation. During the years ended December 31, 2015 and 2014, significant changes in our operating assets and liabilities resulted from the following:

- a decrease in restaurant food liability of $29.4 million due to the timing of payments to our restaurants at quarter-end for the year ended December 31, 2015 compared to an increase of $13.4 million for the year ended December 31, 2014. Following the migration of nearly all of the Seamless consumer diner traffic to a new web and mobile platform in June of 2015, we began making most remittances to restaurants on the same schedule as the Grubhub platform, which resulted in shorter average restaurant payment cycles and lower period-end restaurant food liabilities;
- a decrease in accrued expenses of $2.2 million primarily related to a decrease in accrued payroll related to lower accrued income tax withholding on employee stock options and decreased bonus accruals for the year ended December 31, 2015 compared to an increase of $7.3 million for the year ended December 31, 2014;
- an increase in accounts payable of $3.3 million primarily related to an increase in advertising bills payable for the year ended December 31, 2015 due to timing of payments compared to a decrease of $0.3 million for the year ended December 31, 2014; and
- an increase in accounts receivable of $4.3 million due to an increase in amounts owed by our payment processors for prepaid orders placed through our platform due to the timing of processor payments along with amounts owed by customers of our corporate ordering program for the year ended December 31, 2015 compared to an increase of $7.4 million for the year ended December 31, 2014.

For the year ended December 31, 2014, net cash provided by operating activities was $72.9 million, driven primarily by net income of $24.3 million, non-cash expenses of $22.7 million related to depreciation and amortization, $9.4 million related to stock-based compensation and changes in deferred taxes of $4.6 million. In addition, during the year ended December 31, 2014, significant changes in our operating assets and liabilities resulted from an increase in restaurant food liability of $13.4 million due to the timing of payments to our restaurants at quarter-end, an increase in our accounts receivable of $7.4 million due to an increase in amounts owed by our payment processors for prepaid orders placed through our platform due to the timing of processor payments along with amounts owed by customers of our corporate ordering program, and an increase in accrued expenses of $7.3 million relating primarily to an increase in accrued payroll, reserves for uncertain tax positions, accrued restructuring expense, accrued advertising costs and other miscellaneous expenses.

For the year ended December 31, 2013, net cash provided by operating activities was $40.8 million, driven primarily by net income of $6.7 million, non-cash expenses of $13.5 million related to depreciation and amortization and $4.9 million related to stock-based compensation. In addition, during the year ended December 31, 2013, significant changes in our operating assets and liabilities resulted from an increase in our accounts receivable of $8.3 million due to an increase in amounts owed from our payment processors for prepaid orders placed through our platform along with amounts owed from customers of our corporate ordering program, an increase in restaurant food liability of $26.5 million due to an increase in overall Gross Food Sales processed through our platform and a decrease in accrued expenses of $2.2 million relating primarily to payments made on assumed merger liabilities, such as legal and accounting costs, related to the Merger.

Cash Flows Provided by (Used in) Investing Activities

Our primary investing activities during the periods presented included acquisitions of businesses, purchases of and proceeds from maturities of short-term investments, the purchase of property and equipment to support increased headcount and website and internal-use software development.

For the year ended December 31, 2015, net cash used in investing activities was $116.4 million compared to $118.7 million in 2014. The decrease in net cash used in investing activities was primarily due to maturities of short-term investments of $189.9 million, largely offset by an increase in the purchases of short-term investments of $107.5 million and acquisitions of businesses of $73.9 million.

For the year ended December 31, 2014, net cash used in investing activities was $118.7 million. This was primarily the result of the purchases of short-term investments of $113.2 million.

For the year ended December 31, 2013, net cash provided by investing activities was $6.2 million. This was the result of $13.3 million of cash acquired upon the Merger, partially offset by the purchase of property and equipment and capitalized website development costs of $7.0 million.

Cash Flows Provided by (Used in) Financing Activities

Our financing activities during the periods presented consisted primarily of net proceeds from the issuance of common stock in the IPO and follow-on offering in September of 2014 (the “follow-on offering”), excess tax benefits related to stock-based compensation and proceeds from the exercise of stock options.

For the year ended December 31, 2015, net cash provided by financing activities was $39.4 million compared to $161.3 million for the year ended December 31, 2014. The decrease in cash provided by financing activities during the year ended December 31, 2015 as compared to 2014 primarily resulted from net proceeds from the issuance of common stock in the IPO of $94.9 million and net proceeds from the issuance of common stock in the follow-on offering of $47.6 million during the year ended December 31, 2014, partially offset by the increase in excess tax benefits related to stock-based compensation of $14.9 million and an increase in proceeds from the exercise of stock options of $3.6 million during the year ended December 31, 2015.

For the year ended December 31, 2014, cash provided by financing activities of $161.3 million primarily resulted from net proceeds from the issuance of common stock in the IPO of $94.9 million and net proceeds from the issuance of common stock in the follow-on offering of $47.6 million, $13.0 million in excess tax benefits related to stock-based compensation and $8.3 million in proceeds from the exercise of stock options.

For the year ended December 31, 2013, cash used in financing activities was $1.8 million, which primarily resulted from a $1.9 million dividend payment to stockholders.

Contractual Obligations and Other Commitments

We have offices located in Chicago, Illinois and New York, New York, as well as smaller offices throughout the U.S. as a result of recent acquisitions, with various lease terms through March 2026. The office lease for our headquarters in Chicago, Illinois expires in 2026. The terms of the lease agreements provide for rental payments that increase on an annual basis. We recognize rent expense on a straight-line basis over the lease period. We do not have any debt or material capital lease obligations as of December 31, 2015 and all of our property, equipment and software have been purchased with cash. We have no material long-term purchase obligations outstanding with any vendors or third parties.

Our future minimum payments under non-cancelable operating leases for equipment and office facilities were as follows as of December 31, 2015:

	Payments Due by Period				
	Less than 1 year	1 to 3 years	4 to 5 years	More than 5 years	Total
	(in thousands)				
Operating lease obligations	$3,618	$8,437	$9,460	$ 19,567	$41,082

The contractual commitment amounts in the table above are associated with agreements that are enforceable and legally binding. Obligations under contracts that we can cancel without a significant penalty are not included in the table above. The table above does not reflect the Company's option to exercise early termination rights or the payment of related early termination fees.

We also have accrued management bonuses as of December 31, 2015, included in accrued payroll on the consolidated balance sheets, which are expected to be paid in the first quarter of 2016.

Acquisitions

On February 4, 2015, February 27, 2015 and December 4, 2015, we completed the acquisitions of restaurant delivery services, DiningIn, Restaurants on the Run and Delivered Dish, respectively. Aggregate consideration for the three acquisitions was a total of approximately $73.9 million in cash and 407,812 restricted shares of our common stock, or an estimated total transaction value of approximately $89.9 million, net of cash acquired of $0.7 million, based on our closing share price on the respective closing dates.

On August 8, 2013, we acquired all of the equity interests of each of Seamless North America, Seamless Holdings and Grubhub Holdings pursuant to the Reorganization Agreement.

The fair value of the equity issued in connection with the Merger was approximately $421.5 million. The value of the equity was determined using the estimated fair value of Grubhub Holdings' stock on the Merger Date based on a valuation of Grubhub Holdings, conducted by management. The $421.5 million included approximately $11.0 million, which represented the fair value of the replacement awards that were attributed to the pre-combination service period for Grubhub Holdings option holders. Post-combination expense of $12.5 million is expected to be recognized post-Merger, which represents the unrecognized compensation expense related to Grubhub Holdings stock options. In connection with the Merger, we agreed to indemnify Aramark for negative income tax consequences associated with the October 2012 spin-off of Seamless Holdings that were the result of certain actions taken by the Company through October 29, 2014, in certain instances subject to a $15.0 million limitation. Management is not aware of any actions that would impact the indemnification obligation.

Quantitative and Qualitative Disclosures about Market Risk

We are exposed to certain market risks in the ordinary course of business. These risks primarily consist of interest rate fluctuations and inflation rate risk as follows:

Interest Rate Risk

We did not have any long-term borrowings as of December 31, 2015.

We invest our excess cash primarily in money market accounts, commercial paper and U.S. and non-U.S.-issued corporate and U.S. government agency debt securities. We intend to hold our investments to maturity. Our current investment strategy seeks first to preserve principal, second to provide liquidity for our operating and capital needs and third to maximize yield without putting principal at risk. We do not enter into investments for trading or speculative purposes.

Our investments are exposed to market risk due to the fluctuation of prevailing interest rates that may reduce the yield on our investments or their fair value. We assess market risk utilizing a sensitivity analysis that measures the potential change in fair values, interest income and cash flows. As our investment portfolio is short-term in nature, we do not believe an immediate 100 basis point increase in interest rates would have a material effect on the fair value of our portfolio, and therefore do not expect our results of operations or cash flows to be materially affected to any degree by a sudden change in market interest rates. In the unlikely event that we would need to sell our investments prior to their maturity, any unrealized gains and losses arising from the difference between the amortized cost and the fair value of the investments at that time would be recognized in the consolidated statements of operations (see Part II, Item 8, Note 4, "Marketable Securities" in this Annual Report on Form 10-K, for additional detail).

Inflation Risk

We do not believe that inflation has had a material effect on our business, results of operations or financial condition.

Risks Related to Market Conditions

We perform our annual goodwill impairment tests as of September 30, or more frequently if an event occurs or circumstances change that would more likely than not reduce the fair value of the Company below its carrying value. Such indicators may include the following, among others: a significant decline in expected future cash flows, a sustained, significant decline in our stock price and market capitalization, a significant adverse change in legal factors or in the business climate, unanticipated competition, the testing for recoverability of a significant asset group and slower growth rates. Any adverse change in these factors could have a significant impact on the recoverability of our goodwill and could have a material impact on the consolidated financial statements. Goodwill represents the excess of the purchase price of an acquired business over the fair value of the net assets acquired. As of December 31, 2015, the Company had $396.2 million in goodwill on the consolidated balance sheets.

Based on our annual and interim assessments, management concluded that as of December 31, 2015, there were no events or changes in circumstances that indicated it was more likely than not that our fair value was below our carrying value. For further details of our interim and annual assessments, see the discussion above in Part II, Item 7, “Significant Accounting Policies and Critical Estimates” in this Annual Report on Form 10-K concerning goodwill. Nevertheless, significant changes in global economic and market conditions could result in changes to expectations of future financial results and key valuation assumptions. Such changes could result in revisions of management’s estimates of our fair value and could result in a material impairment of goodwill.

OTHER INFORMATION

Off-Balance Sheet Arrangements

The Company did not have any off-balance sheet arrangements as of December 31, 2015.

Contingencies

For a discussion of certain litigation involving the Company, see Part II, Item 8, Note 8, “Commitments and Contingencies,” to the accompanying consolidated financial statements in this Annual Report on Form 10-K.

New Accounting Pronouncements and Pending Accounting Standards

See Part II, Item 8, Note 2, “Summary of Significant Accounting Policies,” to the accompanying consolidated financial statements in this Annual Report on Form 10-K for a description of the various accounting standards adopted during the year ended December 31, 2015. Pending standards and their estimated effect on the Company’s consolidated financial statements are described in Part II, Item 8, Note 2, “Summary of Significant Accounting Policies,” to the accompanying consolidated financial statements in this Annual Report on Form 10-K.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

The Company is exposed to certain market risks in the ordinary course of business. These risks primarily consist of interest rate fluctuations and inflation rate risk. The Company discusses risk management in various places throughout this document, including discussions in Part II, Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in this Annual Report on Form 10-K concerning Liquidity and Capital Resources.

Item 8: Financial Statements and Supplementary Data

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GRUBHUB INC.

Consolidated Statements of Operations

(in thousands, except per share data)

	Year Ended December 31,		
	2015	2014	2013
Revenues	$361,825	$253,873	$137,143
Costs and expenses:			
Sales and marketing	91,150	66,201	37,347
Operations and support	107,424	62,509	34,173
Technology (exclusive of amortization)	32,782	25,185	15,357
General and administrative	40,506	32,307	21,907
Depreciation and amortization	28,034	22,687	13,470
Total costs and expenses	299,896	208,889	122,254
Income before provision for income taxes	61,929	44,984	14,889
Provision for income taxes	23,852	20,721	8,142
Net income	38,077	24,263	6,747
Preferred stock tax distributions	—	(320)	(1,073)
Net income attributable to common stockholders	$38,077	$23,943	$5,674
Net income per share attributable to common stockholders:			
Basic	$0.45	$0.33	$0.14
Diluted	$0.44	$0.30	$0.12
Weighted-average shares used to compute net income per share attributable to common stockholders:			
Basic	84,076	73,571	40,681
Diluted	85,706	81,698	56,645

(See Notes to Consolidated Financial Statements)

GRUBHUB INC.

Consolidated Statements of Comprehensive Income

(in thousands)

	Year Ended December 31,		
	2015	2014	2013
Net income	$38,077	$24,263	$6,747
OTHER COMPREHENSIVE INCOME (LOSS)			
Foreign currency translation adjustments	(342)	(394)	159
COMPREHENSIVE INCOME	$37,735	$23,869	$6,906

(See Notes to Consolidated Financial Statements)

GRUBHUB INC.

Consolidated Balance Sheets

(in thousands, except share data)

	December 31, 2015	December 31, 2014
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$169,293	$201,796
Short term investments	141,448	111,341
Accounts receivable, less allowances for doubtful accounts	42,051	36,127
Prepaid expenses	3,482	2,940
Total current assets	356,274	352,204
PROPERTY AND EQUIPMENT:		
Property and equipment, net of depreciation and amortization	19,082	16,003
OTHER ASSETS:		
Other assets	3,105	3,543
Goodwill	396,220	352,788
Acquired intangible assets, net of amortization	285,567	254,339
Total other assets	684,892	610,670
TOTAL ASSETS	$1,060,248	$978,877
LIABILITIES AND STOCKHOLDERS’ EQUITY		
CURRENT LIABILITIES:		
Restaurant food liability	$64,326	$91,575
Accounts payable	8,189	3,371
Accrued payroll	4,841	5,958
Taxes payable	426	1,660
Other accruals	11,830	8,441
Total current liabilities	89,612	111,005
LONG TERM LIABILITIES:		
Deferred taxes, non-current	87,584	91,419
Other accruals	5,456	5,931
Total long term liabilities	93,040	97,350
Commitments and contingencies		
STOCKHOLDERS’ EQUITY:		
Series A Convertible Preferred Stock, $0.0001 par value. Authorized: 25,000,000 shares as of December 31, 2015 and December 31, 2014; issued and outstanding: no shares as of December 31, 2015 and December 31, 2014.	—	—
Common stock, $0.0001 par value. Authorized: 500,000,000 shares at December 31, 2015 and December 31, 2014; issued and outstanding: 84,979,869 and 81,905,325 shares as of December 31, 2015 and December 31, 2014, respectively	8	8
Accumulated other comprehensive loss	(604)	(262)
Additional paid-in capital	759,292	689,953
Retained earnings	118,900	80,823
Total Stockholders’ Equity	$877,596	$770,522
TOTAL LIABILITIES AND STOCKHOLDERS’ EQUITY	$1,060,248	$978,877

(See Notes to Consolidated Financial Statements)

GRUBHUB INC.

Statements of Cash Flows

(in thousands)

	Year Ended December 31, 2015	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	$38,077	$24,263	$6,747
Adjustments to reconcile net income to net cash from operating activities:			
Depreciation	5,085	5,032	3,992
Provision for doubtful accounts	850	426	473
Loss on disposal of fixed assets	—	11	—
Deferred taxes	(3,835)	4,612	1,706
Amortization of intangible assets	22,949	17,655	9,477
Tenant allowance amortization	(159)	(159)	(159)
Stock-based compensation	13,450	9,393	4,933
Deferred rent	32	(17)	(135)
Investment premium amortization	688	315	—
Change in assets and liabilities, net of the effects of business acquisitions:			
Accounts receivable	(4,343)	(7,394)	(8,298)
Prepaid expenses and other assets	242	(1,669)	(2,388)
Restaurant food liability	(29,409)	13,414	26,549
Accounts payable	3,312	(259)	2,065
Accrued payroll	(2,104)	4,243	(1,707)
Other accruals	(80)	3,038	(2,192)
Due to related party	—	—	(244)
Net cash provided by operating activities	44,755	72,904	40,819
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of investments	(220,667)	(113,156)	—
Proceeds from maturity of investments	189,872	1,500	—
Capitalized website and development costs	(7,137)	(3,431)	(2,592)
Purchases of property and equipment	(4,150)	(3,653)	(4,429)
Acquisitions of businesses, net of cash acquired	(73,907)	—	—
Cash acquired in merger of Grubhub Holdings Inc.	—	—	13,266
Other cash flows from investing activities	(408)	—	—
Net cash provided by (used in) investing activities	(116,397)	(118,740)	6,245
CASH FLOWS FROM FINANCING ACTIVITIES			
Net proceeds from the issuance of common stock	—	142,541	—
Repurchases of common stock	—	(116)	(1,367)
Proceeds from exercise of stock options	11,919	8,322	1,418
Excess tax benefits related to stock-based compensation	27,830	12,975	—
Taxes paid related to net settlement of stock-based compensation awards	(345)	(2,070)	—
Preferred stock tax distributions	—	(320)	(1,893)
Net cash provided by (used in) financing activities	39,404	161,332	(1,842)
Net change in cash and cash equivalents	(32,238)	115,496	45,222
Effect of exchange rates on cash	(265)	(242)	159
Cash and cash equivalents at beginning of year	201,796	86,542	41,161

Cash and cash equivalents at end of the period	$169,293	$201,796	$86,542
SUPPLEMENTAL DISCLOSURE OF NON CASH ITEMS			
Fair value of common stock issued for acquisitions	$15,980	$—	$421,485
Cash paid for income taxes	—	1,326	7,706
Capitalized property, equipment and website and development costs in accounts payable at period end	927	—	—
Cashless exercise of stock options	—	1,054	—
Settlement of receivable through cashless acquisition of treasury shares in connection with the net settlement of stock-based awards	(345)	(3,123)	—

(See Notes to Consolidated Financial Statements)

GRUBHUB INC.

Consolidated Statements of Changes in Stockholders’ Equity and Redeemable Common Stock

(in thousands, except share data)

	Common stock		Preferred stock		Treasury stock			Accumulated Other Comprehensive Income (Loss)	Retained earnings	Total stockholders’ equity	Redeemable common stock	
	Shares	Amount	Shares	Amount	Shares	Amount	APIC				Shares	Amount
Balance December 31, 2012	31,218,164	$3	11,185,683	$1	131,607	$(858)	$86,743	$(27)	$52,026	$137,888	—	$—
Net income	—	—	—	—	—		—	—	6,747	6,747	—	—
Common stock repurchase	(176,082)	—	—	—	176,082	(1,367)	—	—	—	(1,367)	—	—
Treasury share reissuance	307,689	—	—	—	(307,689)	2,225	(2,225)	—	—	—	—	—
Currency translation	—	—	—	—	—	—	—	159	—	159	—	—
Stock-based compensation	—	—	—	—	—	—	4,933	—	—	4,933	—	—
Equity issued from merger with Grubhub Holdings Inc.	23,318,580	2										