

COMSCORE, INC.  
Form 10-Q  
November 06, 2015  
Table of Contents

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

---

FORM 10-Q

---

(Mark One)

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

For the quarterly period ended September 30, 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: 001-33520

---

comScore, Inc.

(Exact name of registrant as specified in its charter)

---

Delaware  
(State or other jurisdiction of  
incorporation or organization)

54-1955550  
(I.R.S. Employer  
Identification Number)

11950 Democracy Drive, Suite 600  
Reston, VA  
(Address of principal executive offices)  
(703) 438-2000

20190  
(Zip Code)

(Registrant's telephone number, including area code)

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

---

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting

Edgar Filing: COMSCORE, INC. - Form 10-Q

company” in Rule 12b-2 of the Exchange Act.

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

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

Indicate the number of shares outstanding of each of the issuer’s classes of common stock, as of the latest practicable date: As of November 3, 2015, there were 38,954,390 shares of the registrant’s common stock outstanding.

---

Table of Contents

COMSCORE, INC.  
QUARTERLY REPORT ON FORM 10-Q  
FOR THE QUARTER ENDED SEPTEMBER 30, 2015  
TABLE OF CONTENTS

<u>PART I. FINANCIAL INFORMATION</u>	<u>4</u>
<u>Item 1. Financial Statements</u>	<u>4</u>
<u>Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>25</u>
<u>Item 3. Quantitative and Qualitative Disclosure about Market Risk</u>	<u>37</u>
<u>Item 4. Controls and Procedures</u>	<u>38</u>
<u>PART II. OTHER INFORMATION</u>	<u>39</u>
<u>Item 1. Legal Proceedings</u>	<u>39</u>
<u>Item 1A. Risk Factors</u>	<u>39</u>
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>60</u>
<u>Item 3. Defaults Upon Senior Securities</u>	<u>61</u>
<u>Item 4. Mine Safety Disclosures</u>	<u>61</u>
<u>Item 5. Other Information</u>	<u>61</u>
<u>Item 6. Exhibits</u>	<u>61</u>
<u>SIGNATURES</u>	<u>62</u>
<u>EXHIBIT INDEX</u>	<u>63</u>
EX-31.1	
EX-31.2	
EX-32.1	
EX-32.2	



Table of Contents

## PART I. FINANCIAL INFORMATION

## Item 1. Financial Statements

## COMSCORE, INC.

## CONSOLIDATED BALANCE SHEETS

(In thousands, except share and per share data)

	September 30, 2015 (Unaudited)	December 31, 2014	
Assets			
Current assets:			
Cash and cash equivalents	\$141,829	\$43,015	
Accounts receivable, net of allowances of \$2,458 and \$2,079, respectively	77,830	98,185	
Prepaid expenses and other current assets	23,001	11,015	
Deferred tax assets	20,983	20,976	
Assets held for sale	—	5,692	
Total current assets	263,643	178,883	
Property and equipment, net	45,482	42,365	
Other non-current assets	952	1,017	
Long-term deferred tax assets	12,678	12,369	
Intangible assets, net	111,330	15,793	
Goodwill	111,563	103,525	
Total assets	\$545,648	\$353,952	
Liabilities and Equity			
Current liabilities:			
Accounts payable	\$6,597	\$3,421	
Accrued expenses	28,925	37,212	
Deferred revenues	78,413	92,013	
Deferred rent	1,378	1,738	
Capital lease obligations	16,380	13,353	
Liabilities held for sale	—	3,873	
Total current liabilities	131,693	151,610	
Deferred rent, long-term	9,041	9,738	
Deferred revenue, long-term	516	2,063	
Deferred tax liabilities, long-term	1,089	1,182	
Capital lease obligations, long-term	14,673	13,072	
Other long-term liabilities	977	1,022	
Total liabilities	157,989	178,687	
Commitments and contingencies			
Stockholders' equity:			
Preferred stock, \$0.001 par value per share; 5,000,000 shares authorized; no shares issued or outstanding	—	—	
Common stock, \$0.001 par value per share; 100,000,000 shares authorized; 41,042,178 shares issued and 38,953,054 outstanding as of September 30, 2015 and 35,919,340 shares issued and 34,174,466 shares outstanding at December 31, 2014, respectively	40	36	
Additional paid-in capital	610,599	324,176	
Accumulated other comprehensive loss	(10,075	) (5,591	)
Accumulated deficit	(104,227	) (93,076	)
	(108,678	) (50,280	)

Edgar Filing: COMSCORE, INC. - Form 10-Q

Treasury stock, at cost, 2,089,124 and 1,744,874 shares as of September 30, 2015 and December 31, 2014, respectively

Total stockholders' equity	387,659	175,265
Total liabilities and stockholders' equity	\$545,648	\$353,952

The accompanying notes are an integral part of these consolidated financial statements.

4

---

Table of Contents

COMSCORE, INC.

## CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

(Unaudited)

(In thousands, except share and per share data)

	Three Months Ended		Nine Months Ended September	
	September 30,		30,	
	2015	2014	2015	2014
Revenues	\$92,405	\$82,136	\$271,148	\$239,048
Cost of revenues (excludes amortization of intangible assets) (1)	30,859	24,491	84,259	71,164
Selling and marketing (1)	23,177	26,125	75,376	78,791
Research and development (1)	15,030	13,784	49,937	39,192
General and administrative (1)	17,046	14,966	57,041	42,952
Amortization of intangible assets	4,220	1,912	9,904	5,786
Impairment of intangible assets	—	6,942	—	6,942
Loss on asset disposition	—	—	5,226	—
Settlement of litigation, net	(170	) (80	) (830	) 2,780
Total expenses from operations	90,162	88,140	280,913	247,607
Income (loss) from operations	2,243	(6,004	) (9,765	) (8,559
Interest and other expense, net	(396	) (382	) (1,181	) (889
(Loss) gain from foreign currency	(926	) 570	(529	) 253
Income (loss) before income tax provision	921	(5,816	) (11,475	) (9,195
Income tax benefit	40	2,555	324	1,952
Net income (loss)	\$961	\$(3,261	) \$(11,151	) \$(7,243
Net income (loss) available to common stockholders per common share:				
Basic	\$0.02	\$(0.10	) \$(0.30	) \$(0.22
Diluted	\$0.02	\$(0.10	) \$(0.30	) \$(0.22
Weighted-average number of shares used in per share calculation - common stock:				
Basic	39,174,438	33,502,533	37,586,329	33,550,933
Diluted	39,822,723	33,502,533	37,586,329	33,550,933
Comprehensive loss:				
Net income (loss)	\$961	\$(3,261	) \$(11,151	) \$(7,243
Other comprehensive loss:				
Foreign currency translation adjustment	(1,227	) (4,309	) (4,484	) (4,379
Total comprehensive loss	\$(266	) \$(7,570	) \$(15,635	) \$(11,622

(1) Amortization of stock-based compensation is included in the line items above as follows:

Cost of revenues	\$1,110	\$944	\$4,434	\$2,671
Selling and marketing	\$2,542	\$3,128	\$8,176	\$9,191
Research and development	\$1,307	\$999	\$4,531	\$2,580
General and administrative	\$3,686	\$5,088	\$21,876	\$12,000

The accompanying notes are an integral part of these consolidated financial statements.





Table of Contents

## COMSCORE, INC.

## CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(Unaudited)

(In thousands, except share data)

	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Income/(Loss)	Accumulated Deficit	Treasury stock, at cost	Total Stockholders' Equity
	Shares	Amount					
Balance at December 31, 2013	35,216,071	\$36	\$293,322	\$1,726	\$(83,173 )	\$(13,109 )	\$198,802
Net loss	—	—	—	—	(7,243 )	—	(7,243 )
Foreign currency translation adjustment	—	—	—	(4,379 )	—	—	(4,379 )
Exercise of common stock options	21,742	—	81	—	—	—	81
Issuance of restricted stock	228,084	—	—	—	—	—	—
Restricted stock canceled	(29,846 )	—	—	—	—	—	—
Restricted stock units vested	421,238	—	—	—	—	—	—
Common stock received for tax withholding	(443,699 )	—	(14,458 )	—	—	—	(14,458 )
Repurchases of common stock	(1,253,672 )	—	—	—	—	(36,886 )	(36,886 )
Excess tax benefits from stock-based compensation, net	—	—	2,229	—	—	—	2,229
Amortization of stock-based compensation	—	—	26,481	—	—	—	26,481
Balance at September 30, 2014	34,159,918	\$36	\$307,655	\$(2,653 )	\$(90,416 )	\$(49,995 )	\$164,627
Balance at December 31, 2014	34,174,466	\$36	\$324,176	\$(5,591 )	\$(93,076 )	\$(50,280 )	\$175,265
Net loss	—	—	—	—	(11,151 )	—	(11,151 )
Foreign currency translation adjustment	—	—	—	(4,484 )	—	—	(4,484 )
Exercise of common stock options	276,064	—	11,621	—	—	—	11,621
Issuance of restricted stock	189,708	—	—	—	—	—	—
Issuance of common stock for acquisitions	4,438,353	4	224,859	—	—	—	224,863
Reissuance of treasury stock	1,605,330	—	35,025	—	—	47,518	82,543
	(10,263 )	—	—	—	—	—	—

Restricted stock canceled							
Restricted stock units vested	754,491	1	(1 )	—	—	—	—
Common stock received for tax withholding	(525,515 )	(1 )	(26,904 )	—	—	—	(26,905 )
Repurchase of common stock	(1,949,580 )	—	—	—	—	(105,916 )	(105,916 )
Amortization of stock-based compensation	—	—	41,823	—	—	—	41,823
Balance at September 30, 2015	38,953,054	\$40	\$610,599	\$(10,075 )	\$(104,227 )	\$(108,678 )	\$387,659

The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents

COMSCORE, INC.  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(Unaudited)  
(In thousands)

	Nine Months Ended September 30,	
	2015	2014
Operating activities		
Net loss	\$(11,151	) \$(7,243
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation	15,760	13,185
Amortization of intangible assets	9,904	5,786
Impairment of intangible assets	—	6,942
Provision for bad debts	2,070	2,223
Stock-based compensation	39,017	26,442
Amortization of deferred rent	(1,435	) (974
Deferred tax benefit	(167	) (6,113
Loss on asset disposition	5,226	153
Changes in operating assets and liabilities:		
Accounts receivable	16,841	6,084
Prepaid expenses and other assets	(11,812	) (14,736
Accounts payable, accrued expenses, and other liabilities	(4,532	) 16,487
Deferred revenues	(12,307	) (6,252
Deferred rent	426	36
Net cash provided by operating activities	47,840	42,020
Investing activities		
Acquisitions, net of cash acquired	(10,117	) (4,043
Purchase of property and equipment	(3,218	) (6,562
Cash paid for disposition of business	(2,535	) —
Net cash used in investing activities	(15,870	) (10,605
Financing activities		
Proceeds from the issuance of common stock	204,741	—
Proceeds from the exercise of common stock options	11,621	81
Repurchase of common stock (withholding taxes)	(26,905	) (14,458
Repurchase of common stock (treasury shares)	(105,916	) (36,886
Excess tax benefits from stock-based compensation	—	2,229
Principal payments on capital lease obligations	(11,894	) (8,706
Equity issuance costs	(3,356	) —
Net cash provided by (used in) financing activities	68,291	(57,740
Effect of exchange rate changes on cash	(1,447	) (1,860
Net increase (decrease) in cash and cash equivalents	98,814	(28,185
Cash and cash equivalents at beginning of period	43,015	67,795
Cash and cash equivalents at end of period	\$141,829	\$39,610
Supplemental cash flow disclosures		
Interest paid	\$1,184	\$943
Net income taxes paid	\$1,567	\$955

Edgar Filing: COMSCORE, INC. - Form 10-Q

Supplemental noncash investing and financing activities

Stock issued in connection with acquisition	\$106,025	\$—
Capital lease obligations incurred	\$16,521	\$10,895
Accrued capital expenditures	\$2,380	\$1,573

The accompanying notes are an integral part of these consolidated financial statements.

7

---

Table of Contents

COMSCORE, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. Organization

comScore, Inc. (the “Company”), a Delaware corporation incorporated in August 1999, provides digital media analytics that enables its customers to make well-informed, data-driven decisions to effectively manage their business, build successful digital strategies and tactics, and optimize their marketing and advertising investments. The Company is a technology-driven company that measures what people do as they navigate the digital world across multiple technology platforms including personal computers, smartphones, tablets, televisions and interact with digital media, including websites, apps, video programming and advertising. The Company aspires to measure all digital interactions across all major digital platforms on a global basis.

The Company's products and services provide its customers with deep and actionable insight into consumer behavior including objective, detailed information about consumer usage of digital content and advertising coupled with information on consumer demographic characteristics, attitudes, lifestyles and offline behavior. The Company combines its proprietary data with its clients' own data and data from partners to provide valuable digital media analytics. The Company delivers on-demand and real-time products and services through a scalable Software-as-Service delivery model, which supports both Company branded products and also partner products integrating the Company's data and services.

2. Summary of Significant Accounting Policies

Basis of Presentation and Consolidation

The accompanying interim consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All significant intercompany transactions and accounts have been eliminated upon consolidation. The Company consolidates investments where it has a controlling financial interest. The usual condition for controlling financial interest is ownership of a majority of the voting interest and, therefore, as a general rule, ownership, directly or indirectly, of more than 50% of the outstanding voting shares is a condition indicating consolidation. All of the Company's subsidiaries are wholly owned.

Unaudited Interim Financial Information

The consolidated interim financial statements included in this quarterly report on Form 10-Q have been prepared by the Company without audit, pursuant to the rules and regulations of the Securities and Exchange Commission (the “SEC”). Certain information and footnote disclosures normally included in consolidated interim financial statements prepared in accordance with U.S. generally accepted accounting principles (“GAAP”) have been condensed or omitted pursuant to such rules and regulations. However, the Company believes that the disclosures contained in this quarterly report comply with the requirements of Section 13(a) of the Securities Exchange Act of 1934 (the “Exchange Act”), as amended, for a quarterly report on Form 10-Q and are adequate to make the information presented not misleading. The consolidated interim financial statements included herein, reflect all adjustments (consisting of normal recurring adjustments) which are, in the opinion of management, necessary for a fair presentation of the financial position, results of operations and cash flows for the interim periods presented. These consolidated interim financial statements should be read in conjunction with the consolidated financial statements and notes thereto contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2014, filed February 20, 2015 with the SEC. The results of operations for the three and nine months ended September 30, 2015 are not necessarily indicative of the results to be anticipated for the entire year ending December 31, 2015 or thereafter. All references to September 30, 2015 and 2014 or to the three and nine months ended September 30, 2015 and 2014 in the notes to the consolidated interim financial statements are unaudited.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenue and expense during the reporting periods. Significant estimates and assumptions are inherent in the analysis and the measurement of deferred tax assets, the identification and quantification of income tax liabilities due to uncertain tax positions, the valuation and recoverability of intangible assets and goodwill, the

collectability of accounts receivable and the allowance for doubtful accounts and evaluating the estimates used in accounting for nonmonetary transactions. The Company bases its estimates on historical experience and assumptions that it believes are reasonable. Actual results could differ from those estimates.

## Table of Contents

### Fair Value Measurements

The Company evaluates the fair value of certain assets and liabilities using the fair value hierarchy. Fair value is an exit price representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, the Company applies the three-tier value hierarchy which prioritizes the inputs used in measuring fair value as follows:

Level 1 — observable inputs such as quoted prices in active markets;

Level 2 — inputs other than the quoted prices in active markets that are observable either directly or indirectly;

Level 3 — unobservable inputs of which there is little or no market data, which require the Company to develop its own assumptions.

The Company does not currently have any assets or liabilities that are measured at fair value on a recurring basis. However, cash equivalents, accounts receivable, prepaid expenses and other assets, accounts payable, accrued expenses, deferred revenue, deferred rent and capital lease obligations reported in the consolidated balance sheets equal or approximate their respective fair values because of their short term nature.

### Cash and Cash Equivalents and Investments

Cash and cash equivalents consist of highly liquid investments with an original maturity of three months or less at the time of purchase. Cash and cash equivalents are maintained with several financial institutions. The combined account balances held on deposit at each institution typically exceed FDIC insurance coverage and, as a result, there is a concentration of credit risk related to amounts on deposit in excess of FDIC insurance coverage. The Company believes the risk is not significant.

Interest income on investments and excess cash balances was a nominal amount for the three and nine months ended September 30, 2015 and 2014.

### Accounts Receivable

Accounts receivable are recorded at the invoiced amount and are non-interest bearing. The Company generally grants uncollateralized credit terms to its customers and maintains an allowance for doubtful accounts to reserve for potentially uncollectible receivables. Allowances are based on management's judgment, which considers historical experience and specific knowledge of accounts where collectability may not be probable. The Company makes provisions based on historical bad debt experience, a specific review of all significant outstanding invoices and an assessment of general economic conditions. If the financial condition of a customer deteriorates, resulting in an impairment of its ability to make payments, additional allowances may be required. Included within accounts receivable are unbilled accounts receivable, which relate to situations in which the Company has recognized revenue for services performed prior to invoicing a customer, but for which we have the legal right to invoice the customer. Typically, unbilled accounts receivable are invoiced in the following period.

### Impairment of Long-Lived Assets

The Company's long-lived assets primarily consist of property and equipment and intangible assets. The Company evaluates its long-lived assets for impairment whenever events or changes in circumstances indicate the carrying value of such assets may not be recoverable. If an indication of impairment is present, the Company compares the estimated undiscounted future cash flows to be generated by the asset to its carrying amount. Recoverability measurement and estimation of undiscounted cash flows are grouped at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities. If the undiscounted future cash flows are less than the carrying amount of the asset group, the Company records an impairment loss equal to the excess of the asset group's carrying amount over its fair value. The fair value is determined based on valuation techniques such as a comparison to fair values of similar assets or using a discounted cash flow analysis. Although the Company believes that the carrying values of its long-lived assets are appropriately stated, changes in strategy or market conditions or significant technological developments could significantly impact these judgments and require adjustments to recorded asset

balances. During the three and nine months ended September 30, 2015, there were no impairment charges recognized. During the three and nine months ended September 30, 2014, the Company recorded an impairment charge of \$6.9 million related to certain intangible assets related to its mobile operator analytics division, which was disposed of in May 2015, refer to Footnote 4, Asset Dispositions and Footnote 5, Goodwill and Intangible assets.



Table of Contents

## Revenue Recognition

The Company recognizes revenues when the following fundamental criteria are met: (i) persuasive evidence of an arrangement exists, (ii) delivery has occurred or the services have been rendered, (iii) the fee is fixed or determinable, and (iv) collection of the resulting receivable is reasonably assured.

The Company generates revenues by providing access to the Company's online database or delivering information obtained from the database, usually in the form of periodic reports. Revenues are typically recognized on a straight-line basis over the period in which access to data or reports is provided, which generally ranges from three to twenty-four months. Sales taxes remitted to government authorities are recorded on a net basis.

Revenues are also generated through survey services under contracts ranging in term from two months to one year. Survey services consist of survey and questionnaire design with subsequent data collection, analysis and reporting. At the outset of an arrangement, total arrangement consideration is allocated between the development of the survey questionnaire and subsequent data collection, analysis and reporting services based on relative selling price. Revenue allocated to the survey questionnaire is recognized when it is delivered and revenue allocated to the data collection, analysis and reporting services is recognized on a straight-line basis over the estimated data collection period once the survey or questionnaire design has been delivered. Any change in the estimated data collection period results in an adjustment to revenues recognized in future periods.

Certain of the Company's arrangements contain multiple elements, consisting of the various services the Company offers. Multiple element arrangements typically consist of either subscriptions to multiple online products or a subscription to the Company's online database combined with customized services. The Company accounts for these arrangements in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2009-13, Multiple Deliverable Revenue Arrangements, which requires the Company to allocate arrangement consideration at the inception of an arrangement to all deliverables, if they represent a separate unit of accounting, based on their relative selling prices. The guidance establishes a hierarchy to determine the selling price to be used for allocating arrangement consideration to deliverables: (i) vendor-specific objective evidence of fair value ("VSOE"), (ii) third-party evidence of selling price ("TPE") if VSOE is not available, or (iii) an estimated selling price ("ESP") if neither VSOE nor TPE are available. VSOE generally exists only when the Company sells the deliverable separately and is the price actually charged by the Company for that deliverable on a stand-alone basis. ESP reflects the Company's estimate of what the selling price of a deliverable would be if it was sold regularly on a stand-alone basis. The Company has concluded it generally does not have VSOE for its arrangements, and TPE is generally not available because the Company's service offerings are highly differentiated and the Company is unable to obtain reliable information on the products and pricing practices of the Company's competitors. As such, ESP is generally used to allocate the total arrangement consideration at the arrangement inception based on each element's relative selling price. The Company's process for determining ESP involves management's judgments based on multiple factors that may vary depending upon the unique facts and circumstances related to each product suite and deliverable. The Company determines ESP by considering several external and internal factors including, but not limited to, current pricing practices, pricing concentrations such as industry, channel, customer class or geography, internal costs and market penetration of a product or service. The total arrangement consideration is allocated to each of the elements based on the relative selling price. If the ESP is determined as a range of selling prices, the mid-point of the range is used in the relative-selling-price method. Once the total arrangement consideration has been allocated to each deliverable based on the relative allocation of the arrangement fee, the Company commences revenue recognition for each deliverable on a stand-alone basis as the data or service is delivered. ESP will be analyzed on an annual basis or more frequently if management deems it likely that changes in the estimated selling prices have occurred.

Generally, contracts are non-refundable and non-cancellable. In the event a portion of a contract is refundable, revenue recognition is delayed until the refund provisions lapse. A limited number of customers have the right to cancel their contracts by providing a written notice of cancellation. In the event that a customer cancels its contract, the customer is not entitled to a refund for prior services, and will be charged for costs incurred plus services performed up to the cancellation date.

Advance payments are recorded as deferred revenues until services are delivered or obligations are met and revenue can be recognized. Deferred revenues represent the excess of amounts invoiced over amounts recognized as revenues.

Multiple contracts with a single counterparty that are negotiated simultaneously and are considered contemporaneous are accounted for as one arrangement. If there are multiple contracts with one counterparty that are deemed independent of one another, they are accounted for as separate arrangements.

10

---

## Table of Contents

The Company accounts for nonmonetary transactions under Accounting Standards Codification ("ASC") 845, Nonmonetary Transactions. Nonmonetary transactions with commercial substance are recorded at the estimated fair value of assets surrendered including cash, if cash is less than 25% of the fair value of the overall exchange, unless the fair value of the assets received is more clearly evident, in which case the fair value of the assets received is used to estimate fair value for the exchange.

During the three and nine months ended September 30, 2015, the Company recognized \$9.1 million and \$23.7 million of revenue related to nonmonetary transactions, respectively. During the three and nine months ended September 30, 2015, the Company recognized \$5.1 million and \$14.3 million, respectively, in expense related to nonmonetary transactions, respectively.

During the three and nine months ended September 30, 2014, the Company recognized \$4.6 million and \$8.6 million of revenue related to nonmonetary transactions, respectively. During the three and nine months ended September 30, 2014, the Company recognized \$2.9 million and \$7.0 million, respectively, in expense related to nonmonetary transactions, respectively.

Due to timing differences in the delivery and receipt of the respective assets exchanged, expense recognized in each period is different from the amount of revenue recognized.

Refer to Footnote 12, Related Party Transactions, for discussion of a nonmonetary transaction with a related party.

### Stock-Based Compensation

The Company estimates the fair value of stock-based awards on the date of grant. The fair value of stock options with only service conditions is determined using the Black-Scholes option-pricing model. The fair value of market-based stock options and restricted stock units is determined using a Monte Carlo simulation embedded in a lattice model. The fair value of restricted stock awards is based on the closing price of the Company's common stock on the date of grant. The determination of the fair value of the Company's stock option awards, restricted stock units, and restricted stock awards is based on a variety of factors including, but not limited to, the Company's common stock price, expected stock price volatility over the expected life of awards, and actual and projected exercise behavior. Additionally, the Company has estimated forfeitures for stock-based awards at the dates of grant based on historical experience and adjusted for future expectation. The forfeiture estimate is revised as necessary if actual forfeitures differ from these estimates.

The Company issues restricted stock awards where restrictions lapse upon the passage of time (service vesting), achieving performance targets, or some combination of these restrictions. For those restricted stock awards with only service conditions, the Company recognizes compensation cost on a straight-line basis over the explicit service period. For awards with both performance and service conditions, the Company starts recognizing compensation cost over the remaining service period, when it is probable the performance condition will be met. For stock awards that contain market vesting conditions, the Company recognizes compensation cost of the original estimate of the derived service period, based on its initial valuation analysis regardless of market performance. Stock awards that contain performance or market vesting conditions are excluded from diluted earnings per share computations until the contingency is met as of the end of that reporting period.

### Income Taxes

Income taxes are accounted for using the asset and liability method. Deferred income taxes are provided for temporary differences in recognizing certain income, expense and credit items for financial reporting purposes and tax reporting purposes. Such deferred income taxes primarily relate to the difference between the tax basis of assets and liabilities and their financial reporting amounts. Deferred tax assets and liabilities are measured by applying enacted statutory tax rates applicable to the future years in which deferred tax assets or liabilities are expected to be paid or realized. The Company records a valuation allowance when it determines, based on available positive and negative evidence, that it is more-likely-than-not that some portion or all of its deferred tax assets will not be realized. The Company determines the realizability of its deferred tax assets primarily based on the reversal of existing taxable temporary differences and projections of future taxable income (exclusive of reversing temporary differences and carryforwards). In evaluating such projections, the Company considers its history of profitability, the competitive environment, the overall outlook for the online marketing industry and general economic conditions. In addition, the Company considers the time frame over which it would take to utilize the deferred tax assets prior to their expiration.

For certain tax positions, the Company uses a more-likely-than-not threshold based on the technical merits of the tax position taken. Tax positions that meet the more-likely-than-not recognition threshold are measured at the largest amount of tax benefits determined on a cumulative probability basis, which are more-likely-than-not to be realized upon ultimate settlement in the financial statements. The Company's policy is to recognize interest and penalties related to income tax matters in income tax expense.

Table of Contents

## Earnings Per Share

Basic net income/loss per common share excludes dilution for potential common stock issuances and is computed by dividing net income/loss by the weighted-average number of common shares outstanding for the period. Diluted net income/loss per common share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock. Diluted earnings per share assumes the exercise of stock options, restricted stock units and warrants using the treasury stock method. The Company reported net income for the three months ending September 30, 2015. The Company's restricted stock awards are participating securities when the Company has net income. As such, the Company has used a two-class method to allocate undistributed earnings between the common stock holders and participating securities to determine the basic and dilutive EPS. The weighted-average shares outstanding-common stock has been adjusted to reflect share repurchases made during the three and nine months ended September 30, 2015. See Footnote 10, Share Repurchases, for more information pertaining to the Company's share repurchases.

The following table provides a reconciliation of the numerators and denominators used in computing basic and diluted net income (loss) per common share:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
	(In thousands, except share and per share data)		(In thousands, except share and per share data)	
Net income (loss)	\$961	\$(3,261 )	\$(11,151 )	\$(7,243 )
Net income (loss) per share - common stock:				
Basic	\$0.02	\$(0.10 )	\$(0.30 )	\$(0.22 )
Diluted	\$0.02	\$(0.10 )	\$(0.30 )	\$(0.22 )
Weighted-average shares outstanding-common stock, basic	39,174,438	33,502,533	37,586,329	33,550,933
Effect of dilutive securities	648,285	—	—	—
Weighted-average shares outstanding-common stock, diluted	39,822,723	33,502,533	37,586,329	33,550,933

The following is a summary of common stock equivalents for the securities outstanding during the respective periods that have been excluded from the earnings per share calculations as their impact was anti-dilutive.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Stock options, restricted stock units and restricted stock	—	689,327	779,517	749,311

## Recent Pronouncements

In May 2014, FASB issued ASU 2014-09, Revenue (Topic 606): Revenue from Contracts with Customers, which will replace existing revenue recognition standards and significantly expand the disclosure requirements for revenue arrangements. In August 2015, the FASB deferred by one-year the effective date of the standard to January 1, 2018, with an option that would permit companies to adopt the standard as early as the original effective date of 2017. The Company is currently evaluating the methods of adoption allowed by the new standard and the impact the standard is expected to have on the Company's financial statements and related disclosures.

In April 2014, FASB issued ASU 2014-08, Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity. This update requires that the disposal of a component of an entity shall be reported in discontinued operations if the disposal represents a strategic shift that will have a major effect on an entity's operations and financial results. This update is effective January 1, 2015 for interim and annual reporting periods. The Company will evaluate the impact of this standard on its consolidated financial statements in the event of a future disposition.

In September 2015, the FASB issued ASU 2015-16, Simplifying the Accounting for Measurement-Period Adjustments (Topic 805): Business Combinations, which requires that an acquirer recognize adjustments to

provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined. The standard is effective for fiscal years beginning after December 15, 2015, including interim periods within those fiscal years. The guidance is to be applied prospectively to adjustments to provisional amounts that occur after the effective date of the guidance, with earlier application permitted for financial statements that have not been issued. The Company does not expect that the adoption of this ASU will have a significant impact its consolidated financial statements.

Table of Contents

## 3. Business Combinations

The Company uses its best estimates and assumptions as a part of the purchase price allocation process to accurately value assets acquired and liabilities assumed at the business combination date, its estimates and assumptions are inherently uncertain and subject to refinement. As a result, during the preliminary purchase price allocation period, which may be up to one year from the business combination date, the Company records adjustments to the assets acquired and liabilities assumed, with the corresponding offset to goodwill. The Company records adjustments to assets acquired or liabilities assumed subsequent to the purchase price allocation period in its operating results in the period in which the adjustments were determined.

## Entry into an Agreement and Plan of Merger and Reorganization with Rentrak

On September 29, 2015, the Company, Rentrak Corporation, an Oregon corporation ("Rentrak"), and Rum Acquisition Corporation, an Oregon corporation and a wholly owned subsidiary of the Company ("Merger Sub"), entered into an Agreement and Plan of Merger and Reorganization, pursuant to which Merger Sub will merge with and into Rentrak (the "Merger"), with Rentrak surviving the Merger as a wholly owned subsidiary of the Company. The Merger has not closed as of the date of the financial statements and is subject to customary closing conditions that remain pending.

## Acquisition of Kantar Group's European IAM Business

On April 1, 2015, the Company closed on material definitive agreements with WPP plc and its affiliates (collectively, "WPP"). Under the agreements, the Company acquired all of the outstanding common stock in WPP's internet audience measurement business in Norway, Sweden and Finland ("European IAM Business") and entered into an alliance in which the Company and WPP will collaborate on cross-media audience measurement business outside the United States (the "Strategic Alliance").

Pursuant to the agreements, the Company issued 1,605,330 shares of common stock, which were issued from treasury shares, representing 4.45% of the Company's post-transaction outstanding common stock with a fair value of \$82.5 million in exchange for the European IAM Business and the Strategic Alliance.

The agreements also provided that immediately following the signing of such agreements, WPP would conduct a tender offer to purchase an amount of the Company's shares at a price per share equal to \$46.13. In the event the combination of shares issued for the European IAM Business and the Strategic Alliance and the shares purchased in the tender offer failed to result in beneficial ownership by WPP of at least 15% of the Company's outstanding common stock, the Company agreed to directly issue and sell additional shares at the tender offer price of \$46.13 to WPP to achieve the minimum of 15%. As WPP was unable to acquire sufficient shares through the tender offer, the Company sold and WPP purchased 4,438,353 newly issued shares of the Company's common stock in exchange for cash of \$204.7 million. As of the date of issuance, the difference between the fair market value of the shares issued and the tender offer price was \$23.6 million.

Total fair value consideration for the transactions was \$310.8 million for which the Company issued 6,043,683 shares of outstanding common stock. The fair value of the European IAM Business was determined to be approximately \$8.5 million and the fair value of the intangible asset associated with the Strategic Alliance was determined to be approximately \$98.6 million, adjusted for the capitalization of asset acquisition costs of \$1.0 million. The Strategic Alliance was recorded as a definitive-lived intangible asset classified as, acquired relationship / technology, that will be amortized over the ten year life of the agreement. Further, the Company received \$201.3 million in cash, net of equity issuance costs incurred of \$3.4 million.

The acquisition of the European IAM Business resulted in goodwill of approximately \$5.3 million, net of a \$0.1 million working capital adjustment made during the three months ended September 30, 2015. This amount represents the residual of the fair value of the business after allocation of net assets and identifiable intangible assets acquired. The amount is consistent with the Company's intention for the acquisition of the European IAM Business. During the nine months ended September 30, 2015, the Company incurred transaction costs related to its acquisition of the European IAM Business and Strategic Alliance of approximately \$1.9 million.

In addition, as part of the acquisition of the European IAM Business, the Company acquired definitive-lived intangible assets totaling \$3.0 million. The following table outlines the fair value of the intangible assets and the useful life for each type of intangible asset. The intangible assets are amortized using a straight-line method.





Table of Contents

	Fair Value (in thousands)	Useful Lives (Years)
Name and trademarks	\$ 370	6.0
Panel	1,580	2.0
Intellectual property	840	2.0
Customer relationships	200	7.0
	\$2,990	

In addition to the definitive-lived intangible assets above, the Company acquired less than \$0.1 million of net tangible assets.

The Company is still in the process of evaluating the opening balance sheet of the European IAM Business and may adjust the preliminary purchase accounting after obtaining more information. The results of the European IAM Business have been included in the financial statements since the date of acquisition and were not material to the overall consolidated results of the Company.

As of April 1, 2015, WPP's aggregate holdings amount to 15% of the Company's common stock, see Footnote 12, Related Party Transactions.

## Acquisition of Proximic

On April 23, 2015, the Company entered into an Agreement and Plan of Merger to acquire Proximic, Inc. ("Proximic") for \$9.5 million cash in exchange for all of the outstanding capital stock of Proximic. The Company acquired Proximic to power enhancements to brand safety and content categorization capabilities across the Company's product offerings.

The acquisition of Proximic resulted in goodwill of approximately \$4.5 million, none of which is deductible for tax purposes. This amount represents the residual amount of the total purchase price after determining the fair value for net assets and identifiable intangible assets acquired. The amount recorded as goodwill is consistent with the Company's intentions for the acquisition of Proximic. During the nine months ended September 30, 2015, the Company incurred transaction costs related to its acquisition of Proximic of approximately \$0.4 million.

The preliminary purchase price of Proximic is allocated as follows (in thousands):

Net tangible assets acquired	\$ 714
Definite-lived intangible assets acquired	4,290
Goodwill	4,496
Total purchase price, net of cash acquired	\$9,500

The following table outlines the fair value of the intangible assets and the useful life for each type of intangible asset. The intangible assets are amortized using a straight-line method.

	Fair Value (in thousands)	Useful Lives (Years)
Name and trademarks	\$ 190	1.5
Customer relationship	1,700	5.0
Acquired methodologies/technology	2,400	3.0
	\$4,290	

The Company is still in the process of evaluating the opening balance sheet and may adjust the preliminary purchase accounting after obtaining more information. The results of Proximic have been included in the financial statements since the date of acquisition and were not material to the overall consolidated results of the Company.



Table of Contents

## Acquisition of MdotLabs

On August 4, 2014 the Company entered into and closed on a definitive Stock Purchase Agreement (the "Stock Purchase Agreement") with M.Labs, Inc., a Delaware corporation ("MdotLabs"). On August 4, 2014 comScore completed its purchase of all of the outstanding capital stock of MdotLabs, and MdotLabs became a wholly-owned subsidiary of comScore. MdotLabs is a SaaS security platform designed to combat invalid activity in web and mobile advertising, such as non-human traffic. The aggregate amount of the consideration paid by the Company upon the closing of the transaction was \$4.5 million, which was comprised entirely of cash.

## 4. Asset Dispositions

## Disposition of the mobile operator analytics business

On May 11, 2015, the Company sold certain assets related to its mobile operator analytics business ("CSWS") to a Buyer. CSWS, formerly known as Nexius, Inc. was acquired on July 1, 2010.

In connection with the disposition, the Buyer assumed certain customer liabilities. Further, the Company paid the Buyer for customer balances collected in 2015. The Company entered into a loan and security agreement which allows the Buyer to borrow up to \$1.5 million, subject to various restrictions, and annual reductions in the borrowing amount of \$0.5 million per year until April 30, 2018. The loan is secured by all of the assets of the Buyer, with interest due quarterly. As of September 30, 2015, the Buyer has not borrowed any funds under the agreement. The Company, without compensation, will provide ongoing technology and transitional services to the Buyer for up to one year from the closing date of the transaction. The costs associated with these services are not significant.

As a result of the disposition, the Company recorded a loss on the disposition of \$5.2 million, determined as follows (in thousands):

Relief from certain customer obligations	\$3,551	
Carrying value of net assets disposed	(6,242	)
	(2,691	)
Cash paid for disposition of business	(2,535	)
Loss on sale of assets	\$(5,226	)

The remaining \$0.5 million of cash due to Buyer as of June 30, 2015 related to the disposition was paid during the three months ended September 30, 2015 and is included in the cash paid for disposition in the table above.

Table of Contents

## 5. Goodwill and Intangible Assets

The change in the carrying value of goodwill for the nine months ended September 30, 2015 is as follows (in thousands):

Balance as of December 31, 2014	\$ 103,525	
Acquisition of Proximic	4,496	
Acquisition of European IAM Business	5,303	
Translation adjustments	(1,761	)
Balance as of September 30, 2015	\$ 111,563	

The carrying values of the Company's amortizable acquired intangible assets are as follows (in thousands):

	September 30, 2015			December 31, 2014		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Acquired methodologies/technology	\$ 8,857	\$(6,044	) \$ 2,813	\$ 6,612	\$(5,180	) \$ 1,432
Acquired relationship/technology	98,622	(4,931	) 93,691	—	—	—
Customer relationships	19,843	(14,198	) 5,645	19,201	(12,970	) 6,231
Intellectual property	14,396	(6,886	) 7,510	13,562	(5,528	) 8,034
Panel	3,199	(2,003	) 1,196	1,617	(1,521	) 96
Trade names	2,120	(1,645	) 475	1,690	(1,690	) —
	\$ 147,037	\$(35,707	) \$ 111,330	\$ 42,682	\$(26,889	) \$ 15,793

Amortization expense related to intangible assets was approximately \$4.2 million and \$9.9 million for the three and nine months ended September 30, 2015, respectively, and \$1.9 million and \$5.8 million for the three and nine months ended September 30, 2014, respectively.

The weighted average remaining amortization period by major asset class as of September 30, 2015, is as follows:

	(In years)
Acquired methodologies/technology	2.7
Acquired relationship/technology	9.5
Customer relationships	2.8
Intellectual property	5.8
Panel	1.5
Trade names	4.2

The estimated future amortization of acquired intangible assets as of September 30, 2015 is as follows:

	(In thousands)
2015	\$ 4,166
2016	16,275
2017	14,360
2018	11,665
2019	10,809
Thereafter	54,055
	\$ 111,330

During the three months ended September 30, 2014, the Company performed an impairment test of the long-lived assets of CSWS by comparing the sum of the undiscounted cash flows expected to result from the use and eventual disposition of CSWS to the carrying value of CSWS's long-lived assets. Based on this analysis, the Company

determined as of September 30, 2014 that the CSWS intangible assets were impaired. The Company estimated the fair value of the intangible asset of CSWS to be \$2.8 million as of September 30, 2014, which resulted in an impairment charge of \$6.9 million during the three months

Table of Contents

ended September 30, 2014. The impairment charge had a negative impact on income from operations of \$6.9 million and an impact on earnings per share of \$0.21 per share during the three and nine months ended September 30, 2014.

## 6. Long-term Debt and Other Financing Arrangement

### Capital Leases

The Company has a lease financing arrangement with Banc of America Leasing & Capital, LLC in the amount of \$10.0 million, of which the Company can utilize approximately \$7.2 million as of September 30, 2015, for future capital leases. This arrangement allows the Company to lease new software, hardware and other computer equipment as it expands its technology infrastructure in support of its business growth. Under this arrangement, the Company may enter into new capital leases prior to May 15, 2016. Some of the amounts the Company has utilized to date under this arrangement have not lowered the amount available for future capital leases, because those amounts have been assigned by Banc of America Leasing & Capital, LLC under separate third-party arrangements. In addition, the Company enters into capital leases under non-committed arrangements, typically directly with equipment manufacturers.

Future minimum payments under capital leases with initial terms of one year or more are as follows:

	(In thousands)
2015	\$4,577
2016	15,864
2017	9,343
2018	2,854
2019	51
2020	21
Total minimum lease payments	32,710
Less amount representing interest	(1,657)
Present value of net minimum lease payments	31,053
Less current portion	(16,380)
Capital lease obligations, long-term	\$14,673

During the nine months ended September 30, 2015 and 2014, the Company incurred \$16.5 million and \$10.9 million, in capital lease obligations, respectively.

### Revolving Credit Facility

On September 26, 2013, the Company entered into a Credit Agreement (the "Credit Agreement") with several banks (the "Lenders"). Bank of America, N.A. ("Bank of America") is the administrative agent, and lead lender of this Revolving Credit Facility. The Credit Agreement provides for a five-year revolving credit facility of \$100.0 million, which includes a \$10.0 million sublimit for issuance of standby letters of credit, a \$10.0 million sublimit for swing line loans and a \$10.0 million sublimit for alternative currency lending. The maturity date of the Credit Agreement is September 26, 2018. The Credit Agreement also contains an expansion option permitting the Company to request an increase of the credit facility up to an aggregate additional \$50.0 million, subject to certain conditions. Borrowings under the Revolving Credit Facility shall be used towards working capital and other general corporate purposes as well as for the issuance of letters of credit. On June 23, 2014, the Company executed the First Amendment to the Credit Agreement. This amendment reset the equity repurchase limit to \$50.0 million and permits the Company to repurchase equity interests in the Company outside the \$50.0 million limit during the remainder of the five-year revolver term, provided that certain financial thresholds are met.

Base rate loans and swing line loans will bear interest at the Base Rate plus the Applicable Rate, as such terms are defined in the Credit Agreement and summarized below. The Base Rate is the highest rate of the following: (a) the Federal Funds rate plus 0.50%, (b) the publicly announced Bank of America prime rate, and (c) the Eurocurrency rate, as defined in the Credit Agreement plus 1.0%. The Applicable Rate for base rate loans and swing line loans is 0.50% to 1.50% depending on the Company's funded debt-to-EBITDA ratio at the end of each fiscal quarter. Amounts supporting letters of credit bear interest at the applicable rate for revolving loans. Each Eurocurrency rate loan will

bear interest at the Eurocurrency Rate plus the Applicable Rate ranging from 1.50% to 2.50% depending on the Company's funded debt-to-EBITDA ratio at the end of each fiscal quarter. Beginning on September 26, 2013 through the maturity date of the five-year revolver term, the Company is obligated to pay a fee, payable quarterly in arrears, based on the average unused portion of the available amounts under the

## Table of Contents

Credit Agreement at a rate of 0.20% to 0.35% per annum depending on the Company's funded debt-to-EBITDA ratio at the end of each fiscal quarter.

The Credit Agreement contains various usual and customary covenants, including, but not limited to: financial covenants requiring maximum funded debt-to-EBITDA ratio, cash flow-to-fixed charge ratios and a minimum liquidity during equity repurchase periods as well as covenants relating to the Company's ability to dispose of assets, make certain acquisitions, be acquired, incur indebtedness, grant liens and make certain investments. As of September 30, 2015 the Company was in full compliance with all covenants contained in the Credit Agreement. As of September 30, 2015, the Company did not have an outstanding balance under the terms of the Credit Agreement.

The Company maintains letters of credit in lieu of security deposits with respect to certain office leases as well as to satisfy performance guarantees under certain contracts. As of September 30, 2015, \$3.5 million in letters of credit were outstanding, leaving \$6.5 million available for additional letters of credit. These letters of credit may be reduced periodically provided the Company meets the conditional criteria of each related lease agreement.

## 7. Contingencies

### Contingencies

From time to time, the Company is involved in various legal proceedings and claims arising from the normal course of business. Although the outcome of any legal proceeding cannot be predicted with certainty, management believes that the final outcome and resolution of current matters, if any, will not materially affect the Company's consolidated financial position or results of operations.

### Litigation Related to Pending Merger with Rentrak Corporation

Since the public announcement of the Company's proposed merger with Rentrak Corporation ("Rentrak") on September 29, 2015, four putative shareholder class action lawsuits have been filed against Rentrak, its directors, the Company and other defendants, as described further below, in connection with Rentrak and the Company entering into a merger agreement on September 29, 2015 (the "Merger Agreement"). The four actions were filed in Multnomah County Circuit Court in the State of Oregon: (1) Nathan v. Rentrak Corporation, et al., No. 15CV27429, filed on October 9, 2015; (2) Blum v. Rentrak Corporation, et al., No. 15CV27443, also filed on October 9, 2015; (3) Stein v. Rentrak Corporation, et al., No. 15CV27520, filed on October 12, 2015; and (4) Sikorski v. Rentrak Corporation, et al., No. 15CV27932, filed on October 14, 2015.

Each of the foregoing lawsuits was filed on behalf of a putative class of Rentrak shareholders against Rentrak, the individual members of Rentrak's board of directors, and/or comScore and/or its merger subsidiary entity (the Nathan action does not name comScore or the merger subsidiary entity as defendants).

The lawsuits allege variously that the individual members of Rentrak's board of directors breached their fiduciary duties owed to Rentrak's shareholders by (a) approving the proposed merger for inadequate consideration; (b) approving the merger to obtain unique benefits not shared equally with other Rentrak shareholders; (c) failing to take steps to maximize the value paid to Rentrak shareholders; (d) failing to take steps to ensure a fair process leading up to the proposed merger; (e) agreeing to preclusive deal protection devices in the merger agreement; and (f) failing to ensure that no conflicts exist between individual directors' own interests and their fiduciary obligations to Rentrak's shareholders. The Blum, Stein and Sikorski lawsuits also state claims against comScore and/or the merger subsidiary entity for aiding and abetting these alleged breaches of fiduciary duties. The plaintiffs in each of the lawsuits generally seek, among other things, declaratory and injunctive relief concerning the alleged breaches of fiduciary duties, injunctive relief prohibiting completion of the mergers, rescission of the merger if it is completed, an accounting by defendants, rescissionary damages, attorney's fees and costs, and other relief.

On October 22, 2015, in the Nathan lawsuit, plaintiffs filed a motion to consolidate the lawsuits and appoint Nathan as the lead plaintiff and Nathan's counsel as lead counsel, and that motion is supported by the plaintiff's counsel in the Blum, Stein and Sikorski lawsuits. This motion is pending with the court.

Based on examination of the claims, the Company believes that, as to the Company, they are without merit. The Company continues to investigate the claims and intends to vigorously protect and defend itself. It is not possible for the Company to estimate a potential range of loss at this time.





Table of Contents

8. Income Taxes

The Company's income tax provision for interim periods is calculated by applying its estimated annual effective tax rate on ordinary income before taxes to year-to-date ordinary book income before taxes. The income tax effects of any extraordinary, significant unusual or infrequent items not included in ordinary book income are determined separately and recognized in the period in which the items arise.

During the three and nine months ended September 30, 2015, the Company recorded income tax benefits of \$40,000 and \$0.3 million, respectively, resulting in effective tax rates of (4.3%) and 2.8%, respectively. During the three and nine months ended September 30, 2014, the Company recorded income tax benefits of \$2.6 million and \$2.0 million, respectively, resulting in effective tax rates of 43.9% and 21.2%, respectively. These effective tax rates differ from the Federal statutory rate of 35% due to the effects of state income taxes, foreign income taxes, nondeductible expenses such as certain stock compensation and meals and entertainment, unrecognized tax benefits and changes in statutory tax rates which took effect during the year. The effective tax rate for the three and nine months ended September 30, 2015 decreased compared to the effective tax rate for the three and nine months ended September 30, 2014 primarily as a result of tax benefits associated with the disposition of the mobile operator analytics business.

As of September 30, 2015 and December 31, 2014, the Company had unrecognized tax benefits of approximately \$1.4 million, of which approximately \$0.9 million is netted against certain deferred tax assets on the accompanying consolidated balance sheets. The Company recognizes accrued interest and penalties related to unrecognized tax benefits in income tax expense.

Table of Contents

## 9. Stockholders' Equity

## 1999 Stock Option Plan and 2007 Equity Incentive Plan

Prior to the effective date of the registration statement for the Company's initial public offering ("IPO") on June 26, 2007, eligible employees and non-employees were awarded options to purchase shares of the Company's common stock, restricted stock or restricted stock units pursuant to the Company's 1999 Stock Plan (the "1999 Plan"). Upon the effective date of the registration statement of the Company's IPO, the Company ceased using the 1999 Plan for the issuance of new equity awards. Upon the closing of the Company's IPO on July 2, 2007, the Company established its 2007 Equity Incentive Plan, as amended (the "2007 Plan" and together with the 1999 Plan, the "Plans"). The 1999 Plan will continue to govern the terms and conditions of outstanding awards granted thereunder, but no further shares are authorized for new awards under the 1999 Plan. As of September 30, 2015 and December 31, 2014, the Plans provided for the issuance of a maximum of approximately 12.7 million shares and 11.4 million shares, respectively, of common stock. In addition, the 2007 Plan provides for annual increases in the number of shares available for issuance thereunder on the first day of each fiscal year beginning with the 2008 fiscal year, equal to the lesser of: (i) 4% of the outstanding shares of the Company's common stock on the last day of the immediately preceding fiscal year; (ii) 1,800,000 shares; or (iii) such other amount as the Company's Board of Directors may determine. The vesting period of options granted under the Plans is determined by the Board of Directors, although, for service-based options the vesting has historically been generally ratable over a four-year period. Options generally expire 10 years from the date of the grant. Effective January 1, 2015, the shares available for grant increased by 1,366,979 pursuant to the automatic share reserve increase provision under the 2007 Plan. Accordingly, as of September 30, 2015, a total of 2,535,262 shares were available for future grant under the 2007 Plan.

The Company estimates the fair value of stock option awards using the Black-Scholes option-pricing formula and a single option award approach. The fair value of market-based stock options and market-based restricted stock units is determined using a Monte Carlo simulation embedded in a lattice model. The fair value of restricted stock awards is based on the closing price of our common stock on the date of grant. The Company then amortizes the fair value of awards expected to vest on a ratable straight-line basis over the requisite service periods of the awards, which is generally the period from the grant date to the end of the vesting period.

During the twelve months ended December 31, 2014, the Company granted 1,969,453 market-based options and 283,356 market-based restricted stock units to its named executive officers and other key management personnel. These market-based grants were designed to motivate management to drive enterprise value toward a significantly higher market capitalization over the next three years. In addition, the 30-day price average and bifurcated vesting provisions described below were intended to promote sustainability of the achievement.

The awards were granted effective as of November 7, 2014. The market-based options were issued with an exercise price of \$42.92 per share, which is equal to the closing price of the Company's common stock as reported by the NASDAQ Global Market on November 7, 2014. Each of the awards is subject to market-based vesting, as follows: 66% of the shares subject to each option award, and 48% of the restricted stock units will vest in the event that the closing price of the Company's common stock as reported by the NASDAQ Global Market exceeds an average of \$48 per share for a consecutive thirty calendar day period prior to November 7, 2017. Such target represents a 25% increase over the 30-day average closing price of the Company's common stock as reported by the NASDAQ Global Market ending on the date of award.

10% of the shares subject to each option award, and 10% of the restricted stock units will vest in the event that the closing price of the Company's common stock as reported by the NASDAQ Global Market exceeds an average of \$50 per share for a consecutive thirty calendar day period prior to November 7, 2017.

14% of the shares subject to each option award, and 22% of the restricted stock units will vest in the event that the closing price of the Company's common stock as reported by the NASDAQ Global Market exceeds an average of \$55 per share for a consecutive thirty calendar day period prior to November 7, 2017.

10% of the shares subject to each option award, and 20% of the restricted stock units will vest in the event that the closing price of the Company's common stock as reported by the NASDAQ Global Market exceeds an average of \$60 per share for a consecutive thirty calendar day period prior to November 7, 2017.



Table of Contents

As of September 30, 2015, the stock-based compensation expense related to the November 7, 2014 awards have been fully recognized in the consolidated statements of operations and comprehensive loss.

The following are the weighted-average assumptions used in valuing the stock options granted during the year ended December 31, 2014 and a discussion of the Company's assumptions.

	Year Ended December 31, 2014	
Dividend yield	0.00	%
Expected volatility	34.11	%
Risk-free interest rate	0.96	%
Expected life of options (in years)	3.00	

Dividend yield — The Company has never declared or paid dividends on its common stock and has no plans to pay dividends in the foreseeable future.

Expected volatility — Volatility is a measure of the amount by which a financial variable such as a share price has fluctuated (historical volatility) or is expected to fluctuate (expected volatility) during a period. The expected volatility is calculated based on the weekly closing price volatility of the Company's common stock for the period from its initial public offering until the grant date.

Risk-free interest rate — The Company used rates on the grant date of zero-coupon government bonds with maturities over periods covering the term of the awards, converted to continuously compounded forward rates.

Expected life of the options — This is the period of time that the options granted are expected to remain outstanding.

A summary of the Plans is presented below:

	Number of Shares	Weighted- Average Exercise Price	Weighted Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in thousands)
Options outstanding at December 31, 2014	1,980,308	\$42.71	9.81	7,359
Options granted	—	—	—	—
Options exercised	(276,064	) 42.10	—	3,013
Options forfeited	—	—	—	—
Options expired	(200	) 4.25	—	—
Options outstanding at September 30, 2015	1,704,044	\$42.82	9.09	5,677
Options exercisable at September 30, 2015	1,704,044	\$42.82	9.09	5,677

The intrinsic value of exercised stock options is calculated based on the difference between the exercise price and the quoted market price of our common stock as of the close of the exercise date. The aggregate intrinsic value of options exercised for the three months ended September 30, 2015 was less than \$0.1 million. The aggregate intrinsic value of options exercised for the three and nine months ended September 30, 2014 was \$0.6 million and \$0.7 million, respectively. As of September 30, 2015, there was no unrecognized compensation expense related to outstanding options and exercisable options.

The Company's non-vested stock awards are comprised of restricted stock and restricted stock units. The Company has a right of repurchase on such shares that lapse at a rate of twenty-five percent (25)% of the total shares awarded at each successive anniversary of the initial award date, provided that the employee continues to provide services to the Company. In the event that an employee terminates his or her employment with the Company, any shares that remain unvested and consequently subject to the right of repurchase shall be automatically reacquired by the Company at the original purchase price paid by the employee. During the three months ended September 30, 2015, 500 forfeited shares of restricted stock have been repurchased by the Company at no cost and were subsequently retired.



Table of Contents

A summary of the status for non-vested stock awards as of September 30, 2015 is presented as follows:

Non-vested Stock Awards	Restricted Stock	Restricted Stock Units	Total Number of Shares Underlying Awards	Weighted Average Grant-Date Fair Value
Non-vested at December 31, 2014	476,993	1,410,581	1,887,574	\$26.88
Granted	189,708	297,306	487,014	49.17
Vested	(531,168)	(754,491)	(1,285,659)	32.49
Forfeited	(10,263)	(81,920)	(92,183)	35.03
Non-vested at September 30, 2015	125,270	871,476	996,746	\$29.79

The aggregate intrinsic value for all non-vested shares of restricted stock and restricted stock units outstanding as of September 30, 2015 was \$44.7 million. The aggregate intrinsic value of restricted stock and restricted stock units vested during the three months ended September 30, 2015 was \$7.7 million.

The Company granted non-vested stock awards at no cost to recipients during the three months ended September 30, 2015. As of September 30, 2015, total unrecognized compensation expense related to non-vested restricted stock and restricted stock units was \$23.1 million, which the Company expects to recognize over a weighted-average period of approximately 1.04 years. Total unrecognized compensation expense may be increased or decreased in future periods for subsequent grants or forfeitures.

Of the 129,170 shares of the Company's restricted stock and restricted stock units vesting during the three months ended September 30, 2015, the Company repurchased 48,226 shares at an aggregate purchase price of approximately \$2.6 million pursuant to the stockholder's right under the Plans to elect to use common stock to satisfy tax withholding obligations. The repurchased shares were subsequently retired.

#### Shares Reserved for Issuance

At September 30, 2015, the Company had reserved for future issuance the following shares of common stock:

Common stock available for future issuances under the Plans	2,535,262
Common stock reserved for outstanding options and restricted stock units	2,575,520
	5,110,782

## 10. Share Repurchases

As part of the Company's share repurchase program, shares may be purchased in open market transactions or pursuant to any trading plan that may be adopted in accordance with Rule 10b5-1 of the Exchange Act. The timing, manner, price and amount of any repurchases will be determined at our discretion, and the share repurchase program may be suspended, terminated or modified at any time for any reason. Shares repurchased are classified as Treasury Stock. Details of the share repurchases during the three and nine months ended September 30, 2015 and 2014 under the Company's share repurchase programs were as follows:

	Three Months Ended September 30, 2015 (1)		Nine Months Ended September 30, 2015 (1)(2)	
	2014 (2)	2014 (2)(3)	2014 (2)(3)	2014 (2)(3)
(Amounts in millions, except share and per share data)				
Total number of shares repurchased	823,779	16,100	1,949,580	1,253,672
Average price paid per share	\$55.78	\$36.86	\$54.33	\$29.42
Total value of shares repurchased (as measured at time of repurchase)	\$45.9	\$0.6	\$105.9	\$36.9

(1) May 2015 Share Repurchase Program

On May 5, 2015 the Company announced that its board of directors had approved the repurchase of up to \$150.0 million of the Company's common stock which commenced on May 6, 2015. Such repurchases may be made from time to time



subject to pre-determined price and volume guidelines established by our board of directors. Through September 30, 2015 this program resulted in the repurchase of \$99.9 million of shares (as measured at the time of repurchase) \$50.1 million of shares (as measured at the time of repurchase), remain available for repurchase. The program was suspended pending closing of the Rentrak merger.

(2) June 2014 Share Repurchase Program

On June 5, 2014 the Company announced that its board of directors had approved the repurchase of up to an additional \$50.0 million of our common stock. Such repurchases may be made from time to time subject to pre-determined price and volume guidelines established by our board of directors and commenced on June 6, 2014. This repurchase program concluded on May 5, 2015 and resulted in the repurchase of \$6.9 million of shares (as measured at the time of repurchase).

(3) June 2013 Share Repurchase Program

On June 3, 2013 the Company announced that its board of directors had approved the repurchase of up to \$50 million of the Company's common stock. Such repurchases may be made from time to time subject to pre-determined price and volume guidelines established by the Company's board of directors and commenced on June 4, 2013. This repurchase program concluded on May 29, 2014 and resulted in the repurchase of \$49.4 million of shares (as measured at the time of repurchase).

## 11. Geographic Information

The Company attributes revenues to customers based on the location of the customer. The composition of the Company's sales to unaffiliated customers between those in the United States and those in other locations for the three and nine months ended September 30, 2015 and 2014 is set forth below:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
	(In thousands)		(In thousands)	
United States	\$67,577	\$57,038	\$197,312	\$167,297
Europe	15,263	14,346	45,953	41,563
Canada	3,821	3,683	10,213	10,376
Other	5,744	7,069	17,670	19,812
Total revenues	\$92,405	\$82,136	\$271,148	\$239,048

The composition of the Company's property and equipment between those in the United States and those in other countries as of the end of each period is set forth below:

	September 30, 2015	December 31, 2014
	(In thousands)	
United States	\$39,522	\$38,240
Europe	5,242	3,375
Canada	134	195
Other	584	555
Total	\$45,482	\$42,365

## 12. Related Party Transactions

### Transactions with WPP

As of September 30, 2015, WPP owned approximately six million shares of the Company's outstanding common stock, representing approximately 16% ownership in the Company.

The Company provides to WPP and its affiliates, in the normal course of business, subscription-based products and custom revenue projects and receives various services from WPP and its affiliates supporting the Company's data

collection efforts.

23

---

Table of Contents

The Company's results from transactions with WPP and its affiliates for the three and nine months ended September 30, 2015 are set forth below:

	Three Months Ended September 30, 2015 (In thousands)	Nine Months Ended September 30, 2015	
Revenue	\$ 1,796	\$ 4,673	(1)
Expenses	\$ 1,184	\$ 2,325	(1)

(1) Represents transactions since April 2015.

The Company has the following balances related to transactions with WPP and its affiliates reflected in the consolidated balance sheet as of September 30, 2015:

	(In thousands)
Accounts receivable	\$ 1,475
Accounts payable	\$ 1,279
Deferred revenue	\$ 545

#### Data Exchange Agreement

In addition, in 2013, the Company entered into an agreement to exchange certain data assets with a corporation. During the three months ended December 31, 2014, the Company and the corporation modified the existing agreement, where the parties will provide additional data assets. A member of the Company's Board of Directors also serves as a member of the Board of Directors of that corporation. The transaction was considered to have commercial substance under the guidance in ASC 845 and the Company estimated the fair value of the services delivered based on similar monetary transactions with third parties. No cash was exchanged in this transaction.

During the three and nine months ended September 30, 2015, the Company recognized \$2.3 million and \$6.6 million of revenue and expense of \$2.0 million and \$6.1 million, respectively, for this nonmonetary transaction.

During the three and nine months ended September 30, 2014, the Company recognized \$1.5 million and \$4.7 million of revenue and expense of \$2.4 million and \$5.6 million, respectively, for this nonmonetary transaction.

#### 13. Subsequent Events

On November 5, 2015, the Company's executed a definitive agreement to transfer certain assets and business operations of the Company's Digital Analytix® Enterprise ("DaX") solution to Adobe Systems Incorporated ("Adobe") for \$45 million in cash. The transaction is subject to customary closing conditions and is expected to close in the fourth quarter of 2015.

Table of Contents

ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and the related notes to those statements included elsewhere in this Quarterly Report on Form 10-Q. In addition to historical financial information, the following discussion and analysis contains forward-looking statements that involve risks, uncertainties and assumptions. Our actual results and timing of selected events may differ materially from those anticipated in these forward-looking statements as a result of many factors, including those discussed under "Risk factors" and elsewhere in this document. See also "Cautionary Note Concerning Forward-Looking Statements" at the beginning of this Quarterly Report on Form 10-Q.

Overview

We provide trusted, independent data, metrics, products and services to clients in the media, advertising, and marketing industries. We deliver digital media analytics that help content owners and advertisers understand--and thus properly value--the composition of consumer media audiences, and we help marketers understand the performance and effectiveness of advertising targeted at these audiences.

We are a technology-driven company that measures what people do as they navigate the digital world across multiple technology platforms and devices including smartphones, tablets, televisions, and desktop computers. Our technology measures consumer interactions with digital media, including websites, apps, video programming and advertising.

We combine proprietary comScore data with our clients' own data and data from partners to provide valuable digital media analytics. We deliver on-demand and real-time products and services through a scalable Software-as-Service delivery model which supports both comScore branded products and also partner products integrating comScore data and services. During the three months ended September 30, 2015, we provided service to approximately 2,728 customers worldwide with our broad geographic base of employees located in 37 locations in 25 countries.

Our company was founded in August 1999, and we have been publicly traded since our initial public offering in 2007. As we have grown as a public company, we have continued to evolve. For example, from 2008 to 2011, we completed targeted acquisitions of several businesses with complementary research and analytics capabilities and businesses with an established presence in Europe and Latin America to expand our global footprint. Our revenues and expenses grew through this period, driven primarily by growth in our product offerings, increased sales to existing customers, and the resulting expansion of our customer base outside the United States following our acquisitions and increased international sales efforts. Since 2010, we have increasingly focused our technology, research, and data science assets and expertise on developing new products and services that report on advertising performance and effectiveness, most notably our advertising product Validated Campaign Essentials.

In April 2015, we acquired WPP's internet audience measurement businesses in certain European markets to further expand our customer base and data services. In addition, we acquired Proximic, Inc. to power enhancements to brand safety and content categorization capabilities across our products.

In May 2015, we completed the sale of certain assets related to our mobile operator analytics business to a buyer in exchange for assumption of certain of our liabilities.

We have also made large investments in multi-platform and cross-media solutions measuring digital content consumption across smartphone, tablet and desktop platforms, and also linking digital video consumption with metrics measuring traditional linear television viewing. In recent years, our strategy has also involved a series of strategic partnerships, such as our April 2015 relationship with WPP/Kantar, along two dimensions: Product development and product distribution. Product development has been enhanced through partnerships which provide us with large volumes of consumer demographics and segmentation data which improves the accuracy and granularity of our products and services. Product distribution has been significantly widened through partnerships which integrate our products and services into the third party platforms used by clients. We believe these investments in advertising measurement and multi-platform/cross-media measurement will drive revenue growth in the years ahead as we pursue

our mission of making audiences and advertising more valuable.

In September 2015, we entered into a definitive merger agreement under which we will combine with Rentrak Corporation in a stock-for-stock merger subject to customary closing conditions. This expected combination, when consummated, will be transformative for our business and will enable us to introduce a more comprehensive and precise set of solutions for measuring media and advertising across platforms.

Table of Contents

## Key Metrics

	Three Months Ended September 30,		Nine Months Ended September 30,		
	2015	2014	2015	2014	
	(dollars in thousands)				
Revenue <sup>(1)</sup>	\$92,405	\$81,260	\$270,747	\$236,034	
Adjusted EBITDA* <sup>(1)</sup>	\$23,381	\$20,166	\$67,551	\$54,781	
Adjusted EBITDA Margin*	25	% 25	% 25	% 23	%

Adjusted EBITDA is not calculated in accordance with generally accepted accounting principles, or GAAP. A \*reconciliation of this non-GAAP measure to the most directly comparable GAAP-based measure along with a summary of the definition and its material limitation are included in the section titled “Non-GAAP Financial Measures.”

<sup>(1)</sup> We divested our mobile operator analytics division CSWS during the second quarter of 2015. The division was classified as held for sale in the fourth quarter of 2014. Amounts for three and nine months ended September 30, 2015, and 2014 include adjustments to exclude the mobile operator analytics division and are based on management’s estimates of the revenue and results of operations of the division.

We monitor the key financial and operating metrics set forth in the preceding table to help us evaluate trends and measure the effectiveness and efficiency of our operations. We discuss our revenue in the section titled “Our Revenues” and “Results of Operations” and Adjusted EBITDA and Adjusted EBITDA margin in the section titled “Non-GAAP Financial Measures.”

## Non-GAAP Financial Measures

To provide investors with additional information regarding our financial results, we have disclosed adjusted EBITDA and adjusted EBITDA margin, which are both non-GAAP financial measures.

We present these non-GAAP financial measures because they are key measures used by our management and board of directors to understand and evaluate our core operating performance and trends. We believe that these non-GAAP financial measures provide useful information to investors and others in understanding and evaluating our operating results in the same manner as our management and board of directors.

We define adjusted EBITDA as net income (loss) plus; amortization of intangible assets, impairment of intangible assets, stock-based compensation, costs related to acquisitions, restructuring and other infrequently occurring items, settlement of litigation, pro-forma adjustment to exclude the mobile operator analytics division, deferred and current cash tax provision, depreciation, and interest expense (income), net. Adjusted EBITDA margin is the quotient of Adjusted EBITDA divided by total pro-forma revenue.

Our use of these non-GAAP financial measures has limitations as an analytical tool, and you should not consider them in isolation or as a substitute for analysis of our results as reported under GAAP. These limitations are:

- although depreciation and amortization are non-cash charges, the assets being depreciated may have to be replaced in the future, and adjusted EBITDA does not reflect cash capital expenditure requirements for such replacements or for new capital expenditure requirements;
- adjusted EBITDA does not reflect changes in, or cash requirements for, our working capital needs;
- adjusted EBITDA does not consider the impact of equity-based compensation;
- adjusted EBITDA does not reflect tax payments that may represent a reduction in cash available to us; and
-

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

Because of these and other limitations, you should consider adjusted EBITDA alongside other GAAP-based financial performance measures, including various cash flow metrics, net income (loss) and our other GAAP financial results. Management addresses the inherent limitations associated with using adjusted EBITDA through disclosure of such limitations, presentation of our financial statements in accordance with GAAP and reconciliation of adjusted EBITDA to the most directly comparable GAAP measure, net income (loss). Further, management also reviews GAAP measures, and evaluates individual measures that are not included in adjusted EBITDA such as our level of capital expenditures and interest expense, among other items.

Table of Contents

The following table presents a reconciliation of adjusted EBITDA to net loss, the most comparable GAAP measure, for each of the periods identified:

	Three Months Ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
	(dollars in thousands)			
Net income (loss)	\$961	\$ (3,261)	\$ (11,151)	\$ (7,243)
Amortization of intangible assets	4,220	1,912	9,904	5,786
Impairment of intangible assets	—	6,942	—	6,942
Stock-based compensation	8,645	10,159	39,017	26,442
Costs related to acquisitions, restructuring and other infrequently occurring items	3,957	997	7,137	4,433
Settlement of litigation, net	(170)	(80)	(830)	2,780
Loss on asset disposition	—	—	5,226	—
Adjustment to exclude Mobile Operator Analytics Division	—	1,048	1,631	3,519
Non-cash portion of current tax provision related to excess tax benefits from stock-based compensation (2)	—	1,047	—	2,228
Deferred tax (benefit)	(614)	(4,681)	(167)	(6,113)
Current tax provision (benefit)	574	1,079	(157)	1,933
Depreciation	5,412	4,622	15,760	13,185
Interest and other expense, net	396	382	1,181	889
Adjusted EBITDA (1)	\$23,381	\$20,166	\$67,551	\$54,781
Adjusted EBITDA margin(1)	25	% 25	% 25	% 23

(1) Management estimates pro forma revenues of \$0 and \$401, respectively, for three and nine months ended September 30, 2015, compared to revenues of \$876 and \$3,014, respectively, for three and nine months ended September 30, 2014 related to our Mobile Operator Analytics Division. Pro forma expenses were \$0 and \$2,032 respectively, for the three and nine months ended September 30, 2015, compared to expense of \$1,924 and \$6,533 during the three and nine months ended September 30, 2014. We classified our Mobile Operator Analytics Division as held for sale as of December 31, 2014.

(2) Included in the tax provision for the three and nine months ended September 30, 2014 was \$1.0 million and \$2.2 million, respectively, of non-cash current tax expense related to excess tax benefits from stock-based compensation.

**Our Revenues**

We derive our revenues primarily from the fees that we charge for subscription-based products, customized projects, and software licenses. We define subscription-based revenues as revenues that we generate from products that we deliver to a customer on a recurring basis, as well as arrangements where a customer is committing up-front to purchase a series of deliverables over time, which includes revenue from software licenses as further discussed below. We define project revenues as revenues that we generate from customized projects that are performed for a specific customer on an infrequently occurring basis. A significant characteristic of our SaaS-based business model is our large percentage of subscription-based contracts. Subscription-based revenues accounted for 92% and 90% of total revenues in the nine months ended September 30, 2015 and 2014, respectively. Many of our customers who initially purchased a customized project have subsequently purchased one of our subscription-based products. Similarly, many of our subscription-based customers have subsequently purchased additional customized projects.

Historically, we have generated most of our revenues from the sale and delivery of our products to companies and organizations located within the United States. We continue to expand our international revenues by selling our products and deploying our direct sales force model in additional international markets. For the nine months ended



September 30, 2015, our international revenues were \$73.8 million, or 27% of our total revenues. International revenues comprised approximately 29% of our total revenues for the fiscal years ended December 31, 2014 and 2013, respectively. The decline in the percentage of international revenue to total revenue for the nine months ended September 30, 2015 was primarily attributable to the appreciation of the U.S. Dollar as compared to foreign currencies in our key international markets.

Table of Contents

We anticipate that revenues from our U.S. customers will continue to grow and constitute a substantial portion of our revenues in future periods, but we expect that revenues from customers outside of the U.S. will grow faster and therefore increase as a percentage of total revenues as we build greater international recognition of our brand and expand our sales operations globally.

We account for nonmonetary transactions under Accounting Standards Codification ("ASC") 845, Nonmonetary Transactions. Nonmonetary transactions with commercial substance are recorded at the estimated fair value of assets surrendered including cash, if cash is less than 25% of the fair value of the overall exchange, unless the fair value of the assets received is more clearly evident, in which case the fair value of the assets received is used to estimate fair value for the exchange.

**Subscription Revenues**

We generate a significant portion of our subscription-based revenues from our Media Metrix<sup>®</sup> product suite. Products within the Media Metrix<sup>®</sup> suite include: Video Metrix<sup>™</sup>, Mobile Metrix<sup>™</sup>, Plan Metrix<sup>™</sup>, Ad Metrix<sup>™</sup> and Media Metrix<sup>®</sup> Multi-Platform (MMX MP). These product offerings provide subscribers with intelligence on digital media usage, audience characteristics, audience demographics and online and offline purchasing behavior. Customers who subscribe to our Media Metrix products are provided with login IDs to our website, have access to our database and can generate reports at any time.

In recent years, we began generating additional subscription revenues from our flagship advertising product, Validated Campaign Essentials (vCE). In January 2014, we entered into a partnership agreement with Google to integrate vCE directly into the DoubleClick ad management platform, allowing DoubleClick customers to add vCE to their ad campaigns with a single click. While vCE provides key analytics about advertising campaigns to ad buyers, we also offer Validated Media Essentials (vME) to advertising sellers, allowing them to evaluate their advertising inventory and optimize their monetization strategy with metrics comparable to those used by ad buyers.

We also generate subscription-based revenues from certain reports and analyses provided through our customer research product, if that work is procured by customers on a recurring basis. Through our customer research products, we deliver digital media analytics relating to specific industries, such as automotive, consumer packaged goods, entertainment, financial services, media, pharmaceutical, retail, technology, telecommunications and travel. This marketing intelligence leverages our global consumer panel and extensive database to deliver information unique to a particular customer's needs on a recurring schedule, as well as on a continual-access basis. Our Marketing Solutions customer agreements typically include a fixed fee with an initial term of at least one year. We also provide these products on a non-subscription basis as described under "Project Revenues."

In addition, we generate subscription-based revenues from survey products that we sell to our customers. In conducting our surveys, we generally use our global Internet user panel. After questionnaires are distributed to the panel members and completed, we compile their responses and then deliver our findings to the customer, who also has ongoing access to the survey response data as they are compiled and updated over time. This data include responses and information collected from the actual survey questionnaires and can also include behavioral information that we passively collect from our panelists. If a customer has a history of purchasing survey products in each of the last four quarters, then we believe this indicates the surveys are being conducted on a recurring basis, and we classify the revenues generated from such survey products as subscription-based revenues. Our contracts for survey services typically include a fixed fee with terms that range from two months to one year.

**Project Revenues**

We generate project revenues by providing customized information reports to our customers on a nonrecurring basis through comScore Marketing Solutions. For example, a customer in the media industry might request a custom report that profiles the behavior of the customer's active online users and contrasts their market share and loyalty with similar metrics for a competitor's online user base. If this customer continues to request the report beyond an initial project term of at least nine months and enters into an agreement to purchase the report on a recurring basis, we begin to classify these future revenues as subscription-based.

Table of Contents**Critical Accounting Policies and Estimates**

Our discussion and analysis of our financial condition and results of operations are based on our consolidated financial statements, which have been prepared in accordance with U.S. generally accepted accounting principles. The preparation of these financial statements requires us to make estimates, assumptions and judgments that affect the amounts reported in our consolidated financial statements and the accompanying notes. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. Actual results may differ from these estimates.

Management considers an accounting policy to be critical if it is important to our financial condition and results of operations, and if it requires significant judgment and estimates on the part of management in its application. The development and selection of these critical accounting policies have been determined by our management. Due to the significant judgment involved in selecting certain of the assumptions used in these areas, it is possible that different parties could choose different assumptions and reach different conclusions.

Our significant accounting policies are described in more detail in the notes to our consolidated financial statements included in Item 1 of this Quarterly Report on Form 10-Q and in Item 8 of our Annual Report on Form 10-K for the year ended December 31, 2014. For a discussion of our critical accounting policies and estimates, see “Critical Accounting Policies and Estimates” included in our Annual Report on Form 10-K for the year ended December 31, 2014 under the caption Management’s Discussion and Analysis of Financial Condition and Results of Operations.

**Seasonality**

Historically, a higher percentage of our customers have renewed their subscription products with us during the fourth quarter than in other quarters.

**Results of Operations**

The following table sets forth selected consolidated statements of operations data as a percentage of total revenues for each of the periods indicated.

	Three Months Ended September 30,		Nine Months Ended September 30,			
	2015	2014	2015	2014		
Revenues	100.0	% 100.0	% 100.0	% 100.0	% 100.0	%
Cost of revenues	33.4	29.8	31.1	29.8		
Selling and marketing	25.1	31.8	27.8	33.0		
Research and development	16.3	16.8	18.4	16.4		
General and administrative	18.4	18.2	21.0	18.0		
Amortization of intangible assets	4.6	2.3	3.7	2.4		
Impairment of intangible assets	—	8.5	—	2.9		
Loss on asset disposition	—	—	1.9	—		
Settlement of litigation, net	(0.2	) (0.1	) (0.3	) 1.2		
Total expenses from operations	97.6	107.3	103.6	103.7		
Income (loss) from operations	2.4	(7.3	) (3.6	) (3.7	)	)
Interest and other expense, net	(0.4	) (0.5	) (0.4	) (0.4	)	)
(Loss) gain from foreign currency	(1.0	) 0.7	(0.2	) 0.1		
Income (loss) before income tax benefit	1.0	(7.1	) (4.2	) (4.0	)	)
Income tax benefit	0.0	3.1	0.1	0.8		
Net income (loss) attributable to common stockholders	1.0	% (4.0	)% (4.1	)% (3.2	)%	)%

Table of Contents

Three and Nine Months Ended September 30, 2015 Compared to the Three and Nine Months Ended September 30, 2014

## Revenues

	Three Months Ended September 30,		Change		Nine Months Ended September 30,		Change			
	2015	2014	\$	%	2015	2014	\$	%		
	(In thousands)				(In thousands)					
Revenues	\$92,405	\$82,136	\$10,269	12.5	%	\$271,148	\$239,048	\$32,100	13.4	%

Total revenues increased by approximately \$10.3 million, or approximately 13%, during the three months ended September 30, 2015 as compared to the three months ended September 30, 2014. We attribute the revenue growth to a combination of increased sales to our existing customer base and increased sales to new customers. Revenue from existing customers increased \$9.6 million from \$75.3 million for the three months ended September 30, 2014 to \$84.9 million for the three months ended September 30, 2015, while revenue from new customers increased \$0.6 million from \$6.8 million for the three months ended September 30, 2014 to \$7.5 million for the three months ended September 30, 2015.

We experienced continued growth in subscription revenues, which increased by approximately \$10.7 million during the three months ended September 30, 2015, from \$74.1 million in the prior year period to \$84.8 million. The increase in subscription revenues is attributable to custom solutions sold on a subscription basis and mobile syndicated products. We experienced a modest decrease in our project revenues as there were fewer product deliveries and renewals of projects began delivering on a recurring basis and are classified as subscription revenues. During the three months ended September 30, 2015, project revenues decreased by approximately \$0.4 million, from \$8.0 million in the prior period to \$7.6 million.

Revenues from U.S customers were \$67.6 million for the three months ended September 30, 2015, or approximately 73% of total revenues, while revenues from customers outside of the U.S. was \$24.8 million for the three months ended September 30, 2015, or approximately 27% of total revenues. International revenues decreased modestly during the three months ended September 30, 2015 as compared to the prior year period primarily due to normal growth offset by the appreciation of the U.S. Dollar as compared to foreign currencies in our key international markets. During the three months ended September 30, 2015, we recognized \$9.1 million of revenue related to nonmonetary transactions as compared to \$4.6 million during the three months ended September 30, 2014.

Total revenues increased by approximately \$32.1 million, or approximately 13%, during the nine months ended September 30, 2015 as compared to the nine months ended September 30, 2014. We attribute the revenue growth mainly to increased sales to our existing customer base. Revenue from existing customers increased \$25.6 million from \$218.4 million for the nine months ended September 30, 2014 to \$244.0 million for the nine months ended September 30, 2015, while revenue from new customers increased \$6.5 million from \$20.7 million for the nine months ended September 30, 2014 to \$27.2 million for the nine months ended September 30, 2015.

We experienced continued growth in subscription revenues, which increased by approximately \$32.8 million during the nine months ended September 30, 2015, from \$215.8 million in the prior year period to \$248.6 million. The increase in subscription revenues is attributable to custom solutions sold on a recurring basis and mobile syndicated products. We experienced a decrease in our project revenues as there were fewer product deliveries and renewals of projects began delivering on a recurring basis and are classified as subscription revenues. During the nine months ended September 30, 2015, project revenues decreased by approximately \$0.7 million, from \$23.2 million in the prior period to \$22.5 million.

Revenues from U.S customers were \$197.3 million for the nine months ended September 30, 2015, or approximately 73% of total revenues, while revenues from customers outside of the U.S. was \$73.8 million for the nine months ended September 30, 2015, or approximately 27% of total revenues. International revenues grew modestly during the nine months ended September 30, 2015 as compared to the prior year period primarily due to normal growth offset by the appreciation of the U.S. Dollar as compared to foreign currencies in our key international markets.

During the nine months ended September 30, 2015, we recognized \$23.7 million of revenue related to nonmonetary transactions as compared to \$8.6 million during the nine months ended September 30, 2014.

Table of Contents

## Operating Expenses

The majority of our operating expenses consist of employee salaries and related benefits, stock-based compensation expense, professional fees, rent and other facility related costs, depreciation expense, amortization and litigation-related expenses. Our single largest operating expense relates to our people. In order to effectively motivate our employees and to provide them with proper long-term incentives, we pay the vast majority of our annual bonuses with equity-based instruments.

Our total operating expenses increased by approximately \$2.0 million, or approximately 2%, during the three months ended September 30, 2015 as compared to the three months ended September 30, 2014. This increase was primarily attributable to increased cost of revenues of \$6.4 million, increased general and administrative expenses of \$2.1 million, increased research and development expenses of \$1.2 million and increased amortization of intangible assets of \$2.3 million. These costs were offset by decreased selling and marketing expenses of \$2.9 million and decreased impairment of intangible assets of \$6.9 million.

During the three months ended September 30, 2015, we recognized \$5.1 million of expense related to nonmonetary transactions compared to \$2.9 million during the three months ended September 30, 2014.

Our total operating expenses increased by approximately \$33.3 million, or approximately 13%, during the nine months ended September 30, 2015 as compared to the nine months ended September 30, 2014. This increase is primarily attributable to increased general and administrative expenses of \$14.0 million, increased cost of revenue of \$13.1 million, increased research and development expenses of \$10.7 million, increased loss on asset disposition of \$5.2 million primarily attributable to the loss on the disposal of our mobile operator analytics business during the nine months ended September 30, 2015 and increased amortization of intangibles of \$4.1 million attributable certain intangible assets acquired during the nine months ended September 30, 2015. These costs were offset by decreased selling and marketing expenses of \$3.4 million, decreased impairment of intangible assets of \$6.9 million and by the settlement of certain patent litigation lawsuits, net of insurance recoveries, and by gains related to the settlements of certain patent litigation lawsuits for a net decrease of \$3.6 million.

During the nine months ended September 30, 2015, we recognized \$14.3 million of expense related to nonmonetary transactions compared to \$7.0 million during the nine months ended September 30, 2014.

## Cost of Revenues

	Three Months Ended		Change		Nine Months Ended		Change	
	September 30, 2015	September 30, 2014	\$	%	September 30, 2015	September 30, 2014	\$	%
	(In thousands)				(In thousands)			
Cost of revenues	\$30,859	\$24,491	6,368	26.0 %	84,259	\$71,164	\$13,095	18.4 %
As a percentage of revenues	33.4 %	29.8 %			31.1 %	29.8 %		

Cost of revenues consists primarily of expenses related to operating our network infrastructure, producing our products, and the recruitment, maintenance and support of our consumer panels. Expenses associated with these areas include the salaries, benefits, stock-based compensation, and related personnel expenses of network operations, survey operations, custom analytics and technical support, all of which are expensed as they are incurred. Cost of revenues also includes data collection costs for our products, operational costs associated with our data centers, including depreciation expense associated with computer equipment that supports our panel and systems, and allocated overhead, which is comprised of rent and other facilities related costs, and depreciation expense generated by general purpose equipment and software.

Cost of revenues increased by approximately \$6.4 million during the three months ended September 30, 2015 compared to the three months ended September 30, 2014. This increase is primarily attributable to an increase from data costs of \$5.4 million, increased bandwidth costs of \$0.9 million and increased stock compensation expense of \$0.2 million.

Cost of revenues increased by approximately \$13.1 million during the nine months ended September 30, 2015 compared to the nine months ended September 30, 2014. This increase is primarily attributable to increased data costs

of \$9.3 million, increased, rent, depreciation and other facility expense of \$2.1 million, increased stock compensation expense of \$1.8 million, increased employee salaries, benefits and other related costs of \$1.4 million and increased bandwidth costs of \$1.5 million. These costs were offset by decreased expenditures for outside services of \$2.3 million, primarily related to costs previous incurred to support the Nexius business prior to its disposal during the nine months ended September 30, 2015 and decreased royalty and reseller expenses of \$0.8 million.

Table of Contents

Cost of revenues increased as a percentage of revenues during the three and nine months ended September 30, 2015 as compared to the same periods in 2014, due to increased data and data collection efforts to drive revenue growth.

## Selling and Marketing Expenses

	Three Months Ended September 30,				Change				Nine Months Ended September 30,				Change			
	2015	2014	\$	%				%	2015	2014	\$	%				%
	(In thousands)								(In thousands)							
Selling and marketing	\$23,177	\$26,125	\$(2,948)	(11.3)%					\$75,376	\$78,791	\$(3,415)	(4.3)%				
As a percentage of revenues	25.1	% 31.8	%						27.8	% 33.0	%					

Selling and marketing expenses consist primarily of salaries, benefits, commissions, bonuses, and stock-based compensation paid to our direct sales force and industry analysts, as well as costs related to online and offline advertising, industry conferences, promotional materials, public relations, other sales and marketing programs, and allocated overhead, which is comprised of rent and other facilities related costs, and depreciation expense generated by general purpose equipment and software. All selling and marketing costs are expensed as they are incurred. Commission plans are developed for our account managers with criteria and size of sales quotas that vary depending upon the individual's role. Commissions are expensed as selling and marketing costs when a sales contract is executed by both the customer and us.

Selling and marketing expenses decreased by \$2.9 million during the three months ended September 30, 2015 compared to the three months ended September 30, 2014. This decrease is primarily attributable to decreased employee salaries, benefits and other related costs of \$2.7 million associated with our sales force and decreased stock compensation expense of \$0.6 million. These costs were offset by increased professional fees of \$0.4 million to support our sales force.

Selling and marketing expenses decreased by \$3.4 million during the nine months ended September 30, 2015 compared to the nine months ended September 30, 2014. This decrease is primarily attributable to decreased employee salaries, benefits and other related costs of \$2.7 million associated with our sales force and decreased stock compensation expense of \$1.0 million. These costs were offset by increased professional fees of \$0.7 million to support our sales force.

Selling and marketing expenses decreased as a percentage of revenues during the three and nine months ended September 30, 2015 as compared to the same periods in 2014, due to decreased expenses, as well as increased operating leverage as our revenues continue to grow.

## Research and Development Expenses

	Three Months Ended September 30,				Change				Nine Months Ended September 30,				Change			
	2015	2014	\$	%				%	2015	2014	\$	%				%
	(In thousands)								(In thousands)							
Research and development	\$15,030	\$13,784	\$1,246	9.0%					\$49,937	\$39,192	\$10,745	27.4%				
As a percentage of revenues	16.3	% 16.8	%						18.4	% 16.4	%					

Research and development expenses include new product development costs, consisting primarily of salaries, benefits, stock-based compensation and related costs for personnel associated with research and development activities, fees paid to third parties to develop new products and allocated overhead, which is comprised of rent and other facilities related costs, and depreciation expense related to general purpose equipment and software.

Research and development expenses increased \$1.2 million during the three months ended September 30, 2015 compared to the three months ended September 30, 2014. This increase is primarily attributable to increased expenditures primarily attributable to employee salaries, benefits and other related costs of \$1.7 million and increased



expenditures for stock compensation expense of \$0.3 million and increased rent, depreciation and other facility costs of \$0.2 million. These costs were offset by decreased costs for the development and implementation of new products and to support the enhancement of existing products of \$1.2 million.

Research and development expenses increased \$10.7 million during the nine months ended September 30, 2015 compared to the nine months ended September 30, 2014. This increase is primarily attributable to an increase in employee salaries, benefits and related costs of \$5.0 million, increased expenditures for the development and implementation of new

Table of Contents

products and to support the enhancement of existing products of \$2.3 million. In addition, research and development expenses increased from additional stock compensation expense of \$2.0 million, hardware and software maintenance costs of \$0.7 million and expenditures of \$0.3 million for professional fees to support the enhancement of existing products.

Research and development expenses decreased as a percentage of revenues for the three months ended September 30, 2015 compared to the same period in 2014, due primarily to only modest increases in employee salary costs and stock compensation expense associated with new product development and existing product enhancements compared to the growth in revenue for the period.

Research and development expenses increased as a percentage of revenues for the nine months ended September 30, 2015 compared to the same periods in 2014, due primarily to an increase in employee salary costs and stock compensation expense associated with new product development and existing product enhancements.

## General and Administrative Expenses

	Three Months Ended September 30,				Change	Nine Months Ended September 30,				Change
	2015	2014	\$	%		2015	2014	\$	%	
	(In thousands)					(In thousands)				
General and administrative	\$17,046	\$14,966	\$2,080	13.9 %	\$57,041	\$42,952	\$14,089	32.8 %		
As a percentage of revenues	18.4 %	18.2 %			21.0 %	18.0 %				

General and administrative expenses consist primarily of salaries, benefits, stock-based compensation, and related expenses for executive management, finance, accounting, human capital, legal and other administrative functions, as well as professional fees, overhead, including allocated overhead, which is comprised of rent and other facilities related costs, and depreciation expense generated by general purpose equipment and software, and expenses incurred for other general corporate purposes.

General and administrative expenses increased by \$2.1 million during the three months ended September 30, 2015 as compared to the three months ended September 30, 2014. This increase is primarily attributable to increased professional fees of \$2.8 million primarily driven by merger and acquisition efforts. These costs were partially offset by a decrease in stock compensation expense of \$1.4 million.

General and administrative expenses increased by \$14.1 million during the nine months ended September 30, 2015 as compared to the nine months ended September 30, 2014. This increase is primarily attributable to an increased stock compensation expense of \$9.9 million, increased professional fees of \$3.1 million primarily driven by merger and acquisition efforts and increased employee salaries, benefits and related costs of \$1.0 million.

General and administrative expenses increased as a percentage of revenues during the three and nine months ended September 30, 2015 as compared to the same period in 2014, primarily related to increased professional fees and stock compensation expense.

## Amortization Expense

	Three Months Ended September 30,				Change	Nine Months Ended September 30,				Change
	2015	2014	\$	%		2015	2014	\$	%	
	(In thousands)					(In thousands)				
Amortization expense	\$4,220	\$1,912	\$2,308	120.7 %	\$9,904	5,786	\$4,118	71.2 %		
As a percentage of revenues	4.6 %	2.3 %			3.7 %	2.4 %				

Amortization expense consists of charges related to the amortization of intangible assets associated with acquisitions. Amortization expense increased \$2.3 million during the three months ended September 30, 2015 as compared to the three months ended September 30, 2014, primarily due to the acquisition of certain intangible assets in the second

quarter of 2015.

Amortization expense increased \$4.1 million during the nine months ended September 30, 2015 as compared to the nine months ended September 30, 2014, primarily due to the acquisition of certain intangible assets in the second quarter of 2015.

33

---

Table of Contents

## Impairment of Intangible Assets

During the three months ended September 30, 2014, the Company noted a significant decline in revenues from its mobile operator analytic business ("CSWS"), formerly known as Nexius, which the Company acquired on July 1, 2010. As a result, the Company performed an impairment test of the long-lived assets of CSWS. The long-lived assets of CSWS consisted of customer relationships, acquired methodologies and technology. The first step in testing the long-lived assets of CSWS for impairment was to compare the sum of the undiscounted cash flows expected to result from the use and eventual disposition of CSWS to the carrying value of CSWS's long-lived assets. Based on this analysis, the Company determined as of September 30, 2014 that the sum of the expected undiscounted cash flows to be generated from CSWS was less than the carrying value of the CSWS intangible assets. As such, the Company concluded that the CSWS intangible assets were impaired as of September 30, 2014. To measure the amount of the impairment, the Company then estimated the fair value of the intangible assets as of September 30, 2014. In determining the fair value of the intangible assets, the Company prepared a discounted cash flow ("DCF") analysis for each intangible asset. In preparing the DCF analysis, the Company used a combination of income approaches including the relief from royalty approach and the excess earnings approach. Determining fair value requires the exercise of significant judgment, including judgments about appropriate discount rates, terminal growth rates, royalty rates and the amount and timing of expected future cash flows. The cash flows employed in the DCF analysis were based on the Company's most recent budgets, forecasts and business plans as well as growth rate assumptions for years beyond the current business plan period. Significant assumptions used include a discount rate of 20.0%, which was based on an assessment of the risk inherent in the future revenue streams and cash flows of CSWS, as well as a royalty rate of 0.8%, which was based on an analysis of royalty rates in similar market transactions. Based on the DCF analysis, the Company estimated the fair value of the intangible asset of CSWS to be \$2.8 million as of September 30, 2014, which resulted in an impairment charge of \$6.9 million during the three months ended September 30, 2014. The impairment charge had a negative impact on income from continuing operations of \$6.9 million and an impact on earnings per share of \$0.21 per share during the three and nine months ended September 30, 2014.

## Asset Disposition

The loss on asset disposition for the nine months ended September 30, 2015 totaled \$5.2 million, an increase of \$5.2 million over the three and nine months ended September 30, 2014. The loss on asset disposition relates to the sale of certain assets related to its mobile operator analytics business ("CSWS") to a Buyer. In connection with the disposition, the Buyer assumed certain customer liabilities. Further, we paid the Buyer for customer balances collected in 2015. We will provide ongoing technology and transitional services to the Buyer for up to one year from the closing date of the transaction.

## Settlement of Litigation, Net

Settlement of litigation, net consists of losses from the settlement related to our outstanding privacy class-action litigation offset by gains from our patent litigation settlements. The loss is net of insurance proceeds.

Settlement of litigation, net for the three months ended September 30, 2015 and 2014 resulted in a net gain of \$0.2 million and net gain of \$0.1 million, respectively. Settlement of litigation, net for the nine months ended September 30, 2015 and 2014 resulted in a net gain of \$0.8 million and net expense of \$2.8 million, respectively. The net gains for 2015 related to the settlements of certain patent litigation lawsuits while the net losses in the prior year related to expenditures for settlement of certain privacy litigation lawsuits, net of insurance recoveries.

## Interest and Other Expense, Net

Interest and other income/expense, net, consists of interest income, interest expense and gains or losses on disposals of fixed assets.

Interest income consists of interest earned from our cash and cash equivalent balances. Interest expense is incurred due to capital leases pursuant to several equipment loan and security agreements to finance the lease of various hardware, software, and other equipment purchases and our revolving credit facility. Our capital lease obligations are secured by a senior security interest in eligible equipment.

Interest and other expense, net for the three and nine months ended September 30, 2015 was \$0.4 million and \$1.2 million, respectively, compared to \$0.4 million and \$0.9 million of net interest and other expense, respectively, for the three and nine months ended September 30, 2014.



Table of Contents

## Foreign Currency Translation Adjustment

The functional currency of our foreign subsidiaries is the local currency. All assets and liabilities are translated at the current exchange rates as of the end of the period, and revenues and expenses are translated at average rates in effect during the period. The gain or loss resulting from the process of translating the foreign currency financial statements into U.S. dollars is included as a component of other comprehensive (loss) income.

We recorded transaction losses of \$0.9 million and of \$0.5 million during the three and nine months ended September 30, 2015, respectively, as compared to a transaction gains of \$0.6 million and \$0.3 million during the three and nine months ended September 30, 2014, respectively. Our foreign currency transactions are recorded primarily as a result of fluctuations in the exchange rate between the U.S. dollar and the British Pound, euro, and the functional currencies of our Latin America entities.

## Provision for Income Taxes

During the three and nine months ended September 30, 2015, we recorded income tax benefits of \$40,000 and \$0.3 million, respectively, resulting in effective tax rates of (4.3%) and 2.8%, respectively. The tax benefit for the three months ended September 30, 2015 was attributable to a current tax provision of \$0.6 million and a deferred tax benefit of \$0.6 million. The tax benefit for the nine months ended September 30, 2015 was attributable to a current tax benefit of \$0.1 million and a deferred tax benefit of \$0.2 million.

During the three and nine months ended September 30, 2014, we recorded income tax benefits of \$2.6 million and \$2.0 million, resulting in effective tax rates of 43.9% and 21.2%, respectively. The tax benefits for the three and nine months ended September 30, 2014 were attributable to current tax expense of \$2.1 million and \$4.2 million, respectively, and deferred tax benefits of \$4.7 million and \$6.1 million, respectively. Also, included in the tax provision for the three and nine months ended September 30, 2014 was \$1.0 million and \$2.2 million, respectively, of non-cash current tax expense related to excess tax benefits from stock-based compensation.

The effective tax rate for the three and nine months ended September 30, 2015 decreased compared to the effective tax rate for the three and nine months ended September 30, 2014 primarily as a result of tax benefits associated with the disposition of our mobile operator analytics business.

## Recent Accounting Pronouncements

Recent accounting pronouncements are detailed in Note 2 to our Consolidated Financial Statements included in Item 1 of this Quarterly Report on Form 10-Q.

## Liquidity and Capital Resources

The following table summarizes our cash flows:

	Nine Months Ended September 30,	
	2015	2014
	(In thousands)	
<b>Consolidated Cash Flow Data</b>		
Net cash provided by operating activities	\$47,840	\$42,020
Net cash used in investing activities	(15,870)	(10,605)
Net cash provided by (used in) financing activities	68,291	(57,740)
Effect of exchange rate changes on cash	(1,447)	(1,860)
Net increase (decrease) in cash and cash equivalents	\$98,814	\$(28,185)

Our principal sources of liquidity are our cash and cash equivalents, as well as the cash flow we generate from our operations. We believe that our sources of funding will be sufficient to satisfy our currently anticipated requirements through the foreseeable future. Our liquidity could be negatively affected by a decrease in demand for our products and services.

As of September 30, 2015, our principal source of liquidity consisted of \$141.8 million in cash and cash equivalents, the majority of which represents cash generated from our recent sale and issuance of stock to WPP/Kantar. In most quarters, our cash balance has generally been predominantly generated from operating activities.

As of September 30, 2015, \$9.3 million of the \$141.8 million in cash on hand is held by foreign subsidiaries that would be subject to income tax withholding payments if it was repatriated to the U.S. It is management's current

intention that all

35

---

## Table of Contents

foreign earnings will be indefinitely reinvested in these foreign countries and will not be repatriated to the U.S. However, if we were to repatriate these funds to the U.S., they would be subject to income tax payments ranging from 5% to 35% of the amount repatriated.

Our principal uses of cash primarily consists of cash paid for stock repurchases, business acquisitions, payroll and other operating expenses and payments related to the investments in equipment primarily to support our consumer panel and technical infrastructure required to support our customer base.

We have a Credit Agreement, which provides for a five-year revolving line of credit of \$100.0 million and contains an expansion option permitting the Company to request an increase of the credit facility up to an aggregate additional \$50.0 million, subject to certain conditions. The maturity date of the Credit Agreement is September 26, 2018. The interest rate for the credit facility is determined based on a formula using certain market rates. As of September 30, 2015, we were in compliance with the financial covenants in the credit facility and no amounts were outstanding.

### Operating Activities

Our primary source of cash provided by operating cash flows is subscription revenue generated by the sales subscription-based products, customized projects, and software licenses. Our primary uses of cash from operating activities include investments in personnel and infrastructure to support the anticipated growth in our business, increases in the number of customers using our products and the amount and timing of payments made by these customers.

Cash provided by operating activities is calculated by adjusting our net loss to exclude non-cash items such as depreciation, amortization, impairment of intangibles, provision for bad debts, stock-based compensation, deferred taxes, loss on asset disposal as well as changes in working capital.

Net cash provided by operating activities increased by \$5.8 million during the nine months ended September 30, 2015 compared to the nine months ended September 30, 2014. Although we experienced an additional \$4.0 million in net loss during the nine months ended September 30, 2015 as compared to the prior year equivalent period, stock compensation expense, loss on asset disposal and other non-cash expenses contributed an additional \$23.3 million to the net loss. This was offset by total changes in operating assets and liabilities that decreased by \$13.0 million during the nine months ended September 30, 2015 compared to the nine months ended September 30, 2014.

### Investing Activities

Cash provided by or used in investing activities primarily consists of payments related to the acquisition of several companies and, to a lesser degree, purchases of computer network equipment to support our Internet user panel and maintenance of our database, furniture and equipment to support our operations. As our customer base continues to expand, we expect purchases of technical infrastructure equipment to grow in absolute dollars. The extent of these investments will be affected by our ability to expand relationships with existing customers, grow our customer base, introduce new digital formats and increase our international presence.

Net cash used in investing activities increased by \$5.3 million during the nine months ended September 30, 2015 compared to the nine months ended September 30, 2014. The increase is primarily due to an increase of \$6.1 million of cash paid for the acquisitions, net of cash acquired primarily attributable to the acquisition of Proximic during the nine months ended September 30, 2015 and \$2.5 million related to the disposition of our mobile analytics business during the nine months ended September 30, 2015. The increase in net cash used in operating activities was offset by a decrease of \$3.4 million in the purchases of property and equipment during the nine months ended September 30, 2015 compared to the nine months ended September 30, 2014.

In order to achieve greater economies of scale and operating leverage, we expect to expand our customer base and utilize our Internet user panel and technical infrastructure more efficiently. We expect to continue to invest in our Internet user panel, technical infrastructure and technical personnel to support the combination of an increased customer base, new products, international expansion and new digital market intelligence formats. We believe that these investment requirements will be less than the revenue growth generated by these actions, which should result in a lower rate of growth in our capital expenditures to support our technical infrastructure. However, the amount of capital expenditures has fluctuated and may continue to fluctuate on a quarterly basis.

### Financing Activities



Cash provided by financing activities primarily consist of repurchase of stock, net proceeds or payments and excess tax benefits from stock-based compensation or repayments of debt.

Table of Contents

Net cash provided by financing activities was \$68.3 million during the nine months ended September 30, 2015. This represents an increase of \$126.0 million over net cash used in financing activities of \$57.7 million during the nine months ended September 30, 2014. The net cash provided by financing activities primarily relates to cash received from shares issued to WPP, we received \$201.3 million in cash, net of equity issuance costs incurred of \$3.4 million and an increase of \$11.5 million in proceeds from the exercise of common stock options. The increase in the net cash provided by financing activities was offset by an increase in the cash used to purchase common stock under our stock repurchase program of \$69.0 million, \$12.4 million increase in cash used for the repurchase of withholding taxes for the repurchase of common stock, \$3.2 million increased principal payments on capital lease obligations and a decrease in excess of tax benefits from stock-based compensation of \$2.2 million.

During the nine months ended September 30, 2015 and September 30, 2014, respectively there were no borrowings or repayments under our revolving credit facility.

We do not have any special purpose entities and we do not engage in off-balance sheet financing arrangements.

**Contractual Obligations and Known Future Cash Requirements**

Our principal lease commitments consist of obligations under leases for office space and computer and telecommunications equipment. In current and prior periods, we financed the purchase of some of our computer equipment under capital lease arrangements over a period of either 36 or 42 months. Our purchase obligations relate to outstanding orders to purchase computer hardware and software, are typically small and do not materially impact our overall liquidity.

We have a lease financing arrangement with Banc of America Leasing & Capital, LLC in the amount of \$10.0 million, of which the Company can utilize \$7.2 million, as of September 30, 2015, for future capital leases. This arrangement has been established to allow us to finance the purchase of new software, hardware and other computer equipment as we expand our technology infrastructure in support of our business growth. Some of the amounts the Company has utilized to date under this arrangement have not lowered the amount available for future capital leases, because those amounts have been assigned by Banc of America Leasing & Capital, LLC under separate third-party arrangements. As of September 30, 2015, we have total outstanding amounts under this arrangement and other arrangements with Banc of America of approximately \$16.8 million. These leases bear an interest rate of approximately 5% per annum. The base terms for these leases are up to three years and include a nominal charge in the event of prepayment. Lease payments, under the combined arrangements, are approximately \$14.6 million per year. Assets acquired under the equipment lease secure the obligations. In addition to our leasing arrangement with Banc of America, we have also entered into a number of capital lease arrangements with various equipment vendors. As of September 30, 2015, we have total borrowings under these arrangements of \$14.3 million.

As of September 30, 2015, \$3.5 million in letters of credit were outstanding, leaving \$6.5 million available for additional letters of credit under the Credit Facility. These letters of credit may be reduced periodically provided we meet the conditional criteria of each related lease agreement.

**Off-Balance Sheet Arrangements**

We have no off-balance sheet arrangements (as defined in Item 303 of Regulation S-K).

**Item 3. Quantitative and Qualitative Disclosure about Market Risk**

**Market Risk** represents the risk of loss that may impact our financial position due to adverse changes in financial market prices and rates. We do not hold or issue financial instruments for trading purposes or have any derivative financial instruments. As of September 30, 2015, our cash reserves were maintained primarily in bank deposit accounts and money market funds totaling \$141.8 million.

**Foreign Currency Risk, Interest Rate Sensitivity and Liquidity Risk**

A portion of our revenues and expenses from business operations in foreign countries are derived from transactions denominated in currencies other than the functional currency of our operations in those countries. We operate in several countries in South America, including Brazil, Chile and Argentina as well as countries in Europe and Canada. As such, we have exposure to adverse changes in exchange rates associated with revenues and operating expenses of our foreign operations, but we believe this exposure to be immaterial at this time. We do not currently engage in any transactions that hedge foreign currency exchange rate risk.

As we grow our international operations, and acquire companies with established business in international regions, our exposure to foreign currency risk could become more significant. For example, at the beginning of 2015, the U.S. Dollar to euro exchange rate was approximately \$1.00 to €0.82. However, during the nine months ended September 30, 2015, the range of the U.S. Dollar to euro exchange rate was as low as \$1.00 to €0.82 and as high as \$1.00 to €0.95. During the nine months

Table of Contents

ended September 30, 2015, the average U.S. Dollar to euro exchange rate was approximately \$1.00 to €0.90. There can be no guarantee that exchange rates will remain constant over the long-term. In addition to the impact from the U.S. Dollar to euro exchange rate movements, we are also impacted by movements in the exchange rates between the U.S. Dollar and various South American currencies as well as the Pound Sterling. In addition, cash held overseas would be subject to income tax withholding payments if it was repatriated to the United States. As of September 30, 2015, \$9.3 million of the \$141.8 million in cash on hand is held by foreign subsidiaries and would be subject to income tax withholding payments if it was repatriated to the United States. If we were to repatriate these funds to the United States, they would be subject to income tax payments ranging from 5% to 35% of the amount repatriated.

The cash is held for working capital purposes. We believe that we do not have any material exposure to changes in the fair value as a result of changes in interest rates. Declines in interest rates, however, will reduce future investment income. If overall interest rates fell by 1% during the nine months ended September 30, 2015, our interest income would have declined by less than \$0.1 million, assuming consistent investment levels.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our Chief Executive Officer and our Chief Financial Officer, after evaluating the effectiveness of our disclosure controls and procedures (as defined in Securities Exchange Act of 1934 (the Exchange Act) Rules 13a-15(e) and 15d-15(e)) as of the end of the period covered by this report (the Evaluation Date), have concluded that as of the Evaluation Date, our disclosure controls and procedures are effective, in all material respects, to ensure that information required to be disclosed in the reports that we file and submit under the Exchange Act (i) is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rule and forms and (ii) is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during the period covered by this Quarterly Report on Form 10-Q that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Table of Contents

**PART II. OTHER INFORMATION**

**Item 1. Legal Proceedings**

We may become, a party to a variety of legal proceedings that arise in the normal course of our business. While the results of such legal proceedings cannot be predicted with certainty, management believes that, based on current knowledge, the final outcome of the current pending matters will not have a material adverse effect on our financial position, results of operations or cash flows. We are not presently a party to any pending legal proceedings the outcome of which we believe, if determined adversely to us, would individually or in the aggregate have a material adverse impact on our consolidated results of operations, cash flows or financial position. Regardless of the outcome, legal proceedings can have an adverse effect on us because of defense costs, diversion of management resources and other factors.

**Litigation Related to Pending Merger with Rentrak Corporation**

Since the public announcement of our proposed merger with Rentrak Corporation, or Rentrak, on September 29, 2015, four putative shareholder class action lawsuits have been filed against Rentrak, its directors, us and other defendants, as described further below, in connection with Rentrak and us entering into a merger agreement on September 29, 2015 (the “Merger Agreement”). The four actions were filed in Multnomah County Circuit Court in the State of Oregon: (1) Nathan v. Rentrak Corporation, et al., No. 15CV27429, filed on October 9, 2015; (2) Blum v. Rentrak Corporation, et al., No. 15CV27443, also filed on October 9, 2015; (3) Stein v. Rentrak Corporation, et al., No. 15CV27520, filed on October 12, 2015; and (4) Sikorski v. Rentrak Corporation, et al., No. 15CV27932, filed on October 14, 2015.

Each of the foregoing lawsuits was filed on behalf of a putative class of Rentrak shareholders against Rentrak, the individual members of Rentrak’s board of directors, and/or us and/or our merger subsidiary entity (the Nathan action does not name us or the merger subsidiary entity as defendants).

The lawsuits allege variously that the individual members of Rentrak’s board of directors breached their fiduciary duties owed to Rentrak’s shareholders by (a) approving the proposed merger for inadequate consideration; (b) approving the merger to obtain unique benefits not shared equally with other Rentrak shareholders; (c) failing to take steps to maximize the value paid to Rentrak shareholders; (d) failing to take steps to ensure a fair process leading up to the proposed merger; (e) agreeing to preclusive deal protection devices in the merger agreement; and (f) failing to ensure that no conflicts exist between individual directors’ own interests and their fiduciary obligations to Rentrak’s shareholders. The Blum, Stein and Sikorski lawsuits also state claims against us and/or our merger subsidiary entity for aiding and abetting these alleged breaches of fiduciary duties. The plaintiffs in each of the lawsuits generally seek, among other things, declaratory and injunctive relief concerning the alleged breaches of fiduciary duties, injunctive relief prohibiting completion of the mergers, rescission of the merger if it is completed, an accounting by defendants, rescissionary damages, attorney’s fees and costs, and other relief.

On October 22, 2015, in the Nathan lawsuit, plaintiffs filed a motion to consolidate the lawsuits and appoint Nathan as the lead plaintiff and Nathan’s counsel as lead counsel, and that motion is supported by the plaintiff’s counsel in the Blum, Stein and Sikorski lawsuits. This motion is pending with the court.

Based on examination of the claims, the Company believes that, as to the Company, they are without merit. The Company continues to investigate the claims and intends to vigorously protect and defend itself. It is not possible for the Company to estimate a potential range of loss at this time.

**ITEM 1A. RISK FACTORS**

An investment in our common stock involves a substantial risk of loss. You should carefully consider these risk factors, together with all of the other information included herewith, before you decide to purchase shares of our common stock. The occurrence of any of the following risks could materially adversely affect our business, financial condition or operating results. In that case, the trading price of our common stock could decline, and you may lose part or all of your investment.

**Risks Related to the Proposed Merger with Rentrak**

We may not complete the proposed merger with Rentrak Corporation within the timeframe we anticipate or at all, which could have a negative effect on our results of operations.

On September 29, 2015, we entered into a definitive merger agreement under which we and Rentrak will combine in a stock-for-stock merger. The transaction is subject to a number of closing conditions including shareholder approvals of both companies, along with customary regulatory closing conditions, which may not be received or may take longer than expected. The transaction is also subject to other risks and uncertainties, such as the possibility that Rentrak could receive an unsolicited proposal from a third party or that either we or Rentrak could exercise our respective termination rights. In the event that the transaction is not consummated or is materially delayed for any reason, we will have spent considerable time and resources, and incurred substantial costs related to the merger, many of which must be paid even if the merger is not completed. We

## Table of Contents

cannot provide any assurance that the Rentrak transaction will be completed, that there will not be a delay in the completion of the merger, or that all or any of the anticipated benefits of the transaction will be obtained. If the merger is not consummated, our reputation in our industry and in the investment community could be damaged, and the market price of our common stock could decline.

If the Merger Agreement is Terminated, We May, Under Certain Circumstances, Be Obligated to Pay a Termination Fee to Rentrak. These Costs Could Require Us to Use Available Cash that Would Have Otherwise Been Available for General Corporate Purposes.

If the Merger Agreement is terminated in certain circumstances, we would be required to pay Rentrak a termination fee of \$57 million. If the Merger Agreement is terminated, we may decide to pay the termination fee from available cash that we would have otherwise used for general corporate purposes. For these and other reasons, a failed merger could materially and adversely affect our business, operating results or financial condition, or the price per share of our common stock.

We May Experience Difficulties in Integrating Our and Rentrak's Operations and Realizing the Expected Benefits of the Merger with Rentrak.

The success of the proposed merger with Rentrak, if completed, will depend in part on our ability to realize the anticipated business opportunities and growth prospects from combining with Rentrak in an efficient and effective manner. We may never realize these business opportunities and growth prospects. Further, our management might have its attention diverted while trying to integrate operations and corporate and administrative infrastructures. Rentrak will continue to operate independently of us until the closing of the transaction. The integration process could take longer than anticipated and could result in the loss of key employees, the disruption of each company's ongoing businesses, tax costs or inefficiencies, or inconsistencies in standards, controls, information technology systems, procedures and policies, any of which could adversely affect our ability to maintain relationships with customers, employees or other third parties, or our ability to achieve the anticipated benefits of the transaction, and could harm our financial performance. If we are unable to successfully or timely integrate the operations of Rentrak's business with our business, we may incur unanticipated liabilities and be unable to realize the revenue growth, synergies and other anticipated benefits resulting from the proposed transaction, and our business, results of operations and financial condition could be adversely affected.

Shareholder litigation against Rentrak and comScore could result in an injunction preventing completion of the merger, the payment of damages if the merger is completed and/or an adverse effect on the combined company's business, financial condition or results of operations following the merger.

Transactions such as our pending merger with Rentrak are often subject to lawsuits by shareholders. In connection with the pending merger with Rentrak, four purported class action lawsuits have been filed on behalf of Rentrak shareholders in the Multnomah County Circuit Court in Oregon: (1) Nathan v. Rentrak Corporation, et al., No. 15CV27429, filed on October 9, 2015; (2) Blum v. Rentrak Corporation, et al., No. 15CV27443, also filed on October 9, 2015; (3) Stein v. Rentrak Corporation, et al., No. 15CV27520, filed on October 12, 2015; and (4) Sikorski v. Rentrak Corporation, et al., No. 15CV27932, filed on October 14, 2015. It is possible that other related suits could subsequently be filed.

The allegations in the four lawsuits are similar. The lawsuits allege variously that the individual members of Rentrak's board of directors breached their fiduciary duties owed to Rentrak's shareholders by (a) approving the proposed merger for inadequate consideration; (b) approving the merger to obtain unique benefits not shared equally with other Rentrak shareholders; (c) failing to take steps to maximize the value paid to Rentrak shareholders; (d) failing to take steps to ensure a fair process leading up to the proposed merger; (e) agreeing to preclusive deal protection devices in the merger agreement; and (f) failing to ensure that no conflicts exist between individual directors' own interests and their fiduciary obligations to Rentrak's shareholders. The Blum, Stein and Sikorski lawsuits also state claims against us and/or our merger subsidiary entity for aiding and abetting these alleged breaches of fiduciary duties. The plaintiffs in each of the lawsuits generally seek, among other things, declaratory and injunctive relief concerning the alleged breaches of fiduciary duties, injunctive relief prohibiting completion of the merger, rescission of the merger if it is completed, an accounting by defendants, rescissory damages, attorney's fees and costs, and other relief.

One of the conditions to the closing of our pending merger with Rentrak is that no temporary restraining order, preliminary or permanent injunction or other judgment, order or decree issued by any court of competent jurisdiction or other law, legal restraint or prohibition will be in effect preventing the consummation of the merger. Consequently, if any lawsuit is successful in obtaining an injunction prohibiting Rentrak or us from consummating the merger on the agreed upon terms, the injunction may prevent the merger from being completed within the expected timeframe, or at all. Furthermore, if the merger is prevented or delayed, the lawsuits could result in substantial costs. The defense or settlement of any lawsuit or claim that remains unresolved at the time the merger is completed may adversely affect the combined company's business, financial condition or results of operations.



Table of Contents

Risks Related to Our Business and Our Technologies

We derive a significant portion of our revenues from sales of our subscription-based digital media analytics products. If our customers terminate or fail to renew their subscriptions, our business could suffer.

We currently derive a significant portion of our revenues from our subscription-based digital media analytics products. Subscription-based products accounted for 92% and 90% of our revenues during the nine months ended September 30, 2015 and the year ended December 31, 2014. If our customers terminate their subscriptions for our products, do not renew their subscriptions, delay renewals of their subscriptions or renew on terms less favorable to us, our revenues could decline and our business could suffer.

Our customers have no obligation to renew after the expiration of their initial subscription period, which is typically one year, and we cannot be assured that current subscriptions will be renewed at the same or higher dollar amounts, if at all. Some of our customers have elected not to renew their subscription agreements with us in the past. If we experience a change of control, as defined in such agreements, some of our customers also have the right to terminate their subscriptions. Moreover, some of our major customers have the right to cancel their subscription agreements without cause at any time. Furthermore, our new subscription products, for which revenue is recognized based on impressions used, may be subject to higher fluctuations in revenue.

Given unpredictable economic conditions, our limited historical data with respect to rates of customer subscription renewals, and the usage volumes for our impression based products, we may have difficulty accurately predicting future customer renewal rates. Our customer renewal rates may decline or fluctuate as a result of a number of factors, including customer satisfaction or dissatisfaction with our products, the costs or functionality of our products, the prices or functionality of products offered by our competitors, the health of the digital advertising marketplace, mergers and acquisitions affecting our customer base, general economic conditions or reductions in our customers' spending levels.

Our quarterly results of operations may fluctuate in the future. As a result, we may fail to meet or exceed the expectations of securities analysts or investors, which could cause our stock price to decline.

Our quarterly results of operations may fluctuate as a result of a variety of factors, many of which are outside of our control. If our quarterly revenues or results of operations do not meet or exceed the expectations of securities analysts or investors, the price of our common stock could decline substantially. In addition to the other risk factors set forth in this "Risk Factors" section, factors that may cause fluctuations in our quarterly revenues or results of operations include:

- our ability to increase sales to existing customers and attract new customers;
- the potential loss or reduction in spending by significant customers;
- changes in our customers' subscription renewal behaviors and spending on projects;
- the impact on our contract renewal rates, for both our subscription and project-based products, caused by our customers' budgetary constraints, competition, customer dissatisfaction, customer corporate restructuring or change in control, or our customers' actual or perceived lack of need for our products;
- the timing of contract renewals, delivery of products and duration of contracts and the corresponding timing of revenue recognition as well as the effects of revenue derived from recently-acquired companies;
- variations in the demand for our products and the implementation cycles of our products by our customers;
- the challenges of persuading customers to switch from incumbent service providers;
- the timing of revenue recognition for usage-based or impression-based products;
- the mix of subscription-based versus project-based revenues;
- the effect of revenues generated from significant one-time projects or the loss of such projects;
- the timing and success of new product introductions by us or our competitors;
- changes in our pricing and discounting policies or those of our competitors;
- the impact of our decision to discontinue certain products;
- our failure to accurately estimate or control costs — including those incurred as a result of investments, other business or product development initiatives, litigation, and the integration of acquisitions;
- the amount and timing of capital expenditures and operating costs related to the maintenance and expansion of our operations and infrastructure;
- our ability to estimate revenues and cash flows associated with business operations acquired by us;

the uncertainties associated with the integration of acquired new lines of business, and operations in countries in which we may have little or no previous experience;

41

---

## Table of Contents

the cost and timing of organizational restructuring, in particular in international jurisdictions;  
service outages, other technical difficulties or security breaches;  
limitations relating to the capacity of our networks, systems and processes;  
maintaining appropriate staffing levels and capabilities relative to projected growth, or retaining key personnel as a result of the integration of recent acquisitions;  
adverse judgments or settlements in legal disputes;  
the extent to which certain expenses are more or less deductible for tax purposes, such as share-based compensation that fluctuates based on the timing of vesting and our stock price;  
the timing of any additional reversal of our deferred tax valuation allowance;  
adoption of new accounting pronouncements; and  
general economic, political, industry and market conditions and those conditions specific to Internet usage and online businesses.

We believe that our quarterly revenues and results of operations on a year-over-year and sequential quarter-over-quarter basis may vary significantly in the future and that period-to-period comparisons of our operating results may not be meaningful. Investors are cautioned not to rely on the results of prior quarters as an indication of future performance.

Our business may be harmed if we deliver, or are perceived to deliver, inaccurate information to our customers, to the media or to the public generally.

If the information that we provide to our customers, to the media, or to the public is inaccurate, or perceived to be inaccurate, whether due to methodological approaches, errors, bias towards certain available data sources or partners, our brand may be harmed. The information that we collect or that is included in our databases and the statistical projections that we provide to our customers, to the media or to the public may contain or be perceived to contain inaccuracies. These projections may be viewed as an important measure for the success of certain businesses, especially those businesses with a large online presence. Any inaccuracy or perceived inaccuracy in the data reported by us about such businesses may potentially affect the market perception of such businesses and result in claims or litigation around the accuracy of our data, or the appropriateness of our methodology, may encourage aggressive action on the part of our competitors, and could harm our brand. Any dissatisfaction by our customers or the media with our digital media analytics, measurement or data collection and statistical projection methodologies, whether as a result of inaccuracies, perceived inaccuracies or otherwise, could have an adverse effect on our ability to retain existing customers and attract new customers and could harm our brand. Additionally, we could be contractually required to pay damages, which could be substantial, to certain of our customers if the information we provide to them is found to be inaccurate. Any liability that we incur or any harm to our brand that we suffer because of actual or perceived irregularities or inaccuracies in the data we deliver to our customers could harm our business.

Material defects or errors in our data collection and analysis systems could damage our reputation, result in significant costs to us and impair our ability to sell our products.

Our data collection and analysis systems are complex and may contain material defects or errors. In addition, the large amount of data that we collect may make our data collection and analysis systems more susceptible to defects or errors. Moreover, as technology evolves across digital platforms, we may not be able to continue collection of certain data, due to technological, privacy or other reasons.

Furthermore, we may become increasingly dependent upon third-party data provided by strategic partners for key elements of our data sets. If our partners do not apply rigorous standards to their data collection methodology and actions, notwithstanding our best efforts, we may receive third-party data that is inaccurate or defective.

Our customers rely on our data collection and analysis software and systems to gain business intelligence or to gain a better understanding of their internal operations or performance. Any defect in our panelist data collection software, our census collection systems, our data collection capabilities, our enterprise focused software and systems, network systems, statistical projections or other methodologies could lead to consequences that could adversely impact operating results, including:

- loss of customers;
- damage to our brand;

- interruptions in the availability of our products;
- sales credits, refunds or liability to our customers;
- lost or delayed market acceptance and sales of our products;
- diversion of development resources;

42

---

Table of Contents

the incurrence of substantial costs to correct any material defect or error; and increased warranty and insurance costs.

Our insurance policies may not cover any claim against us for loss of data, unauthorized use of data, improper access to data, inaccuracies in data or other indirect or consequential damages and defending a lawsuit, regardless of its merit, could be costly and divert management's attention. Adequate insurance coverage may not be available in the future on acceptable terms, or at all. Any such developments could adversely affect our business and results of operations.

If we fail to respond to technological developments, our products may become obsolete or less competitive.

Our future success will depend in part on our ability to modify or enhance our products and technologies, including without limitation, our data collection technologies and approaches, to meet customer needs, to add functionality and to address technological advancements. For example, if certain handheld mobile devices become the primary mode of receiving content and conducting transactions on the Internet, and we are unable to adapt to collect information from such devices, then we would not be able to report on digital usage activity. To remain competitive, we will need to develop new products that address these evolving technologies and standards across the universe of digital media - including television, Internet, radio and mobile usage. However, we may be unsuccessful in identifying new product opportunities or in developing or marketing new products in a timely or cost-effective manner or we may be limited in our ability to operate by patents held by others. In addition, our product innovations may not achieve the market penetration or price levels necessary for profitability. If we are unable to develop timely enhancements to, and new features for, our existing methodologies or products or if we are unable to develop new products and technology that keep pace with rapid technological developments or changing industry standards, our products may become obsolete, less marketable and less competitive, and our business will be harmed.

Difficulties entering into arrangements with website owners, wireless communications operators and other entities supporting server- and census-based methodologies may negatively affect our methodologies and harm our business. We believe that our methodologies are enhanced by the ability to collect information using server-based web beacon information and other census-level approaches. There can be no assurance, however, that we will be able to maintain relationships with a sufficient number and scope of digital content providers in order to provide the quality of marketing intelligence that our customers demand from our products. If we fail to continue to expand the scope of our server-based data collection approaches, customers might decline to purchase our products or renew their subscriptions, our reputation could be damaged and our business could be adversely affected.

If we are unable to provide cross-media analytics, or if our cross-media analytics are incomplete or inaccurate, our ability to grow or maintain our business may be harmed.

As the media and advertising industry looks to evaluate advertising campaigns across various forms of media, such as television, radio, online, and mobile, the ability to measure the combined size and composition of audiences across platforms is increasingly important and demanded. Because a significant proportion of advertising dollars are spent on television, access to television data is a critical component to cross-media analytics, and companies who have historically held a dominant market position measuring television: such as Nielsen in the U.S., Kantar in certain countries outside the U.S., or providers selected by joint industry committees in countries outside of the U.S., may need to be relied on to produce industry-accepted measurement across a combination of media platforms. We have entered into an agreement to acquire and license certain Nielsen Audio panel data and technology in the U.S., which provides us with access to both television and radio data to support our cross-media services, however, if such panel data and technology is not sufficiently maintained, we may suffer a reduction in the quality of our metrics. In addition, in 2015, we entered into a strategic alliance with Kantar to collaborate on certain cross-media analytics, including television, outside the U.S. If we are unable to secure licenses to data from industry-accepted providers of television measurement outside of the U.S., our cross media analytics may be incomplete, and our ability to grow and maintain our business may be harmed.

If we are unable to accurately measure or gain access to information or technology measuring a media component or type at all or on commercially reasonable terms, our ability to meet our customers' demands and our business and financial performance may be harmed. Furthermore, even if we do have access to cross-media data, if we have insufficient technology, methodology or source materials to parse the information across such media components to

avoid duplications at all or in a cost-effective manner, our products may be inferior to other offerings, and we may be unable to meet our customers' demands. In which case, our business and financial performance may be harmed. In particular as mobile devices and technology continue to proliferate, gaining cost-effective access to mobile data will become increasingly critical, and the difficulty in accessing these forms of data will continue to grow.

Table of Contents

Our business may be harmed if we change our methodologies or the scope of information we collect. We have in the past and may in the future change our methodologies, the methodologies of companies we acquire, or the scope of information we collect. Such changes may result from identified deficiencies in current methodologies, development of more advanced methodologies, changes in our business plans, changes in technology used by websites, browsers, applications, servers, or media we measure, integration of acquired companies or expressed or perceived needs of our customers or potential customers. Any such changes or perceived changes, or our inability to accurately or adequately communicate to our customers and the media such changes and the potential implications of such changes on the data we have published or will publish in the future, may result in customer dissatisfaction, particularly if certain information is no longer collected or information collected in future periods is not comparable with information collected in prior periods. As a result of future methodology changes, some of our existing customers or customers of acquired entities may refuse to participate, or participate only in a limited fashion, and other customers may become dissatisfied as a result of changes in our methodology and decide not to continue purchasing their subscriptions or may decide to discontinue providing us with their web beacon, mobile SDK or other server-side information. Such customers may elect to publicly air their dissatisfaction with the methodological changes made by us, thereby damaging our brand and harming our reputation. Additionally, we expect that we will need to further integrate new capabilities with our existing methodologies if we develop or acquire additional products or lines of business in the future. The resulting future changes to our methodologies, the information we collect, or the strategy we implement to collect and analyze information, such as the movement away from pure panel-centric measurement to a hybrid of panel- and site-centric measurement, may cause additional customer dissatisfaction and result in loss of customers.

If we are not able to maintain panels of sufficient size and scope, or if the costs of establishing and maintaining our panels materially increase, our business could be harmed.

We believe that the quality, size and scope of our Internet, mobile and cross-media user panels are critical to our business. There can be no assurance, however, that we will be able to maintain panels of sufficient size and scope to provide the quality of marketing intelligence that our customers demand from our products. We anticipate that the cost of panel recruitment will increase with the proliferation of proprietary and secure digital media platforms (whether they be PC, mobile, tablet, or connected devices), and that the difficulty in collecting these forms of data will continue to grow which may require significant hardware and software investments, as well as increases to our panel incentive and panel management costs.

We may be required to establish new panels that are capable of providing us with information in the areas of mobile, tablets, and other emerging technologies on which people are consuming media and content. We anticipate that this may require significant hardware and software investments, and significant increases to our panel incentive and panel management costs. We have historically acquired new panels, and were able to capitalize the cost of such acquisition. If we are unable to use the same accounting approach in reporting the costs associated with establishing new panels needed, our panel costs may significantly increase our cost of revenues in the future. To the extent that such additional expenses are not accompanied by increased revenues, our operating margins may be reduced and our financial results could be adversely affected.

Moreover, if we fail to maintain our existing or newly established panels of sufficient size and scope, including coverage of international markets and users of various forms of digital platforms, customers might decline to purchase our products or renew their subscriptions, our reputation could be damaged and our business could be materially and adversely affected. We expect that our panel costs may increase and may comprise a greater portion of our cost of revenues in the future. The costs associated with maintaining and improving the quality, size and scope of our panel are dependent on many factors, many of which are beyond our control, including the participation rate of potential panel members, the turnover among existing panel members and requirements for active participation of panel members, such as completing survey questionnaires.

Concerns over privacy and the potential unauthorized disclosure of personal information, the classification of our research software as “spyware” or “adware”, or privacy and data security claims made by our panelists to regulatory agencies, or through the courts, may cause greater attrition within our existing research panel or may discourage potential panel members from participating in our research panels. In addition, as we seek to enforce our privacy

policies, we may be required to terminate relationships with service providers whose practices we believe may not comply with our privacy policies, and have removed and may in the future remove panel members obtained through such service providers.

We may lose customers or be liable to certain customers if we provide poor service or if our products do not comply with our customer agreements.

Certain customers choose to purchase our services because of the client service that we provide, as well as the scope of information and functionality of the products we provide. Our failure to meet these expectations could result in the loss of customers or a reduction in their purchase of our products. In addition, we may be liable to certain of our customers for damages they may incur resulting from these events, such as loss of business, loss of future revenues, breach of contract or loss of goodwill to their business.



Table of Contents

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

To increase our revenues, we believe we must sell additional products to existing customers, including existing customers of acquired businesses, and regularly add new customers. If our existing and prospective customers do not perceive our products to be of sufficient value and quality, we may not be able to increase sales to existing customers and attract new customers, or we may have difficulty retaining existing customers, and our operating results will be adversely affected.

If we are unable to effectively persuade prospective customers to buy our services in substitution for those of an incumbent service provider, our revenue growth may suffer.

Some of our newer products and initiatives require that we persuade prospective customers, or customers of our existing products, to buy our newer products in substitution for those of an incumbent service provider. In some instances, the prospective customer may have built their systems and processes around the incumbent's products. Persuading such prospective customers to switch service providers may be difficult and require longer sales cycles, that will affect our ability to increase revenue in these areas. Moreover, the incumbent service provider may have the ability to significantly discount its services or enter into long-term agreements, which would further impede our ability to increase our revenues.

We may expand through investments in, acquisitions of, or the development of new products with assistance from other companies, any of which may not be successful and may divert our management's attention.

In recent years, we completed several strategic acquisitions. We also expect to continue to evaluate and enter into discussions regarding a wide array of potential strategic transactions, including acquiring complementary products, technologies or businesses. We also have entered into relationships with other businesses such as Kantar, Google, Yahoo and Acxiom, in order to expand our product offerings. These relationships or transactions could involve preferred or exclusive licenses, discount pricing or investments in other businesses, or to expand our sales capabilities. These transactions could be material to our financial condition and results of operations, and though these transactions may provide additional benefits, they may not be profitable immediately or in the long term. Negotiating any such transactions could be time-consuming, difficult and expensive, and our ability to close these transactions may be subject to regulatory or other approvals and other conditions that are beyond our control. Consequently, we can make no assurances that any such transactions, investments or relationships, if undertaken and announced, would be completed.

An acquisition, investment or business relationship may result in unforeseen operating difficulties and expenditures. In particular, we may encounter difficulties assimilating or integrating the businesses, technologies, products, personnel or operations of the acquired companies, particularly if the key personnel of the acquired company choose not to be employed by us, and we may have difficulty retaining the customers of any acquired business due to changes in management and ownership. Acquisitions may also disrupt our ongoing business, divert our resources and require significant management attention that would otherwise be available for ongoing development of our business. Moreover, we cannot assure you that the anticipated benefits of any acquisition, investment or business relationship would be realized or that we would not be exposed to unknown liabilities. In connection with any such transaction, we may:

- encounter difficulties retaining key employees of the acquired company or integrating diverse business cultures;
- incur large charges or substantial liabilities, including without limitation, liabilities associated with products or technologies accused or found to infringe third party intellectual property;
- issue shares of our capital stock as part of the consideration, which may be dilutive to existing stockholders;
- become subject to adverse tax consequences, substantial depreciation or deferred compensation charges;
- use cash that we may need in the future to operate our business;
- enter new geographic markets that subject us to different laws and regulations that may have an adverse impact on our business;
- experience difficulties effectively utilizing acquired assets;
- encounter difficulties integrating the information and financial reporting systems of acquired foreign businesses, particularly those that operated under accounting principles other than those generally accepted in the United States

prior to the acquisition by us; and

incur debt on terms unfavorable to us or that we are unable to repay.

The impact of any one or more of these factors could adversely affect our business or results of operations or cause the price of our common stock to decline substantially.

Following an acquisition of another business, we may also be required to defer the recognition of revenue that we receive from the sale of products that we acquired, or from the sale of bundles that include products that we acquired.

For instance, if

45

---

## Table of Contents

we acquire a business and are not able to establish vendor specific objective evidence, or VSOE, for any undelivered elements in the arrangement, we may be required to defer substantial portions of revenue and delay recognition of those revenues. This may result in fluctuations in our operating results and may adversely affect both revenues and operating margins in a given period or periods.

In addition, we may be required to disclose audited financial statements of acquired businesses within proscribed time after the completion of the acquisition pursuant to SEC reporting requirements. If we encounter unforeseen difficulties in obtaining these audited financial statements on a timely basis and cannot obtain relief from the SEC, we may lose our eligibility to register future offerings on Form S-3, which may limit our ability to access the capital markets quickly or effectively.

Future acquisitions or dispositions could also result in dilutive issuances of our equity securities, the incurrence of debt, contingent liabilities, amortization expenses, or write-offs of goodwill, any of which could harm our financial condition. In addition, acquisitions will generally result in us recognizing significant amounts of intangible assets. If we experience significant declines in operating results associated with past, or future, acquisitions, and the anticipated benefits of an acquisition is not expected to materialize, we may be required to perform impairment testing of our long-lived assets, and ultimately may be required to record an impairment charge.

Our financial condition and results of operations could suffer if there is an additional impairment of goodwill or other intangible assets with indefinite lives.

We are required to test intangible assets with indefinite lives, including goodwill, annually and on an interim basis if an event occurs or there is a change in circumstance that would more likely than not reduce the fair value of reporting units and intangible assets below their carrying values. When the carrying value of a reporting unit's goodwill exceeds its implied fair value of goodwill, a charge to operations is recorded. If the carrying amount of an intangible asset with an indefinite life exceeds its fair value, a charge to operations is recognized. Either event would result in incremental expenses for that quarter, which would reduce any earnings or increase any loss for the period in which the impairment was determined to have occurred.

In connection with the preparation of our financial statements for the year ended December 31, 2014, we determined it was necessary to record a \$9.7 million non-cash impairment charge related to intangible assets associated with our mobile operator business line. The impairment was based primarily on an analysis of estimated future cash flows expected to be generated from those assets, which are classified as held for sale. In determining the impairment loss, we recorded an amount equal to the excess of the assets' carrying amount over its fair value as determined by an analysis of discounted future cash flows.

Our goodwill impairment analysis is sensitive to changes in key assumptions used in our analysis, such as expected future cash flows, the degree of volatility in equity and debt markets, and our stock price. If the assumptions used in our analysis are not realized, it is possible that an impairment charge may need to be recorded in the future. We cannot accurately predict the amount and timing of any impairment of goodwill or other intangible assets. However, any such impairment would have an adverse effect on our results of operations.

Concern over spyware, data breaches and privacy, including any violations of privacy laws, perceived misuse of personal information, or failure to adhere to the privacy commitments that we make, could cause public relations problems, regulatory scrutiny, and potential class action lawsuits and could impair our ability to recruit panelists or maintain panels of sufficient size and scope, which in turn could adversely affect our ability to provide our products. Any perception of our practices as an invasion of privacy, whether legal or illegal, may subject us to public criticism, regulatory scrutiny, and potential class action lawsuits. Media coverage and public discourse initiated by lawmakers and regulators have increased the sensitivity of consumers to the collection, storage or use of personal information and online usage information, and the possibility of an unauthorized use or disclosure of this information may create negative public reaction related to our business practices. A shift in public acceptance of measurement technologies such as third party cookies may have a chilling effect on businesses that collect or use online usage information generally or substantially increase the cost of maintaining a business that collects or uses online usage information, increase regulatory scrutiny and increase the potential of class action lawsuits. In response to marketplace concerns about the usage of third party cookies and web beacons to track user behaviors, the major browsers have enabled features that allow the user to limit the collection of certain data. We actively seek to prevent the inclusion of our

cookies and beacons on the lists of companies whose activities are automatically blocked without prior individual review of those cookies and beacons by the end user.

A rise in data breaches has also led to an increased awareness of data security issues and may result in an increase in legislative or regulatory requirements, which could in turn substantially increase the cost of businesses that maintain data, and increase the potential of class action lawsuits. We actively seek outside audits and reviews of our data protection policies to assure we are implementing best practices; however, these precautions may not prevent the occurrence of a data breach.

Table of Contents

Additionally, there is continuing public concern regarding certain kinds of downloadable software known as “spyware” and “adware.” These concerns might cause users to refrain from downloading software from the Internet, including our proprietary technology, if they inaccurately believe our software is “spyware” or “adware.” This could make it difficult to recruit additional panelists or maintain a panel of sufficient size and scope to provide meaningful marketing intelligence. In response to general spyware and adware concerns in the marketplace, numerous programs are available, many of which are available for free, and that claim to identify, remove or block such software or activity. Some anti-spyware programs have in the past identified, and may in the future identify, our software as spyware or potential spyware applications. We actively seek to prevent the inclusion of our software on lists of spyware applications or potential spyware applications and apply best industry practices for obtaining appropriate consent from panelists, protect the privacy and confidentiality of our panelist data, and comply with existing privacy laws. However, to the extent that we are not successful, and anti-spyware programs classify our software as spyware, a potential spyware application, or third party service providers fail to comply with our privacy or data security requirements, our brand may be harmed and users may refrain from downloading these programs, may uninstall our software or pursue actions against us for damages.

For example, on August 23, 2011, we received notice that Mike Harris and Jeff Dunstan, individually and on behalf of a class of similarly situated individuals, filed a lawsuit against comScore in the United States District Court for the Northern District of Illinois, Eastern Division, alleging, among other things, violations by comScore of the Stored Communications Act, the Electronic Communications Privacy Act, Computer Fraud and Abuse Act and the Illinois Consumer Fraud and Deceptive Practices Act as well as unjust enrichment. The complaint sought unspecified damages, including statutory damages per violation and punitive damages, injunctive relief and reasonable attorneys’ fees of the plaintiffs. In October 2012, the plaintiffs filed an amended complaint which, among other things, removed the claim relating to alleged violations of the Illinois Consumer Fraud and Deceptive Practices Act. On April 2, 2013, the District Court issued an order certifying a class for only three of the four claims, refusing to certify a class for unjust enrichment. On May 30, 2014, we and the plaintiffs proposed a tentative settlement subject to approval by the District Court, and on October 1, 2014, the Court issued its final approval of those terms. We were required to establish a settlement fund from which class member claims, attorneys’ fees and incentive awards, costs, and administrative expenses will be paid. We and our insurers contributed \$14 million to the fund. The settlement also required us to alter certain portions of our privacy policy and implement certain additional protocols to ensure that our privacy practices remain consistent with its disclosures to consumers. For the year ended December 31, 2014, we recorded a loss of \$3.5 million related to the settlement. Any resulting reputational harm, potential claims asserted against us or decrease in the size or scope of our panel could reduce the demand for our products, increase the cost of recruiting panelists, adversely affect our ability to provide our products to our customers or result in additional costs in the form of settlement, judgments, restrictions on our business or diversion of resources to address and defend the claims. Any of these adverse effects could harm our business and our operating results.

Domestic or foreign laws, regulations or enforcement actions may limit our ability to collect and use information about Internet users or restrict or prohibit our product offerings, causing a decrease in the value of our products and an adverse impact on the sales of our products.

Our business could be adversely impacted by existing or future laws or regulations of, or actions by, domestic or foreign regulatory agencies. For example, privacy concerns could lead to legislative, judicial and regulatory limitations on our ability to collect, maintain and use information about Internet users in the United States and abroad. Various state legislatures have enacted legislation designed to protect Internet users’ privacy, creating a variety of standards and procedures that companies need to adhere to in order to ensure compliance across jurisdictions. Likewise, laws and regulations outside of the United States are varied, and at times conflicting, resulting in higher risk related to compliance. For example, recently, a court in the European Union invalidated the privacy Safe Harbor provisions that were relied upon by a large number of U.S. companies as a mechanism to effectively manage compliance with privacy restrictions in the European Union. These quickly evolving laws and regulations, if drafted or interpreted broadly, could be deemed to apply to the technology we use, and could restrict our information collection methods, and the collection methods of third parties from whom we may obtain data, or decrease the amount and utility of the information that we would be permitted to collect. Even if such laws and regulations are not

enacted, lawmakers and regulators may publicly call into question the collection and use of Internet or mobile usage data and may affect vendors and customers' willingness to do business with us. The costs of compliance with, and the other burdens imposed by, these and other laws or regulatory actions may prevent us from selling our products or increase the costs associated with selling our products, and may affect our ability to invest in or jointly develop products in the United States and in foreign jurisdictions.

In addition, failure to comply with these and other laws and regulations may result in, among other things, administrative enforcement actions and fines, class action lawsuits and civil and criminal liability. State attorneys general, governmental and non-governmental entities and private persons may bring legal actions asserting that our methods of collecting, using and distributing website visitor information are illegal or improper, which could require us to spend significant time and resources defending these claims. For example, some companies that collect, use and distribute website visitor information have been the subject of governmental investigations and class-action lawsuits. Any such regulatory or civil action that is brought against us,

## Table of Contents

even if unsuccessful, may distract our management's attention, divert our resources, negatively affect our public image or reputation among our panelists and customers and harm our business.

The impact of any of these current or future laws or regulations could make it more difficult or expensive to attract or maintain panelists, particularly in affected jurisdictions, and could adversely affect our business and results of operations.

Any unauthorized disclosure or theft of private information we gather could harm our business.

Unauthorized disclosure of personally identifiable information regarding website visitors, whether through breach of our secure network by an unauthorized party, employee theft or misuse, or otherwise, could harm our business. If there were an inadvertent disclosure of personally identifiable information, or customer confidential information, or if a third party were to gain unauthorized access to the personally identifiable or customer confidential information we possess, our operations could be seriously disrupted and we could be subject to claims or litigation arising from damages suffered by panel members or pursuant to the agreements with our customers. In addition, we could incur significant costs in complying with the multitude of state, federal and foreign laws regarding the unauthorized disclosure of personal information. Finally, any perceived or actual unauthorized disclosure of the information we collect could harm our reputation, substantially impair our ability to attract and retain panelists and have an adverse impact on our business.

The success of our business depends in large part on our ability to protect and enforce our intellectual property rights. We rely on a combination of patent, copyright, service mark, trademark and trade secret laws, as well as confidentiality procedures and contractual restrictions, to establish and protect our proprietary rights, all of which provide only limited protection. In addition, where we determine necessary, we pursue enforcement of our intellectual property rights. Such enforcement action may cause us to incur costs, distract the attention of management, and result in unfavorable public opinion or outcomes that are not in our favor, each of which could adversely affect our brand, business and results of operations. While we have filed a number of patent applications and own approximately 80 issued patents worldwide, we cannot assure you that any additional patents will be issued with respect to any of our pending or future patent applications, nor can we assure you that any patent issued to us will provide adequate protection, or that any patents issued to us will not be challenged, invalidated, circumvented, or held to be unenforceable in actions against alleged infringers. Also, we cannot assure you that any future trademark or service mark registrations will be issued with respect to pending or future applications or that any of our registered trademarks and service marks will be enforceable or provide adequate protection of our proprietary rights. Furthermore, adequate (or any) patent, trademark, service mark, copyright and trade secret protection may not be available in every country in which our services are available.

We endeavor to enter into agreements with our employees and contractors and with parties with whom we do business in order to limit access to and disclosure of our proprietary information. We cannot be certain that the steps we have taken will prevent unauthorized use of our technology or the reverse engineering of our technology. Moreover, third parties might independently develop technologies that are competitive to ours or that infringe upon our intellectual property. In addition, the legal standards relating to the validity, enforceability and scope of protection of intellectual property rights in Internet-related industries are uncertain and still evolving, both in the United States and in other countries. The protection of our intellectual property rights may depend on our legal actions against any infringers being successful. We cannot be sure any such actions will be successful, and any such action may be expensive and divert considerable attention of our management team from the normal operation of our business.

An assertion from a third party that we are infringing its intellectual property, whether such assertions are valid or not, could subject us to costly and time-consuming litigation or expensive licenses.

The Internet, mobile media, software and technology industries are characterized by the existence of a large number of patents, copyrights, trademarks and trade secrets and by frequent litigation based on allegations of infringement or other violations of intellectual property rights, domestically or internationally. As we grow and face increasing competition, the probability that one or more third parties will make intellectual property rights claims against us increases. In such cases, our technologies may be found to infringe on the intellectual property rights of others. Additionally, many of our subscription agreements may require us to indemnify our customers for third-party intellectual property infringement claims, which would increase our costs if we have to defend such claims and may

require that we pay damages and provide alternative services if there were an adverse ruling in any such claims. Intellectual property claims could harm our relationships with our customers, deter future customers from subscribing to our products or expose us to litigation, which could be expensive and divert considerable attention of our management team from the normal operation of our business. Even if we are not a party to any litigation between a customer and a third party, an adverse outcome in any such litigation could make it more difficult for us to defend against intellectual property claims by the third party in any subsequent litigation in which we are a named party. Any of these results could adversely affect our brand, business and results of operations.



## Table of Contents

With respect to any intellectual property rights claim against us or our customers, we may have to pay damages or stop using technology found to be in violation of a third party's rights. We may have to seek a license for the technology, which may not be available on reasonable terms or at all, may significantly increase our operating expenses or may significantly restrict our business activities in one or more respects. We may also be required to develop alternative non-infringing technology, which could require significant effort and expense. Any of these outcomes could adversely affect our business and results of operations. Even if we prove successful in defending ourselves against such claims, we may incur substantial expenses and the active defense of such claims may divert considerable attention of our management team from the normal operation of our business.

The market for digital media analytics is developing, and if it does not develop further, or develops more slowly than expected, our business will be harmed.

The market for digital media analytics products is still developing, and it is uncertain whether these products will maintain high levels of demand and increased market acceptance. Our success will depend to a substantial extent on the willingness of companies to increase their use of such products and to continue use of such products on a long-term basis. Factors that may affect market acceptance include:

- the reliability of digital media analytics products;
- public concern regarding privacy and data security;
- decisions of our customers and potential customers to develop digital media analytics internally rather than purchasing such products from third-party suppliers like us;
- decisions by industry associations in the United States or in other countries that result in association-directed awards, on behalf of their members, of digital measurement contracts to one or a limited number of competitive vendors;
- the ability to maintain high levels of customer satisfaction; and
- the rate of growth in eCommerce, online advertising and digital media.

The market for our products may not develop further, or may develop more slowly than we expect or may even contract, all of which could adversely affect our business and operating results.

We depend on third parties for data that is critical to our business, and our business could suffer if we cannot continue to obtain data from these suppliers.

We rely on third-party data sources for information regarding certain activities such as television viewing and mobile usage, as well as for information about offline activities of and demographic information regarding our panelists. The availability and accuracy of this data is important to the continuation and development of our cross-media products, products that use server- or census-based information as part of the research methodology, and products that link online and offline activity. We may be required to enter into vendor relationships, strategic alliances, or even joint ventures with some third-parties in order to obtain access to the data sources that we need. If this information is not available to us at commercially reasonable terms, or is found to be inaccurate, it could harm our reputation, business and financial performance.

If the digitally-based or cross-platform focused advertising and eCommerce markets develop more slowly than we expect, our business will suffer.

Our future success will depend on continued growth in the use of the digitally based advertising, a cross-platform focus to buying advertisement campaigns, a continued increase in eCommerce spending and the proliferation of the Internet across platforms, including mobile and connected devices, for a wide variety of consumer activities. These markets are evolving rapidly, and it is not certain that their current growth trends will continue.

The adoption of advertising across digital platforms, particularly by advertisers that have historically relied on traditional offline media, requires the acceptance of new approaches to conducting business and a willingness to invest in such new approaches. Moreover the decision to adopt a cross-platform approach to buying advertisement campaigns, requires a change to buying approaches and a willingness to adopt new data analytics to assist in evaluating such approaches, by advertisement buyers who traditionally focus on buying advertising campaigns through one medium. Advertisers may perceive such new approaches to advertising or understanding advertising to be less effective than traditional methods for marketing their products. They may also be unwilling to pay premium rates for advertising that is targeted at specific segments of validated users based on their demographic profile or Internet behavior across digital media platforms. The digital media advertising and eCommerce markets may also be adversely

affected by privacy issues relating to such targeted advertising, including that which makes use of personalized information, or online behavioral information. Furthermore, merchants using new digital media platforms may not be able to establish digital commerce models that are cost effective and may not learn how to effectively compete with other established websites or offline merchants. In addition, consumers may not continue to shift their

Table of Contents

spending on goods and services from offline outlets to other forms of digital media. As a result, growth in the use of digital media for eCommerce may not continue at a rapid rate, or digital media may not be adopted as a medium of commerce by a broad base of customers or companies worldwide. Because of the foregoing factors, among others, the market for cross-platform-focused digital media advertising and eCommerce, may not continue to grow at significant rates. If these markets do not continue to develop, or if they develop more slowly than expected, our business may suffer.

Because our long-term success depends, in part, on our ability to expand the sales of our products to customers located outside of the United States, our business will become increasingly susceptible to risks associated with international operations.

In recent years, we acquired various businesses with substantial presence or clientele in multiple Latin American, European, Asian and Middle Eastern countries. Prior to these acquisitions, we otherwise had limited experience operating in markets outside of the United States. Our inexperience in operating our business outside of the United States may increase the risk that the international expansion efforts in which we are engaged will not be successful. In addition, conducting international operations subjects us to risks that we have not generally faced in the United States. These risks include:

- recruitment and maintenance of a sufficiently large and representative panel both globally and in certain countries;
- difficulties and expenses associated with tailoring our products to local markets as may be required by local customers and joint industry committees or similar industry organizations;
- difficulties in expanding the adoption of our server- or census-based web beacon data collection in international countries or obtaining access to other necessary data sources;
- differences in customer buying behaviors;
- the burdens and expense of complying with a wide variety of foreign laws and regulations;
- difficulties in staffing and managing international operations — including complex and costly hiring, disciplinary, and termination requirements;
- the complexities of foreign value-added taxes and restrictions on the repatriation of earnings;
- reduced or varied protection for intellectual property rights in some countries;
- political, social and economic instability abroad, terrorist attacks and security concerns;
- fluctuations in currency exchange rates; and
- increased accounting and reporting burdens and complexities.

Additionally, operating in international markets require significant management attention and financial resources. We cannot be certain that the investments and additional resources required to establish and maintain operations in other countries will hold their value or produce desired levels of revenues or profitability. We cannot be certain that we will be able to maintain and increase the size of the Internet user panel that we currently have in various countries, that we will be able to recruit a representative sample for our audience measurement products, or that we will be able to enter into arrangements with a sufficient number of website owners to allow us to collect server-based information for inclusion in our digital media analytics products. In addition, there can be no assurance that Internet usage and eCommerce will continue to grow in international markets. In addition, governmental authorities in various countries have different views regarding regulatory oversight of the Internet.

The impact of any one or more of these risks could negatively affect or delay our plans to expand our international business and, consequently, our future operating results.

Table of Contents

Our growth depends upon our ability to retain existing large customers and add new large customers; however, to the extent we are not successful in doing so, our ability to maintain profitability and positive cash flow may be impaired. Our success depends in part on our ability to sell our products to large customers and on the renewal of the subscriptions of those customers in subsequent years. For the nine months ended September 30, 2015 and the years ended December 31, 2014 and 2013, we derived approximately 26%, 21% and 21%, respectively, of our total revenues from our top 10 customers. Uncertain economic conditions or other factors, such as the failure or consolidation of large customer companies, or internal reorganization or changes in focus, may cause certain large customers to terminate or reduce their subscriptions. Moreover, certain recently acquired companies, have revenues highly concentrated in a few large customers. The loss of any one or more of those customers could decrease our revenues and harm our current and future operating results. The addition of new large customers or increases in sales to existing large customers may require particularly long implementation periods and other significant upfront costs, which may adversely affect our profitability. To compete effectively, we have in the past been, and may in the future be, forced to offer significant discounts to maintain existing customers or acquire other large customers. In addition, we may be forced to reduce or withdraw from our relationships with certain existing customers or refrain from acquiring certain new customers in order to acquire or maintain relationships with important large customers. As a result, new large customers or increased usage of our products by large customers may cause our profits to decline and our ability to sell our products to other customers could be adversely affected.

Our annual effective income tax rate can change materially as a result of changes in our mix of U.S. and foreign earnings and other factors, including changes in tax laws and changes made by regulatory authorities.

Our overall effective income tax rate is equal to our total tax expense as a percentage of total earnings before tax. However, income tax expense and benefits are not recognized on a global basis but rather on a jurisdictional or legal entity basis. Losses in one jurisdiction may not be used to offset profits in other jurisdictions and may cause an increase in our tax rate. Income tax provision changes in statutory tax rates and laws, as well as ongoing audits by domestic and international authorities, could affect the amount of income taxes and other taxes paid by us. For example, legislative proposals to change U.S. taxation of non-U.S. earnings could increase our effective tax rate. Also, changes in the mix of earnings (or losses) between jurisdictions and assumptions used in the calculation of income taxes, among other factors, could have a significant effect on our overall effective income tax rate. In addition, our effective tax rate would increase if we were unable to generate sufficient future taxable income in certain jurisdictions, or if we were otherwise required to increase our valuation allowances against our deferred tax assets.

We are subject to taxation in multiple jurisdictions. As a result, any adverse development in the tax laws of any of these jurisdictions or any disagreement with our tax positions could have a material adverse effect on our business, consolidated financial condition or results of operations.

We are subject to taxation in, and to the tax laws and regulations of, multiple jurisdictions as a result of the international scope of our operations and our corporate entity structure. We are also subject to transfer pricing laws with respect to our intercompany transactions, including those relating to the flow of funds among our companies. Adverse developments in these laws or regulations, or any change in position regarding the application, administration or interpretation thereof, in any applicable jurisdiction, could have a material adverse effect on our business, consolidated financial condition or results of our operations. In addition, the tax authorities in any applicable jurisdiction, including the U.S., may disagree with the positions we have taken or intend to take regarding the tax treatment or characterization of any of our transactions. If any applicable tax authorities, including U.S. tax authorities, were to successfully challenge the tax treatment or characterization of any of our transactions, it could have a material adverse effect on our business, consolidated financial condition or results of our operations. As our international operations grow, changes in foreign currencies could have an increased effect on our operating results.

We operate in several countries in South America, including Brazil, Chile and Argentina as well as countries in Europe and the United Kingdom. As such, a portion of our revenues and expenses from business operations in foreign

countries are derived from transactions denominated in currencies other than the functional currency of our operations in those countries. As such, we have exposure to adverse changes in exchange rates associated with revenues and operating expenses of our foreign operations, but we do not currently enter into any hedging instruments that hedge foreign currency exchange rate risk. As we grow our international operations, and acquire companies with established business in international regions, our exposure to foreign currency risk could become more significant. For example, at the beginning of 2015, the U.S. Dollar to euro exchange rate was approximately \$1.00 to €0.82. However, during 2015, the range of the U.S. Dollar to euro exchange rate was as low as \$1.00 to €0.82 and as high as \$1.00 to €0.95. During the nine months ended September 30, 2015, the average U.S. Dollar to

Table of Contents

euro exchange rate was approximately \$1.00 to €0.90. There can be no guarantee that exchange rates will remain constant over the long-term. In addition to the impact from the U.S. Dollar to euro exchange rate movements, we are also impacted by movements in the exchange rates between the U.S. Dollar and various South American currencies as well as the Pound Sterling. In addition, cash held overseas would be subject to income tax withholding payments if it was repatriated to the United States. As of September 30, 2015, \$9.3 million of the \$141.8 million in cash on hand is held by foreign subsidiaries that would be subject to income tax withholding payments if it was repatriated to the United States. If we were to repatriate these funds to the United States, they would be subject to income tax payments ranging from 5% to 35% of the amount repatriated.

The market for digital marketing products is highly competitive, and if we cannot compete effectively, our revenues will decline and our business will be harmed.

The market for digital marketing products is highly competitive and is evolving rapidly. We compete primarily with providers of digital media intelligence and related analytical products and services. We also compete with providers of marketing services and solutions, with full-service survey providers and with internal solutions developed by customers and potential customers. Our principal competitors include:

- online advertising companies that provide measurement of online ad effectiveness and ad delivery used for billing purposes, including Nielsen, DoubleClick (owned by Google), Atlas (owned by Facebook), and certain divisions and products within Kantar (owned by WPP);

- full-service market research firms and survey providers that may measure online behavior and attitudes, including Harris Interactive, Ipsos, Synnovate, GFK, certain divisions and products within Kantar (owned by WPP) and Nielsen;
- companies that provide advertising technology point solutions, including DoubleVerify, Integral ad Science, MOAT and WhiteOps;

- companies that provide behavioral, attitudinal and qualitative advertising effectiveness, including Toluna/Nurago, DataLogix (being acquired by Oracle), Context Web's Aperture, Ipsos OTX, Dynamic Logic, Insight Express and Marketing Evolution;

- companies that provide audience ratings for TV, radio and other media that have extended or may extend their current services, particularly in certain international markets, to the measurement of digital media, including Nielsen, Arbitron (owned by Nielsen), certain divisions and products within Kantar, Rentrak and Taylor Nelson Sofres (owned by WPP);

- large and small companies that create proprietary data and analysis of consumers' online behavior, including Nielsen, Effective Measures, Gemius, Compete Inc. (owned by WPP), Google, Inc., Hitwise (owned by Experian), Quantcast, and Visible Measures;

- analytical services companies that provide customers with detailed information of behavior on their own data, content, or web traffic, including Omniture (owned by Adobe), Coremetrics (owned by IBM), and WebTrends; and systems providers including Accenture, HP, Pivotal, HortonWorks, Cloudera, and Terradata; and

- specialty information providers for certain industries that we serve, including Manhattan Research (healthcare) and The Now Factory (telecommunications).

Some of our current competitors have longer operating histories, access to larger customer bases and substantially greater resources than we do. As a result, these competitors may be able to devote greater resources to marketing and promotional campaigns, panel retention, panel development or development of systems and technologies than we can. In addition, some of our competitors may adopt more aggressive pricing policies or have started to provide some services at no cost. Furthermore, large software companies, Internet portals and database management companies may enter our market or enhance their current offerings, either by developing competing services or by acquiring our competitors, and could leverage their significant resources and pre-existing relationships with our current and potential customers. Finally, consolidation of our competitors could make it difficult for us to compete effectively. If we are unable to compete successfully against our current and future competitors, we may not be able to retain and acquire customers, and we may consequently experience a decline in revenues, reduced operating margins, loss of market share and diminished value from our products.

We may encounter difficulties managing our growth and costs, which could adversely affect our results of operations.

We have experienced significant growth over the past several years in the U.S. and internationally. We have substantially expanded our overall business, customer base, headcount, data collection and processing infrastructure and operating procedures as our business has grown through both organic growth and acquisitions. From time to time, as a result of acquisition integration initiatives, or through efforts to streamline our operations, we may reduce the workforce or reassign personnel. Such actions may expose us to disruption by dissatisfied employees or employee-related claims, including without limitation, claims by terminated employees that believe they are owed more compensation than we believe these employees are

Table of Contents

due under our compensation and benefit plans, or claims maintained internationally in jurisdictions whose laws and procedures differ from those in the United States.

We believe that we will need to continue to effectively manage and expand our organization, operations and facilities in order to accommodate potential future growth or acquisitions and to successfully integrate acquired businesses. If we continue to grow, either organically or through acquired businesses, our current systems and facilities may not be adequate. Our need to effectively manage our operations and cost structure requires that we continue to assess and improve our operational, financial and management controls, reporting systems and procedures. For example, we may be required to enter into leases for additional facilities or commit to significant investments in the build out of current or new facilities to support our growth. If we are unable to effectively forecast our facilities needs or if we are unable to sublease or terminate leases for unused space, we may experience increased unexpected costs. If we are not able to efficiently and effectively manage our cost structure or are unable to find appropriate space to support our needs, our business may be impaired.

Failure to effectively expand our sales and marketing capabilities could harm our ability to increase our customer base and achieve broader market acceptance of our products.

Increasing our customer base and achieving broader market acceptance of our products will depend to a significant extent on our ability to expand our sales and marketing operations. We expect to continue to rely on our direct sales force to obtain new customers. We may expand or enhance our direct sales force both domestically and internationally. We believe that there is significant competition for direct sales personnel with the sales skills and technical knowledge that we require. Our ability to achieve significant growth in revenues in the future will depend, in large part, on our success in recruiting, training and retaining sufficient numbers of direct sales personnel, and our ability to cross train our existing sales force with the sales forces of acquired businesses so that the sales personnel have the necessary information and ability to sell or develop sales prospects for both our products and the products of recently-acquired companies. In general, new hires require significant training and substantial experience before becoming productive. Our recent hires and planned hires may not become as productive as we require, and we may be unable to hire or retain sufficient numbers of qualified individuals in the future in the markets where we currently operate or where we seek to conduct business. Our business will be seriously harmed if the efforts to expand our sales and marketing capabilities are not successful or if they do not generate a sufficient increase in revenues.

If we fail to develop our brand, our business may suffer.

We believe that building and maintaining awareness of comScore and our portfolio of products in a cost-effective manner is critical to achieving widespread acceptance of our current and future products and is an important element in attracting new customers. We will also need to carefully manage the brands used by recently acquired businesses as we integrate such businesses into our own. We rely on our relationships with the media and the exposure we receive from numerous citations of our data by media outlets to build brand awareness and credibility among our customers and the marketplace. Furthermore, we believe that brand recognition will become more important for us as competition in our market increases. Our brand's success will depend on the effectiveness of our marketing efforts and on our ability to provide reliable and valuable products to our customers at competitive prices. Our brand marketing activities may not yield increased revenues, and even if they do, any increased revenues may not offset the expenses we incur in attempting to build our brand. If we fail to successfully market our brand, we may fail to attract new customers, retain existing customers or attract media coverage to the extent necessary to realize a sufficient return on our brand-building efforts, and our business and results of operations could suffer.

We have a history of significant net losses, may incur significant net losses in the future and may not achieve profitability.

We incurred net losses of \$9.9 million, \$2.3 million, and \$11.8 million for the years ended December 31, 2014, 2013 and 2012, respectively. As such, we cannot assure you that we will be able to achieve, sustain or increase profitability in the future, particularly due to our recent acquisition activity. As of September 30, 2015, we had an accumulated deficit of \$104.2 million. Because a large portion of our costs are fixed, we may not be able to reduce our expenses in response to any decrease in our revenues, which would adversely affect our operating results. In addition, we expect operating expenses to increase as we implement certain growth initiatives, which include, among other things, the development of new products, expansion of our infrastructure, plans for international expansion and general and



administrative expenses associated with being a public company. If our revenues do not increase to offset these expected increases in costs and operating expenses, our operating results would be materially and adversely affected. If we continue to incur significant net losses, we may not be able to realize certain deferred tax assets associated with our net operating loss carryforwards. As of September 30, 2015, we estimate our federal and state net operating loss carryforwards for tax purposes are approximately \$52.5 million and \$65.7 million, respectively. You should not consider our revenue growth in recent periods as indicative of our future performance, as our operating results for future periods are subject to numerous uncertainties.

Table of Contents

We have limited experience with respect to our pricing model for our newer offerings, and if the fees we charge for our products are unacceptable to our customers, our revenues and operating results will be harmed.

We have limited experience in determining the fees that our existing and potential customers will find acceptable for our products, the products of companies that we recently acquired, and any potential products that are developed as a result of the integration of our company with acquired companies. The majority of our customers purchase specifically tailored subscription packages that are priced in the aggregate. Due to the level of customization of such subscription packages, the pricing of contracts or individual product components of such packages may not be readily comparable across customers or periods. Existing and potential customers may have difficulty assessing the value of our products and services when comparing it to competing products and services. As the market for our products matures, or as new competitors introduce new products or services that compete with ours, we may be unable to renew our agreements with existing customers or attract new customers with the fees we have historically charged. As a result, it is possible that future competitive dynamics in our market as well as global economic pressures may require us to reduce our fees, which could have an adverse effect on our revenues, profitability and operating results.

System failures or delays in the operation of our computer and communications systems may harm our business.

Our success depends on the efficient and uninterrupted operation of our computer and communications systems and the third-party data centers we use. Our ability to collect and report accurate data may be interrupted by a number of factors, including our inability to access the Internet, the failure of our network or software systems, computer viruses, security breaches or variability in user traffic on customer websites. A failure of our network or data gathering procedures could impede the processing of data, cause the corruption or loss of data or prevent the timely delivery of our products.

In the future, we may need to expand our network and systems at a more rapid pace than we have in the past. Our network or systems may not be capable of meeting the demand for increased capacity, or we may incur additional unanticipated expenses to accommodate these capacity demands. In addition, we may lose valuable data, be unable to obtain or provide data on a timely basis or our network may temporarily shut down if we fail to adequately expand or maintain our network capabilities to meet future requirements. Any lapse in our ability to collect or transmit data may decrease the value of our products and prevent us from providing the data requested by our customers. Any disruption in our network processing or loss of Internet user data may damage our reputation and result in the loss of customers, and our business and results of operations could be adversely affected.

We rely on a small number of third-party service providers to host and deliver our products, and any interruptions or delays in services from these third parties could impair the delivery of our products and harm our business.

We host our products and serve all of our customers from data center facilities located throughout the United States and Europe. While we operate our equipment inside these facilities, we do not control the operation of these facilities, and, depending on service level requirements, we may not continue to operate or maintain redundant data center facilities for all of our products or for all of our data, which could increase our vulnerability. These facilities are vulnerable to damage or interruption from earthquakes, hurricanes, floods, fires, power loss, telecommunications failures and similar events. They are also subject to break-ins, computer viruses, sabotage, intentional acts of vandalism and other misconduct. A natural disaster or an act of terrorism, a decision to close the facilities without adequate notice or other unanticipated problems could result in lengthy interruptions in availability of our products.

We may also encounter capacity limitations at our third-party data centers. Additionally, our data center facility agreements are of limited durations, and our data center facilities have no obligation to renew their agreements with us on commercially reasonable terms, if at all. Our agreements for our various data center facilities expire at various dates through September 2018. We believe that we have good relationships with our data center facility vendors and believe that we will be able to renew, or find alternative data center facilities, at commercially reasonable terms.

Although we are not substantially dependent on our data center facilities because of planned redundancies, and although we currently are able to migrate to alternative data centers, such a migration may result in an interruption or delay in service. If we are unable to renew our agreements with the owners of the facilities on commercially reasonable terms, or if we migrate to a new data center, we may experience delays in delivering our products until an agreement with another data center facility can be arranged or the migration to a new facility is completed.

If we or the third-party data centers that we use were to experience a major power outage, we would have to rely on back-up generators, which may not function properly, and their supply may be inadequate. Such a power outage could result in the disruption of our business. Additionally, if our current facilities fail to have sufficient cooling capacity or availability of electrical power, we would need to find alternative facilities.

We currently leverage a large content delivery network, or CDN, to provide services that allow us to offer a more efficient tagging methodology for certain subscription based measurement and analytics product offerings. If that service faced unplanned outage or the service became immediately unavailable, an alternate CDN provider or additional capacity in our data

Table of Contents

centers would need to be established to support the large volume of tag requests that we currently manage which would either require additional investments in equipment and facilities or a transition plan. This could unexpectedly raise the costs and could contribute to delays or losses in tag data that could affect the quality and reputation of our Media Metrix, vCE, and other data products that involve the measurement of a large amount of digitally transmitted activity across multiple providers.

Further, we depend on access to the Internet through third-party bandwidth providers to operate our business. If we lose the services of one or more of our bandwidth providers for any reason, we could experience disruption in the delivery of our products or be required to retain the services of a replacement bandwidth provider. It may be difficult for us to replace any lost bandwidth on commercially reasonable terms, or at all, due to the large amount of bandwidth our operations require.

Any errors, defects, disruptions or other performance problems with our products caused by third parties could harm our reputation and may damage our business. Interruptions in the availability of our products may reduce our revenues due to increased turnaround time to complete projects, cause us to issue credits to customers, cause customers to terminate their subscription and project agreements or adversely affect our renewal rates. Our business would be harmed if our customers or potential customers believe our products are unreliable.

Laws related to the regulation of the Internet could adversely affect our business.

Laws and regulations that apply to communications and commerce over the Internet are becoming more prevalent. In particular, the growth and development of the market for eCommerce has prompted calls for more stringent tax, consumer protection and privacy laws in the United States and abroad that may impose additional burdens on companies conducting business online. The adoption, modification or interpretation of laws or regulations relating to the Internet or our customers' digital operations could negatively affect the businesses of our customers and reduce their demand for our products. Even if such laws and regulations are not enacted, lawmakers and regulators may publicly call into question the collection and use of Internet or mobile usage data and may affect vendors and customers' willingness to do business with us.

Taxing authorities may successfully assert that we should have collected or in the future should collect sales and use, value added or similar taxes, and we could be subject to liability with respect to past or future sales, which could adversely affect our results of operations.

We do not collect sales and use, value added and similar taxes in all jurisdictions in which we have sales. Sales and use, value added and similar tax laws and rates vary greatly by jurisdiction. Certain jurisdictions in which we do not collect such taxes may assert that such taxes are applicable, which could result in tax assessments, penalties and interest, and we may be required to collect such taxes in the future. Such tax assessments, penalties and interest or future requirements may adversely affect the results of our operations.

If we fail to respond to evolving industry standards, our products may become obsolete or less competitive.

The market for our products is characterized by rapid technological advances, changes in customer requirements, changes in protocols and evolving industry standards. For example, industry associations such as the Advertising Research Foundation, the Council of American Survey Research Organizations, the Internet Advertising Bureau, or IAB, and the Media Rating Council have independently initiated efforts to either review online market research methodologies or to develop minimum standards for online market research. In April 2011, comScore Direct was accredited by the Media Rating Council. Any standards adopted by U.S or internationally, based industry associations, may lead to costly changes to our procedures and methodologies. As a result, the cost of developing our digital media analytics products could increase. If we do not adhere to standards prescribed by the IAB or other industry associations, our customers could choose to purchase products from competing companies that meet such standards. Furthermore, industry associations based in countries outside of the United States often endorse certain vendors or methodologies. If our methodologies fail to receive an endorsement from an important industry association located in a foreign country, advertising agencies, media companies and advertisers in that country may not purchase our products. As a result, our efforts to further expand internationally could be adversely affected.

The success of our business depends on the continued growth of the Internet as a medium for commerce, content, advertising and communications.

Expansion in the sales of our products depends on the continued acceptance of the digital media as a platform for commerce, content, advertising and communications. The use of the digital media as a medium for commerce, content, advertising and communications could be adversely impacted by delays in the development or adoption of new standards and protocols to handle increased demands of digital media activity, security, reliability, cost, ease-of-use, accessibility and quality-of-service. The performance of the Internet and its acceptance as a medium for commerce, content, advertising and communications has been harmed by viruses, worms, and similar malicious programs, and the Internet has experienced a variety of outages and other delays as a result of damage to portions of its infrastructure. If for any reason digital media does

Table of Contents

not remain a medium for widespread commerce, content, advertising and communications, the demand for our products would be significantly reduced, which would harm our business.

We rely on our management team and may need additional personnel to grow our business; the loss of one or more key employees or the inability to attract and retain qualified personnel could harm our business.

Our success and future growth depends to a significant degree on the skills and continued services of our management team. Our future success also depends on our ability to retain, attract and motivate highly skilled technical, managerial, marketing and customer service personnel, including members of our management team. All of our employees work for us on an at-will basis. We plan to hire additional personnel in all areas of our business, particularly for our sales, marketing and technology development areas, both domestically and internationally, which will likely increase our recruiting and hiring costs. Competition for these types of personnel is intense, particularly in the Internet and software industries. As a result, we may be unable to successfully attract or retain qualified personnel. Our inability to retain and attract the necessary personnel could adversely affect our business.

Investors could lose confidence in our financial reports, and our business and stock price may be adversely affected, if our internal control over financial reporting is found by management or by our independent registered public accounting firm not to be adequate or if we disclose significant deficiencies or material weaknesses in those controls. Section 404 of the Sarbanes-Oxley Act of 2002 requires us to include a report on our internal control over financial reporting in our Annual Report on Form 10-K. That report includes management's assessment of the effectiveness of our internal control over financial reporting as of the end the fiscal year. Additionally, our independent registered public accounting firm is required to issue a report on their evaluation of the operating effectiveness of our internal control over financial reporting.

We continue to evaluate our existing internal controls against the standards adopted by the Public Company Accounting Oversight Board, or PCAOB. During the course of our ongoing evaluation of our internal controls, we have in the past identified, and may in the future identify, areas requiring improvement, and may have to design enhanced processes and controls to address issues identified through this review. Remedying any significant deficiencies or material weaknesses that we or our independent registered public accounting firm may identify could require us to incur significant costs and expend significant time and management resources. We cannot assure you that any of the measures we may implement to remedy any such deficiencies will effectively mitigate or remedy such deficiencies. Further, if we are not able to complete the assessment under Section 404 in a timely manner or to remedy any identified material weaknesses, we and our independent registered public accounting firm would be unable to conclude that our internal control over financial reporting is effective at the required reporting deadlines. If our internal control over financial reporting is found by management or by our independent registered public accountant to not be adequate or if we disclose significant existing or potential deficiencies or material weaknesses in those controls, investors could lose confidence in our financial reports, we could be subject to sanctions or investigations by The NASDAQ Global Market, the Securities and Exchange Commission or other regulatory authorities and our stock price could be adversely affected.

In future periods, we may upgrade our financial reporting systems and implement new information technology systems to better manage our business, streamline our financial reporting and enhance our existing internal controls. We may experience difficulties if we transition to new or upgraded systems, including loss of data and decreases in productivity as our personnel become familiar with new systems. In addition, we expect that our existing management information systems may require modification and refinement as we grow and our business needs change. Any modifications could prolong difficulties we experience with systems transitions, and we may not always employ the most efficient or effective systems for our purposes. If upgrades cost more or take longer than we anticipate, our operating results could be adversely affected. Moreover, if we experience difficulties in implementing new or upgraded information systems or experience system failures, or if we are unable to successfully modify our management information systems to respond to changes in our business needs, our ability to timely and effectively process analyze and prepare financial statements could be adversely affected.

A determination that there is a significant deficiency or material weakness in the effectiveness of our internal control over financial reporting could also reduce our ability to obtain financing or could increase the cost of any financing we obtain and require additional expenditures to comply with applicable requirements.

Our net operating loss carryforwards may expire unutilized or underutilized, which could prevent us from offsetting future taxable income.

We have previously experienced “changes in control” that have triggered the limitations of Section 382 of the Internal Revenue Code on a portion of our net operating loss carryforwards. As a result, we may be limited in the amount of net operating loss carryforwards that we can use in the future to offset taxable income for U.S. Federal income tax purposes.

## Table of Contents

As of September 30, 2015, we estimate our federal and state net operating loss carryforwards for tax purposes are approximately \$52.5 million and \$65.7 million, respectively. These net operating loss carryforwards will begin to expire in 2023 for federal income tax reporting purposes and in 2015 for state income tax reporting purposes.

In addition, at September 30, 2015 we estimate our aggregate net operating loss carryforwards for tax purposes related to our foreign subsidiaries are \$10.1 million, which begin to expire in 2017.

We apply a valuation allowance to certain deferred tax assets when management does not believe that it is more-likely-than-not that they will be realized. In assessing the need for any valuation allowances, we consider the reversal of existing temporary differences associated with deferred tax assets and liabilities, future taxable income, tax planning strategies and historical and future pre-tax book income (as adjusted for permanent differences between financial and tax accounting items) in order to determine if it is more likely than not that the deferred tax asset will be realized. For example, we have had several recent years of pre-tax losses, and further losses may present evidence that our net operating loss carryforwards may not be realized in future periods.

As of September 30, 2015, we had a valuation allowance related to the deferred tax assets (primarily net operating loss carryforwards) of our foreign subsidiary in Spain that is a loss company, the deferred tax asset related to our U.S. capital loss carryforwards, and the deferred tax asset related to certain state net operating loss carryforwards.

Management will continue to evaluate the deferred tax position of our U.S. and foreign companies to determine the appropriate level of valuation allowance required against our deferred tax assets.

Restrictive covenants in the agreements governing our current and future indebtedness could restrict our operating flexibility.

The agreements governing our existing debt, and debt we may incur in the future, contain, or may contain, affirmative and negative covenants that materially limit our ability to take certain actions, including our ability to incur debt, pay dividends and repurchase stock, make certain investments and other payments, enter into certain mergers and consolidations, and encumber and dispose of assets. Credit market turmoil, adverse events affecting our business or industry, the tightening of lending standards or other factors could negatively impact our ability to obtain future financing or to refinance our outstanding indebtedness on terms acceptable to us or at all.

We may require additional capital to support business growth, and this capital may not be available on acceptable terms or 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 products or enhance our existing products, enhance our operating infrastructure and 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 further 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 secured by us in the future could include 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. In addition, we may not be able to obtain additional financing on terms favorable to us or 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 significantly limited. In addition, the terms of any additional equity or debt issuances may adversely affect the value and price of our common stock.

### Risks Related to the Securities Market and Ownership of our Common Stock

The trading price of our common stock may be subject to significant fluctuations and volatility, and our new stockholders may be unable to resell their shares at a profit.

The stock markets, in general, and the markets for technology stocks in particular, have experienced high levels of volatility. The market for technology stocks has been extremely volatile and frequently reaches levels that bear no relationship to the past or present operating performance of those companies. These broad market fluctuations may adversely affect the trading price of our common stock. In addition, the trading price of our common stock has been subject to significant fluctuations and may continue to fluctuate or decline.



The price of our common stock in the market may be higher or lower than the price you pay, depending on many factors, some of which are beyond our control and may not be related to our operating performance. It is possible that, in future quarters, our operating results may be below the expectations of analysts or investors. As a result of these and other factors, the

57

---

Table of Contents

price of our common stock may decline, possibly materially. These fluctuations could cause you to lose all or part of your investment in our common stock. Factors that could cause fluctuations in the trading price of our common stock include the following:

- price and volume fluctuations in the overall stock market from time to time;
- volatility in the market price and trading volume of technology companies and of companies in our industry;
- actual or anticipated changes or fluctuations in our operating results;
- actual or anticipated changes in expectations regarding our performance by investors or securities analysts;
- the failure of securities analysts to cover our common stock or changes in financial estimates by analysts;
- actual or anticipated developments in our competitors' businesses or the competitive landscape;
- actual or perceived inaccuracies in, or dissatisfaction with, information we provide to our customers or the media;
- litigation involving us, our industry or both;
- regulatory developments;
- privacy and security concerns, including public perception of our practices as an invasion of privacy;
- general economic conditions and trends;
- major catastrophic events;
- sales of large blocks of our stock;
- the timing and success of new product introductions or upgrades by us or our competitors;
- changes in our pricing policies or payment terms or those of our competitors;
- concerns relating to the security of our network and systems;
- our ability to expand our operations, domestically and internationally, and the amount and timing of expenditures related to this expansion; or
- departures of key personnel.

In the past, following periods of volatility in the market price of a company's securities, securities class action litigation has often been brought against that company. If our stock price is volatile, we may become the target of securities litigation, which could result in substantial costs and divert our management's attention and resources from our business. In addition, volatility, lack of positive performance in our stock price or changes to our overall compensation program, including our equity incentive program, may adversely affect our ability to retain key employees.

If securities or industry analysts do not publish research or reports about our business or if they issue an adverse or misleading opinion regarding our stock, our stock price and trading volume could decline.

The trading market for our common stock will be influenced by the research and reports that industry or securities analysts publish about us or our business. If any of the analysts who cover us issue an adverse or misleading opinion regarding our stock, our stock price would likely decline. If one or more of these analysts cease coverage of our company or fail to publish reports on us regularly, we could lose visibility in the financial markets, which in turn could cause our stock price or trading volume to decline.

We have incurred and will continue to incur increased costs and demands upon management as a result of complying with the laws and regulations affecting a public company, which could adversely affect our operating results.

As a public company, we have incurred and will continue to incur significant legal, accounting and other expenses that we would not otherwise incur if we were a private company. In addition, the Sarbanes-Oxley Act of 2002 and the Dodd-Frank Wall Street Reform and Consumer Protection Act, as well as rules implemented by the Securities and Exchange Commission and The NASDAQ Stock Market, requires certain corporate governance practices for public companies. Our management and other personnel devote a substantial amount of time to public reporting requirements and corporate governance. These rules and regulations have significantly increased our legal and financial compliance costs and made some activities more time-consuming and costly. We also have incurred additional costs associated with our public company reporting requirements. If these costs do not continue to be offset by increased revenues and improved financial performance, our operating results would be adversely affected. These rules and regulations also make it more difficult and more expensive for us to obtain director and officer liability insurance, and we may be required to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage if these costs continue to rise. As a result, it may be more difficult for us to attract and retain qualified people

to serve on our board of directors or as executive officers.

58

---

Table of Contents

Provisions in our certificate of incorporation and bylaws and under Delaware law might discourage, delay or prevent a change of control of our company or changes in our management and, therefore, depress the trading price of our common stock.

Our certificate of incorporation and bylaws contain provisions that could depress the trading price of our common stock by acting to discourage, delay or prevent a change of control of our company or changes in our management that the stockholders of our company may deem advantageous. These provisions:

- provide for a classified board of directors so that not all members of our board of directors are elected at one time;
- authorize “blank check” preferred stock that our board of directors could issue to increase the number of outstanding shares to discourage a takeover attempt;
- prohibit stockholder action by written consent, which means that all stockholder actions must be taken at a meeting of our stockholders;
- prohibit stockholders from calling a special meeting of our stockholders;
- provide that the board of directors is expressly authorized to make, alter or repeal our bylaws; and
- provide for advance notice requirements for nominations for elections to our board of directors or for proposing matters that can be acted upon by stockholders at stockholder meetings.

Additionally, we are subject to Section 203 of the Delaware General Corporation Law, which prohibits a Delaware corporation from engaging in any of a broad range of business combinations with any “interested” stockholder for a period of three years following the date on which the stockholder became an “interested” stockholder and which may discourage, delay or prevent a change of control of our company.

Table of Contents

## Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

(a) Unregistered Sales of Equity Securities during the Three Months Ended September 30, 2015

None.

(b) Use of Proceeds from Sale of Registered Equity Securities

None.

(c) Purchases of Equity Securities by the Issuer and Affiliated Purchasers

During the three months ended September 30, 2015, we repurchased the following shares of common stock:

	Total Number of Shares (or Units) Purchased (1)	Average Price Per Share (or Unit)	Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans of Programs (2)	Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs (in millions) (2)
July 1 - July 31, 2015	496,970	\$54.81	495,665	\$68.8
August 1 - August 31, 2015	347,958	\$57.47	328,114	\$50.1
September 1 - September 30, 2015	27,577	\$48.14	—	\$—
Total	872,505	—	823,779	\$50.1

The shares included in the table above were repurchased either in connection with (i) our exercise of the repurchase right afforded to us in connection with certain employee restricted stock awards (ii) the forfeiture of shares by an (1) employee as payment of the minimum statutory withholding taxes due upon the vesting of certain employee restricted stock and restricted stock unit awards or (iii) pursuant to our share repurchase programs described in further detail in Footnote (2) to this table.

(i) For the three months ended September 30, 2015, the shares repurchased in connection with our exercise of the repurchase right afforded to us upon the cessation of employment consisted of the following:

	Total Number of Shares Purchased	Average Price Per Share
July 1 - July 31, 2015	500	\$—
August 1 - August 31, 2015	—	\$—
September 1 - September 30, 2015	—	\$—
Total	500	

(ii) The shares we repurchased in connection with the payment of minimum statutory withholding taxes due upon the vesting of certain restricted stock and restricted stock unit awards were repurchased at the then current fair market value of the shares. For the three months ended September 30, 2015, these shares consisted of the following:

	Total Number of Shares Purchased	Average Price Per Share
July 1 - July 31, 2015	805	\$54.17
August 1 - August 31, 2015	19,844	\$60.04

September 1 - September 30, 2015	27,577	\$48.14
Total	48,226	

(2) As part of the Company's share repurchase program, shares may be purchased in open market transactions or pursuant to any trading plan that may be adopted in accordance with Rule 10b5-1 of the Exchange Act. The timing, manner, price and

60

---

Table of Contents

amount of any repurchases will be determined at our discretion, and the share repurchase program may be suspended, terminated or modified at any time for any reason. Shares repurchased are classified as Treasury Stock. Details of the share repurchases during the three months ended September 30, 2015 under the Company's share repurchase program were as follows:

	2015 (1)
(Amounts in millions, except share and per share data)	
Total number of shares repurchased	823,779
Average price paid per share	\$55.78
Total value of shares repurchased (as measured at time of repurchase)	\$45.9

**(1) May 2015 Share Repurchase Program**

On May 5, 2015 the Company announced that its board of directors had approved the repurchase of up to an additional \$150.0 million of the Company's common stock which commenced on May 6, 2015. Such repurchases may be made from time to time subject to pre-determined price and volume guidelines established by our board of directors. Through September 30, 2015 this program resulted in the repurchase of \$99.9 million of shares (as measured at the time of repurchase). \$50.1 million of shares (as measured at the time of repurchase) remain available for repurchase. The program was suspended pending closing of the Rentrak merger.

**Item 3. Defaults Upon Senior Securities**

None.

**Item 4. Mine Safety Disclosures**

Not Applicable.

**Item 5. Other Information**

None.

**Item 6. Exhibits**

The exhibits listed on the Exhibit Index attached hereto are filed or incorporated by reference (as stated therein) as part of this Quarterly Report on Form 10-Q.

Table of Contents

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

comScore, Inc.

/s/ Melvin Wesley III  
Melvin Wesley III  
Chief Financial Officer  
(Principal Financial Officer and  
Duly Authorized Officer)

Date: November 6, 2015



Table of Contents

EXHIBIT INDEX

Exhibit No.	Exhibit Document
2.1(1)	Agreement and Plan of Merger and Reorganization, dated as of September 29, 2015, by and among the Registrant, Rum Acquisition Corporation, and Rentrak Corporation (Exhibit 2.1)
3.1(2)	Amended and Restated Certificate of Incorporation of the Registrant (Exhibit 3.3)
3.2(2)	Amended and Restated Bylaws of the Registrant (Exhibit 3.4)
10.1(1)	Form of comScore Support Agreement (Exhibit 4.1)
10.2(1)	Form of Rentrak Support Agreement (Exhibit 4.2)
31.1	Certification of the Chief Executive Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of the Chief Financial Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101(3)	Interactive Data Files Pursuant to Rule 405 of Regulation S-T: (i) Consolidated Statements of Operations for the three and nine months ended September 30, 2015 and 2014, (ii) Consolidated Balance Sheets as of September 30, 2015 and December 31, 2014, (iii) Consolidated Statements of Stockholders' Equity for the nine months ended September 30, 2015 and 2014, (iv) Consolidated Statements of Cash Flows for the nine months ended September 30, 2015 and 2014 and (v) Notes to Consolidated Financial Statements XBRL Exhibits.
(1)	Incorporated by reference to the Registrant's Current Report on Form 8-K, filed September 29, 2015 (File No. 001-33520). The number given in parentheses indicates the corresponding exhibit number in such Form 8-K.
(2)	Incorporated by reference to the exhibits to the Registrant's Registration Statement on Form S-1, as amended, dated June 26, 2007 (No. 333-141740). The number given in parentheses indicates the corresponding exhibit number in such Form S-1.
(3)	In accordance with Rule 406T of Regulation S-T, the information in these exhibits is furnished and deemed not filed or a part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, is deemed not filed for purposes of Section 18 of the Exchange Act of 1934, and otherwise is not subject to liability under these sections and shall not be incorporated by reference into any registration statement or other document filed under the Securities Act of 1933, as amended, except as expressly set forth by specific reference in such filing.

