



**GRUBHUB™**

# **GRUBHUB INC.**

2015

# **ANNUAL REPORT**





April 2016

Dear fellow Grubhub stockholders,

2015 was a monumental year for Grubhub as we completed our first full year as a publicly traded company and made tremendous progress in moving takeout forward. We did so by focusing on expanding our delivery capabilities, upgrading our technology stack and signing new partnerships with restaurant chains. We are incredibly proud of the developments on all three fronts and believe this positions us to win the lion's share of the online food delivery market.

We have a singular focus – connecting diners and restaurants. For more than 10 years, we have helped restaurants thrive by connecting them with local customers and sending them more orders, and we have delighted diners by offering variety, control and transparency unmatched by anyone in the industry, at a low delivery cost. In 2015, this translated to \$2.4 billion in Gross Food Sales driven to restaurants across the country from our network of 6.7 million Active Diners.

Expanding our delivery capabilities was a strategic priority for 2015. We made significant investments in our logistics and technology stack, extended our offering from five markets to almost 50 today and acquired three leading restaurant delivery services. Adding new restaurants allows us to offer our diners a larger choice of cuisines, price points and local favorites. These additional benefits to diners have led to accelerated order growth in a number of markets where delivery now makes up a significant portion of our volume. We are incredibly proud of our progress in achieving a run-rate of over \$200 million in annualized delivery volume and at the same time steadily improving the unit economics of each delivery order.

With our delivery capabilities ramping quickly, we are also better positioned to address the broader opportunity of takeout for all restaurants, including chains, increasing our total addressable market to more than \$200 billion. We formalized relationships with California Pizza Kitchen, Panda Express, Bucca di Beppo, Fatburger and Veggie Grill in 2015 and early 2016. We are thrilled to drive new customer growth and to be the technology and logistics partner to these beloved brands, while offering Grubhub diners more selection and great food from the comfort of their homes.

In 2015, we also had a big year in product innovation, an important long-term driver of our business. We migrated the Seamless website and mobile apps over the summer and released new versions of the Grubhub website and mobile apps in the fall. The migration freed up resources to focus on product innovation and improved conversion, retention and frequency. We have made good progress already, including improvements to our search and recommendation infrastructure by leveraging our vast transactional data, as well as a new ratings and reviews system that collects real-time diner feedback. This is just the beginning, and we expect improvements throughout 2016.

Our solid execution and operational performance in 2015 yielded strong revenue growth and profitability. We generated \$361.8 million of revenue in 2015, 43 percent more than the previous year. Even after a number of significant investments in our delivery business and technology stack, we grew our non-GAAP Adjusted EBITDA 33 percent in 2015 to \$105 million.

We began 2016 with an important milestone – an update to the Grubhub brand. Our fun and irreverent style helped Grubhub grow from a local Chicago favorite to a powerful national brand, but it was time for an update. The new brand celebrates our great restaurants and their incredible chefs, the moments when diners are inspired to order food, and the delight they feel when they receive their meal. We started with a facelift of our website and mobile applications, along with a new advertising campaign. Both have been very well received. Stay tuned for more.

I am immensely proud of what we accomplished in 2015. Although there's much work to be done, I am inspired by the journey ahead. All of us at Grubhub thank you for your continued support.

Sincerely,

A handwritten signature in black ink, appearing to read 'Matt Maloney', with a long horizontal flourish extending to the right.

Matthew Maloney  
*Chief Executive Officer  
and President*

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-K**

(Mark One)

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

For the fiscal year ended December 31, 2015

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM TO

Commission File Number 1-36389

**GRUBHUB INC.**

(Exact name of Registrant as specified in its Charter)

Delaware  
(State or other jurisdiction of  
incorporation or organization)  
  
111 W. Washington Street, Suite 2100  
Chicago, Illinois  
(Address of principal executive offices)

46-2908664  
(I.R.S. Employer  
Identification No.)

60602  
(Zip Code)

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

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

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

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

None

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

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

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

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

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

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company	<input type="checkbox"/>

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the Registrant, based on the closing price of the shares of common stock on The New York Stock Exchange on June 30, 2015, was \$2,186,085,162.

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

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

## TABLE OF CONTENTS

<b>Form 10-K</b>		
<b>Item No.</b>	<b>Name of Item</b>	<b>Page</b>
<u>Part I</u>		
Item 1.	<u>Business</u>	3
Item 1A.	<u>Risk Factors</u>	10
Item 1B.	<u>Unresolved Staff Comments</u>	23
Item 2.	<u>Properties</u>	23
Item 3.	<u>Legal Proceedings</u>	23
Item 4.	<u>Mine Safety Disclosures</u>	24
<u>Part II</u>		
Item 5.	<u>Market for Grubhub Inc.'s Common Equity, Related Stockholder Matters and Issuer Repurchases of Equity Securities</u>	25
Item 6.	<u>Selected Financial Data</u>	27
Item 7.	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	28
Item 7A.	<u>Quantitative and Qualitative Disclosures about Market Risk</u>	46
Item 8.	<u>Financial Statements and Supplementary Data</u>	47
Item 9.	<u>Changes in and Disagreements with Accountants on Accounting and Financial Disclosure</u>	76
Item 9A.	<u>Controls and Procedures</u>	76
Item 9B.	<u>Other Information</u>	78
<u>Part III</u>		
Item 10.	<u>Directors, Executive Officers and Corporate Governance</u>	79
Item 11.	<u>Executive Compensation</u>	79
Item 12.	<u>Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u>	79
Item 13.	<u>Certain Relationships and Related Transactions, and Director Independence</u>	79
Item 14.	<u>Principal Accountant Fees and Services</u>	79
<u>Part IV</u>		
Item 15.	<u>Exhibits and Financial Statement Schedules</u>	80
	<u>SIGNATURES</u>	86

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

## **PART I.**

### **Item 1. Business**

#### **Company Overview**

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

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

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

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

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

devices increased from approximately 39% of consumer orders during the first quarter of 2013 to approximately 58% of consumer orders during the quarter ended December 31, 2015.

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

## Organization

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

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

### *Acquisitions*

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

## Growth Strategy

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

- *Grow the Two-Sided Network.* The Company intends to continue to grow the number of independent restaurants and restaurant chains in existing and new geographic markets by providing them with opportunities to generate more takeout orders and by offering delivery services. The Company intends to continue to grow the number of diners and orders placed on the network primarily through word-of-mouth referrals, marketing that encourages adoption of the Company's mobile applications and increased order frequency.
- *Enhance the Platform.* The Company plans to continue to invest in its websites and mobile products and its independent delivery network, develop new products and better leverage the significant amount of order data that the Company collects.
- *Deliver Excellent Customer Service.* By meeting and exceeding the expectations of both restaurants and diners through customer service, the Company seeks to gain their loyalty and support for the platform.
- *Pursue Strategic Acquisitions.* The Company intends to continue to pursue expansion opportunities in existing and new markets, as well as in core and adjacent categories through strategic acquisitions.

## Key Metrics

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

## The Grubhub Solution

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

### *Restaurant Benefits*

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

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

### *Diner Benefits*

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

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

## Challenges

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

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

## ***Factors Affecting Performance***

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

## **Products and Services**

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

### **Products**

#### ***Grubhub and Seamless Websites***

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

#### ***Grubhub and Seamless Mobile Apps and Mobile Website***

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

#### ***Corporate Program***

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

#### ***Delivery***

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

#### ***Allmenus and MenuPages***

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

### ***OrderHub, Boost and GrubCentral***

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

### ***Restaurant Websites***

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

## **Customer Care**

### ***Restaurants***

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

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

### ***Diners***

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

## **Geographic Markets**

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

## **Sales and Marketing**

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

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

## **Technology**

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

## **Customers**

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

## **Competition**

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

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

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

## **Seasonality**

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

## Intellectual Property

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

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

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

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

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

## Employees

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

## Available Information

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

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

## Emerging Growth Company Status

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

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

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

## **CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS**

In this section and elsewhere in this Annual Report on Form 10-K, we discuss and analyze the results of operations and financial condition of the Company. In addition to historical information about the Company, we also make statements relating to the future called “forward-looking statements,” which are provided under the “safe harbor” of the U.S. Private Securities Litigation Act of 1995. Forward-looking statements involve substantial risks, known or unknown, and uncertainties that may cause actual results to differ materially from future results or outcomes expressed or implied by such forward-looking statements. Forward-looking statements generally relate to future events or our future financial or operating performance. In some cases, you can identify forward-looking statements because they contain words such as “anticipates,” “believes,” “contemplates,” “continue,” “could,” “estimates,” “expects,” “intends,” “may,” “plans,” “potential,” “predicts,” “projects,” “should,” “target” or “will” or the negative of these words or other similar terms or expressions that concern the Company’s expectations, strategy, plans or intentions.

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

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

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

### **Item 1A. Risk Factors**

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

### **Risks Related to Our Business**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Like all online services, our platform is vulnerable to computer viruses, break-ins, phishing attacks, attempts to overload our servers with denial-of-service, misappropriation of data through website scraping or other attacks and similar disruptions from unauthorized use of our computer systems, any of which could lead to interruptions, delays or website shutdowns, causing loss of critical data or the unauthorized disclosure or use of personally identifiable or other confidential information. Like most Internet companies, we have experienced interruptions in our service in the past due to software and hardware issues as well as denial-of-service and other cyber-attacks and, in the future, may experience compromises to our security that result in performance or availability problems, the complete shutdown of our websites or the loss or unauthorized disclosure of confidential information. In the event of a prolonged service interruption or significant breach of our security measures, our restaurants and diners may lose trust and confidence in us and decrease their use of our platform or stop using our platform entirely. We may be unable to implement adequate

preventative measures against or proactively address techniques used to obtain unauthorized access, disable or degrade service or sabotage systems because such techniques change frequently, often remain undetected until launched against a target and may originate from remote areas around the world that are less regulated. Any or all of these issues could harm our ability to attract new restaurants and diners or deter current restaurants and diners from returning, reduce the frequency with which restaurants and diners use our platform, or subject us to third-party lawsuits, regulatory fines or other action or liability, thereby harming our business and results of operations.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## Risks Related to Ownership of Our Common Stock

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

#### **Item 1B. Unresolved Staff Comments**

None.

#### **Item 2. Properties**

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

#### **Item 3. Legal Proceedings**

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

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

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

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

**Item 4: Mine Safety Disclosures**

Not applicable.

## PART II.

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

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

#### Price Range of Common Stock

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

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

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

#### Holders

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

#### Dividends

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

#### Use of Proceeds and Issuer Purchases of Equity Securities

##### *Use of Proceeds*

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

##### *Unregistered Sales of Equity Securities*

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

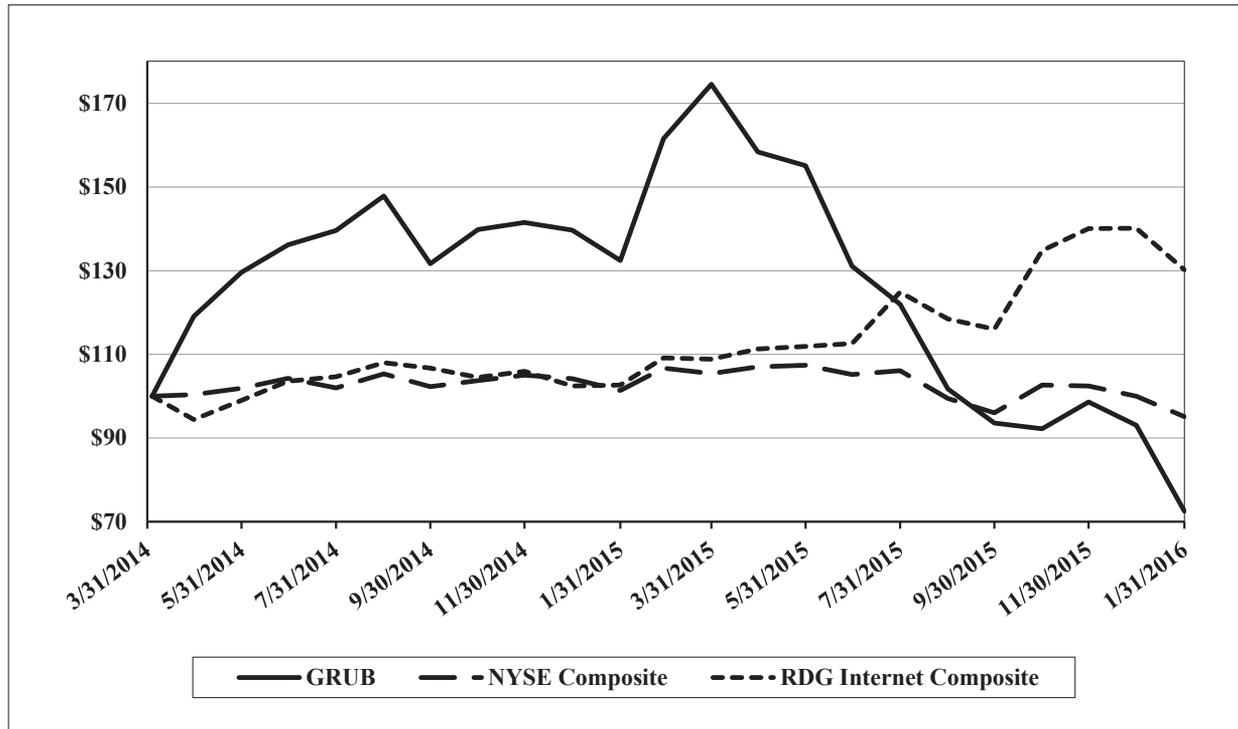
##### *Issuer Purchases of Equity Securities*

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

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

## Company Stock Performance Graph

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



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

## Item 6. Selected Financial Data

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

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

Reflects results of acquired businesses from the relevant acquisition dates.

- (a) Includes results for the Seamless Platform through the Merger Date, and of Grubhub Inc., for the remainder of the period.
- (b) Working capital is calculated as current assets less current liabilities.
- (c) Prior period amounts have been retrospectively adjusted to reflect the change in presentation of current deferred tax assets (see Part II, Item 8, Note 2, “*Summary of Significant Accounting Policies – Recently Issued Accounting Pronouncements*” for additional details).
- (d) See the section titled “Non-GAAP Financial Measures” in Part II, Item 7, “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*” for more information and for a reconciliation of Adjusted EBITDA to net income, the most directly comparable financial measure calculated and presented in accordance with accounting principles generally accepted in the United States of America (“GAAP”).

Includes the following significant items:

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

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

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

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

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

## Key Business Metrics

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

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

Reflects results of acquired businesses from the relevant acquisition dates.

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

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

### Overview

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

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

### Significant Accounting Policies and Critical Estimates

Our financial statements are prepared in accordance with GAAP. The preparation of these financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, expenses and related disclosures. We

evaluate our estimates and assumptions on an ongoing basis. Our estimates are based on historical experience and various other assumptions that we believe to be reasonable under the circumstances. Our actual results could differ from these estimates. We believe our most critical accounting policies and estimates relate to the following:

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

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

### ***Revenue Recognition***

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

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

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

### ***Website and Software Development Costs***

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

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

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

### ***Stock-Based Compensation***

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

### ***Goodwill***

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

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

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

### ***Income Taxes***

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

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

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

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

## Operations Review

### *Executive Overview*

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

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

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

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

### *Key Business Metrics*

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

#### *Active Diners.*

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

#### *Daily Average Grubs.*

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

#### *Gross Food Sales.*

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

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

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

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

*2015 compared to 2014*

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

*2014 compared to 2013*

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

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

***Basis of Presentation***

***Revenues***

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

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

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

***Costs and Expenses***

***Sales and Marketing***

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

***Operations and Support***

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

### ***Technology (exclusive of amortization)***

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

### ***General and Administrative***

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

### ***Depreciation and Amortization***

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

### ***Provision for Income Taxes***

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

### ***Results of Operations***

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

	Year Ended December 31,					
	2015		2014		2013	
	Amount	% of revenue	Amount	% of revenue	Amount	% of revenue
	(in thousands, except percentages)					
Revenues	\$361,825	100%	\$253,873	100%	\$137,143	100%
Costs and expenses:						
Sales and marketing	91,150	25%	66,201	26%	37,347	27%
Operations and support	107,424	30%	62,509	25%	34,173	25%
Technology (exclusive of amortization)	32,782	9%	25,185	10%	15,357	11%
General and administrative	40,506	11%	32,307	13%	21,907	16%
Depreciation and amortization	28,034	8%	22,687	9%	13,470	10%
Total costs and expenses <sup>(a)</sup>	299,896	83%	208,889	82%	122,254	89%
Income before provision for income taxes	61,929	17%	44,984	18%	14,889	11%
Provision for income taxes	23,852	7%	20,721	8%	8,142	6%
Net income	38,077	11%	24,263	10%	6,747	5%
Preferred stock tax distributions	—	—%	(320)	(0%)	(1,073)	(1%)
Net income attributable to common stockholders	<u>\$ 38,077</u>	<u>11%</u>	<u>\$ 23,943</u>	<u>9%</u>	<u>\$ 5,674</u>	<u>4%</u>
NON-GAAP FINANCIAL MEASURES:						
Adjusted EBITDA <sup>(b)</sup>	\$104,967	29%	\$ 78,703	31%	\$ 38,134	28%

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

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

## Revenues

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

### *2015 compared to 2014*

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

### *2014 compared to 2013*

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

## Sales and Marketing

	<u>Year Ended December 31,</u>		<u>% Change</u>	<u>Year Ended December 31,</u>		<u>% Change</u>
	<u>2015</u>	<u>2014</u>		<u>2014</u>	<u>2013</u>	
	(in thousands, except percentages)					
Sales and marketing	\$ 91,150	\$ 66,201	38%	\$ 66,201	\$ 37,347	77%
Percentage of revenues	25%	26%		26%	27%	

### *2015 compared to 2014*

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

### *2014 compared to 2013*

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

## Operations and Support

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

### 2015 compared to 2014

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

### 2014 compared to 2013

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

### Technology (exclusive of amortization)

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

### 2015 compared to 2014

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

### 2014 compared to 2013

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

### General and Administrative

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

### 2015 compared to 2014

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

### 2014 compared to 2013

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

### Depreciation and Amortization

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

### 2015 compared to 2014

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

### 2014 compared to 2013

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

### Provision for Income Taxes

	Year Ended December 31,			Year Ended December 31,		
	2015	2014	% Change	2014	2013	% Change
	(in thousands, except percentages)					
Provision for income taxes	\$ 23,852	\$ 20,721	15 %	\$ 20,721	\$ 8,142	*
Effective income tax rate	39%	46%		46%	55%	
* <i>Not meaningful</i>						

### 2015 compared to 2014

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

### 2014 compared to 2013

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

## Restructuring

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

### *Non-GAAP Financial Measure - Adjusted EBITDA*

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

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

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

- Adjusted EBITDA does not reflect our cash expenditures for capital equipment or other contractual commitments;
- although depreciation and amortization are non-cash charges, the assets being depreciated and amortized may have to be replaced in the future, and Adjusted EBITDA does not reflect capital expenditure requirements for such replacements;
- Adjusted EBITDA does not reflect changes in, or cash requirements for, our working capital needs; and
- other companies, including companies in the same industry, may calculate Adjusted EBITDA differently, which reduces its usefulness as a comparative measure.

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

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

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

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

## PRO FORMA FINANCIAL INFORMATION

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

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

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

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

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

### *Grubhub Inc. Basic and Diluted earnings per share:*

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

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

### *Pro Forma Basic and Diluted earnings per share:*

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

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

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

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

## Acquisition Adjustments

### Amortization

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

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

### Replacement stock option awards

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

### *Transaction costs*

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

### *Income taxes*

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

## **Liquidity and Capital Resources**

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

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

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

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

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

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

On January 22, 2016, our Board of Directors approved a program that authorizes the repurchase of up to \$100 million of our common stock exclusive of any fees, commissions or other expenses relating to such repurchases through open market purchases or privately negotiated transactions at the prevailing market price at the time of purchase. The repurchased stock may be retired or held as authorized but unissued treasury shares. The repurchase authorizations do not obligate us to acquire any particular amount of common stock or adopt any particular method of repurchase and may be modified, suspended or terminated at any time at management's discretion. Repurchased and retired shares will result in an immediate reduction of the outstanding shares used to calculate the weighted-average common shares outstanding for basic and diluted net income per share at the time of the transaction.

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

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

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

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

### ***Cash Flows Provided by Operating Activities***

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

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

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

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



## ***Acquisitions***

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

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

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

## **Quantitative and Qualitative Disclosures about Market Risk**

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

### ***Interest Rate Risk***

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

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

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

### ***Inflation Risk***

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

### ***Risks Related to Market Conditions***

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

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

## **OTHER INFORMATION**

### **Off-Balance Sheet Arrangements**

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

### **Contingencies**

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

### **New Accounting Pronouncements and Pending Accounting Standards**

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

### **Item 7A. Quantitative and Qualitative Disclosures about Market Risk**

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

**Item 8: Financial Statements and Supplementary Data**

**TABLE OF CONTENTS**

	<u>Page</u>
<u>Consolidated Statements of Operations</u> .....	48
<u>Consolidated Statements of Comprehensive Income</u> .....	49
<u>Consolidated Balance Sheets</u> .....	50
<u>Consolidated Statements of Cash Flows</u> .....	51
<u>Consolidated Statements of Changes in Stockholders' Equity and Redeemable Common Stock</u> .....	52
<u>Notes to Consolidated Financial Statements</u> .....	53
<u>Report of Independent Registered Public Accounting Firm</u> .....	74
<u>Unaudited Selected Quarterly Financial Data</u> .....	75
<u>Report of Independent Registered Public Accounting Firm</u> .....	77

**GRUBHUB INC.**  
**Consolidated Statements of Operations**  
(in thousands, except per share data)

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

(See Notes to Consolidated Financial Statements)

**GRUBHUB INC.**  
**Consolidated Statements of Comprehensive Income**  
(in thousands)

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

(See Notes to Consolidated Financial Statements)

**GRUBHUB INC.**  
**Consolidated Balance Sheets**  
(in thousands, except share data)

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

(See Notes to Consolidated Financial Statements)

**GRUBHUB INC.**  
**Statements of Cash Flows**  
(in thousands)

	Year Ended December 31,		
	2015	2014	2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net income	\$ 38,077	\$ 24,263	\$ 6,747
Adjustments to reconcile net income to net cash from operating activities:			
Depreciation	5,085	5,032	3,992
Provision for doubtful accounts	850	426	473
Loss on disposal of fixed assets	—	11	—
Deferred taxes	(3,835)	4,612	1,706
Amortization of intangible assets	22,949	17,655	9,477
Tenant allowance amortization	(159)	(159)	(159)
Stock-based compensation	13,450	9,393	4,933
Deferred rent	32	(17)	(135)
Investment premium amortization	688	315	—
Change in assets and liabilities, net of the effects of business acquisitions:			
Accounts receivable	(4,343)	(7,394)	(8,298)
Prepaid expenses and other assets	242	(1,669)	(2,388)
Restaurant food liability	(29,409)	13,414	26,549
Accounts payable	3,312	(259)	2,065
Accrued payroll	(2,104)	4,243	(1,707)
Other accruals	(80)	3,038	(2,192)
Due to related party	—	—	(244)
Net cash provided by operating activities	44,755	72,904	40,819
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchases of investments	(220,667)	(113,156)	—
Proceeds from maturity of investments	189,872	1,500	—
Capitalized website and development costs	(7,137)	(3,431)	(2,592)
Purchases of property and equipment	(4,150)	(3,653)	(4,429)
Acquisitions of businesses, net of cash acquired	(73,907)	—	—
Cash acquired in merger of Grubhub Holdings Inc.	—	—	13,266
Other cash flows from investing activities	(408)	—	—
Net cash provided by (used in) investing activities	(116,397)	(118,740)	6,245
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Net proceeds from the issuance of common stock	—	142,541	—
Repurchases of common stock	—	(116)	(1,367)
Proceeds from exercise of stock options	11,919	8,322	1,418
Excess tax benefits related to stock-based compensation	27,830	12,975	—
Taxes paid related to net settlement of stock-based compensation awards	(345)	(2,070)	—
Preferred stock tax distributions	—	(320)	(1,893)
Net cash provided by (used in) financing activities	39,404	161,332	(1,842)
Net change in cash and cash equivalents	(32,238)	115,496	45,222
Effect of exchange rates on cash	(265)	(242)	159
Cash and cash equivalents at beginning of year	201,796	86,542	41,161
Cash and cash equivalents at end of the period	\$ 169,293	\$ 201,796	\$ 86,542
<b>SUPPLEMENTAL DISCLOSURE OF NON CASH ITEMS</b>			
Fair value of common stock issued for acquisitions	\$ 15,980	\$ —	\$ 421,485
Cash paid for income taxes	—	1,326	7,706
Capitalized property, equipment and website and development costs in accounts payable at period end	927	—	—
Cashless exercise of stock options	—	1,054	—
Settlement of receivable through cashless acquisition of treasury shares in connection with the net settlement of stock-based awards	(345)	(3,123)	—

(See Notes to Consolidated Financial Statements)

**GRUBHUB INC.**  
**Consolidated Statements of Changes in Stockholders' Equity and Redeemable Common Stock**  
(in thousands, except share data)

	Common stock		Preferred stock		Treasury stock		APIC		Accumulated Other Comprehensive Income (Loss)		Retained earnings	Total stockholders' equity	Redeemable common stock	
	Shares	Amount	Shares	Amount	Shares	Amount	Amount	Amount	Income (Loss)	Shares			Amount	Shares
<b>Balance December 31, 2012</b>	31,218,164	\$ 3	11,185,683	\$ 1	131,607	\$ (858)	\$ 86,743	\$ (27)	\$ 52,026	6,747	\$ 137,888	—	\$ —	
Net income	—	—	—	—	—	—	—	—	—	—	6,747	—	—	
Common stock repurchase	(176,082)	—	—	—	176,082	(1,367)	—	—	—	—	—	—	—	
Treasury share reissuance	307,689	—	—	—	(307,689)	2,225	(2,225)	—	—	—	—	—	—	
Currency translation	—	—	—	—	—	—	—	159	—	—	—	159	—	
Stock-based compensation	—	—	—	—	—	—	4,933	—	—	—	—	4,933	—	
Equity issued from merger with Grubhub Holdings Inc.	23,318,580	2	8,098,430	1	—	—	421,482	—	—	—	—	421,485	—	
Preferred stock tax distributions	—	—	—	—	—	—	—	—	—	(1,893)	—	(1,893)	—	
Redeemable common stock	(1,344,236)	—	—	—	—	—	(18,415)	—	—	—	—	(18,415)	1,344,236	
Deferred tax effects attributable to merger of partnership interest	—	—	—	—	—	—	6,420	—	—	—	—	6,420	—	
Stock option exercises	433,322	—	—	—	—	—	1,418	—	—	—	—	1,418	—	
<b>Balance December 31, 2013</b>	53,757,437	5	19,284,113	2	—	—	500,356	132	56,880	24,263	557,375	1,344,236	18,415	
Net income	—	—	—	—	—	—	—	—	—	—	—	—	—	
Currency translation	—	—	—	—	—	—	—	(394)	—	—	—	(394)	—	
Termination of put rights of redeemable common stock, in connection with the IPO	1,344,236	—	—	—	—	—	34,950	—	—	—	—	34,950	(1,344,236)	
Conversion of preferred stock upon IPO	19,284,113	2	(19,284,113)	(2)	—	—	—	—	—	—	—	—	—	
Issuance of common stock, net of issuance costs	5,250,000	1	—	—	—	—	142,540	—	—	—	—	142,541	—	
Change in fair value of redeemable common stock	—	—	—	—	—	—	(16,535)	—	—	—	—	(16,535)	—	
Stock-based compensation	—	—	—	—	—	—	9,530	—	—	—	—	9,530	—	
Tax benefit related to stock-based compensation	—	—	—	—	—	—	12,975	—	—	—	—	12,975	—	
Stock option exercises, net of withholdings and other	2,416,651	—	—	—	—	—	9,376	—	—	—	—	9,376	—	
Preferred stock tax distributions	—	—	—	—	—	—	—	—	(320)	—	—	(320)	—	
Common stock repurchases and retirements	(147,112)	—	—	—	—	—	(3,239)	—	—	—	—	(3,239)	—	
<b>Balance December 31, 2014</b>	81,905,325	8	—	—	—	—	689,953	(262)	80,823	38,077	770,522	—	—	
Net income	—	—	—	—	—	—	—	—	—	—	—	—	—	
Currency translation	—	—	—	—	—	—	—	(342)	—	—	—	(342)	—	
Stock-based compensation	—	—	—	—	—	—	13,955	—	—	—	—	13,955	—	
Tax benefit related to stock-based compensation	—	—	—	—	—	—	27,830	—	—	—	—	27,830	—	
Stock option exercises, net of withholdings and other	2,578,398	—	—	—	—	—	11,919	—	—	—	—	11,919	—	
Issuance of restricted stock awards	101,616	—	—	—	—	—	—	—	—	—	—	—	—	
Issuance of common stock, acquisitions	407,812	—	—	—	—	—	15,980	—	—	—	—	15,980	—	
Shares repurchased and retired to satisfy tax withholding upon vesting	(13,282)	—	—	—	—	—	(345)	—	—	—	—	(345)	—	
<b>Balance at December 31, 2015</b>	84,979,869	8	—	—	—	—	759,292	(604)	118,900	38,077	877,596	—	\$ —	

(See Notes to Consolidated Financial Statements)

**GRUBHUB INC.**  
**Notes to Consolidated Financial Statements**

## **1. Organization and Reorganization**

### **Organization**

Grubhub Inc., a Delaware corporation, and its wholly-owned subsidiaries (collectively referred to as the “Company”) provide an online and mobile platform for restaurant pick-up and delivery orders. Diners enter their delivery address or use geo-location within the mobile applications and the Company displays the menus and other relevant information for restaurants in its network. Orders may be placed directly online, via mobile applications or over the phone at no cost to the diner. The Company charges the restaurant a per order commission that is largely fee based. In certain markets, the Company also provides delivery services to restaurants on its platform that do not have their own delivery operations.

### **Reorganization and History**

On August 8, 2013, Grubhub Inc. acquired, through a series of transactions, all of the equity interests of each of Seamless North America, LLC, Seamless Holdings Corporation (“Seamless Holdings”) and Grubhub Holdings Inc. pursuant to that certain Reorganization and Contribution Agreement, dated as of May 19, 2013, by and among Grubhub Inc., Seamless North America, LLC, Seamless Holdings, Grubhub Holdings Inc. and the other parties thereto (the “Reorganization Agreement”). Following this transaction, the Company concluded that Seamless Holdings was deemed the acquirer for financial reporting purposes. See Note 3, “*Acquisitions*”, for additional details. Accordingly, the acquisition of Grubhub Holdings Inc. was accounted for as a business combination. The results of operations of Grubhub Holdings Inc. have been included in the Company’s financial statements since August 9, 2013. In February 2014, Grubhub Seamless Inc. was renamed Grubhub Inc.

The financial position and results of operations of Seamless Holdings and Seamless North America, LLC have been included in the consolidated financial statements for all periods presented.

## **2. Summary of Significant Accounting Policies**

### ***Basis of Presentation and Principles of Consolidation***

The Company’s consolidated financial statements were prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”). The accompanying consolidated financial statements include all wholly-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated. The consolidated statements of operations include the results of entities acquired from the dates of the acquisitions for accounting purposes.

### ***Use of Estimates***

The preparation of consolidated financial statements in conformity with GAAP requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities and the related disclosures at the date of the financial statements, as well as the reported amounts of revenue and expenses during the periods presented. Estimates include revenue recognition, the allowance for doubtful accounts, website and internal-use software development costs, goodwill, depreciable lives of property and equipment, recoverability of intangible assets with finite lives and other long-lived assets and stock-based compensation. To the extent there are material differences between these estimates, judgments or assumptions and actual results, the Company’s consolidated financial statements will be affected. In many cases, the accounting treatment of a particular transaction is specifically dictated by GAAP and does not require management’s judgment in its application.

### ***Cash and Cash Equivalents***

Cash includes demand deposits with banks or financial institutions. Cash equivalents include short-term, highly liquid investments that are both readily convertible to known amounts of cash, and that are so near their maturity that they present minimal risk of changes in value because of changes in interest rates. The Company’s cash equivalents include only investments with original maturities of three months or less. The Company regularly maintains cash in excess of federally insured limits at financial institutions.

### ***Marketable Securities***

Marketable securities consist primarily of commercial paper and investment grade U.S. and non-U.S.-issued corporate and U.S. government agency debt securities. The Company invests in a diversified portfolio of marketable securities and limits the concentration of its investment in any particular security. Marketable securities with original maturities of three months or less are included in cash and cash equivalents and marketable securities with original maturities greater than three months, but less than one year, are included in short term investments on the consolidated balance sheets. The Company determines the classification of its marketable securities as available-for-sale or held-to-maturity at the time of purchase and reassesses these determinations at each balance sheet date. Debt securities are classified as held-to-maturity when the Company has the intent to hold the securities to

**GRUBHUB INC.**  
**Notes to Consolidated Financial Statements (Continued)**

maturity. Held-to-maturity securities are stated at amortized cost and are periodically assessed for other-than-temporary impairment. The amortized cost of debt securities is adjusted for the amortization of premiums and accretion of discounts to maturity, which is recognized as interest income within general and administrative expense in the consolidated statements of operations. Interest income is recognized when earned.

***Accumulated Other Comprehensive Loss***

Accumulated other comprehensive loss consists of foreign currency translation adjustments. The financial statements of the Company's U.K. subsidiary are translated from their functional currency into U.S. dollars. Assets and liabilities are translated at period end rates of exchange, and revenue and expenses are translated using average rates of exchange. The resulting gain or loss is included in accumulated other comprehensive loss on the consolidated balance sheets.

***Property and Equipment, Net***

Property and equipment is recorded at cost and depreciated using the straight-line method over the estimated useful lives of the related assets. The useful lives are as follows:

Computer equipment	2-3 years
Delivery equipment	1.5 years
Furniture and fixtures	5 years
Developed software	1-3 years
Purchased software	3-5 years
Leasehold improvements	Shorter of expected useful life or lease term

The Company reduced the estimated useful life on certain developed and purchased software and computer equipment assets to coincide with the migration of nearly all of the Seamless consumer diner traffic to a new web and mobile platform during the second quarter of 2015 (see Note 7, "Property and Equipment").

Maintenance and repair costs are charged to expense as incurred. Major improvements, which extend the useful life of the related asset, are capitalized. Upon disposal of a fixed asset, the Company records a gain or loss based on the difference between the proceeds received and the net book value of the disposed asset.

***Accounts Receivable, Net***

Accounts receivable primarily represent the net cash due from the Company's payment processor for cleared transactions and amounts owed from corporate customers. The carrying amount of the Company's receivables is reduced by an allowance for doubtful accounts that reflects management's best estimate of amounts that will not be collected. These uncollected amounts are generally not recovered from the restaurants. The allowance is recorded through a charge to bad debt expense which is recorded within general and administrative expense in the consolidated statements of operations. The allowance is based on historical loss experience and any specific risks identified in collection matters.

Management provides for probable uncollectible amounts through a charge against bad debt expense and a credit to an allowance based on its assessment of the current status of individual accounts. Balances still outstanding after management has used reasonable collection efforts are written off against the allowance. The Company does not charge interest on trade receivables.

The Company incurs expenses for uncollected credit card receivables (or "chargebacks"), including fraudulent orders, when a diner's card is authorized but fails to process, and for other unpaid credit card receivables, as well as uncollected accounts receivable from the Company's corporate customers. The majority of the Company's chargeback expense is recorded directly to general and administrative expense in the consolidated statements of operations as the charges are incurred; however, a portion of the allowance for doubtful accounts includes a reserve for chargebacks on the net cash due from the Company's payment processors as of the end of the period.

Changes in the Company's allowance for doubtful accounts for the periods presented were as follows:

	<b>Year Ended December 31,</b>	
	<b>2015</b>	<b>2014</b>
Balance at beginning of period	\$ 723	\$ 510
Additions to expense	850	426
Writeoffs, net of recoveries and other adjustments	(614)	(213)
Balance at end of period	<u>\$ 959</u>	<u>\$ 723</u>

**GRUBHUB INC.**  
**Notes to Consolidated Financial Statements (Continued)**

***Advertising Costs***

Advertising costs are generally expensed as incurred in connection with the requisite service period. Certain advertising production costs are capitalized and expensed when the advertisement first takes place. For the years ended December 31, 2015, 2014 and 2013, expenses attributable to advertising totaled approximately \$64.4 million, \$45.9 million and \$25.0 million, respectively. Advertising costs are recorded in sales and marketing expense on the Company's consolidated statements of operations.

***Stock-Based Compensation***

The Company measures compensation expense for all stock-based awards, including stock options, restricted stock units and restricted stock awards, at fair value on the date of grant and recognizes compensation expense over the service period on a straight-line basis for awards expected to vest.

The Company uses the Black-Scholes option-pricing model to determine the fair value for stock options. In valuing the Company's options, the Company makes assumptions about risk-free interest rates, dividend yields, volatility and weighted-average expected lives, including estimated forfeiture rates. Risk-free interest rates are derived from U.S. Treasury securities as of the option grant date. Expected dividend yield is based on the Company's historical dividend payments, which have been zero to date. As the Company did not have public trading history for its common shares until April of 2014, the expected volatility for the Company's common stock is estimated using a combination of the published historical and implied volatilities of industry peers representing the verticals in which the Company operates and the historical volatility of the Company's own common stock. The Company estimates the weighted-average expected life of the options as the average of the vesting option schedule and the term of the award, since the Company does not have sufficient historical exercise data to provide a reasonable basis upon which to estimate expected term due to the limited period of time stock-based awards have been exercisable. The term of the award is estimated using the simplified method. Forfeiture rates are estimated using historical actual forfeiture trends as well as the Company's judgment of future forfeitures. These rates are evaluated quarterly and any change in compensation expense is recognized in the period of the change. The estimation of stock awards that will ultimately vest requires judgment, and to the extent actual results or updated estimates differ from the Company's current estimates, such amounts will be recorded as a cumulative adjustment in the period the estimates are revised. The Company considers many factors when estimating expected forfeitures, including the types of awards and employee class. Actual results, and future changes in estimates, may differ substantially from management's current estimates.

The Company has elected to use the with-and-without method in determining the order in which tax attributes are utilized. As a result, the Company will only recognize a tax benefit for stock-based awards in additional paid-in capital if an incremental tax benefit is realized after all other tax attributes available to the Company have been utilized. See Note 9, "*Stock-Based Compensation*" for further discussion.

***Provision for Income Taxes***

The provision for income taxes is determined using the asset and liability method. Under this method, deferred tax assets and liabilities are calculated based upon the temporary differences between the financial statement and income tax bases of assets and liabilities using the enacted tax rates that are applicable in a given year.

The Company utilizes a two-step approach to recognizing and measuring uncertain tax positions ("tax contingencies"). The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes. The second step is to measure the tax benefit as the largest amount which is more than 50% likely to be realized upon ultimate settlement. The Company considers many factors when evaluating and estimating its tax positions and tax benefits, which may require periodic adjustments and which may not accurately forecast actual outcomes. The Company includes interest and penalties related to tax contingencies in the provision for income taxes in the consolidated statements of operations. See Note 10, "*Income Taxes*." Management of the Company does not expect the total amount of unrecognized tax benefits to significantly change in the next twelve months.

Seamless North America, LLC became a partnership for tax purposes in June of 2011. The income tax consequences of a partnership are borne by its partners. The tax consequences of this partnership were borne by Aramark Holdings Corporation ("Aramark") and SLW Investors, LLC from June of 2011 through October 29, 2012. Starting October 30, 2012, 74% of the partnership's taxable income was reflected as taxable income at Seamless Holdings, a subsidiary of Grubhub Inc. Starting on August 9, 2013, 100% of the partnership's taxable income was recognized as taxable income by the Company. If Seamless North America, LLC had been taxed as a C corporation for all of its earnings throughout 2013, the tax expense recorded in these consolidated statements of operations would have increased by \$0.9 million.

**GRUBHUB INC.**  
**Notes to Consolidated Financial Statements (Continued)**

***Intangible Assets***

Intangible assets with finite useful lives are amortized using the straight-line method over their useful lives and are reviewed for impairment. The Company evaluates intangible assets and other long-lived assets for impairment whenever events or circumstances indicate that they may not be recoverable, or at least annually. Recoverability is measured by comparing the carrying amount of an asset group to the future undiscounted net cash flows expected to be generated by that asset group. If this comparison indicates impairment, the amount of impairment to be recognized is calculated as the difference between the carrying value and the fair value of the asset group, generally measured by discounting estimated future cash flows. There were no impairment indicators present during the years ended December 31, 2015, 2014 or 2013.

***Website and Software Development Costs***

The costs incurred in the preliminary stages of website and software development are expensed as incurred. Once an application has reached the development stage, internal and external costs, if direct and incremental and deemed by management to be significant, are capitalized and amortized on a straight-line basis over the estimated useful life of the application. Maintenance and enhancement costs, including those costs in the post-implementation stages, are typically expensed as incurred, unless such costs relate to substantial upgrades and enhancements to the website or software that result in added functionality, in which case the costs are capitalized and amortized on a straight-line basis over the estimated useful lives. Amortization expense related to capitalized website and software development costs is included in depreciation and amortization in the consolidated statements of operations. The Company capitalized \$8.0 million, \$3.6 million and \$2.6 million of website development costs during the years ended December 31, 2015, 2014 and 2013, respectively.

***Goodwill***

Goodwill represents the excess of the cost of an acquired business over the fair value of the assets acquired at the date of acquisition. Absent any special circumstances that could require an interim test, the Company has elected to test for goodwill impairment at September 30 of each year.

The Company tests for impairment using a two-step process. The first step of the goodwill impairment test identifies if there is potential goodwill impairment. If step one indicates that an impairment may exist, a second step is performed to measure the amount of the goodwill impairment, if any, by comparing the implied fair value of goodwill with the carrying amount. If the implied fair value of goodwill is less than the carrying amount, a write-down is recorded. The Company determined there was no goodwill impairment during the years ended December 31, 2015, 2014 or 2013.

***Fair Value***

Accounting standards define fair value as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market in an orderly transaction between market participants on the measurement date. The standards also establish a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. See Note 14, "*Fair Value Measurement*," for details of the fair value hierarchy and the related inputs used by the Company.

***Concentration of Credit Risk***

Financial instruments which potentially subject the Company to concentrations of credit risk consist principally of accounts receivable. For the years ended December 31, 2015, 2014 and 2013, the Company had no customers which accounted for more than 1% of revenue or 10% of accounts receivable.

***Revenue Recognition***

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

The Company generates revenues primarily when diners place an order on the platform through its mobile applications, its websites, third-party websites that incorporate API or one of the Company's listed phone numbers. Restaurants pay a commission, typically a percentage of the transaction, on orders that are processed through the platform. Most of the restaurants on the platform can choose their level of commission rate, at or above a base rate, to affect their relative priority in the sorting algorithms, with restaurants paying higher commission rates generally appearing higher in the search order than restaurants paying lower commission rates. Additionally, restaurants that use the Company's delivery services pay an additional commission for the use of those services. As an agent of the merchant in the transaction, the Company recognizes as revenues only the commissions from the transaction, which are a percentage of the total Gross Food Sales for such transaction.

**GRUBHUB INC.**  
**Notes to Consolidated Financial Statements (Continued)**

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

Revenues from online and phone delivery orders are recognized when these orders are placed at the restaurants. The amount of revenue recorded by the Company is based on the contractual arrangement with the related restaurant, and is adjusted for any cash credits, including incentive offers provided to restaurants and diners, related to the transaction. The Company also recognizes as revenue any fees charged to the diner for delivery services provided by the Company. Although the Company will process the entire amount of the transaction with the diner, it will record revenue on a net basis because the Company is acting as an agent of the merchant in the transaction. The Company will record an amount representing the restaurant food liability for the net balance due the restaurant. Costs incurred for processing the transactions and providing delivery services are included in operations and support in the consolidated statements of operations.

***Deferred Rent***

For the Company's operating leases, the Company recognizes rent expenses on a straight-line basis over the terms of the leases. Accordingly, the Company records the difference between cash rent payments and the recognition of rent expenses as a deferred rent liability in the consolidated balance sheets. The Company has landlord-funded leasehold improvements that are recorded as tenant allowances which are being amortized as a reduction of rent expense over the noncancelable terms of the operating leases.

***Segments***

The Company has one reportable segment, which has been identified based on how the chief operating decision maker manages the business, makes operating decisions and evaluates operating performance.

***Recently Issued Accounting Pronouncements***

In November 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update No. 2015-17, "Income Taxes – Balance Sheet Classification of Deferred Taxes" ("ASU 2015-17"). The purpose of the standard is to simplify the presentation of deferred taxes on a classified balance sheet. Under current GAAP, deferred income tax assets and liabilities are separated into current and noncurrent amounts in the balance sheet. The amendments in ASU 2015-17 require that all deferred tax assets and liabilities be classified as noncurrent in the balance sheet. The ASU is effective beginning in the first quarter of 2017, but with early adoption permitted and may be applied either prospectively or retrospectively. The Company has elected to early adopt ASU 2015-17 on a retrospective basis effective in the fourth quarter of 2015. The adoption of ASU 2015-17 impacted the presentation of the Company's deferred tax assets and liabilities in the consolidated balance sheets and certain disclosures, but did not have an impact on results of operations or cash flows. See Note 10, "Income Taxes" for further details.

In September 2015, the FASB issued Accounting Standards Update No. 2015-16, "Business Combinations (Topic 805): Simplifying the Accounting for Measurement-Period Adjustments" ("ASU 2015-16"), which eliminates the requirement to account for adjustments identified during the measurement-period in a business combination retrospectively. Instead, the acquirer must recognize measurement-period adjustments during the period in which they are identified, including the effect on earnings of any amounts that would have been recorded in previous periods had the purchase accounting been completed at the acquisition date. ASU 2015-16 will be effective for the Company in the first quarter of 2016 with early adoption permitted. The adoption of ASU 2015-16 is expected to eliminate costs related to retrospective application of any measurement-period adjustments that may be identified, but otherwise is not expected to have a material impact on the Company's consolidated financial position, results of operations or cash flows.

In April 2015, the FASB issued Accounting Standards Update 2015-05, "Intangibles -Goodwill and Other – Internal Use Software (Subtopic 350-40): Customer's Accounting for Fees Paid in a Cloud Computing Arrangement" ("ASU 2015-05"), which provides guidance on accounting for fees paid in a cloud computing arrangement. Under ASU 2015-05, if a cloud computing arrangement includes a software license, the software license element should be accounted for consistent with the purchase of other software licenses. If the cloud computing arrangement does not include a software license, it should be accounted for as a service contract. ASU 2015-05 will be effective for the Company in the first quarter of 2016 and may be applied either prospectively or retrospectively. The Company has elected to apply ASU 2015-05 prospectively; however, its adoption is not expected to have a material impact on the Company's consolidated financial position, results of operations or cash flows.

In May 2014, the FASB issued Accounting Standards Update No. 2014-09, "Revenue from Contracts with Customers (Topic 606)" ("ASU 2014-09"), which supersedes the revenue recognition requirements in Topic 605, Revenue Recognition, including most industry-specific requirements. ASU 2014-09 establishes a five-step revenue recognition process in which an entity will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. ASU 2014-09 also requires enhanced disclosures regarding the nature, amount, timing and uncertainty of revenues and cash flows from contracts with customers. In August 2015, the FASB issued Accounting Standards Update 2015-14, "Revenue from Contracts with Customers (Topic 606): Deferral of the Effective

**GRUBHUB INC.**  
**Notes to Consolidated Financial Statements (Continued)**

Date”, which defers the effective date of ASU 2014-09 by one year. ASU 2014-09 will be effective for the Company in the first quarter of 2018. Management is currently evaluating the impact the adoption of ASU 2014-09 will have on the Company’s consolidated financial position, results of operations or cash flows. The Company currently anticipates applying the modified retrospective approach when adopting the standard.

**3. Acquisitions**

*2015 Acquisitions*

On February 4, 2015, the Company acquired assets of DiningIn.com, Inc. and certain of its affiliates (collectively, “DiningIn”), on February 27, 2015, the Company acquired the membership units of Restaurants on the Run, LLC (“Restaurants on the Run”) and on December 4, 2015, the Company acquired the membership units of Mealport USA, LLC (“Delivered Dish”). Aggregate consideration for the three acquisitions was approximately \$73.9 million in cash and 407,812 restricted shares of the Company’s common stock, or an estimated total transaction value of approximately \$89.9 million based on the Company’s closing share price on the respective closing dates, net of cash acquired of \$0.7 million. DiningIn, Restaurants on the Run and Delivered Dish provide delivery options for individual diners, group orders and corporate catering. The acquisitions have expanded and enhanced the Company’s service offerings for its customers, particularly in the delivery space.

The excess of the consideration transferred in the acquisitions over the net amounts assigned to the fair value of the assets acquired was recorded as goodwill, which represents the opportunity to expand restaurant delivery services and enhance the breadth and depth of the Company’s restaurant networks. The goodwill related to these acquisitions of \$43.4 million is expected to be deductible for income tax purposes.

During the year ended December 31, 2015, the Company incurred certain expenses directly and indirectly related to acquisitions of \$1.1 million, which were recognized in general and administrative expenses within the consolidated statements of operations.

The assets acquired and liabilities assumed of DiningIn, Restaurants on the Run and Delivered Dish were recorded at their estimated fair values as of the closing dates of February 4, 2015, February 27, 2015 and December 4, 2015, respectively. The following table summarizes the final purchase price allocation acquisition-date fair values of the assets and liabilities acquired in connection with the DiningIn, Restaurants on the Run and Delivered Dish acquisitions:

	(in thousands)
Cash and cash equivalents	\$ 698
Accounts receivable	2,331
Prepaid expenses and other assets	325
Customer and vendor relationships	44,259
Property and equipment	161
Developed technology	4,676
Goodwill	43,432
Trademarks	529
Accounts payable and accrued expenses	(5,826)
Total purchase price plus cash acquired	90,585
Cash acquired	(698)
Fair value of common stock issued	(15,980)
Net cash paid	<u>\$ 73,907</u>

The estimated fair values of the intangible assets acquired were determined based on a combination of the income, cost, and market approaches to measure the fair value of the customer (restaurant) relationships, developed technology and trademarks. The fair value of the trademarks was measured based on the relief from royalty method. The cost approach, specifically the cost to recreate method, was used to value the developed technology. The income approach, specifically the multi-period excess earnings method, was used to value the customer (restaurant) relationships. These fair value measurements were based on significant inputs not observable in the market and thus represent Level 3 measurements within the fair value hierarchy.

The results of operations of DiningIn, Restaurants on the Run and Delivered Dish have been included in the Company’s financial statements since February 4, 2015, February 27, 2015 and December 4, 2015, respectively. The total amount of revenues and net loss from the acquisitions included in the Company’s operating results since the respective acquisition dates through December 31, 2015 were \$23.0 million and \$1.5 million, respectively.

**GRUBHUB INC.**  
**Notes to Consolidated Financial Statements (Continued)**

The following unaudited pro forma information presents a summary of the operating results of the Company for the years ended December, 2015 and 2014 as if the acquisitions had occurred on January 1, 2014:

	<u>Year Ended December 31,</u>	
	<u>2015</u>	<u>2014</u>
	(in thousands)	
Revenues	\$ 371,021	\$ 283,522
Net income	39,431	23,103

The pro forma adjustments reflect the amortization that would have been recognized for intangible assets, elimination of transaction costs incurred and pro forma tax adjustments for the years ended December 31, 2015 and 2014 as follows:

	<u>Year Ended December 31,</u>	
	<u>2015</u>	<u>2014</u>
	(in thousands)	
Depreciation and amortization	\$ 3	\$ 5,483
Transaction costs	(1,055)	(646)
Income tax benefit	(109)	(1,066)

The unaudited pro forma revenues and net income are not intended to represent or be indicative of the Company's consolidated results of operations or financial condition that would have been reported had the acquisitions been completed as of the beginning of the periods presented and should not be taken as indicative of the Company's future consolidated results of operations or financial condition.

**2014 Acquisitions**

There were no acquisitions during the year ended December 31, 2014.

**2013 Acquisitions**

On August 8, 2013 (the "Merger Date"), the Company acquired all of the equity interests of each of Seamless North America, LLC, Seamless Holdings and Grubhub Holdings Inc. pursuant to the Reorganization Agreement. In February 2014, Grubhub, Inc. changed its name to Grubhub Holdings Inc. The Company issued 23,318,580 shares of common stock and 8,098,430 shares of preferred stock to Grubhub Holdings Inc. in exchange for all of Grubhub Holdings Inc.'s equity interests (the "Merger"). The Company concluded that Seamless Holdings was deemed the acquirer for financial reporting purposes based on key deciding factors such as a majority ownership and majority of the board of director seats. Accordingly, the acquisition of Grubhub Holdings Inc. has been accounted for as a business combination. The results of operations of Grubhub Holdings Inc. have been included in the Company's financial statements since August 9, 2013. Grubhub Holdings Inc. provides online food ordering through its website grubhub.com, and also operates allmenus.com, a website that stored and displayed approximately 275,000 menus at the time of acquisition. The Merger has expanded the Company's existing markets and access to new customers and created revenue and cost synergies which management believes will contribute to future profits.

The fair value of the equity issued to Grubhub Holdings Inc. in connection with the Merger was approximately \$421.5 million. The value of the equity was determined using the estimated fair value of the stock of Grubhub Holdings Inc. at the Merger Date based on a valuation of Grubhub Holdings Inc. performed by management. The assets acquired and liabilities assumed were recorded at their estimated fair values as of August 8, 2013. The fair value of the equity of \$421.5 million included approximately \$11.0 million related to the fair value of the replacement awards that were attributed to the pre-combination service period for Grubhub Holdings Inc. option holders. The fair value of the replacement awards was determined using the Black-Scholes option pricing model. Post combination expense of \$12.5 million is recognized post-Merger for the unrecognized compensation expense related to Grubhub Holdings Inc. stock options. See Note 9, "Stock-Based Compensation", for further details.

The excess of the consideration transferred in the acquisition over the net amounts assigned to the fair value of the assets acquired was recorded as goodwill, which represents the opportunity to expand existing markets and access new customers and to create revenue and cost synergies that management believes will contribute to future profits. The goodwill is not deductible for income tax purposes.

The Company incurred certain expenses directly and indirectly related to the Merger of \$4.7 million during the year ended December 31, 2013, which were recognized in general and administrative expense within the consolidated statements of operations.

**GRUBHUB INC.**  
**Notes to Consolidated Financial Statements (Continued)**

The following table summarizes the August 8, 2013 acquisition-date fair value of the assets and liabilities acquired in connection with the Grubhub Holdings Inc. business combination:

	(in thousands)
Cash and cash equivalents	\$ 13,266
Accounts receivable	2,108
Other identifiable assets	4,422
Customer and vendor relationships	167,450
Deferred tax asset	4,013
Deferred tax liability	(88,937)
Developed technology	5,143
Goodwill	239,346
Liabilities assumed	(10,602)
Trademarks	85,276
<b>Total net assets acquired</b>	<b>\$ 421,485</b>

The estimated fair values of the intangible assets acquired were determined based on a combination of the income, cost, and market approaches to measure the fair value of the customer (restaurant) and vendor relationships, developed technology and trademarks. The fair value of the trademarks was measured based on the relief from royalty method. The cost approach, specifically the cost to recreate method, was used to value the developed technology. The income approach, specifically the multi-period excess earnings method, was used to value the customer (restaurant) and vendor relationships. These fair value measurements were based on significant inputs not observable in the market and thus represent Level 3 measurements within the fair value hierarchy.

#### 4. Marketable Securities

The amortized cost, unrealized gains and losses and estimated fair value of the Company's held-to-maturity marketable securities as of December 31, 2015 and 2014 were as follows:

	December 31, 2015			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Estimated Fair Value
	(in thousands)			
<b>Cash and cash equivalents</b>				
Commercial paper	\$ 22,744	\$ —	\$ (5)	\$ 22,739
<b>Short term investments</b>				
Commercial paper	90,949	—	(102)	90,847
Corporate bonds	41,503	9	(39)	41,473
U.S. government agency bonds	8,996	8	—	9,004
<b>Total</b>	<b>\$ 164,192</b>	<b>\$ 17</b>	<b>\$ (146)</b>	<b>\$ 164,063</b>

	December 31, 2014			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Estimated Fair Value
	(in thousands)			
<b>Cash and cash equivalents</b>				
Corporate bonds	\$ 1,882	\$ 1	\$ (1)	\$ 1,882
<b>Short term investments</b>				
Commercial paper	38,081	—	(26)	38,055
Corporate bonds	73,260	2	(64)	73,198
<b>Total</b>	<b>\$ 113,223</b>	<b>\$ 3</b>	<b>\$ (91)</b>	<b>\$ 113,135</b>

All of the Company's marketable securities were classified as held-to-maturity investments and have maturities within one year of December 31, 2015.

**GRUBHUB INC.**  
**Notes to Consolidated Financial Statements (Continued)**

The gross unrealized losses, estimated fair value and length of time the individual marketable securities were in a continuous loss position for those marketable securities in an unrealized loss position as of December 31, 2015 and 2014 were as follows:

	December 31, 2015					
	Less Than 12 Months		12 Months or Greater		Total	
	Estimated Fair Value	Unrealized Loss	Estimated Fair Value	Unrealized Loss	Estimated Fair Value	Unrealized Loss
	(in thousands)					
Commercial paper	\$ 113,586	\$ (107)	\$ —	\$ —	\$ 113,586	\$ (107)
Corporate bonds	31,952	(39)	—	—	31,952	(39)
Total	<u>\$ 145,538</u>	<u>\$ (146)</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 145,538</u>	<u>\$ (146)</u>

	December 31, 2014					
	Less Than 12 Months		12 Months or Greater		Total	
	Estimated Fair Value	Unrealized Loss	Estimated Fair Value	Unrealized L oss	Estimated Fair Value	Unrealized Loss
	(in thousands)					
Commercial paper	\$ 38,055	\$ (26)	\$ —	\$ —	\$ 38,055	\$ (26)
Corporate bonds	64,557	(65)	—	—	64,557	(65)
Total	<u>\$ 102,612</u>	<u>\$ (91)</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 102,612</u>	<u>\$ (91)</u>

During the years ended December 31, 2015 and 2014, the Company did not recognize any other-than-temporary impairment losses related to its marketable securities. The Company did not have any marketable securities prior to July 1, 2014.

The Company's marketable securities are classified within Level 2 of the fair value hierarchy (see Note 14, "Fair Value Measurement", for further details).

## 5. Related Party Transactions

### *Due to Related Party*

During the year ended December 31, 2013, the Company had a cash management program with Aramark whereby all payroll and related costs were funded by Aramark and all cumulative excess cash balances were deposited with Aramark. The program was terminated in 2013 and no balance was due as of December 31, 2013.

### *Corporate Services Agreement*

The Company had an arrangement with Aramark pursuant to which Aramark would provide support to the Company for certain corporate, accounting, information technology and other administrative services. Total expenses incurred under this arrangement were \$0.1 million during the years ended December 31, 2013. The arrangement was terminated in 2013.

## 6. Goodwill and Acquired Intangible Assets

The components of acquired intangible assets as of December 31, 2015 and 2014 were as follows:

	December 31, 2015			December 31, 2014		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Value	Gross Carrying Amount	Accumulated Amortization	Net Carrying Value
	(in thousands)					
Developed technology	\$ 9,819	\$ (6,288)	\$ 3,531	\$ 5,143	\$ (2,392)	\$ 2,751
Customer and vendor relationships, databases	236,238	(44,192)	192,046	191,979	(30,067)	161,912
Trademarks	529	(215)	314	—	—	—
Total amortizable intangible assets	246,586	(50,695)	195,891	197,122	(32,459)	164,663
Indefinite-lived trademarks	89,676	—	89,676	89,676	—	89,676
Total acquired intangible assets	<u>\$ 336,262</u>	<u>\$ (50,695)</u>	<u>\$ 285,567</u>	<u>\$ 286,798</u>	<u>\$ (32,459)</u>	<u>\$ 254,339</u>

**GRUBHUB INC.**  
**Notes to Consolidated Financial Statements (Continued)**

Amortization expense for acquired intangible assets was \$18.2 million, \$14.1 million and \$6.9 million for the years ended December 31, 2015, 2014 and 2013, respectively.

The changes in the carrying amount of goodwill for the years ended December 31, 2015 and 2014 were as follows.

	Goodwill	Accumulated Impairment Losses (in thousands)	Net Book Value
<b>Balance as of December 31, 2013</b>	\$ 352,788	\$ —	\$ 352,788
Balance as of December 31, 2014	352,788	—	352,788
Acquisitions	43,432	—	43,432
Balance as of December 31, 2015	<u>\$ 396,220</u>	<u>\$ —</u>	<u>\$ 396,220</u>

During the year ended December 31, 2015, the Company recorded additions to acquired intangible assets of \$49.5 million as a result of the acquisitions of DiningIn, Restaurants on the Run and Delivered Dish. The components of the acquired intangibles assets added during the year ended December 31, 2015 were as follows:

	Year Ended December 31, 2015 (in thousands)	Weighted- Average Amortization Period (years)
Customer and vendor relationships	\$ 44,259	18.7
Developed technology	4,676	1.7
Trademarks	529	1.8
Total	<u>\$ 49,464</u>	

Estimated future amortization expense of acquired intangible assets as of December 31, 2015 was as follows:

	(in thousands)
2016	\$ 17,664
2017	15,331
2018	14,455
2019	14,455
2020	11,249
Thereafter	122,737
Total	<u>\$ 195,891</u>

As of December 31, 2015, the estimated remaining weighted-average useful life of the Company's acquired intangibles was 14.3 years. The Company recognizes amortization expense for acquired intangibles on a straight-line basis.

**GRUBHUB INC.**  
**Notes to Consolidated Financial Statements (Continued)**

**7. Property and Equipment**

The components of the Company's property and equipment as of December 31, 2015 and 2014 were as follows:

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
	(in thousands)	
Computer equipment	\$ 10,080	\$ 12,114
Delivery equipment	555	—
Furniture and fixtures	2,092	1,876
Developed software	11,129	12,378
Purchased software	361	2,149
Leasehold improvements	6,050	5,900
Property and equipment	30,267	34,417
Accumulated amortization and depreciation	(11,185)	(18,414)
Property and equipment, net	<u>\$ 19,082</u>	<u>\$ 16,003</u>

The gross carrying amount and accumulated amortization and depreciation of the Company's property and equipment as of December 31, 2015 have been adjusted for certain fully depreciated developed and purchased software and computer equipment assets that were disposed of with the migration of nearly all of the Seamless consumer diner traffic to a new web and mobile platform during the second quarter of 2015 and certain other computer equipment that were fully depreciated and disposed of during the fourth quarter of 2015. During the year ended December 31, 2015, the Company recorded approximately \$1.9 million of accelerated depreciation and amortization expense related to these retired assets.

The Company recorded depreciation and amortization expense for property and equipment other than developed software for the years ended December 31, 2015, 2014 and 2013 of \$5.7 million, \$5.7 million and \$4.0 million, respectively.

The Company capitalized developed software costs of \$8.0 million, \$3.6 million and \$2.6 million for the years ended December 31, 2015, 2014 and 2013, respectively. Amortization expense for developed software costs, recognized in depreciation and amortization in the consolidated statements of operations, for the years ended December 31, 2015, 2014 and 2013 was \$4.1 million, \$2.9 million and \$2.6 million, respectively.

**8. Commitments and Contingencies**

***Office Facility Leases***

The Company has various operating lease agreements for its office facilities which expire at various dates through March 2026. The terms of the lease agreements provide for rental payments on a graduated basis. The Company can, after the initial lease term, renew its leases under right of first offer terms at fair value at the time of renewal for a period of five years. The Company recognizes rent expense on a straight-line basis over the lease term.

Rental expense, primarily for leased office space under the operating lease commitments, was \$4.1 million, \$3.6 million and \$2.5 million for the years ended December 31, 2015, 2014 and 2013, respectively.

Future minimum lease payments under the Company's operating lease agreements that have initial or remaining non-cancelable lease terms in excess of one year as of December 31, 2015 were as follows:

	(in thousands)
2016	\$ 3,618
2017	3,938
2018	4,499
2019	4,698
2020	4,762
Thereafter	19,567
Total	<u>\$ 41,082</u>

The table above does not reflect the Company's option to exercise early termination rights or the payment of related early termination fees.

**GRUBHUB INC.**  
**Notes to Consolidated Financial Statements (Continued)**

***Legal***

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

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

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

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

***Indemnification***

In connection with the Merger in August 2013, the Company agreed to indemnify Aramark for negative income tax consequences associated with the October 2012 spin-off of Seamless Holdings Corporation that were the result of certain actions taken by the Company through October 29, 2014, in certain instances subject to a \$15.0 million limitation. Management is not aware of any actions that would impact the indemnification obligation.

***Restructuring***

On November 20, 2013, the Company announced plans to close its Sandy, Utah office location in 2014. The Company recorded a restructuring accrual in the consolidated balance sheets for severance and payroll related benefits and other facility closure costs as a result of the restructuring announcement. The amounts recorded represented the service vesting requirements for identified employees who worked for various periods beyond the communication date and related lease termination costs. The facility was closed on November 30, 2014; however, certain employees worked until January 2, 2015. During the year ended December 31, 2014, total restructuring costs incurred were approximately \$1.3 million, including expense of \$0.5 million related to the termination of the Sandy, Utah office lease agreement. During the year ended December 31, 2013, total restructuring costs incurred were \$0.2 million. Restructuring expense was recognized in general and administrative expense in the consolidated statements of operations. The Company did not incur any restructuring expense related to the Sandy, Utah facility closure during the year ended December 31, 2015.

The following table summarizes the Company’s restructuring activity during the years ended December 31, 2015 and 2014:

	<b>(in thousands)</b>
Restructuring accrual balance at December 31, 2013	\$ 176
Restructuring expense	1,313
Cash payments	<u>(741)</u>
Restructuring accrual balance at December 31, 2014	748
Restructuring expense	—
Cash payments	<u>(748)</u>
Restructuring accrual balance at December 31, 2015	<u><u>\$ —</u></u>

**GRUBHUB INC.**  
**Notes to Consolidated Financial Statements (Continued)**

**9. Stock-Based Compensation**

In May 2015, the Company's stockholders approved the Grubhub Inc. 2015 Long-Term Incentive Plan (the "2015 Plan"), pursuant to which the Compensation Committee of the Board of Directors may grant stock options, stock appreciation rights, restricted stock awards, restricted stock units, performance awards and other stock-based and cash-based awards. On May 20, 2015, the Company filed a registration statement on Form S-8 to register up to 14,256,901 shares of common stock reserved for issuance pursuant to awards granted under the 2015 Plan. Effective May 20, 2015, no further grants will be made under the Company's 2013 Omnibus Incentive Plan (the "2013 Plan"). As of December 31, 2015, there were 8,637,093 shares of common stock authorized and available for issuance pursuant to awards granted under the 2015 Plan. The Board of Directors of the Company and committee or subcommittee of the Board of Directors has discretion to establish the terms and conditions for grants, including, but not limited to, the number shares and vesting and forfeiture provisions.

The Company has granted stock options, restricted stock units and restricted stock awards under its incentive plans. The Company recognizes compensation expense based on estimated grant date fair values for all stock-based awards issued to employees and directors, including stock options, restricted stock units and restricted stock awards. For all stock options outstanding as of December 31, 2015, the exercise price of the stock options equals the fair value of the stock option on the grant date. The stock options and restricted stock units vest over different lengths of time, but generally over 4 years, and are subject to forfeiture upon termination of employment prior to vesting. The maximum term for stock options issued to employees under the 2015 Plan and the 2013 Plan is 10 years, and they expire 10 years from the date of grant. Compensation expense for stock options, restricted stock units and restricted stock awards is recognized ratably over the vesting period.

The rights granted to the recipient of a restricted stock unit generally accrue over the vesting period. Participants holding restricted stock units are not entitled to any ordinary cash dividends paid by the Company with respect to such shares unless otherwise provided by the terms of the award. The Company does not expect to pay any dividends in the foreseeable future.

The recipient of a restricted stock award shall have all of the rights of a holder of shares of the Company's common stock, including the right to receive dividends, the right to vote such shares and, upon the full vesting of the restricted stock awards, the right to tender such shares. The payment of any dividends will be deferred until the restricted stock awards have fully vested. The restricted stock awards outstanding as of December 31, 2015, generally vest over 2 years and are subject to forfeiture upon termination of employment prior to vesting unless otherwise provided in the terms of the award agreement.

As part of the Reorganization Agreement, the Company was required to replace Grubhub Holdings Inc.'s share-based payment awards. The fair value of the replacement awards attributable to pre-combination services at the time of the Merger was approximately \$11.0 million, which was included as additional consideration transferred in the business combination in the total purchase price of \$421.5 million. The fair value of the replacement options attributable to post combination services was approximately \$12.5 million and is recognized as compensation cost in the Company's post-Merger consolidated financial statements over the remaining vesting period.

**GRUBHUB INC.**  
**Notes to Consolidated Financial Statements (Continued)**

**Stock Options**

The Company granted 2,542,523, 2,019,413 and 3,698,708 stock options during the years ended December 31, 2015, 2014 and 2013, respectively. The fair value of each stock option award was estimated based on the assumptions below as of the grant date using the Black-Scholes-Merton option pricing model. Expected volatilities are based on a combination of the historical and implied volatilities of comparable publicly-traded companies and the historical volatility of the Company's own common stock due to its limited trading history. The Company uses historical data to estimate option exercises and employee terminations within the valuation model. Separate groups of employees that have similar historical exercise behavior are considered separately for valuation purposes. The expected term of the award is estimated using a simplified method. The fair value at grant date, prior to the Company's initial public offering in April 2014 (the "IPO"), was determined considering the performance of the Company at the grant date as well as future growth and profitability expectations by applying market and income approaches. The risk-free rate for the period within the contractual life of the option is based on the U.S. Treasury yield curve in effect at the time of grant. The assumptions used to determine the fair value of the stock options granted during the years ended December 31, 2015, 2014 and 2013 were as follows:

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

- (a) There was no active external or internal market for the Company's common stock prior to the IPO. Due to the Company's limited trading history, the Company estimated expected volatility for the years ended December 31, 2015 and 2014 based on a combination of the historical and implied volatilities of comparable publicly-traded companies and the historical volatility of the Company's own common stock. During the year ended December 31, 2013, the expected volatility was based on the historical and implied volatilities of comparable publicly-traded companies as there was no trading history for the Company's own common stock.

Stock option awards as of December 31, 2015 and 2014, and changes during the year ended December 31, 2015, were as follows:

	Options	Weighted-Average Exercise Price	Aggregate Intrinsic Value (thousands)	Weighted-Average Exercise Term (years)
Outstanding at December 31, 2014	6,180,795	\$ 8.49	\$ 172,661	7.87
Granted	2,542,523	30.99		
Forfeited	(1,066,623)	18.31		
Exercised	(2,578,398)	4.63		
Outstanding at December 31, 2015	<u>5,078,297</u>	19.66	41,107	8.21
Vested and expected to vest at December 31, 2015	3,522,623	17.77	32,195	8.08
Exercisable at December 31, 2015	1,349,375	\$ 8.23	\$ 23,208	6.62

The aggregate intrinsic value in the table above represents the total pre-tax intrinsic value (the difference between the fair value of the common stock and the exercise price, multiplied by the number of in-the-money options) that would have been received by the option holders had all option holders exercised their in-the-money options on each date. This amount will change in future periods based on the fair value of the Company's stock and the number of options outstanding. The aggregate intrinsic value of awards exercised during the years ended December 31, 2015, 2014 and 2013 was \$87.6 million, \$74.0 million and \$3.4 million, respectively.

The Company recorded compensation expense for stock options of \$9.9 million, \$9.4 million and \$4.9 million for the years ended December 31, 2015, 2014 and 2013, respectively. During the years ended December 31, 2015 and 2014, the Company capitalized \$0.5 million and \$0.1 million of stock-based compensation expense as website and software development costs, respectively. As of December, 2015, total unrecognized compensation cost, adjusted for estimated forfeitures, related to non-vested stock options was \$25.7 million and is expected to be recognized over a weighted-average period of 3.2 years.

During the years ended December 31, 2015 and 2014, the Company reported excess tax benefits as a decrease in cash flows from operations and an increase in cash flows from financing activities of \$27.8 million and \$13.0 million, respectively. Excess tax benefits were suspended during the year ended December 31, 2013 due to net operating losses. Excess tax benefits reflect the total of

**GRUBHUB INC.**  
**Notes to Consolidated Financial Statements (Continued)**

the individual stock option exercise transactions in which the reduction to the Company's income tax liability is greater than the deferred tax assets that were previously recorded.

***Restricted Stock Units and Restricted Stock Awards***

Non-vested restricted stock unit awards as of December 31, 2015 and 2014, and changes during the year ended December 31, 2015 were as follows:

	Restricted Stock Units		Restricted Stock Awards	
	Shares	Weighted-Average Grant Date Fair Value	Shares	Weighted-Average Grant Date Fair Value
Outstanding at December 31, 2014	2,899	\$ 31.90	—	\$ —
Granted	896,906	27.85	101,616	42.01
Forfeited	(11,322)	28.98	—	—
Vested	—	—	(33,872)	42.01
Outstanding at December 31, 2015	888,483	\$ 27.85	67,744	\$ 42.01

During the year ended December 31, 2015, compensation expense recognized related to restricted stock awards and restricted stock units was \$1.9 million and \$1.7 million, respectively. During the year ended December 31, 2014, compensation expense recognized related to restricted stock units was nominal. There were no non-vested restricted stock units or related expense during the years ended December 31, 2013. There were no non-vested restricted stock awards or related expense during the years ended December 31, 2014 and 2013. The aggregate fair value of restricted stock awards that vested during the year ended December 31, 2015 was \$1.4 million. As of December, 2015, \$13.8 million of total unrecognized compensation cost, adjusted for estimated forfeitures, related to 888,483 non-vested restricted stock units with a weighted-average grant date fair value of \$27.85 is expected to be recognized over a weighted-average period of 3.7 years. As of December 31, 2015, \$1.7 million of total unrecognized compensation cost related to 67,744 non-vested restricted stock awards with weighted-average grant date fair values of \$42.01 is expected to be recognized over a weighted-average period of 1.2 years. The fair value of these awards was determined based on the Company's stock price at the grant date and assumes no expected dividend payments through the vesting period.

There were no excess tax benefits related to restricted stock units or restricted stock awards during the years ended December 31, 2015, 2014 and 2013.

**10. Income Taxes**

The Company files income tax returns in the U.S. federal, the United Kingdom and various state jurisdictions.

For the years ended December 31, 2015, 2014 and 2013, the income tax provision was comprised of the following:

	Year Ended December 31,		
	2015	2014	2013
	(in thousands)		
Current:			
Federal	\$ 20,947	\$ 8,073	\$ 2,912
State	6,260	7,610	3,056
Foreign	480	426	468
Total current	27,687	16,109	6,436
Deferred:			
Federal	(1,534)	1,056	1,300
State	(2,301)	3,556	406
Total deferred	(3,835)	4,612	1,706
Total income tax expense	\$ 23,852	\$ 20,721	\$ 8,142

**GRUBHUB INC.**  
**Notes to Consolidated Financial Statements (Continued)**

Income before provision for income taxes for the years ended December 31, 2015, 2014 and 2013, was as follows:

	Year Ended December 31,		
	2015	2014	2013
	(in thousands)		
Domestic source	\$ 59,705	\$ 43,069	\$ 12,986
Foreign source	2,224	1,915	1,903
Income before provision for income taxes	<u>\$ 61,929</u>	<u>\$ 44,984</u>	<u>\$ 14,889</u>

The following is a reconciliation of income taxes computed at the U.S. federal statutory rate to the income taxes reported in the consolidated statements of operations for the years ended December 31, 2015, 2014 and 2013:

	Year Ended December 31,		
	2015	2014	2013
	(in thousands)		
Income tax expense at statutory rate	\$ 21,675	\$ 15,747	\$ 5,211
State income taxes	2,577	8,038	2,522
Deferred tax impact of reorganization	—	(2,382)	—
Nondeductible transaction costs	—	—	1,148
Tax benefit of partnership status	—	—	(726)
Valuation allowance reversal	—	—	(502)
Research and development tax credit	(345)	—	—
Foreign rate differential	(328)	(253)	(220)
Deferred tax true-up	69	—	—
All other	204	(429)	709
Total income tax expense	<u>\$ 23,852</u>	<u>\$ 20,721</u>	<u>\$ 8,142</u>

On December 31, 2014, the Company undertook a series of transactions intended to simplify its legal and tax structure in the U.S. The result of the reorganization was a combination of Grubhub Holdings Inc. and Seamless North America, LLC, which resulted in the deemed liquidation of the Seamless North America, LLC partnership status for tax purposes. The reorganization resulted in a net income tax benefit of \$0.4 million for the year ended December 31, 2014. The income tax benefit consisted of a deferred tax benefit of \$2.2 million as a result of converting the Seamless North America, LLC partnership into a division of Grubhub Holdings Inc., partially offset by an increase in deferred tax expense of \$1.8 million as a result of the adjusted deferred state tax rate applicable to the Company's U.S. operations.

The Company recorded a \$2.0 million increase in deferred tax expense in 2014 as a result of a change in state tax law.

The tax effects of temporary differences giving rise to deferred income tax assets and liabilities as of December 31, 2015 and 2014 were as follows:

	As of December 31,	
	2015	2014
	(in thousands)	
Deferred tax assets:		
Loss and credit carryforwards	\$ 5,134	\$ 7,212
Accrued expenses	1,934	2,221
Stock-based compensation	8,330	7,752
Total deferred tax assets	15,398	17,185
Valuation allowance	(910)	(910)
Net deferred tax assets	14,488	16,275
Deferred tax liabilities:		
Fixed assets	(2,269)	(2,721)
Intangible assets	(99,803)	(104,973)
Total deferred tax liabilities	(102,072)	(107,694)
Net deferred tax liability	<u>\$ (87,584)</u>	<u>\$ (91,419)</u>

**GRUBHUB INC.**  
**Notes to Consolidated Financial Statements (Continued)**

A partial valuation reserve of \$0.9 million was recorded as of both December 31, 2015 and 2014, against certain state-only credits as those credits have a short carryover period and the Company believes that this portion of the credit carryovers will more likely than not expire before they are utilized.

Classification of net deferred tax assets (liabilities) on the consolidated balance sheets as of December 31, 2015 and 2014 was as follows:

	As of December 31,	
	2015	2014
	(in thousands)	
Non-current liabilities	\$ (87,584)	\$ (91,419)
Total deferred tax liability	\$ (87,584)	\$ (91,419)

The Company has early adopted ASU 2015-17, relating to the presentation of deferred tax assets and deferred tax liabilities as non-current in the consolidated balance sheets, in the fourth quarter of 2015. The consolidated balance sheet as of the year ended December, 31, 2014, has been retrospectively adjusted to reflect the change in presentation of \$0.8 million of current deferred tax assets.

The Company has not provided U.S. income tax on the accumulated earnings of its U.K. subsidiary, Seamless Europe, Ltd. of approximately \$7.7 million as of December 31, 2015, as it intends to permanently reinvest those undistributed earnings into future operations in that country. The Company estimates the potential additional U.S. tax liabilities that would result from the complete repatriation of those accumulated earnings to be approximately \$1.9 million as of December 31, 2015.

The Company had the following tax loss and credit carryforwards as of December 31, 2015 and 2014:

	2015	2014	Beginning Year of Expiration
	(in thousands)		
U.S. federal loss carryforwards	\$ 3,284	\$ 7,706	2027
U.S. state and local loss carryforwards	5,753	9,856	2027
U.S. contribution carryforwards	—	166	2015
Illinois Edge Credits <sub>(a)</sub>	3,829	2,938	2017
New York unincorporated business tax credits <sub>(a)</sub>	—	875	2021

(a) Amounts are before the federal benefit of state tax

In addition to the federal and state NOL carryforwards shown above, as of December 31, 2015 the Company has \$47.5 million in additional loss carryovers attributable to excess tax benefits on stock option exercises that will be recorded to additional paid-in capital when those losses are deemed utilized applying the “with and without” method of accounting for excess tax benefits.

During the year ended December 31, 2015, the Internal Revenue Service completed an audit of Grubhub Inc.’s and its subsidiaries’ tax return for the year ended December 31, 2013 and proposed no changes. The Company is currently under examination in Illinois for corporate income tax returns for the tax years ended December 31, 2013 and 2012. The Company cannot predict with certainty whether there will be any additional tax liabilities, penalties and/or interest as a result of the audit. The Company’s tax returns are subject to the normal statute of limitations, three years from the filing date for federal income tax purposes. The federal and state statute of limitations generally remain open for years in which tax losses are generated until three years from the year those losses are utilized. Under these rules, the 2007 and later year NOLs of Slick City Media, Inc. are still subject to audit by the IRS and state and local jurisdictions. Also, the 2007 and later year NOLs of Grubhub Holdings Inc. and its acquired businesses are still subject to audit by the IRS and state and local jurisdictions. The September 30, 2012 and later period U.K. returns of Seamless Europe Ltd. are subject to exam by the U.K. tax authorities.

The Company is subject to taxation in the U.S. federal and various state jurisdictions. Significant judgment is required in determining the provision for income taxes and recording the related income tax assets and liabilities. The Company’s practice for accounting for uncertainty in income taxes is to recognize the financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting the more-likely-than-not criteria, the amount recognized in the financial statements is the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement with the relevant tax authority.

**GRUBHUB INC.**  
**Notes to Consolidated Financial Statements (Continued)**

The following table summarizes the Company's unrecognized tax benefit activity during the years ended December 31, 2015 and 2014, excluding the related accrual for interest:

	As of December 31,	
	2015	2014
	(in thousands)	
Balance at beginning of period	\$ 3,188	\$ 1,097
Reductions for tax positions of prior years	(296)	(491)
Additions for tax positions of prior years	40	50
Additions for tax positions of the current year	—	2,532
Balance at end of period	<u>\$ 2,932</u>	<u>\$ 3,188</u>

The Company records interest and penalties, if any, as a component of its income tax expense in the consolidated statements of operations. No interest expense or penalties were recognized during the years ended December 31, 2015 or 2014. The non-current income tax liabilities are recorded in long-term liabilities in the consolidated balance sheets. At December 31, 2015, the Company did not anticipate any significant adjustments to its unrecognized tax benefits caused by the settlement of tax examinations or other factors, within the next twelve months. Included in the consolidated balance sheets at December 31, 2015 and 2014 were deferred tax assets that relate to the potential settlement of these unrecognized tax benefits. After consideration of these amounts, \$1.0 million of the amount accrued at each of December 31, 2015 and 2014, would impact the effective tax rate if reversed.

### 11. Stockholders' Equity

As of December 31, 2015 and 2014, the Company was authorized to issue two classes of stock: common stock and Series A Preferred Stock.

On April 4, 2014, the Company completed the IPO in which it issued and sold 4,000,000 shares of common stock at a public offering price of \$26.00 per share. The Company received net proceeds of \$94.9 million after deducting underwriting discounts and commissions of \$6.5 million and other offering expenses of approximately \$2.6 million. Upon the closing of the IPO, the stockholder's agreement ceased to be in effect.

On September 3, 2014, the Company completed a follow-on offering in which it issued and sold 1,250,000 shares of common stock at a public offering price of \$40.25 per share. The Company received net proceeds of \$47.6 million after deducting underwriting discounts and commissions of \$1.9 million and other offering expenses of approximately \$0.8 million. These expenses were recorded against the proceeds received from the follow-on offering.

#### ***Common Stock***

Each holder of common stock has one vote per share of common stock held on all matters that are submitted for stockholder vote. At December 31, 2015 and 2014, there were 500,000,000 shares of common stock authorized. At December 31, 2015 and 2014, there were 84,979,869 and 81,905,325 shares of common stock issued and outstanding, respectively. The Company did not hold any shares as treasury shares as of December 31, 2015 and 2014.

#### ***Series A Preferred Stock***

The Company was authorized to issue 25,000,000 shares of preferred stock as of December 31, 2015 and 2014. Upon the closing of the IPO on April 4, 2014, all shares of the Company's then-outstanding convertible Series A Preferred Stock automatically converted on a one-for-one basis into an aggregate of 19,284,113 shares of common stock. There were no issued or outstanding shares of preferred stock as of December 31, 2015 and 2014.

#### ***Redeemable Common Stock***

The put rights that would have required the Company to repurchase the Company's then outstanding redeemable common stock at fair value (as defined in the stockholders agreement) determined at the redemption date were terminated and the shares converted on a one-for-one basis into an aggregate of 1,344,236 shares of common stock upon the closing of the IPO on April 4, 2014.

**GRUBHUB INC.**  
**Notes to Consolidated Financial Statements (Continued)**

**12. Retirement Plan**

Beginning February 1, 2012, the Company has maintained a defined contribution plan for employees. The plan is qualified under section 401(k) of the Internal Revenue Code. For the years ended December 31, 2015, 2014 and 2013, the Company matched 100% of the first 3% of employees' contributions and 50% of the next 2% of employees' contributions that were made. The Company may also make discretionary profit sharing contributions as determined by the Company's Board of Directors. The Company's matching contributions to the plan were \$1.3 million, \$1.0 million and \$0.7 million during the years ended December 31, 2015, 2014 and 2013, respectively.

**13. Earnings Per Share Attributable to Common Stockholders**

Basic earnings per share is computed by dividing net income attributable to common stockholders by the weighted-average number of common shares outstanding during the period without consideration for common stock equivalents. Diluted net income per share attributable to common stockholders is computed by dividing net income by the weighted-average number of common shares outstanding during the period and potentially dilutive common stock equivalents, including stock options, restricted stock awards and restricted stock units, except in cases where the effect of the common stock equivalent would be antidilutive. Potential common stock equivalents consist of common stock issuable upon exercise of stock options and vesting of restricted stock units and restricted stock awards using the treasury stock method and common stock issuable upon conversion of the Series A Preferred Stock. Upon the closing of the IPO, all shares of the Company's then-outstanding convertible Series A Preferred Stock automatically converted into an aggregate of 19,284,113 shares of common stock.

The following table presents the calculation of basic and diluted net income per share attributable to common stockholders for the years ended December 31, 2015, 2014 and 2013:

	Year Ended December 31, 2015		
	Income (Numerator)	Shares (Denominator)	Per Share Amount
(in thousands, except per share data)			
<b>Basic EPS</b>			
Net income attributable to common stockholders	\$ 38,077	84,076	\$ 0.45
<b>Effect of Dilutive Securities</b>			
Preferred stock	—	—	
Stock options	—	1,594	
Restricted stock units and restricted stock awards	—	36	
<b>Diluted EPS</b>			
Net income attributable to common stockholders	<u>\$ 38,077</u>	<u>85,706</u>	\$ 0.44
	Year Ended December 31, 2014		
	Income (Numerator)	Shares (Denominator)	Per Share Amount
(in thousands, except per share data)			
Net income	\$ 24,263		
Preferred stock tax distributions	(320)		
<b>Basic EPS</b>			
Net income attributable to common stockholders	23,943	73,571	\$ 0.33
<b>Effect of Dilutive Securities</b>			
Preferred stock	320	4,980	
Stock options	—	3,147	
Restricted stock units and restricted stock awards	—	—	
<b>Diluted EPS</b>			
Net income attributable to common stockholders	<u>\$ 24,263</u>	<u>81,698</u>	\$ 0.30

**GRUBHUB INC.**  
**Notes to Consolidated Financial Statements (Continued)**

	Year Ended December 31, 2013		
	Income (Numerator)	Shares (Denominator)	Per Share Amount
	(in thousands, except per share data)		
Net income	\$ 6,747		
Preferred stock tax distributions	(1,073)		
<b>Basic EPS</b>			
Net income attributable to common stockholders	5,674	40,681	\$ 0.14
<b>Effect of Dilutive Securities</b>			
Preferred stock	1,073	14,390	
Stock options	—	1,574	
<b>Diluted EPS</b>			
Net income attributable to common stockholders	<u>\$ 6,747</u>	<u>56,645</u>	\$ 0.12

The number of shares of common stock underlying stock-based awards excluded from the calculation of diluted net income per share attributable to common stockholders because their effect would have been antidilutive for the years ended December 31, 2015, 2014 and 2013 were as follows:

	Year Ended December 31,		
	2015	2014	2013
Anti-dilutive shares underlying stock-based awards:			
Stock options	2,380,813	407,328	477,452
Restricted stock awards	—	—	—
Restricted stock units	464,930	657	—

There were no outstanding restricted stock awards during the years ended December 31, 2014 and 2013. There were no outstanding restricted stock units during the year ended December 31, 2013.

#### 14. Fair Value Measurement

Certain assets and liabilities are required to be recorded at fair value on a recurring basis. Accounting standards define fair value as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market in an orderly transaction between market participants on the measurement date. The standards also establish a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

The accounting guidance for fair value measurements prioritizes valuation methodologies based on the reliability of the inputs in the following three-tier value hierarchy:

- Level 1 Quoted prices in active markets for identical assets or liabilities.
- Level 2 Assets and liabilities valued based on observable market data for similar instruments, such as quoted prices for similar assets or liabilities.
- Level 3 Unobservable inputs that are supported by little or no market activity; instruments valued based on the best available data, some of which is internally developed, and considers risk premiums that a market participant would require.

The Company applied the following methods and assumptions in estimating its fair value measurements: the Company's commercial paper, investments in corporate and U.S. government agency bonds and certain money market funds are classified as Level 2 within the fair value hierarchy because they are valued using inputs other than quoted prices in active markets that are observable directly or indirectly. Accounts receivable and accounts payable approximate fair value due to their generally short-term maturities.

**GRUBHUB INC.**  
**Notes to Consolidated Financial Statements (Continued)**

The following table presents the balances of assets measured at fair value on a recurring basis as of December 31, 2015 and 2014:

	December 31, 2015			December 31, 2014		
	Level 1	Level 2	Level 3 (in thousands)	Level 1	Level 2	Level 3
Money market funds	\$ —	\$ 1,083	\$ —	\$ —	\$ 1,386	\$ —
Commercial paper	—	113,586	—	—	38,055	—
Corporate bonds	—	41,473	—	—	75,080	—
U.S. government agency bonds	—	9,004	—	—	—	—
Total	<u>\$ —</u>	<u>\$ 165,146</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 114,521</u>	<u>\$ —</u>

In addition to assets and liabilities that are recorded at fair value on a recurring basis, the Company is required to record certain assets and liabilities at fair value on a nonrecurring basis, generally as a result of acquisitions. See Note 3, “Acquisitions,” for further discussion of the fair value of assets and liabilities associated with acquisitions.

**15. Subsequent Events**

On January 22, 2016, the Board of Directors of the Company approved a program that authorizes the repurchase of up to \$100 million of the Company’s common stock exclusive of any fees, commissions or other expenses relating to such repurchases through open market purchases or privately negotiated transactions at the prevailing market price at the time of purchase. The repurchased stock may be retired or held as authorized but unissued treasury shares. The repurchase authorizations do not obligate the Company to acquire any particular amount of common stock or adopt any particular method of repurchase and may be modified, suspended or terminated at any time at the Company’s discretion. Repurchased and retired shares will result in an immediate reduction of the outstanding shares used to calculate the weighted-average common shares outstanding for basic and diluted net income per share at the time of the transaction.

From January 1, 2016 through February 19, 2016, the Company repurchased and retired \$9.8 million of its common stock as follows:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Dollar Value of Shares that May Yet be Purchased Under the Plans or Programs (in thousands)
January 1, 2016 - January 31, 2016	148,073	\$ 18.67	148,073	\$ 97,235
February 1, 2016 - February 19, 2016	358,600	19.51	358,600	90,239
Total	<u>506,673</u>	<u>\$ 19.26</u>	<u>506,673</u>	

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders of  
Grubhub Inc.  
Chicago, Illinois

We have audited the accompanying consolidated balance sheets of Grubhub Inc. (the “Company”) as of December 31, 2015 and 2014, and the related consolidated statements of operations, comprehensive income, changes in stockholders’ equity and redeemable common stock, and cash flows for each of the three years in the period ended December 31, 2015. These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Grubhub Inc. at December 31, 2015 and 2014, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2015, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Grubhub Inc.’s internal control over financial reporting as of December 31, 2015, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 Framework) and our report dated February 25, 2016, expressed an unqualified opinion thereon.

/s/ Crowe Horwath LLP

Oak Brook, Illinois  
February 25, 2016

**SELECTED QUARTERLY FINANCIAL DATA  
(UNAUDITED)**

Unless otherwise stated, the discussion below primarily reflects the historical condition and results of operations for (i) Grubhub Inc. as of December 31, 2015 and 2014 and for the years ended December 31, 2015 and 2014 and (ii) the results of acquired businesses from the relevant acquisition dates in 2015. In the opinion of management, the data has been prepared on the same basis as the audited financial statements included in this Annual Report on Form 10-K, and reflects all necessary adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of this data. The results of historical periods are not necessarily indicative of the results of operations of any future period. You should read this data together with the financial statements and the related notes included elsewhere in this Annual Report on Form 10-K.

	Three Months Ended							
	December 31, 2015	September 30, 2015	June 30, 2015	March 31, 2015	December 31, 2014	September 30, 2014	June 30, 2014	March 31, 2014
	(in thousands, except per share data)(unaudited)							
<b>Revenues</b>	\$ 99,959	\$ 85,662	\$ 87,955	\$ 88,249	\$ 73,313	\$ 61,941	\$ 60,006	\$ 58,613
<b>Costs and expenses:</b>								
Sales and marketing	24,921	21,443	20,679	24,107	19,033	14,883	16,168	16,117
Operations and support	32,483	27,637	24,603	22,701	17,766	14,902	14,734	15,107
Technology (exclusive of amortization)	8,802	8,412	7,902	7,666	7,212	6,560	6,066	5,347
General and administrative	11,457	10,203	9,745	9,101	7,220	8,143	8,620	8,324
Depreciation and amortization	6,657	6,299	8,829	6,249	5,809	5,748	5,615	5,515
<b>Total costs and expenses</b>	<b>84,320</b>	<b>73,994</b>	<b>71,758</b>	<b>69,824</b>	<b>57,040</b>	<b>50,236</b>	<b>51,203</b>	<b>50,410</b>
<b>Income before provision for income taxes</b>	<b>15,639</b>	<b>11,668</b>	<b>16,197</b>	<b>18,425</b>	<b>16,273</b>	<b>11,705</b>	<b>8,803</b>	<b>8,203</b>
Provision for income taxes	4,351	4,801	6,845	7,855	5,508	5,252	6,111	3,850
<b>Net income</b>	<b>11,288</b>	<b>6,867</b>	<b>9,352</b>	<b>10,570</b>	<b>10,765</b>	<b>6,453</b>	<b>2,692</b>	<b>4,353</b>
Preferred stock tax distributions	—	—	—	—	—	—	(320)	—
<b>Net income attributable to common stockholders</b>	<b>\$ 11,288</b>	<b>\$ 6,867</b>	<b>\$ 9,352</b>	<b>\$ 10,570</b>	<b>\$ 10,765</b>	<b>\$ 6,453</b>	<b>\$ 2,372</b>	<b>\$ 4,353</b>
<b>Net income per share attributable to common stockholders<sup>(a)</sup>:</b>								
Basic	\$ 0.13	\$ 0.08	\$ 0.11	\$ 0.13	\$ 0.13	\$ 0.08	\$ 0.03	\$ 0.08
Diluted	\$ 0.13	\$ 0.08	\$ 0.11	\$ 0.12	\$ 0.13	\$ 0.08	\$ 0.03	\$ 0.06

(a) Full year amounts may not equal the sum of the quarters due to rounding

- In addition to the impact of the growth in orders and the inclusion of the result of the Company's recent acquisitions, the quarterly increase in operations and support expense was driven by the investment in the Company's delivery network during the year ended December 31, 2015. During the three months ended March 31, 2015, June 30, 2015, September 30, 2015 and December 31, 2015, the Company recognized acquisition-related and restructuring costs of \$0.6 million, \$0.1 million, \$0.4 million and \$0.5 million, respectively, within general and administrative expense in the consolidated statements of operations. During the three months ended June 30, 2015, the Company recognized accelerated depreciation and amortization expense of \$1.9 million for certain developed and purchased software and computer equipment assets that were disposed of with the migration of nearly all of the Seamless consumer diner traffic to a new web and mobile platform.
- During the three months ended March 31, 2014, June 30, 2014, September 30, 2014 and December 31, 2014, the Company recognized acquisition-related and restructuring costs of \$0.3 million, \$0.2 million, \$0.7 million and \$0.4 million, respectively, within general and administrative expense in the consolidated statements of operations.

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

	Three Months Ended							
	December 31, 2015	September 30, 2015	June 30, 2015	March 31, 2015	December 31, 2014	September 30, 2014	June 30, 2014	March 31, 2014
	(unaudited)							
Active Diners	6,746,000	6,431,000	5,932,000	5,604,000	5,029,000	4,571,000	4,192,000	3,851,000
Daily Average Grubs	241,800	211,500	220,100	234,700	202,700	172,700	174,500	181,200
Gross Food Sales (in millions)	\$ 642.5	\$ 553.6	\$ 567.6	\$ 589.9	\$ 508.0	\$ 423.8	\$ 422.6	\$ 433.0

- Active Diners are the number of unique diner accounts from which an order has been placed in the past twelve months through the Company's platform.
- Daily Average Grubs are calculated as the number of revenue generating orders placed on the platform divided by the number of days for a given period.
- Gross Food Sales are the total value of food, beverages, taxes, prepaid gratuities, and any delivery fees processed through the Company's platform. All revenue generating orders placed on the platform are included. Only the commission from the transaction is recognized as revenues, which are a percentage of the total Gross Food Sales for such transaction.

#### Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

#### Item 9A. Controls and Procedures

##### *Evaluation of Disclosure Controls and Procedures*

As required by Rule 13a-15(b) and Rule 15d-15(e) of the Exchange Act, the Company's management, including the Chief Executive Officer and Chief Financial Officer, is responsible for establishing and maintaining effective disclosure controls and procedures, as defined under Rules 13a-15(e) and 15d-15(e) of the Exchange Act. As of December 31, 2015, an evaluation was performed under the supervision and with the participation of management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that disclosure controls and procedures as of December 31, 2015 were effective in ensuring information required to be disclosed in the Company's SEC reports was recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms, and that such information was 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 have not been any changes in the Company's internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the quarter ended December 31, 2015 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

##### *Management's Report and Attestation Report on Internal Control Over Financial Reporting*

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rules 13a-15(c) and 15(d)-15(c) under the Exchange Act.

Our management assessed the effectiveness of our internal control over financial reporting as of December 31, 2015. Our management based this assessment on criteria for effective internal control over financial reporting described in the "Internal Control – Integrated Framework (2013)" issued by the Committee of Sponsoring Organizations of the Treadway Commission. As permitted, our management excluded from its assessment the operations of Restaurants on the Run, LLC, DiningIn.com, Inc. and MealPort USA, LLC acquired during 2015, which is described in Part II, Item 8, Note 3, "Acquisitions" to the consolidated financial statements.

Based on this assessment, our management determined that, as of December 31, 2015, the Company maintained effective internal control over financial reporting.

Crowe Horwath LLP, our independent registered public accounting firm, who has audited the consolidated financial statements of the Company included in this Annual Report on Form 10-K, and as part of the audit, has issued an attestation report on the effectiveness of our internal control over financial reporting as of December 31, 2015.

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders of  
Grubhub Inc.  
Chicago, Illinois

We have audited Grubhub Inc.'s internal control over financial reporting as of December 31, 2015, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework)(the “COSO criteria”). Grubhub Inc.'s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on these financial statements and an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

As permitted, the Company has excluded the operations of Restaurants on the Run, LLC, DiningIn.com, Inc. and MealPort USA, LLC acquired during 2015, which is described in Note 3 of the consolidated financial statements, from the scope of management's report on internal control over financial reporting. As such, they have also been excluded from the scope of our audit of internal control over financial reporting.

In our opinion, Grubhub Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2015, based on the COSO criteria.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Grubhub Inc. as of December 31, 2015 and 2014, and the related consolidated financial statements of operations, comprehensive income, changes in stockholder's equity and redeemable common stock and cash flows for each of the three years in the period ended December 31, 2015, and our report dated February 25, 2016 expressed an unqualified opinion on those financial statements.

/s/ Crowe Horwath LLP

Oak Brook, Illinois  
February 25, 2016

**Item 9B. Other Information**

***Compensatory Arrangements of Certain Officers***

On February 22, 2016, the Compensation Committee of the Company's Board of Directors approved cash bonuses for fiscal 2015 under the Company's Management Incentive Bonus Program for the Company's named executive officers in the amounts set forth below:

<b>Named Executive Officer</b>	<b>2015 Bonus</b>
Matthew Maloney <i>Chief Executive Officer</i>	\$ 273,600
Adam DeWitt <i>Chief Financial Officer</i>	\$ 171,000

80% of each award was based on the Company's performance for fiscal 2015, with the remaining 20% of each award based on individual performance in fiscal 2015.

### **PART III.**

#### **Item 10. Directors, Executive Officers and Corporate Governance**

The information required by this Item 10 will be contained in the Company's definitive proxy statement to be filed with the SEC in connection with its 2016 Annual Meeting of Stockholders (the "2016 Proxy Statement"), which is expected to be filed not later than 120 days after the end of the Company's fiscal year ended December 31, 2015, and is incorporated herein by reference.

**Code of Conduct.** The Company has adopted a code of business conduct and ethics (the "Code of Conduct") that applies to all employees, officers and directors, including the principal executive officer, principal financial officer and principal accounting officer. The Code of Conduct is available on the Company's website at [investors.grubhub.com](http://investors.grubhub.com) under "Corporate Governance." The Company intends to post on its website all disclosures that are required by law or NYSE listing rules regarding any amendment to, or a waiver of, any provision of the Code of Conduct for the principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions.

#### **Item 11. Executive Compensation**

The information required by this Item 11 will be contained in the 2016 Proxy Statement, and is incorporated herein by reference.

#### **Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters**

The information required by this Item 12 will be contained in the 2016 Proxy Statement, and is incorporated herein by reference.

#### **Item 13. Certain Relationships and Related Transactions and Director Independence**

The information required by this Item 13 will be contained in the 2016 Proxy Statement, and is incorporated herein by reference.

#### **Item 14. Principal Accountant Fees and Services**

The information required by this Item 14 will be contained in the 2016 Proxy Statement, and is incorporated herein by reference.

**PART IV.**

**Item 15. Exhibits, Financial Statement Schedules**

(a) The following documents are filed as part of this report:

1. Financial Statements

Consolidated Statements of Operations for the years ended December 31, 2015, 2014 and 2013

Consolidated Statements of Comprehensive Income for the years ended December 31, 2015, 2014 and 2013

Consolidated Balance Sheets as of December 31, 2015 and 2014

Consolidated Statements of Cash Flows for the years ended December 31, 2015, 2014 and 2013

Consolidated Statements of Changes in Stockholders' Equity and Redeemable Common Stock for the years ended December 31, 2015, 2014 and 2013

Notes to Consolidated Financial Statements

Report of Independent Registered Public Accounting Firm

Quarterly Financial Data

2. Financial Statement Schedules

The schedules for which provision is made in the applicable accounting regulations of the SEC are not required under the related instructions or are inapplicable and, therefore, have been omitted.

(b) Exhibits

See Item 15(b) below for a complete list of Exhibits to this report.

## EXHIBITS

Exhibit No.	Description	Form	Incorporated by Reference			
			File No.	Exhibit	Filing Date	Filed Herewith
3.1	Amended and Restated Certificate of Incorporation of Grubhub Inc.	10-Q	001-36389	3.1	August 7, 2014	
3.2	Amended and Restated By-laws of Grubhub Inc.	10-Q	001-36389	3.2	August 7, 2014	
4.1	Form of common stock certificate of the Registrant.	S-1/A	333-194219	4.1	March 20, 2014	
10.1	Registration Rights Agreement, dated August 8, 2013 by and among Grubhub Inc. (f/k/a Grubhub Seamless Inc. f/k/a Seamless Grubhub Holdings Inc.) and certain stockholders listed therein.	S-1	333-194219	10.1	March 14, 2014	
10.2	Tax Matters Agreement, dated May 19, 2013, by and among Grubhub Holdings, Inc. Seamless Holdings Corporation and Aramark Holdings Corporation.	S-1	333-194219	10.2	March 14, 2014	
10.3	Reorganization and Contribution Agreement, dated May 19, 2013, by and among Seamless North America, LLC, Grubhub Inc. (Grubhub Seamless Inc.), Grubhub Holdings Inc. (f/k/a Grubhub, Inc.), Pizza 1 Co., Pizza 2 Co., SLW Investor, LLC and Seamless Holdings Corporation.	S-1	333-194219	10.7	March 14, 2014	
10.4	Stockholders' Agreement of Seamless Grubhub Holdings Inc., dated as of May 19, 2013, as amended on August 8, 2013 by and between Seamless Grubhub Holdings Inc. and certain stockholders listed therein.	S-1/A	333-194219	10.4	February 18, 2014	
10.5	First Amendment to Stockholders' Agreement of Grubhub Holdings Inc., dated as of August 8, 2013 by and between Seamless Grubhub Holdings Inc. and certain stockholders listed therein.	S-1/A	333-194219	10.5	February 18, 2014	
10.6	Second Amendment to Stockholders' Agreement of Grubhub Holdings Inc., dated as of February 7, 2014 by and between Seamless Grubhub Holdings Inc. and certain stockholders listed therein.	S-1/A	333-194219	10.6	February 18, 2014	
10.7*	Employment Agreement between Grubhub Holdings Inc. (f/k/a Grubhub, Inc.) and Matthew Maloney, dated as of May 19, 2013.	S-1/A	333-194219	10.8	February 18, 2014	
10.8*	Employment Agreement between Grubhub Holdings Inc. (f/k/a Grubhub, Inc.) and Matthew Maloney, dated as of March 9, 2009.	S-1/A	333-194219	10.9	February 18, 2014	
10.9*	Employment Agreement between Grubhub Holdings Inc. (f/k/a Grubhub, Inc.) and Adam DeWitt, dated as of May 19, 2013.	S-1/A	333-194219	10.10	February 18, 2014	
10.10*	Employment Offer Letter between Grubhub Holdings Inc. (f/k/a Grubhub, Inc.) and Adam DeWitt, dated October 17, 2011.	S-1/A	333-194219	10.11	February 18, 2014	

Exhibit No.	Description	Form	Incorporated by Reference			
			File No.	Exhibit	Filing Date	Filed Herewith
10.11*	Protective Agreement and Agreement Not To Compete between Grubhub Holdings Inc. (f/k/a Grubhub, Inc.) and Adam DeWitt, dated as of October 7, 2011.	S-1/A	333-194219	10.12	February 18, 2014	
10.12*	Grubhub Inc. (f/k/a Grubhub Seamless Inc.) 2013 Omnibus Incentive Plan.	S-1/A	333-194219	10.15	February 18, 2014	
10.13*	Stock Option Grant Notice and Stock Option Agreement between Grubhub Inc. (f/k/a Grubhub Seamless Inc.) and Matthew Maloney, granted in replacement of options originally granted on April 23, 2012.	S-1/A	333-194219	10.16	February 18, 2014	
10.14*	Stock Option Grant Notice and Stock Option Agreement between Grubhub Inc. (f/k/a Grubhub Seamless Inc.) and Matthew Maloney, granted in replacement of options originally granted on July 26, 2012.	S-1/A	333-194219	10.17	February 18, 2014	
10.15*	Stock Option Grant Notice and Stock Option Agreement between Grubhub Inc. (f/k/a Grubhub Seamless Inc.) and Matthew Maloney, granted in replacement of options originally granted on November 16, 2012.	S-1/A	333-194219	10.18	February 18, 2014	
10.16*	Stock Option Grant Notice and Stock Option Agreement between Grubhub Inc. (f/k/a Grubhub Seamless Inc.) and Matthew Maloney, granted in replacement of options originally granted on January 28, 2013.	S-1/A	333-194219	10.19	February 18, 2014	
10.17*	Stock Option Grant Notice and Stock Option Agreement between Grubhub Inc. (f/k/a Grubhub Seamless Inc.) and Matthew Maloney, granted in replacement of options originally granted on March 12, 2013.	S-1/A	333-194219	10.20	February 18, 2014	
10.18*	Stock Option Grant Notice and Stock Option Agreement between Grubhub Inc. (f/k/a Grubhub Seamless Inc.) and Adam DeWitt, granted in replacement of options originally granted on December 7, 2011.	S-1/A	333-194219	10.21	February 18, 2014	
10.19*	Stock Option Grant Notice and Stock Option Agreement between Grubhub Inc. (f/k/a Grubhub Seamless Inc.) and Adam DeWitt, granted in replacement of options originally granted on December 7, 2011.	S-1/A	333-194219	10.22	February 18, 2014	
10.20*	Stock Option Grant Notice and Stock Option Agreement between Grubhub Inc. (f/k/a Grubhub Seamless Inc.) and Adam DeWitt, granted in replacement of options originally granted on April 23, 2012.	S-1/A	333-194219	10.23	February 18, 2014	
10.21*	Stock Option Grant Notice and Stock Option Agreement between Grubhub Inc. (f/k/a Grubhub Seamless Inc.) and Adam DeWitt, granted in replacement of options originally granted on July 26, 2012.	S-1/A	333-194219	10.24	February 18, 2014	

Exhibit No.	Description	Form	Incorporated by Reference		
			File No.	Exhibit	Filing Date
10.22*	Stock Option Grant Notice and Stock Option Agreement between Grubhub Inc. (f/k/a Grubhub Seamless Inc.) and Adam DeWitt, granted in replacement of options originally granted on November 16, 2012.	S-1/A	333-194219	10.25	February 18, 2014
10.23*	Stock Option Grant Notice and Stock Option Agreement between Grubhub Inc. (f/k/a Grubhub Seamless Inc.) and Adam DeWitt, granted in replacement of options originally granted on March 12, 2013.	S-1/A	333-194219	10.26	February 18, 2014
10.24*	Employment Offer Letter between SeamlessWeb Professional Solutions, LLC and Jonathan H. Zabusky, dated as of June 6, 2011.	S-1/A	333-194219	10.32	February 18, 2014
10.25*	Agreement Relating to Employment and Post-Employment Competition between SeamlessWeb Professional Solutions, LLC and Jonathan H. Zabusky, dated as of June 6, 2011.	S-1/A	333-194219	10.33	February 18, 2014
10.26*	Transaction and Severance Benefits Letter between Seamless North America, LLC and Jonathan H. Zabusky, dated as of May 13, 2013.	S-1/A	333-194219	10.34	February 18, 2014
10.27*	Separation and General Release Agreement between Grubhub Inc. and Jonathan H. Zabusky, dated as of February 19, 2015.	10-K	001-36389	10.36	March 5, 2015
10.28*	Employee Restricted Stock Purchase Agreement, dated November 3, 2010, by and between Grubhub Holdings Inc. (f/k/a Grubhub, Inc.) and Matthew Maloney.	S-1/A	333-194219	10.38	February 18, 2014
10.29*	Note Cancellation and Stock Repurchase Agreement, dated December 21, 2012, by and between Grubhub Holdings Inc. (f/k/a Grubhub, Inc.), Matthew Maloney and Matt and Holly Maloney Family Limited.	S-1/A	333-194219	10.39	February 18, 2014
10.30*	Stock Option Grant Notice and Stock Option Agreement between Grubhub Inc. (f/k/a Grubhub Seamless Inc.) and Matthew Maloney, granted in substitution of options originally granted on January 28, 2014.	S-1/A	333-194219	10.41	February 28, 2014
10.31*	Stock Option Grant Notice and Stock Option Agreement between Grubhub Inc. (f/k/a Grubhub Seamless Inc.) and Adam DeWitt, granted in substitution of options originally granted on January 28, 2014.	S-1/A	333-194219	10.42	February 28, 2014
10.32*	Form of Indemnification Agreement.	S-1/A	333-194219	10.44	April 3, 2014
10.33*	Form of Option Grant Notice and Option Agreement under the Grubhub Inc. 2013 Omnibus Incentive Plan.	10-K	001-36389	10.46	March 5, 2015
10.34*	Form of RSU Grant Notice and Restricted Stock Unit Agreement under the Grubhub Inc. 2013 Omnibus Incentive Plan.	10-K	001-36389	10.47	March 5, 2015

Exhibit No.	Description	Form	Incorporated by Reference			Filed Herewith
			File No.	Exhibit	Filing Date	
10.35*	Amendment, dated August 3, 2015, to Separation and Release Agreement by and between Grubhub Inc. and Jonathan Zabusky	10-Q	001-36389	10.48	August 6, 2015	
10.36	Office Building Lease, dated March 23, 2012, by and between 111 West Washington, LLC and Grubhub, Inc.	8-K	001-36389	10.1	October 9, 2015	
10.37	First Amendment to Lease, dated December 11, 2013, by and between Burnham Center – 111 West Washington, LLC and Grubhub, Inc.	8-K	001-36389	10.2	October 9, 2015	
10.38	Second Amendment to Lease, dated October 5, 2015, by and between Burnham Center – 111 West Washington, LLC and Grubhub Holdings Inc.	8-K	001-36389	10.3	October 9, 2015	
10.39*	Employment Offer Letter and Agreement Relating to Employment and Post-Employment Competition between Seamless North America, LLC and Margo Drucker, dated as of May 17, 2012.					X
10.40*	Stock Option Grant Notice and Stock Option Agreement between Grubhub Inc. (f/k/a Grubhub Seamless Inc.) and Margo Drucker, granted in substitution of options originally granted on July 9, 2012.					X
10.41*	Stock Option Grant Notice and Stock Option Agreement between Grubhub Inc. (f/k/a Grubhub Seamless Inc.) and Margo Drucker relating to options granted on January 28, 2014.					X
10.42*	Employment Offer Letter between Grubhub Holdings Inc. and Stanley Chia, dated as of February 22, 2015					X
10.43*	Employment Offer Letter between Grubhub Holdings Inc. and Barbara Martin Coppola, dated as of February 27, 2015.					X
10.44*	Grubhub Inc. 2015 Long-Term Incentive Plan.	DEF 14A	001-36389	Appendix A	April 10, 2015	
10.45*	Form of Non-Qualified Option Grant Notice and Option Agreement under the 2015 Long-Term Incentive Plan.					X
10.46*	Form of Restricted Stock Unit Grant Notice and Option Agreement under the 2015 Long-Term Incentive Plan.					X
10.47*	Form of Non-Qualified Option Grant Notice and Option Agreement under the 2015 Long-Term Incentive Plan (NEO Grant).					X
10.48*	Form of Restricted Stock Unit Grant Notice and Option Agreement under the 2015 Long-Term Incentive Plan (NEO Grant).					X
21.1	List of Subsidiaries.					X
23.1	Consent of Crowe Horwath LLP					X

Exhibit No.	Description	Incorporated by Reference			Filed Herewith
		Form	File No.	Exhibit	
24.1	Power of Attorney (incorporated by reference to the signature page of this Annual Report on Form 10-K).				X
31.1	Certification of Matthew Maloney, Chief Executive Officer, pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				X
31.2	Certification of Adam DeWitt, Chief Financial Officer, pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				X
32.1	Certification of Matthew Maloney, Chief Executive Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.				X
32.2	Certification of Adam DeWitt, Chief Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.				X
101.INS	XBRL Instance Document.				X
101.SCH	XBRL Taxonomy Extension Schema Document.				X
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.				X
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.				X
101.LAB	XBRL Taxonomy Extension Labels Linkbase Document.				X
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.				X

\* Indicates a management contract or compensatory plan

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

GRUBHUB INC.

By: /s/ ADAM DEWITT  
**Adam DeWitt**  
**Chief Financial Officer and Treasurer**  
*(Principal Financial Officer and Principal Accounting Officer)*  
February 25, 2016

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities indicated, on the twenty-fifth day of February 2016.

/s/ ADAM DEWITT  
**Adam DeWitt**  
**Chief Financial Officer and Treasurer**  
*(Principal Financial Officer and Principal Accounting Officer)*

/s/ DAVID FISHER  
**David Fisher**  
**Director**

/s/ LLOYD FRINK  
**Lloyd Frink**  
**Director**

/s/ BRANDT KUCHARSKI  
**Brandt Kuckarski**  
**Corporate Controller**

/s/ KATRINA LAKE  
**Katrina Lake**  
**Director**

/s/ GIRISH LAKSHMAN  
**Girish Lakshman**  
**Director**

/s/ MATTHEW MALONEY  
**Matthew Maloney**  
**Chief Executive Officer and Director**  
*(Principal Executive Officer)*

/s/ BRIAN MCANDREWS  
**Brian McAndrews**  
**Chairman of the Board of Directors**

/s/ KEITH RICHMAN  
**Keith Richman**  
**Director**

/s/ JUSTIN SADRIAN  
**Justin Sadrian**  
**Director**

/s/ BENJAMIN SPERO  
**Benjamin Spero**  
**Director**









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## BOARD OF DIRECTORS

**Brian McAndrews** – Chairman  
*Former Chief Executive Officer,  
President and Chairman  
Pandora Media, Inc.*

**David Fisher**  
*Chief Executive Officer,  
President and Chairman  
Enova International, Inc.*

**Katrina Lake**  
*Founder and CEO  
Stitch Fix*

**Girish Lakshman**  
*President, Fulfillment  
Sears Holding Corporation*

**Matthew Maloney**  
*Chief Executive Officer  
and President  
Grubhub Inc.*

**Justin Sadrian**  
*Managing Director  
Warburg Pincus LLC*

**Keith Richman**  
*President  
DEFY Media*

**Benjamin Spero**  
*Managing Director  
Spectrum Equity*

**Lloyd Frink**  
*Vice Chairman and President  
Zillow Group, Inc.*

## EXECUTIVE OFFICERS

**Matthew Maloney**  
*Chief Executive Officer  
and President*

**Adam DeWitt**  
*Chief Financial Officer*

**Stanley Chia**  
*Senior Vice President, Operations*

**Barbara Martin Coppola**  
*Chief Marketing Officer*

**Margo Drucker**  
*Senior Vice President,  
General Counsel and Secretary*

## STOCK EXCHANGE

Grubhub's stock is listed on the New York Stock Exchange under the ticker symbol GRUB.

## TRANSFER AGENT

American Stock Transfer & Trust Company, LLC  
6201 15th Avenue  
Brooklyn, New York 11219  
www.amstock.com  
For inquiries: info@amstock.com  
Shareholder inquiries:  
(800) 937-5449

## CORPORATE HEADQUARTERS

Grubhub Inc.  
111 W. Washington, Suite 2100  
Chicago, Illinois 60602

## INVESTOR RELATIONS

Current information about Grubhub, press releases and investor information are available on our website at investors.grubhub.com

ir@grubhub.com

## INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Crowe Horwath LLP  
225 W. Wacker Drive,  
Suite 2600  
Chicago, Illinois 60606

*FOR THE GOOD OF FOOD*