UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

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

For the quarterly period ended March 31, 2019

OR

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

For the transition period from ________________ to ________________

Commission File Number: **001-38386**

CARDLYTICS, INC.

(Exact Name of Registrant as Specified in its Charter)

Delaware	**26-3039436**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
675 Ponce de Leon Ave. NE, Ste 6000, Atlanta, GA 30308	**(888) 798-5802**
(Address of principal executive offices, including zip code)	(Registrant’s telephone number, including area code)

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 every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

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

Large accelerated filer	☐	Accelerated filer	☒
Non-accelerated filer	☐	Smaller reporting company	☒
		Emerging growth company	☒

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

Securities registered pursuant to Section 12(b) of the Securities Exchange Act of 1934:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock	CDLX	The Nasdaq Stock Market LLC

As of April 30, 2019, there were 22,569,519 shares outstanding of the registrant’s common stock, par value $0.0001.

CARDLYTICS, INC.
QUARTERLY REPORT ON FORM 10-Q
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PART I. FINANCIAL INFORMATION

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CARDLYTICS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)
(Amounts in thousands, except par value amounts)

	December 31, 2018	March 31, 2019
Assets		
Current assets:		
Cash and cash equivalents	$ 39,623	$ 36,428
Restricted cash	20,247	20,260
Accounts receivable, net	58,125	53,245
Other receivables	2,417	2,328
Prepaid expenses and other assets	3,956	5,037
Total current assets	124,368	117,298
Long-term assets:		
Property and equipment, net	10,230	11,351
Intangible assets, net	370	367
Capitalized software development costs, net	1,625	2,015
Deferred FI implementation costs, net	15,877	14,067
Other long-term assets, net	1,293	1,369
Total assets	$ 153,763	$ 146,467
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	$ 2,099	$ 1,896
Accrued liabilities:		
Accrued compensation	5,936	4,734
Accrued expenses	4,388	3,743
FI Share liability	27,656	23,369
Consumer Incentive liability	11,476	15,217
Deferred billings	346	574
Current portion of long-term debt	21	22
Total current liabilities	51,922	49,555
Long-term liabilities:		
Deferred liabilities	3,173	3,044
Long-term debt, net of current portion	46,693	46,691
Total liabilities	101,788	99,290
Stockholders' equity:		
Common stock, $0.0001 par value—100,000 shares authorized and 22,466 and 22,570 shares issued and outstanding as of December 31, 2018 and March 31, 2019, respectively	7	7
Additional paid-in capital	371,463	373,351
Accumulated other comprehensive income	1,992	1,620
Accumulated deficit	(321,487)	(327,801)
Total stockholders' equity	51,975	47,177
Total liabilities and stockholders' equity	$ 153,763	$ 146,467

See notes to the condensed consolidated financial statements

CARDLYTICS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)
(Amounts in thousands, except per share amounts)

	Three Months Ended March 31, 2018	Three Months Ended March 31, 2019
Revenue	$ 32,713	$ 35,988
Costs and expenses:		
FI Share and other third-party costs	21,420	19,004
Delivery costs	1,943	3,246
Sales and marketing expense	8,216	9,337
Research and development expense	3,459	2,941
General and administration expense	6,582	7,000
Depreciation and amortization expense	910	961
Total costs and expenses	42,530	42,489
Operating loss	(9,817)	(6,501)
Other (expense) income:		
Interest expense, net	(1,749)	(304)
Change in fair value of warrant liabilities, net	(9,172)	—
Foreign currency gain	683	491
Total other (expense) income	(10,238)	187
Loss before income taxes	(20,055)	(6,314)
Income tax benefit	—	—
Net loss	(20,055)	(6,314)
Adjustments to the carrying value of preferred stock	(157)	—
Net loss attributable to common stockholders	$ (20,212)	$ (6,314)
Net loss per share attributable to common stockholders, basic and diluted	$ (1.54)	$ (0.28)
Weighted-average common shares outstanding, basic and diluted	13,093	22,503

See notes to the condensed consolidated financial statements

CARDLYTICS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS (UNAUDITED)
(Amounts in thousands)

	Three Months Ended March 31,	
	2018	**2019**
Net loss	$ (20,055)	$ (6,314)
Other comprehensive loss:		
Foreign currency translation adjustments	(508)	(372)
Total comprehensive loss	$ (20,563)	$ (6,686)

See notes to the condensed consolidated financial statements

CARDLYTICS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT) (UNAUDITED)
(Amounts in thousands)

Three Months Ended March 31, 2019:

	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Income	Accumulated Deficit	Total
	Shares	Amount				
Balance – December 31, 2018	22,466	$ 7	$ 371,463	$ 1,992	$ (321,487)	$ 51,975
Exercise of common stock options	31	—	173	—	—	173
Stock-based compensation	—	—	1,715	—	—	1,715
Settlement of restricted stock	73	—	—	—	—	—
Other comprehensive loss	—	—	—	(372)	—	(372)
Net loss	—	—	—	—	(6,314)	(6,314)
Balance – March 31, 2019	22,570	$ 7	$ 373,351	$ 1,620	$ (327,801)	$ 47,177

Three Months Ended March 31, 2018:

	Common Stock		Additional Paid-In-Capital	Accumulated Other Comprehensive Income	Accumulated Deficit	Total
	Shares	Amount				
Balance – December 31, 2017	3,439	$ —	$ 58,693	$ 1,066	$ (268,445)	$ (208,686)
Exercise of common stock options	26	—	108	—	—	108
Exercise of common stock warrants	297	—	—	—	—	—
Stock-based compensation	—	—	2,906	—	—	2,906
Issuance of common stock in connection with our IPO	5,821	1	66,100	—	—	66,101
Vesting of performance-based common stock warrants	—	—	2,519	—	—	2,519
Conversion of preferred stock to common stock	10,643	6	196,588	—	—	196,594
Conversion of preferred stock warrants to common stock warrants	—	—	1,736	—	—	1,736
Accretion of redeemable convertible preferred stock to redemption value	—	—	(157)	—	—	(157)
Other comprehensive loss	—	—	—	(508)	—	(508)
Net loss	—	—	—	—	(20,055)	(20,055)
Balance – March 31, 2018	20,226	$ 7	$ 328,493	$ 558	$ (288,500)	$ 40,558

See notes to the condensed consolidated financial statements

CARDLYTICS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
(Amounts in thousands)

	Three Months Ended March 31, 2018	Three Months Ended March 31, 2019
Operating activities		
Net loss	$ (20,055)	$ (6,314)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	910	961
Amortization of financing costs charged to interest expense	140	27
Accretion of debt discount and non-cash interest expense	1,500	—
Stock-based compensation expense	2,900	1,708
Change in fair value of warrant liabilities, net	9,172	—
Other non-cash expense (income), net	1,809	(235)
Amortization of deferred FI implementation costs	412	653
Change in operating assets and liabilities:		
Accounts receivable	8,623	4,740
Prepaid expenses and other assets	(1,520)	(1,173)
Deferred FI implementation costs	(250)	—
Recovery of deferred FI implementation costs	1,344	1,157
Accounts payable	(408)	(691)
Other accrued expenses	(1,836)	(1,770)
FI Share liability	(2,538)	(4,287)
Customer Incentive liability	(293)	3,741
Net cash used in operating activities	(90)	(1,483)
Investing activities		
Acquisition of property and equipment	(418)	(1,492)
Acquisition of patents	(2)	—
Capitalized software development costs	(374)	(489)
Net cash used in investing activities	(794)	(1,981)
Financing activities		
Principal payments of debt	(26)	(5)
Proceeds from issuance of common stock	70,490	173
Equity issuance costs	(1,232)	—
Debt issuance costs	—	(6)
Net cash from financing activities	69,232	162
Effect of exchange rates on cash, cash equivalents and restricted cash	175	120
Net increase (decrease) in cash, cash equivalents and restricted cash	68,523	(3,182)
Cash, cash equivalents, and restricted cash — Beginning of period	21,262	59,870
Cash, cash equivalents, and restricted cash — End of period	$ 89,785	$ 56,688
Supplemental schedule of non-cash investing and financing activities:		
Amounts accrued for property and equipment	$ 1,155	$ 1,146
Amounts accrued for capitalized software development costs	$ 141	$ —

See notes to the condensed consolidated financial statements

CARDLYTICS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. OVERVIEW OF BUSINESS AND BASIS OF PRESENTATION

Cardlytics, Inc. ("we," "our," "us," the "Company," or "Cardlytics") is a Delaware corporation and was formed on June 26, 2008. We make marketing more relevant and measurable through our purchase intelligence platform. Using one of the largest aggregations of purchase data through our partnerships with banks and credit unions, we have a secure view into where and when consumers are spending their money. By applying advanced analytics to this massive aggregation of anonymized purchase data, we make it actionable, helping marketers identify, reach and influence likely buyers at scale, and measure the true sales impact of their marketing spend.

We also operate in the United Kingdom through Cardlytics UK Limited, a wholly-owned and operated subsidiary registered as a private limited company in England and Wales.

Unaudited Interim Results

The accompanying unaudited interim condensed consolidated financial statements and information have been prepared in accordance with generally accepted accounting principles in the United States ("GAAP") and in accordance with the rules and regulations of the Securities and Exchange Commission. Accordingly, they do not include all of the information and disclosures required by GAAP for complete financial statements. In the opinion of management, these financial statements contain all normal and recurring adjustments considered necessary to present fairly the financial position, results of operations, and cash flows for the periods presented. The results for interim periods presented are not necessarily indicative of the results to be expected for the full year due to the seasonality of our business which has been historically impacted by higher consumer spending during the fourth quarter. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and related notes thereto included on our Annual Report on Form 10-K ("Annual Report") for the fiscal year ended December 31, 2018.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements. Significant items subject to such estimates and assumptions include revenue recognition, internal-use software development costs, income taxes, stock-based compensation, derivative instruments, income tax valuation allowance and contingencies. We base our estimates on historical experience and also on assumptions that we believe are reasonable. Changes in facts or circumstances may cause us to change our assumptions and estimates in future periods and it is possible that actual results could differ from our current or revised future estimates.

2. SIGNIFICANT ACCOUNTING POLICIES AND RECENT ACCOUNTING STANDARDS

On January 1, 2019, we early adopted Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers (Topic 606)*, using the modified retrospective method, as permitted under ASU 2014-09. The adoption of ASU 2014-09 did not result in a material change in the timing or amount of revenue recognized, nor did it result in the capitalization of incremental contract costs. Accordingly, there was no cumulative effect adjustment recorded in the condensed consolidated financial statements upon adoption.

On January 1, 2019, we adopted ASU 2016-01, *Financial Instruments-Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*, which is intended to enhance the reporting model for financial instruments to provide users of financial statements with more decision-useful information. The adoption of this guidance had no impact on our condensed consolidated financial statements.

Except for the adoption of ASU 2014-09 and ASU 2016-01, there have been no changes to the Company's accounting policies and these unaudited interim condensed consolidated financial statements have been prepared on a basis consistent with that used to prepare our audited annual consolidated financial statements for the year ended December 31, 2018, and include, in the opinion of management, all adjustments, consisting of normal recurring items, necessary for the fair statement of the condensed consolidated financial statements.

Revenue

We have generated revenue through the sale of two categories of solutions that leverage our intelligence platform: (1) our proprietary native banking channel Cardlytics Direct and (2) our Other Platform Solutions. We have generated substantially all of our revenue from sales of Cardlytics Direct since inception.

Our Other Platform Solutions enabled marketers and marketing service providers to leverage the power of purchase intelligence outside the bank channel. We have shifted the majority of our efforts and resources to support the growth of Cardlytics Direct. As a result, we do not expect to generate substantial, if any, revenue from Other Platform Solutions for the foreseeable future.

Cardlytics Direct

Cardlytics Direct is our proprietary native bank advertising channel that enables marketers to reach consumers through the FIs' trusted and frequently visited online and mobile banking channels. Working with the marketer, we design a campaign that targets customers based on their purchase history. The consumer is offered an incentive to make a purchase from the marketer within a specified period. We use a portion of the fees that we collect from marketers to provide these consumer incentives to our FIs’ customers after they make qualifying purchases ("Consumer Incentives"). Leveraging our powerful predictive analytics, we are able to create compelling Consumer Incentives that have the potential to increase return on advertising spend for marketers. We generally pay our FI partners an FI Share, which is a negotiated and fixed percentage of our billings to marketers less any Consumer Incentives that we pay to FIs’ customers and certain third-party data costs.

Cardlytics Direct is priced predominantly in two ways: (1) Cost per Served Sale (“CPS”), and (2) Cost per Redemption (“CPR”).

- **CPS.** Our primary pricing model is CPS, which we created to meet the media buying preferences of marketers. We generate revenue by charging a percentage, which we refer to as the CPS Rate, of all purchases from the marketer by consumers (1) who are served marketing and (2) subsequently make a purchase from the marketer during the campaign period, regardless of whether consumers select the marketing and thereby becomes eligible to earn the applicable Consumer Incentive. We set CPS Rates for marketers based on our expectation of the marketer’s return on spend for the relevant campaign. Additionally, we set the amount of the Consumer Incentives payable for each campaign based on our estimation of our ability to drive incremental sales for the marketer. We seek to optimize the level of Consumer Incentives to retain a greater portion of billings. However, if the amount of Consumer Incentives exceeds the amount of billings that we are paid by the applicable marketer we are still responsible for paying the total Consumer Incentive. This has occurred infrequently and has been immaterial in amount for each of the periods presented. In some instances, we may also charge the marketer the Consumer Incentive, in which case the marketer determines the level of Consumer Incentive for the campaign.

- **CPR.** Under our CPR pricing model, marketers specify and fund the Consumer Incentive and pay us a separate negotiated, fixed marketing fee, which we refer to as the CPR Fee, for each purchase that we generate. We generate revenue if the consumer (1) is served marketing, (2) selects the marketing and thereby becomes eligible to earn the applicable Consumer Incentive and (3) makes a qualifying purchase from the marketer during the campaign period. We set the CPR Fee for marketers based on our estimation of the marketers’ return on spend for the relevant campaign. The CPR Fee is either a percentage of qualifying purchases or a flat amount. In some instances, we may solely charge the marketer the CPR Fee, in which case we determine the level of Consumer Incentive for the campaign.

The following table summarizes revenue by pricing model (in thousands):

	Three Months Ended March 31,	
	2018	**2019**
Cost per Served Sale	$ 18,445	$ 21,009
Cost per Redemption	11,755	13,964
Other	2,513	1,015
Revenue	$ 32,713	$ 35,988

Revenue Recognition

We determine revenue recognition through the following steps:

- identification of a contract with a customer,
- identification of the performance obligation(s) in the contract,
- determination of the transaction price,
- allocation of the transaction price to the performance obligation(s) in the contract, and
- recognition of revenue when or as the performance obligation(s) are satisfied.

We sell our solutions by entering into agreements directly with marketers or their marketing agencies, generally through the execution of insertion orders. The agreements state the terms of the arrangement, the negotiated fee, payment terms and the fixed period of time of the campaign. We consider a contract to exist when a campaign, which typically lasts 45 days, is published to an FI partner under the terms of an insertion order.

With respect to our Cardlytics Direct service, our performance obligation is to offer incentives to FIs' customers to make purchases from the marketer within a specified period. This performance obligation is a series that represents a stand ready obligation to provide a targeted campaign for the marketer to FI customers. We recognize revenue for Cardlytics Direct fees, which represents variable consideration, at a point in time when FIs' customers make qualifying purchases during the marketing campaign term.

Subsequent to a qualifying purchase, the associated fees are generally not subject to refund or adjustment unless the fees from the marketing campaign exceed a contractual maximum (marketer budget). We have not constrained our revenue because adjustments have historically been immaterial and given the short duration of our marketing campaigns, any adjustments are recognized during the period of the marketing campaign. We recognize revenue for Cardlytics Direct fees over time using the right to invoice practical expedient because the amount billed is equal to the value delivered to marketers through qualified purchases by FI customers during that period.

Consumer Incentives

We report our revenue on our condensed consolidated statements of operations net of Consumer Incentives. We do not provide the goods or services that are purchased by our FIs’ customers from the marketers to which the Consumer Incentives relate. Accordingly, the marketer is deemed to be the principal in the relationship with the customer and, therefore, the Consumer Incentive is deemed to be a reduction in the purchase price paid by the customer for the marketer’s goods or services. While we are responsible for remitting Consumer Incentives to our FI partners for further payment to their customers, we function solely as an agent of marketers in these arrangements.

We invoice marketers monthly based on the qualifying purchases of FIs' customers as reported by our FI partners during the month. Invoice payment terms, negotiated on a marketer-by-marketer basis, are typically between 30 to 60 days. However, for certain marketing agencies with sequential liability terms, payments are not due to us until such marketing agency has received payment from its marketer client. Accounts receivable is recorded at the amount of gross billings to marketers, net of allowances, for the fees and Consumer Incentives that we are responsible to collect. Our accrued liabilities also include the amount of Consumer Incentives due to FI partners. As a result, accounts receivable and accrued liabilities may appear large in relation to revenue, which is reported on a net basis. Consumer Incentives totaled $16.0 million and $22.6 million during the three months ended March 31, 2018 and 2019, respectively.

FI Share and Other Third-Party Costs

We report our revenue on our consolidated statements of operations gross of FI Share. FI Share costs are included in FI Share and other third-party costs in our consolidated statements of operations, rather than as a reduction of revenue, because we and not our FI partners act as the principal in our arrangements with marketers. We are responsible for the fulfillment and acceptability of the services purchased by marketers. We also have latitude in establishing the price of our services, have discretion in supplier selection and earn variable amounts. FI partners only supply consumer purchase data and digital marketing space and generally have no involvement in the marketing campaigns or contractual relationship with marketers.

Contract Costs

Given the short-term nature of our marketing campaigns, all contract costs are expensed as incurred since the expected period of benefit is less than one year. Costs to fulfill a contract include immaterial costs to set up a campaign that we expense as incurred due to the short term nature of our marketing campaigns.

Concentrations of Risk

Financial instruments that potentially subject us to concentrations of credit risk consist primarily of cash and cash equivalents and accounts receivable. Our cash and cash equivalents are held with three financial institutions, which we believe are of high credit quality. We believe that our accounts receivable credit risk exposure is limited as a result of being diversified among a large number of marketers segregated by both geography and industry. Historically, we have not experienced significant write-downs of our accounts receivable. One marketer represented 12% of our accounts receivable as of March 31, 2018. During the three months ended March 31, 2019, a different marketer accounted for 11% of our revenue. No other marketer accounted for over 10% of revenue or accounts receivable during the periods presented.

Our business is substantially dependent on a limited number of FI partners. We require participation from our FI partners in Cardlytics Direct and access to their purchase data in order to offer our solutions to marketers and their agencies. We must have FI partners with a sufficient number of customers and levels of customer engagement to ensure that we have robust purchase data and marketing space to support a broad array of incentive programs for marketers. Our agreements with a substantial majority of our FI partners have terms of three to seven years but are generally terminable by the FI partner on 90 days or less prior notice. If an FI partner terminates its agreement with us, we would lose that FI as a source of purchase data and online banking customers.

During three months ended March 31, 2018 and 2019, Bank of America, National Association ("Bank of America") accounted for 69% and 45% of the total FI Share we paid to all FIs, respectively. JPMorgan Chase Bank, National Association (“Chase”) accounted for 0% and 27% of the total FI Share we paid to all FIs during the three months ended March 31, 2018 and 2019, respectively. No other FI partners accounted for over 10% of FI Share during the three months ended March 31, 2018 and 2019.

Cash, Cash Equivalents and Restricted Cash

Cash and cash equivalents consist of cash held in checking accounts, upon which we earn up to a 1.05% annual rate of interest as of March 31, 2019. Restricted cash primarily represents deposits held in an account controlled by our lender as additional security for our payment obligations under our 2018 Term Loan, upon which we earn a 1.35% annual rate of interest as of March 31, 2019. Refer to Note 3—Debt, for additional information regarding our 2018 Term Loan.

Cash, cash equivalents and restricted cash as presented on our condensed consolidated statements of cash flows consists of the following (in thousands):

	December 31,		March 31,	
	2017	2018	2018	2019
Cash and cash equivalents	$ 21,262	$ 39,623	$ 89,785	$ 36,428
Restricted cash	—	20,247	—	20,260
Cash, cash equivalents and restricted cash	$ 21,262	$ 59,870	$ 89,785	$ 56,688

Recently Issued Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which supersedes ASC Topic 840, *Leases*. The ASU does not significantly change the lessees’ recognition, measurement and presentation of expenses and cash flows from the previous accounting standard. The ASU’s primary change is the requirement for lessee entities to recognize a lease liability for payments and a right of use asset representing the right to use the leased asset during the term on operating lease arrangements. Lessees are permitted to make an accounting policy election to not recognize the asset and liability for leases with a term of twelve months or less. Lessors’ accounting under the ASU is largely unchanged from the previous accounting standard. In addition, the ASU expands the disclosure requirements of lease arrangements. In July 2018, the FASB issued ASU 2018-11, *Leases (Topic 842) - Targeted Improvements*, which provides the option of applying the requirements of the new lease standard in the period of adoption with no restatement to comparative periods. For public entities, this ASU is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. For non-public entities, this ASU is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. We have made the election to use the extended transition period for complying with new or revised accounting standards under Section 102(b)(1) of the JOBS Act, therefore we will be required to adopt this ASU for annual reporting periods beginning after December 15, 2019, including interim periods within those fiscal years. Early adoption is permitted. Although we are currently evaluating the impact of this guidance on our consolidated financial statements, we expect that most of our operating lease commitments will be recognized as operating lease liabilities and right-of-use assets upon adoption of the new guidance.

3. DEBT

Our debt consists of the following (in thousands):

	December 31, 2018	March 31, 2019
Lines of credit	$ 26,677	$ 26,677
Term loans[1]	19,980	19,983
Capital leases	57	53
Total debt	46,714	46,713
Less current portion of long-term debt	(21)	(22)
Long-term debt, net of current portion	$ 46,693	$ 46,691

(1) Net of unamortized discount and debt issuance costs of $20 and $17 as of December 31, 2018 and March 31, 2019, respectively.

Interest payments during the three months ended March 31, 2018 and 2019 totaled $0.2 million and $0.5 million, respectively.

New Loan Facility

On May 21, 2018, we entered into a new loan facility with Pacific Western Bank (the "New Loan Facility") consisting of a $30.0 million asset-based revolving line of credit ("2018 Line of Credit") and a $20.0 million term loan ("2018 Term Loan") maturing on May 21, 2020. We used the entire $20.0 million in proceeds from the 2018 Term Loan and an advance of $27.4 million under the 2018 Line of Credit to repay all outstanding obligations under our 2016 Line of Credit and 2016 Term Loan. Upon repayment, both the 2016 Line of Credit and the 2016 Term Loan were terminated. We deferred $0.1 million of debt issuance costs associated with obtaining the New Loan Facility and deferred $0.1 million of unamortized debt issuance costs attributed to our 2016 Line of Credit and 2016 Term Loan.

Under the terms of the New Loan Facility relating to the 2018 Line of Credit, we are able to borrow up to the lesser of $30.0 million or 85% of the amount of our eligible accounts receivable. Interest on advances under the 2018 Line of Credit varies depending on the amount of unrestricted cash deposits we maintain with the lender on the last day of the month. The interest rate is equal to the prime rate minus 0.75% if our unrestricted deposits exceed $40.0 million, the prime rate minus 0.50% if our unrestricted deposits are between $40.0 million and $20.0 million, and the prime rate if our unrestricted deposits are below $20.0 million. As of March 31, 2019, the indicative rate for advances on the 2018 Line of Credit was the prime rate minus 0.50%, or 5.00%. In addition, we are required to pay an unused line fee of 0.15% per annum on the average daily unused amount of the $30.0 million revolving commitment. Interest accrues on the 2018 Term Loan at an annual rate of interest equal to the prime rate minus 2.75%, or 2.75% as of March 31, 2019.

All of our obligations under the New Loan Facility are also secured by a first priority lien on substantially all of our assets. Under the terms of the New Loan Facility, we are required to maintain a deposit of $20.0 million in a blocked account in favor of the lender as additional security for our payment obligations. The New Loan Facility also requires us to maintain a total cash balance plus liquidity under the 2018 Line of Credit of not less than $5.0 million.

The New Loan Facility includes customary representations, warranties and covenants (affirmative and negative), including restrictive covenants that include restrictions on mergers, acquisitions and dispositions of assets, incurrence of indebtedness and encumbrances on our assets and a prohibition from the payment or declaration of dividends; in each case subject to specified exceptions.

The New Loan Facility also includes standard events of default, including in the event of a material adverse change. Upon the occurrence of an event of default, the lender may declare all outstanding obligations immediately due and payable and take such other actions as are set forth in the New Loan Facility and increase the interest rate otherwise applicable to the 2018 Term Loan or advances under the 2018 Line of Credit by an additional 3.00%.

In March 2019, we amended the New Loan Facility to replace moving trailing 12-month revenue covenants with moving trailing 12-month billing covenants, which range from $210.0 million to $255.0 million. The moving 12-month billings covenant was $210.0 million for March 2019.

As of March 31, 2019, we had $3.3 million of unused available borrowings under our 2018 Line of Credit. We were in compliance with all financial covenants as of March 31, 2019.

Future Payments

Aggregate future payments of principal and interest due upon maturity are as follows (in thousands):

Years Ending December 31,	Debt	Capital leases	Total debt
2019 (remainder of year)	$ —	$ 16	$ 16
2020	46,677	24	46,701
2021	—	13	13
Total principal payments	46,677	53	46,730
Less unamortized debt issuance costs	(17)	—	(17)
Total debt	$ 46,660	$ 53	$ 46,713

4. STOCK-BASED COMPENSATION

Our board of directors has adopted and our stockholders have approved our 2018 Equity Incentive Plan ("2018 Plan"). Our 2018 Plan became effective on February 8, 2018, the date our registration statement in connection with our initial public offering ("IPO") was declared effective. We do not expect to grant any additional awards under our 2008 Stock Plan ("2008 Plan"). Any awards granted under the 2008 Plan will remain subject to the terms of our 2008 Plan and applicable award agreements.

Initially, the aggregate number of shares of our common stock that may be issued pursuant to stock awards under the 2018 Plan is the sum of (i) 1,875,000 shares plus (ii) 61,247 shares reserved, and remaining available for issuance, under our 2008 Plan at the time our 2018 Plan became effective and (iii) the number of shares subject to stock options or other stock awards granted under our 2008 Plan that would have otherwise returned to our 2008 Plan (such as upon the expiration or termination of a stock award prior to vesting). The number of shares of our common stock reserved for issuance under our 2018 Plan will automatically increase on January 1 of each year, beginning on January 1, 2019 and continuing through and including January 1, 2028, by 5% of the total number of shares of our capital stock outstanding on December 31 of the preceding calendar year, or a lesser number of shares determined by our board of directors. Accordingly, in January 2019, the number of shares of our common stock reserved for issuance under our 2018 Plan automatically increased by 1,123,312 shares, representing 5% of the total number of shares of our capital stock outstanding on December 31, 2018.

The following table summarizes the allocation of stock-based compensation in the consolidated statements of operations (in thousands):

	Three Months Ended March 31,	
	2018	2019
Delivery costs	$ 85	$ 164
Sales and marketing expense	943	707
Research and development expense	470	203
General and administration expense	1,402	634
Total stock-based compensation expense	$ 2,900	$ 1,708

During the three months ended March 31, 2018 and 2019, we capitalized less than $0.1 million of stock-based compensation expense for software development.

Common Stock Options

Options to purchase shares of common stock generally vest over four years and expire 10 years following the date of grant. A summary of common stock option activity is as follows (in thousands, except per share amounts):

	Shares	Weighted-Average Exercise Price
Options outstanding — December 31, 2018	1,774	$ 20.55
Granted	39	20.64
Exercised	(31)	5.54
Forfeited	(7)	24.28
Canceled	(45)	21.59
Options outstanding — March 31, 2019	1,730	$ 20.78

The weighted-average grant-date fair value of options granted during the three months ended March 31, 2018 and 2019 was $10.00 and $0.47, respectively. The total fair value of options vested during the three months ended March 31, 2018 and 2019 was approximately $1.2 million and $1.2 million, respectively. As of March 31, 2019, unamortized stock-based compensation expense related to unvested common stock options was $5.4 million, and the weighted-average period over which such stock-based compensation expense will be recognized was 1.8 years.

Restricted Stock Units

A summary of restricted stock unit ("RSU") activity, inclusive of performance-based RSUs is as follows (in thousands, except per share amounts):

	Shares	Weighted-Average Grant Date Fair Value
Unvested — December 31, 2018	381	$ 18.11
Granted	101	17.68
Vested	(73)	18.41
Forfeited	(66)	20.19
Unvested — March 31, 2019	343	$ 17.52

During the first quarter of 2019, we granted 100,570 RSUs to employees, which have annual vesting periods ranging from two to four years. As of March 31, 2019, there was approximately $4.4 million of unrecognized compensation expense related to RSUs, which is expected to be recognized over a weighted-average period of 2.76 years.

Subsequent to March 31, 2019, we granted 316,291 RSUs to employees and our non-employee directors, which have annual vesting periods ranging from one to four years. The unamortized stock-based compensation expense related to these RSUs is $5.3 million.

Performance-based RSUs

In February 2018, we granted 875,000 performance-based restricted stock units ("2018 PSUs"). We recognized $0.7 million in stock-based compensation expense during the three months ended March 31, 2018. The performance targets were achieved during the fourth quarter of 2018, resulting in the issuance of 850,000 shares of our common stock to fully settle the 2018 PSUs. During 2018, 25,000 of the 2018 PSUs were forfeited prior to the performance targets being reached.

In April 2019, we granted 1,252,500 performance-based restricted stock units (“2019 PSUs”). The 2019 PSUs are composed of four equal tranches, each of which have an independent performance-based vesting condition. The vesting criteria for the four tranches are as follows:

- a minimum growth rate in adjusted contribution over a trailing 12-month period,
- a minimum number of advertisers that are billed above a specified amount over a trailing 12-month period,
- a minimum cumulative adjusted EBITDA target over a trailing 12-month period, and
- a minimum trailing 30-day average closing price of our common stock.

The vesting conditions of each of the four tranches must be achieved within four years of the grant date. Upon a vesting event, 50% of the related tranche vests immediately, 25% of the related tranche vests six months after achievement date and 25% of the related tranche vests 12 months after the achievement date. The unamortized stock-based compensation expense related to the 2019 PSUs is $18.1 million. Adjusted EBITDA and adjusted contribution are performance metrics defined within Item 2. "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Employee Stock Purchase Plan

Our 2018 Employee Stock Purchase Plan ("2018 ESPP") enables eligible employees to purchase shares of our common stock at a discount. Purchases will be accomplished through participation in discrete offering periods. On each purchase date, eligible employees will purchase our common stock at a price per share equal to 85% of the lesser of the fair market value of our common stock on the first trading day of the offering period or the date of purchase. As of March 31, 2019, 177,238 shares of common stock had been purchased by employees under the 2018 ESPP.

Initially, the aggregate number of shares of our common stock that may be issued pursuant to our 2018 ESPP was 375,000 shares. Additionally, the number of shares of our common stock reserved for issuance under our 2018 ESPP will automatically increase on January 1 of each year, beginning on January 1, 2019 and continuing through and including January 1, 2026, by the lesser of (i) 1% of the total number of shares of our common stock outstanding on December 31 of the preceding calendar year, (ii) 500,000 shares of our common stock or (iii) such lesser number of shares of common stock as determined by our board of directors. Accordingly, on January 1, 2019, the number of shares of our common stock reserved for issuance under our 2018 ESPP increased by 224,662 shares, representing 1% of the total number of shares of our common stock outstanding on December 31, 2018.

5. RELATED PARTIES

Agreements with Fidelity Information Services, LLC

We are party to a reseller agreement with Fidelity Information Services LLC (“FIS”). Pursuant to the reseller agreement, FIS markets and sells our services to financial institutions that are current or potential customers of FIS in exchange for a revenue share percentage.

In 2013, FIS purchased shares of our redeemable convertible preferred stock and we also granted performance-based warrants to purchase preferred stock with accelerated vesting upon an IPO. Since FIS did not participate in a subsequent financing, their warrants to purchase preferred stock were converted to warrants to purchase common stock. The warrants vested upon the completion of our IPO in February 2018, resulting in a non-cash expense of $2.5 million based on the vesting-date fair value of our common stock underlying these warrants. Since the performance-based vesting conditions of the warrants were directly related to revenue-producing activities, we recognized this expense in FI Share and other third-party costs on our condensed consolidated statement of operations. This expense is presented in other non-cash expenses on our condensed consolidated statement of statement of cash flows.

6. COMMITMENTS AND CONTINGENCIES

FI Implementation Costs

Agreements with certain FI partners require us to fund the development of user interface enhancements, pay for certain implementation fees, or make milestone payments upon the deployment of our solution. Amounts paid to FI partners are included in deferred FI implementation costs on our condensed consolidated balance sheets the earlier of when paid or earned and are amortized over the remaining term of the related contractual arrangements. Amortization is included in FI Share and other third-party costs on our condensed consolidated statements of operations and is presented in amortization of deferred FI implementation costs on our condensed consolidated statement of cash flows. Certain of these agreements provide for future reductions in FI Share due to the FI partner. These reductions in FI Share are recorded as a reduction to deferred implementation costs and also result in a cumulative adjustment to accumulated amortization. During 2018, development payments to a certain FI partner totaled $9.3 million which is expected to be partially offset by recoveries through FI Share payment reductions of $4.6 million in 2019, $1.2 million of which has been recovered through March 31, 2019.

The following table presents changes in deferred FI implementation costs (in thousands):

	Three Months Ended March 31,	
	2018	2019
Beginning balance	$ 13,625	$ 15,877
Deferred costs	250	—
Recoveries through FI Share	(1,344)	(1,157)
Amortization	(412)	(653)
Ending balance	$ 12,119	$ 14,067

We have an FI Share commitment to a certain FI partner totaling $10.0 million over a 12-month period following the completion of certain milestones by the FI partner, which were not met as of March 31, 2019. Any expected shortfall will be accrued during the 12-month period following the completion of the milestones.

Litigation

From time to time, we may become involved in legal actions arising in the ordinary course of business including, but not limited to, intellectual property infringement and collection matters. We make assumptions and estimates concerning the likelihood and amount of any potential loss relating to these matters using the latest information available. We record a liability for litigation if an unfavorable outcome is probable and the amount of loss or range of loss can be reasonably estimated. If an unfavorable outcome is probable and a reasonable estimate of the loss is a range, we accrue the best estimate within the range. If no amount within the range is a better estimate than any other amount, we accrue the minimum amount within the range. If an unfavorable outcome is probable but the amount of the loss cannot be reasonably estimated, we disclose the nature of the litigation and indicates that an estimate of the loss or range of loss cannot be made. If an unfavorable outcome is reasonably possible and the estimated loss is material, we disclose the nature and estimate of the possible loss of the litigation. We do not disclose information with respect to litigation where an unfavorable outcome is considered to be remote or where the estimated loss would not be material. Based on current expectations, such matters, both individually and in the aggregate, are not expected to have a material adverse effect on our liquidity, results of operations, business or financial condition.

7. EARNINGS PER SHARE

Diluted net loss per share is the same as basic net loss per share for the three months ended March 31, 2018 and 2019 because the effects of potentially dilutive items were anti-dilutive, given our net loss during these periods. The following securities have been excluded from the calculation of diluted weighted-average common shares outstanding because the effect is anti-dilutive (in thousands):

	March 31,	
	2018	2019
Common stock options	2,379	1,730
Common stock warrants	927	868
Common stock warrants issuable pursuant to Series G Stock financing	1,286	—
Restricted stock units	1,208	343
Common stock issuable pursuant to the ESPP	36	75

8. SEGMENTS

As of March 31, 2019, we have two operating segments: Cardlytics Direct in the U.S. and U.K., as determined by the information that both our Chief Executive Officer and our President and Chief Operating Officer, who we consider our chief operating decision makers, use to make strategic goals and operating decisions. Our Cardlytics Direct operating segments in the U.S. and U.K. represent our proprietary native bank advertising channels and are aggregated into one reportable segment given their similar economic characteristics, nature of service, types of customers and method of distribution.

Prior to 2019, we offered Other Platform Solutions, which was deemed to be a separate operating segment. Our Other Platform Solutions enabled marketers and marketing service providers to leverage the power of purchase intelligence outside the bank channel. We have shifted our efforts and resources to support the growth of Cardlytics Direct. As a result, we do not expect to generate substantial, if any, revenue from Other Platform Solutions for the foreseeable future.

Revenue and FI Share and other third-party costs can be directly attributable to each segment. Our chief operating decision makers allocate resources to, and evaluate the performance of, our operating segments based on revenue and adjusted contribution. The accounting policies of each of our reportable segments are the same as those described in the summary of significant accounting policies.

The following table provides information regarding our reportable segments (in thousands):

	Three Months Ended March 31,	
	2018	**2019**
Cardlytics Direct:		
Adjusted contribution	$ 14,222	$ 17,637
Plus: Adjusted FI Share and other third-party costs[1]	17,899	18,351
Revenue	$ 32,121	$ 35,988
Other Platform Solutions:		
Adjusted contribution	$ 2	$ —
Plus: Adjusted FI Share and other third-party costs[1]	590	—
Revenue	$ 592	$ —
Total:		
Adjusted contribution	$ 14,224	$ 17,637
Plus: Adjusted FI Share and other third-party costs[1]	18,489	18,351
Revenue	$ 32,713	$ 35,988

(1) Adjusted FI Share and other third-party costs presented above represents GAAP FI Share and other third-party data costs less a non-cash equity expense included in FI Share and amortization of deferred FI implementation costs, which are detailed below in our reconciliation of GAAP loss before income taxes to non-GAAP adjusted contribution.

Adjusted Contribution

Adjusted contribution represents our revenue less FI Share and other third-party costs excluding a non-cash equity expense included in FI Share and amortization of deferred FI implementation costs.

The following table presents a reconciliation of loss before income taxes presented in accordance with GAAP to adjusted contribution (in thousands):

	Three Months Ended March 31,	
	2018	**2019**
Adjusted contribution	$ 14,224	$ 17,637
Minus:		
Non-cash equity expense included in FI Share[1]	2,519	—
Amortization of deferred FI implementation costs[1]	412	653
Delivery costs	1,943	3,246
Sales and marketing expense	8,216	9,337
Research and development expense	3,459	2,941
General and administration expense	6,582	7,000
Depreciation and amortization expense	910	961
Total other expense (income)	10,238	(187)
Loss before income taxes	$ (20,055)	$ (6,314)

(1) Non-cash equity expense included in FI Share and amortization of deferred FI implementation costs are excluded from adjusted FI Share and other third party costs, which is shown above in our reconciliation of GAAP revenue to non-GAAP adjusted contribution.

The following table provides geographical information (in thousands):

	Three Months Ended March 31, 2018	Three Months Ended March 31, 2019
Revenue:		
United States	$ 28,987	$ 31,348
United Kingdom	3,726	4,640
Total	$ 32,713	$ 35,988

	December 31, 2018	March 31, 2019
Property and equipment:		
United States	$ 9,794	$ 10,907
United Kingdom	436	444
Total	$ 10,230	$ 11,351

Capital expenditures within the United Kingdom were less than $0.1 million during both the three months ended March 31, 2018 and 2019.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with (1) our consolidated financial statements and related notes appearing elsewhere in this Quarterly Report on Form 10–Q and (2) the audited consolidated financial statements and the related notes and management's discussion and analysis of financial condition and results of operations for the fiscal year ended December 31, 2018 included in our Annual Report on Form 10-K, filed with the SEC on March 5, 2019.

This Quarterly Report on Form 10-Q contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act. These statements are often identified by the use of words such as "anticipate," "believe," "continue," "could," "estimate," "expect," "intend," "may," "plan," "project," "will," "would" or the negative or plural of these words or similar expressions or variations, and such forward-looking statements include, but are not limited to, statements with respect to our business strategy, plans and objectives for future operations, including our expectations regarding our expenses and tax position; continued enhancements of our platform and new product offerings; our future financial and business performance; anticipated launch of the Cardlytics Direct program by Wells Fargo; the anticipated decline in ARPU as Chase and Wells Fargo launch the Cardlytics Direct program due to the anticipated growth of average FI MAUs exceeding the corresponding growth in revenue; anticipated reductions to FI Share payments; and anticipated FI Share commitment shortfalls. The events described in these forward-looking statements are subject to a number of risks, uncertainties, assumptions and other factors that could cause actual results and the timing of certain events to differ materially from future results expressed or implied by the forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those identified herein, and those discussed in the section titled "Risk Factors," set forth in Part II, Item 1A of this Quarterly Report on Form 10-Q and in our other SEC filings. You should not rely upon forward-looking statements as predictions of future events. Furthermore, such forward-looking statements speak only as of the date of this report. Except as required by law, we undertake no obligation to update any forward-looking statements to reflect events or circumstances after the date of such statements.

Overview

Cardlytics makes marketing more relevant and measurable through our purchase intelligence platform. Our partnerships with financial institutions ("FIs") provide us with access to their anonymized purchase data and digital banking customers. By applying advanced analytics to this aggregation of purchase data, we make it actionable, helping marketers identify, reach and influence likely buyers at scale, and measure the true sales impact of their marketing spend.

Cardlytics Direct is our proprietary native bank advertising channel that enables marketers to reach consumers through the FIs' trusted and frequently visited digital banking channels. Working with a marketer, we design a campaign that targets customers based on their purchase history. The consumer is offered an incentive to make a purchase from the marketer within a specified period. We use a portion of the fees that we collect from marketers to provide these consumer incentives to our FIs' customers after they make qualifying purchases ("Consumer Incentives"). We report our revenue on our condensed consolidated statements of operations net of Consumer Incentives since we do not provide the goods or services that are purchased by our FIs' customers from the marketers to which the Consumer Incentives relate.

We generally pay our FI partners a negotiated and fixed percentage of our billings to marketers less any Consumer Incentives that we pay to the FIs' customers and certain third-party data costs ("FI Share"). We report our revenue gross of FI Share. FI Share costs are included in FI Share and other third-party costs in our consolidated statements of operations, rather than as a reduction of revenue, because we and not our FI partners act as the principal in our arrangements with marketers.

We run campaigns offering compelling Consumer Incentives to drive an expected rate of return on advertising spend for marketers. At times, we may collaborate with an FI partner to enhance the level of Consumer Incentives to their respective FI customers funded by their FI Share. We believe that these investments by our FI partners positively impact our platform by making FI customers more highly engaged with our platform. However, these investments negatively impact our GAAP revenue, which is reported net of Consumer Incentives.

Billings represents the gross amount billed to marketers and is reported gross of both Consumer Incentives and FI Share. We believe this new non-GAAP measure, alongside our GAAP revenue and adjusted contribution, provides useful information to investors for period-to-period comparisons of our core business and in understanding and evaluating our results of operations in the same manner as our management and board of directors. Billings and adjusted contribution are non-GAAP measures further defined under the heading "Non-GAAP Measures and Other Performance Metrics" below.

Revenue (reported net of Consumer Incentives and gross of FI Share) was $32.1 million and $36.0 million for the three months ended March 31, 2018 and 2019, respectively, representing a growth rate of 10%. Billings (reported gross of both Consumer Incentives and FI Share) was $48.8 million and $58.6 million for the three months ended March 31, 2018 and 2019, respectively, representing a growth rate of 20%. Adjusted contribution (reported net of both Consumer Incentives and FI Share) was $14.2 million and $17.6 million for the three months ended March 31, 2018 and 2019, respectively, representing a growth rate of 24%.

The following table summarizes our results during the periods indicated (dollars in thousands):

	Three Months Ended March 31,		Change	
	2018	**2019**	**$**	**%**
Billings	$ 48,762	$ 58,550	$ 9,788	20 %
Consumer Incentives	16,049	22,562	6,513	41
Revenue	32,713	35,988	3,275	10
Adjusted FI Share and other third-party costs[1]	18,489	18,351	(138)	(1)
Adjusted contribution	$ 14,224	$ 17,637	$ 3,413	24 %

(1) Adjusted FI Share and other third-party costs presented above excludes a non-cash equity expense included in FI Share and amortization of deferred FI implementation costs, which are detailed below in our reconciliation of GAAP revenue to adjusted contribution.

During the three months ended March 31, 2018 and 2019, our net loss was $20.1 million and $6.3 million, respectively. Our historical losses have been driven by our substantial investments in our purchase intelligence platform and infrastructure, which we believe will enable us to expand the use of our platform by both FIs and marketers. During the three months ended March 31, 2018, our net loss included $2.9 million of stock-based compensation expense, a $9.2 million non-cash expense related to the change in fair value of our warrant liabilities and a $2.5 million non-cash expense related to the vesting of warrants issued to an FI partner that accelerated in February 2018 upon our initial public offering ("IPO"). During the three months ended March 31, 2019, our net loss included $1.7 million of stock-based compensation expense.

FI Partners

We are a partner to FIs, including Bank of America, National Association ("Bank of America"); JPMorgan Chase Bank, National Association (“Chase”); PNC Bank National Association ("PNC"); Branch Banking and Trust Company, ("BB&T"); SunTrust Banks, Inc., ("SunTrust"); Lloyds Bank plc ("Lloyds"); Santander UK plc, ("Santander"); and several of the largest bank processors and digital banking providers, such as Digital Insight Corporation, a subsidiary of NCR Corporation ("NCR"), which enable us to reach customers of small and mid-sized FIs. Additionally, in the third quarter of 2018, we entered into an agreement with Wells Fargo Bank, National Association (“Wells Fargo”), pursuant to which we have agreed to a national roll-out of Cardlytics Direct to Wells Fargo customers. We expect Wells Fargo to launch the Cardlytics Direct program in 2019.

For the three months ended March 31, 2018 and 2019, our total average monthly active users ("FI MAUs") were approximately 58.7 million and 108.5 million and our average Cardlytics Direct revenue per user was $0.55 and $0.33, respectively. FI MAU and average revenue per user ("ARPU") are performance metrics defined under the heading "Non-GAAP Measures and Other Performance Metrics" below. The increase in FI MAUs is largely due to Chase launching our Cardlytics Direct program for its mobile banking channel in November 2018 and for its email channel in January 2019. Chase completed the launch of our Cardlytics Direct program for its online banking channel in May 2019.

We believe that the number of FI MAUs contributed by any FI partner is indicative of our level of dependence on such FI partner since the size of marketing budgets that can be consumed by Cardlytics Direct is a function of the number of active users on our FI partners’ digital banking platforms targeted by our campaigns. During the three months ended March 31, 2018 and 2019, Bank of America contributed 51% and 29% of our average FI MAUs, respectively. Chase contributed 0% and 41% of our average FI MAUs during the three months ended March 31, 2018 and 2019, respectively. NCR contributed 11% and 8% of our average FI MAUs and PNC contributed 10% and 6% of our average FI MAUs during the three months ended March 31, 2018 and 2019, respectively. We anticipate that Chase and Bank of America will contribute a significant portion of our average FI MAUs for the foreseeable future.

FI Partner Commitments

Agreements with certain FI partners require us to fund the development of specific enhancements, pay for certain implementation fees, or make milestone payments upon the deployment of our solution. Certain of these agreements provide for future reductions in FI Share due to the FI partner. During 2018, development payments to a certain FI partner totaled $9.3 million, which is expected to be partially offset by recoveries through FI Share payment reductions of $4.6 million in 2019, $1.2 million of which has been recovered through March 31, 2019.

We have a minimum FI Share commitment with a certain FI partner totaling $10.0 million over a 12-month period following the completion of certain milestones by the FI partner, which were not met as of March 31, 2019. The timing of the completion of the milestones is uncertain; however we do not currently believe the FI partner will complete the milestones in 2019. Any expected shortfall will be accrued during the 12-month period following the completion of the milestones.

Non-GAAP Measures and Other Performance Metrics

We regularly monitor a number of financial and operating metrics in order to measure our current performance and estimate our future performance. Our metrics may be calculated in a manner different than similar metrics used by other companies.

	Three Months Ended March 31,	
	2018	2019
	(in thousands, except ARPU)	
FI MAUs	58,684	108,468
ARPU	$ 0.55	$ 0.33
Billings	$ 48,762	$ 58,550
Adjusted contribution	$ 14,224	$ 17,637
Adjusted EBITDA	$ (3,076)	$ (3,179)

FI Monthly Active Users

We define FI MAUs as targetable customers or accounts of our FI partners that logged in and visited the online or mobile banking applications of, or opened an email containing our offers from, our FI partners during a monthly period. We then calculate a monthly average of these FI MAUs for the periods presented. We believe that FI MAUs is an indicator of our and our FI partners’ ability to drive engagement with Cardlytics Direct and is reflective of the marketing base that we offer to marketers through Cardlytics Direct.

Average Revenue per User

We define ARPU as the total Cardlytics Direct revenue generated in the applicable period calculated in accordance with generally accepted accounting principles in the United States ("GAAP"), divided by the average number of FI MAUs in the applicable period. We believe that ARPU is an indicator of the value of our relationships with our FI partners with respect to Cardlytics Direct.

We expect a decline in ARPU as Chase and Wells Fargo launch the Cardlytics Direct program due to the anticipated growth of FI MAUs exceeding the corresponding growth in Cardlytics Direct revenue.

Billings

Billings represents the gross amount billed to marketers for advertising campaigns in order to generate revenue. Billings is reported gross of both Consumer Incentives and FI Share. Our GAAP revenue is recognized net of Consumer Incentives and gross of FI Share.

We review billings for internal management purposes. We believe that billings provides useful information to investors for period-to-period comparisons of our core business and in understanding and evaluating our results of operations in the same manner as our management and board of directors. Nevertheless, our use of billings has limitations as an analytical tool, and you should not consider it in isolation or as a substitute for analysis of our financial results as reported under GAAP. Other companies, including companies in our industry that have similar business arrangements, may address the impact of Consumer Incentives differently. You should consider billings alongside our other GAAP financial results.

The following table presents a reconciliation of billings to revenue, the most directly comparable GAAP measure, for each of the periods indicated (in thousands):

	Three Months Ended March 31,	
	2018	2019
Revenue	$ 32,713	$ 35,988
Plus:		
Consumer Incentives	16,049	22,562
Billings	$ 48,762	$ 58,550

Adjusted Contribution

Adjusted contribution represents our revenue, which is reported net of Consumer Incentives, less our adjusted FI Share and other third-party costs. Adjusted contribution is not a measure calculated in accordance with GAAP.

We review adjusted contribution for internal management purposes and believe that the elimination of our primary cost of revenue, adjusted FI Share and other third-party costs can provide a useful measure for period-to-period comparisons of our core business. We believe that adjusted contribution provides useful information to investors and others in understanding and evaluating our results of operations in the same manner as our management and board of directors. Nevertheless, our use of adjusted contribution has limitations as an analytical tool, and you should not consider it in isolation or as a substitute for analysis of our financial results as reported under GAAP. Other companies, including companies in our industry that have similar business arrangements, may address the impact of adjusted FI Share and other third-party costs differently. You should consider adjusted contribution alongside our other GAAP financial results.

Refer to Note 8—Segments to our condensed consolidated financial statements for further details on our adjusted contribution by segment.

The following table presents a reconciliation of adjusted contribution to revenue, the most directly comparable GAAP measure, for each of the periods indicated (in thousands):

	Three Months Ended March 31,	
	2018	2019
Revenue	$ 32,713	$ 35,988
Minus:		
Adjusted FI Share and other third-party costs(1)	18,489	18,351
Adjusted contribution	$ 14,224	$ 17,637

(1) Adjusted FI Share and other third-party costs is a key measure used by management to understand and evaluate our core operating performance and trends and to generate future operating plans. Non-cash equity expense included in FI Share and amortization of deferred FI implementation costs are non-cash costs excluded from adjusted FI Share and other third-party costs, which is shown above in our reconciliation of GAAP revenue to adjusted contribution. The following table presents a reconciliation of adjusted FI Share and other third-party costs to FI Share and other third-party costs, the most directly comparable GAAP measure, for each of the periods indicated (in thousands):

	Three Months Ended March 31,	
	2018	2019
FI Share and other third-party costs	$ 21,420	$ 19,004
Minus:		
Non-cash equity expense included in FI Share	2,519	—
Amortization of deferred FI implementation costs	412	653
Adjusted FI Share and other third-party costs	$ 18,489	$ 18,351

Adjusted EBITDA

Adjusted EBITDA represents our net loss before income tax benefit; interest expense, net; depreciation and amortization expense; stock-based compensation expense; foreign currency (gain) loss; amortization of deferred FI implementation costs; costs associated with financing events; loss on extinguishment of debt; change in fair value of warrant liabilities; and a non-cash equity expense recognized in FI Share. We do not consider these excluded items to be indicative of our core operating performance. The items that are non-cash include change in fair value of warrant liabilities, change in fair value of convertible promissory notes, foreign currency (gain) loss, amortization of FI implementation costs, depreciation and amortization expense, stock-based compensation expense and a non-cash equity expense included in FI Share. Notably, any impacts related to minimum FI Share commitments in connection with agreements with certain FI partners are not added back to net loss in order to calculate adjusted EBITDA. Adjusted EBITDA is a key measure used by management to understand and evaluate our core operating performance and trends and to generate future operating plans, make strategic decisions regarding the allocation of capital and invest in initiatives that are focused on cultivating new markets for our solution. In particular, the exclusion of certain expenses in calculating adjusted EBITDA facilitates comparisons of our operating performance on a period-to-period basis. Adjusted EBITDA is not a measure calculated in accordance with GAAP.

We believe that adjusted EBITDA provides useful information to investors and others in understanding and evaluating our operating results in the same manner as our management and board of directors. Nevertheless, 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 financial results as reported under GAAP. Some of these limitations are: (1) adjusted EBITDA does not reflect changes in, or cash requirements for, our working capital needs; (2) adjusted EBITDA does not reflect the potentially dilutive impact of stock-based compensation and equity instruments issued to our FI partners; (3) adjusted EBITDA does not reflect tax payments or receipts that may represent a reduction or increase in cash available to us; and (4) other companies, including companies in our industry, may calculate adjusted EBITDA or similarly titled measures differently, which reduces the usefulness of the metric as a comparative measure. Because of these and other limitations, you should consider adjusted EBITDA alongside our net loss and other GAAP financial results.

The following table presents a reconciliation of adjusted EBITDA to net loss, the most directly comparable GAAP measure, for each of the periods indicated (in thousands):

	Three Months Ended March 31,	
	2018	**2019**
Net loss	$ (20,055)	$ (6,314)
Plus:		
Interest expense, net	1,749	304
Depreciation and amortization expense	910	961
Stock-based compensation expense	2,900	1,708
Foreign currency gain	(683)	(491)
Amortization of deferred FI implementation costs	412	653
Change in fair value of warrant liabilities	9,172	—
Non-cash equity expense included in FI Share	2,519	—
Adjusted EBITDA	$ (3,076)	$ (3,179)

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Results of Operations

The following table sets forth our condensed consolidated statements of operations:

	Three Months Ended March 31,	
	2018	2019
	(in thousands)	
Revenue	$ 32,713	$ 35,988
Costs and expenses:		
FI Share and other third-party costs	21,420	19,004
Delivery costs[(1)]	1,943	3,246
Sales and marketing expense[(1)]	8,216	9,337
Research and development expense[(1)]	3,459	2,941
General and administrative expense[(1)]	6,582	7,000
Depreciation and amortization expense	910	961
Total costs and expenses	42,530	42,489
Operating loss	(9,817)	(6,501)
Other (expense) income:		
Interest expense, net	(1,749)	(304)
Change in fair value of warrant liabilities, net	(9,172)	—
Foreign currency gain	683	491
Total other (expense) income	(10,238)	187
Loss before income taxes	(20,055)	(6,314)
Income tax benefit	—	—
Net loss	$ (20,055)	$ (6,314)

(1) Includes stock-based compensation expense as follows:

	Three Months Ended March 31,	
	2018	2019
	(in thousands)	
Delivery costs	$ 85	$ 164
Sales and marketing expense	943	707
Research and development expense	470	203
General and administrative expense	1,402	634
Total stock-based compensation expense	$ 2,900	$ 1,708

Comparison of Three Months Ended March 31, 2018 and 2019

Revenue

	Three Months Ended March 31,		Change	
	2018	2019	$	%
	(dollars in thousands)			
Revenue by solution:				
Cardlytics Direct	$ 32,121	$ 35,988	$ 3,867	12 %
Other Platform Solutions	592	—	(592)	(100)
Total revenue	$ 32,713	$ 35,988	$ 3,275	10 %

The $3.9 million increase in Cardlytics Direct revenue during three months ended March 31, 2019 compared to the three months ended March 31, 2018 comprised a $3.3 million increase in sales to existing marketers and a $0.6 million increase in sales to new marketers.

Revenue from Other Platform Solutions decreased by $0.6 million during the three months ended March 31, 2019 compared to the three months ended March 31, 2018 due to our strategic shift to focus the majority of our efforts and resources to support the growth of Cardlytics Direct.

Costs and Expenses

FI Share and Other Third-Party Costs

	Three Months Ended March 31,		Change	
	2018	**2019**	**$**	**%**
	(dollars in thousands)			
FI Share and other third-party costs by solution:				
Cardlytics Direct	$ 17,899	$ 18,351	$ 452	3 %
Other Platform Solutions	590	—	(590)	(100)
Other components of FI Share and other third-party costs:				
Non-cash equity expense included in FI Share	2,519	—	(2,519)	(100)
Amortization of deferred FI implementation costs	412	653	241	58
Total FI Share and other third-party costs	$ 21,420	$ 19,004	$ (2,416)	(11)%
% of revenue	65%	53%		

Cardlytics Direct FI Share and other third-party costs increased by $0.5 million during the three months ended March 31, 2019 compared to the three months ended March 31, 2018 primarily due to increased revenue from sales of Cardlytics Direct.

Other Platform Solutions FI Share and other third-party costs decreased during by $0.6 million the three months ended March 31, 2019 compared to the three months ended March 31, 2018 due to our strategic shift to focus the majority of our efforts and resources to support the growth of Cardlytics Direct.

Warrants to purchase shares of common stock vested upon the completion of our IPO in February 2018, resulting in a non-cash expense of $2.5 million based on the vesting-date fair value of our common stock underlying these warrants. Since the performance conditions were directly related to revenue-producing activities, we recognized this non-cash expense in FI Share and other third-party costs on our condensed consolidated statement of operations.

Delivery Costs

	Three Months Ended March 31,		Change	
	2018	**2019**	**$**	**%**
	(dollars in thousands)			
Delivery costs	$ 1,943	$ 3,246	$ 1,303	67%
% of revenue	6%	9%		

Delivery costs increased by $1.3 million during the three months ended March 31, 2019 compared to the three months ended March 31, 2018 primarily due to a $1.0 million increase in personnel salary, benefits, payroll taxes, stock and incentive compensation costs associated with additional headcount to host Cardlytics Direct for certain new FI partners and a $0.3 million increase in hosting-related software licensing costs.

Sales and Marketing Expense

	Three Months Ended March 31,		Change	
	2018	2019	$	%
	(dollars in thousands)			
Sales and marketing expense	$ 8,216	$ 9,337	$ 1,121	14%
% of revenue	25%	26%		

Sales and marketing expense increased by $1.1 million during the three months ended March 31, 2019 compared to the three months ended March 31, 2018 primarily due to a $1.4 million increase in personnel salary, benefits, payroll taxes and incentive compensation expense associated with additional headcount, partially offset by lower stock-based compensation.

Research and Development Expense

	Three Months Ended March 31,		Change	
	2018	2019	$	%
	(dollars in thousands)			
Research and development expense	$ 3,459	$ 2,941	$ (518)	(15)%
% of revenue	11%	8%		

Research and development expense decreased by $0.5 million during the three months ended March 31, 2019 compared to the three months ended March 31, 2018 primarily due to a $0.3 million increase in capitalized software development and a $0.2 million decrease in other personnel salary, benefits, payroll taxes, stock and incentive compensation expenses.

General and Administrative Expense

	Three Months Ended March 31,		Change	
	2018	2019	$	%
	(dollars in thousands)			
General and administration expense	$ 6,582	$ 7,000	$ 418	6%
% of revenue	20%	19%		

General and administrative expense increased by $0.4 million during the three months ended March 31, 2019 compared to the three months ended March 31, 2018 primarily due to a $0.4 million increase in professional fees, a $0.5 million increase in software licensing costs and a $0.3 million increase in bad debt expense, partially offset by a $0.8 million decrease in stock-based compensation expense.

Depreciation and Amortization Expense

	Three Months Ended March 31,		Change	
	2018	2019	$	%
	(dollars in thousands)			
Depreciation and amortization expense	$ 910	$ 961	$ 51	6%
% of revenue	3%	3%		

Depreciation and amortization expense increased by $0.1 million during the three months ended March 31, 2019 compared to the three months ended March 31, 2018 due to depreciation of additional assets to host Cardlytics Direct for certain new FI partners.

Interest Expense, Net

	Three Months Ended March 31,		Change	
	2018	2019	$	%
	(dollars in thousands)			
Interest expense	$ (1,889)	$ (489)	$ 1,400	(74)%
Interest income	140	185	45	32 %
Interest expense, net	$ (1,749)	$ (304)	$ 1,445	(83)%
% of revenue	(5)%	(1)%		

Interest expense, net decreased $1.4 million during the three months ended March 31, 2019 compared to the three months ended March 31, 2018 primarily due to lower interest rates under our New Loan Facility.

Change in Fair Value of Warrant Liabilities

	Three Months Ended March 31,		Change	
	2018	2019	$	%
	(dollars in thousands)			
Change in fair value of warrant liabilities	$ (9,172)	$ —	$ 9,172	n/a
% of revenue	(28)%	—%		

Change in fair value of warrant liabilities reflects the mark-to-market adjustments for warrants to purchase our redeemable convertible preferred stock and common stock, which we account for as derivative liabilities due to the terms of the warrants and related agreements, based upon changes in the underlying value of our redeemable convertible preferred stock and common stock. Upon the consummation of our IPO, all of the outstanding warrants to purchase shares of redeemable convertible preferred stock were automatically converted into warrants to purchase shares of common stock and were subsequently exercised in August 2018.

Foreign Currency Gain

	Three Months Ended March 31,		Change	
	2018	2019	$	%
	(dollars in thousands)			
Foreign currency gain	$ 683	$ 491	$ (192)	(28)%
% of revenue	2%	1%		

Foreign currency gains were recognized during the three months ended March 31, 2018 and 2019 primarily due to a decrease in the value of the British pound relative to the U.S. dollar.

Liquidity and Capital Resources

The following table summarizes our cash and cash equivalents, restricted cash, accounts receivable and working capital, as of the periods indicated (in thousands):

	December 31, 2018	March 31, 2019
Cash and cash equivalents	$ 39,623	$ 36,428
Restricted cash	20,247	20,260
Accounts receivable, net	58,125	53,245
Working capital	72,446	67,743

We define working capital as current assets minus current liabilities. Our cash and cash equivalents as of March 31, 2019 are available for working capital purposes. We do not enter into investments for trading purposes, and our investment policy is to invest any excess cash in short term, highly liquid investments that limit the risk of principal loss; therefore, our cash and cash equivalents are held in demand deposit accounts upon which we earn up to a 1.05% annual rate of interest. As of March 31, 2019, we had $36.4 million in unrestricted cash and cash equivalents and $3.3 million of available borrowings under our 2018 Line of Credit. As of March 31, 2019, we had $3.5 million in cash and cash equivalents in the United Kingdom. While our investment in Cardlytics UK Limited is not considered indefinitely invested, we do not plan to repatriate these funds.

Through March 31, 2019, we have incurred accumulated net losses of $327.8 million since inception, including losses of $20.1 million and $6.3 million for the three months ended March 31, 2018 and 2019, respectively. We expect to incur additional operating losses as we continue our efforts to grow our business. We have historically financed our operations and capital expenditures through convertible note financings, private placements of preferred stock, our initial public offering of our common stock as well as lines of credit and term loans. Through March 31, 2019, we have received net proceeds of $196.2 million from the issuance of preferred stock and convertible promissory notes and net proceeds of $66.1 million from our initial public offering. As of March 31, 2019, we had $26.7 million outstanding under our 2018 Line of Credit and $20.0 million outstanding under our 2018 Term Loan. Our historical uses of cash have primarily consisted of cash used in operating activities to fund our operating losses and working capital needs.

During 2018, development payments to a certain FI partner totaled $9.3 million, which is expected to be offset by recoveries through FI Share payment reductions of $4.6 million in 2019, $1.2 million of which has been recovered through March 31, 2019.

Our future capital requirements will depend on many factors, including our growth rate, the timing and extent of spending to support research and development efforts, the continued expansion of sales and marketing activities, the enhancement of our platform, the introduction of new solutions and the continued market acceptance of our solutions. We expect to continue to incur operating losses for the foreseeable future and may require additional capital resources to continue to grow our business. We believe that current cash and cash equivalents will be sufficient to fund our operations and capital requirements for at least the next 12 months following the date our consolidated financial statements were issued. In the event that additional financing is required from outside sources, we may not be able to raise such financing on terms acceptable to us or at all.

The following table shows a summary of our cash flows for the periods presented (in thousands):

	Three Months Ended March 31,	
	2018	2019
Cash, cash equivalents and restricted cash at beginning of period	$ 21,262	$ 59,870
Net cash used in operating activities	(90)	(1,483)
Net cash used in investing activities	(794)	(1,981)
Net cash from financing activities	69,232	162
Effect of exchange rates on cash, cash equivalents and restricted cash	175	120
Cash, cash equivalents and restricted cash at end of period	$ 89,785	$ 56,688

Sources of Funds

Initial Public Offering

On February 13, 2018, we closed our initial public offering (“IPO”), in which we issued and sold 5,400,000 shares of common stock at a public offering price of $13.00 per share, resulting in gross proceeds of $70.2 million. On February 14, 2018, pursuant to the underwriters’ partial exercise of their over-allotment option to purchase up to an additional 810,000 shares from us, we issued and sold an additional 421,355 shares of our common stock, resulting in additional gross proceeds to us of $5.5 million. In total, we issued 5,821,355 shares of common stock and raised $75.7 million in gross proceeds, or $66.1 million in net proceeds after deducting underwriting discounts and commissions of $5.3 million and offering costs of $4.3 million.

New Loan Facility

On May 21, 2018, we entered into a new loan facility with Pacific Western Bank (the "New Loan Facility") consisting of a $30.0 million asset-based revolving line of credit ("2018 Line of Credit") and a $20.0 million term loan ("2018 Term Loan") maturing on May 21, 2020. We used the entire $20.0 million in proceeds from the 2018 Term Loan and an advance of $27.4 million under the 2018 Line of Credit to repay all outstanding obligations under our 2016 Line of Credit and 2016 Term Loan. Upon repayment, both the 2016 Line of Credit and the 2016 Term Loan were terminated. We deferred $0.1 million of debt issuance costs associated with obtaining the New Loan Facility and deferred $0.1 million of unamortized debt issuance costs attributed to our 2016 Line of Credit and 2016 Term Loan.

Under the terms of the New Loan Facility relating to the 2018 Line of Credit, we are able to borrow up to the lesser of $30.0 million or 85% of the amount of our eligible accounts receivable. Interest on advances under the 2018 Line of Credit varies depending on the amount of unrestricted cash deposits we maintain with the lender on the last day of the month. The interest rate is equal to the prime rate minus 0.75% if our unrestricted deposits exceed $40.0 million, the prime rate minus 0.50% if our unrestricted deposits are between $40.0 million and $20.0 million, and the prime rate if our unrestricted deposits are below $20.0 million. As of March 31, 2019, the indicative rate for advances on the 2018 Line of Credit was the prime rate minus 0.50%, or 5.00%. In addition, we are required to pay an unused line fee of 0.15% per annum on the average daily unused amount of the $30.0 million revolving commitment. Interest accrues on the 2018 Term Loan at an annual rate of interest equal to the prime rate minus 2.75%, or 2.75% as of March 31, 2019.

All of our obligations under the New Loan Facility are also secured by a first priority lien on substantially all of our assets. Under the terms of the New Loan Facility, we are required to maintain a deposit of $20.0 million in a blocked account in favor of the lender as additional security for our payment obligations. The New Loan Facility also requires us to maintain a total cash balance plus liquidity under the 2018 Line of Credit of not less than $5.0 million.

The New Loan Facility includes customary representations, warranties and covenants (affirmative and negative), including restrictive covenants that include restrictions on mergers, acquisitions and dispositions of assets, incurrence of indebtedness and encumbrances on our assets and a prohibition from the payment or declaration of dividends; in each case subject to specified exceptions.

The New Loan Facility also includes standard events of default, including in the event of a material adverse change. Upon the occurrence of an event of default, the lender may declare all outstanding obligations immediately due and payable and take such other actions as are set forth in the New Loan Facility and increase the interest rate otherwise applicable to the 2018 Term Loan or advances under the 2018 Line of Credit by an additional 3.00%.

In March 2019, we amended the New Loan Facility to replace moving trailing 12-month revenue covenants with moving trailing 12-month billing covenants, which range from $210.0 million to $255.0 million. The moving 12-month billings covenant was $210.0 million for March 2019.

We were in compliance with all financial covenants as of March 31, 2019.

Uses of Funds

Our collection cycles can vary from period to period based on the payment practices of our marketers and their agencies. We are generally obligated to pay Consumer Incentives with respect to our Cardlytics Direct solution between one and three months following redemption, regardless of whether we have collected payment from a marketer or its agency. We are generally obligated to pay our FI partners' FI Share by the end of the month following our collection of payment from the applicable marketer or its agency. As a result, timing of cash receipts from our marketers can significantly impact our operating cash flows for any period. Further, the timing of payment of commitments and implementation fees to our FI partners may also result in variability of our operating cash flows for any period.

Our operating cash flows also vary from quarter to quarter due to the seasonal nature of our marketers' advertising spending. Many marketers tend to devote a significant portion of their marketing budgets to the fourth quarter of the calendar year to coincide with consumer holiday spending and reduce marketing spend in the first quarter of the calendar year. Any lag between the timing of our payment of Consumer Incentives and our receipt of payment from marketers and their agencies can exacerbate our need for working capital during the first quarter of the calendar year.

Operating Activities

Cash used in operating activities is primarily driven by our operating losses. We expect that we will continue to use cash from operating activities in 2019 as we invest in our business.

Operating activities used $1.5 million of cash during the three months ended March 31, 2019, which reflected growth in revenue, offset by continued investment in our operations. Cash used in operating activities reflected our net loss of $6.3 million, partially offset by $3.1 million of non-cash charges and a $1.7 million change in our net operating assets and liabilities. The non-cash charges primarily related to stock-based compensation expense, depreciation and amortization expense, and amortization of deferred FI implementation costs. The change in our net operating assets and liabilities was primarily due to a $4.7 million decrease in accounts receivable and a $4.3 million decrease in FI Share liability resulting from seasonally lower sales during the first quarter of 2019 compared to the fourth quarter of 2018 and a $2.5 million increase in accounts payable and accrued expenses, as well as a $1.2 million increase in prepaid expenses and other assets. Consumer Incentive liability increased $3.7 million as a result of longer payment terms negotiated within more recent contracts with our FI partners.

Operating activities used $0.1 million of cash during the three months ended March 31, 2018, which reflected growth in revenue, offset by continued investment in our operations. Cash used in operating activities reflected our net loss of $20.1 million, partially offset by non-cash charges of $16.8 million and a $3.1 million change in our net operating assets and liabilities. The non-cash charges primarily related to stock-based compensation expense, depreciation and amortization expense, the change in fair value of our warrant liabilities, non-cash interest expense and a $2.5 million non-cash expense related to the vesting of warrants upon completion of our IPO in February 2018. The change in our net operating assets and liabilities was primarily due to a $8.6 million decrease in accounts receivable and a $2.5 million decrease in FI Share liability resulting from seasonally lower sales during the first quarter of 2018 compared to the fourth quarter of 2017, and a $2.2 million decrease in accounts payable and accrued expenses.

Investing Activities

Our cash flows from investing activities are primarily driven by our investments in, and purchases of, property and equipment and costs to develop internal-use software. We expect that we will continue to use cash for investing activities in 2019 as we continue to invest in and grow our business.

Investing activities used $2.0 million in cash in the three months ended March 31, 2019. Our investing cash flows during this period primarily consisted of purchases of technology hardware and the capitalization of costs to develop internal-use software.

Investing activities used $0.8 million in cash in the three months ended March 31, 2018. Our investing cash flows during this period primarily consisted of purchases of technology hardware and the capitalization of costs to develop internal-use software.

Financing Activities

Our cash flows from financing activities have primarily been composed of net proceeds from our borrowings under our debt facilities and the issuance of common and preferred stock.

Financing activities provided $0.2 million in cash during the three months ended March 31, 2019. Our financing activities during this period primarily consisted of proceeds from the exercise of options to purchase shares of common stock.

Financing activities provided $69.2 million in cash during the three months ended March 31, 2018. Our financing activities during this period primarily consisted of net proceeds of $66.1 million from our IPO as well as proceeds from the exercise of options to purchase shares of common stock.

Contractual Obligations & Commitments

As of March 31, 2019, there have been no material changes in our contractual obligations and commitments from those disclosed in our Annual Report on Form 10-K for the year ended December 31, 2018 filed with the SEC on March 5, 2019.

Off-Balance Sheet Arrangements

We did not have any off-balance sheet arrangements as defined in Item 303(a)(4)(ii) of Regulation S-K.

Critical Accounting Policies and Estimates

Our condensed consolidated financial statements are prepared in accordance with GAAP. The preparation of these condensed consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, 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 that the assumptions and estimates associated with the evaluation of revenue recognition criteria, including the determination of revenue recognition as net versus gross in our revenue arrangements and the assumptions used in the valuation models to determine the fair value of equity awards and stock-based compensation expense have the greatest potential impact on our condensed consolidated financial statements. Therefore, we consider these to be our critical accounting policies and estimates. By their nature, estimates are subject to an inherent degree of uncertainty. Actual results could differ materially from these estimates. Except for changes to the revenue policy described in Note 2—Significant Accounting Policies and Recent Accounting Standards to our condensed consolidated financial statements, which did not result in a change in the timing or amount of revenue recognized, there have been no material changes to our critical accounting policies and estimates from those disclosed in our Annual Report on Form 10-K for the year ended December 31, 2018.

Recent Accounting Pronouncements

Refer to Note 2—Significant Accounting Policies and Recent Accounting Standards to our condensed consolidated financial statements for a description of recent accounting pronouncements.

Emerging Growth Company Status

In April 2012, the Jumpstart Our Business Startups Act of 2012 ("JOBS Act") was enacted. Section 107 of the JOBS Act provides that an “emerging growth company” can take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act for complying with new or revised accounting standards. Thus, an emerging growth company can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. We have elected to avail ourselves of this extended transition period and, as a result, we may not adopt new or revised accounting standards on the relevant dates on which adoption of such standards is required for other public companies.

ITEM 3. QUALITATIVE AND QUANTITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk represents the risk of loss that may impact our financial position due to adverse changes in financial market prices and rates. Our market risk exposure is primarily the result of fluctuations in interest rates and foreign exchange rates.

Interest Rate Risk

The interest expense rates on our 2018 Term Loan and 2018 Line of Credit are variable. Interest on the 2018 Term Loan bears an interest rate of the prime rate minus 2.75% or 2.75%. Interest on advances under the 2018 Line of Credit varies depending on the amount of unrestricted cash deposits we maintain with the lender on the last day of the month. The interest rate is equal to the prime rate minus 0.75% if our unrestricted deposits exceed $40.0 million, the prime rate minus 0.50% if our unrestricted deposits are between $40.0 million and $20.0 million, and the prime rate if our unrestricted deposits are below $20.0 million. The current prime rate is 5.50% and a 10% increase in the current prime rate would, for example, result in a $0.3 million annual increase in interest expense if the maximum borrowable amount under our 2018 Term Loan and 2018 Line of Credit were outstanding for an entire year.

Foreign Currency Exchange Risk

Both revenue and operating expense of Cardlytics UK Limited are denominated in British pounds, and we bear foreign currency risks related to these amounts. For example, if the average value of the British pound had been 10% higher relative to the U.S. dollar during the three months ended March 31, 2018 and 2019, our operating expense would have increased by $0.2 million and $0.3 million, respectively.

Inflation Risk

We do not believe that inflation has had a material effect on our business, financial condition or results of operations. If our costs were to become subject to significant inflationary pressures, we may not be able to fully offset such higher costs through price increases. Our inability or failure to do so could harm our business, financial condition and results of operations.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our principal executive officer and principal financial officer, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended ("Exchange Act"), as of March 31, 2019. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on such evaluation, our principal executive officer and principal financial officer have concluded that as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

Changes in Internal Control Over Financial Reporting

There was no change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the three months ended March 31, 2019 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

From time to time we may become involved in legal proceedings or be subject to claims arising in the ordinary course of our business. We are not presently a party to any legal proceedings that, if determined adversely to us, would individually or taken together have a material adverse effect on our business, operating results, financial condition or cash flows. Regardless of the outcome, litigation can have an adverse impact on us because of defense and settlement costs, diversion of management resources and other factors.

ITEM 1A. RISK FACTORS

Investing in our common stock involves a high degree of risk. You should consider carefully the risks and uncertainties described below, together with all of the other information contained in this report, and in our other public filings in evaluating our business. Our business, financial condition, operating results, cash flow, and prospects could be materially and adversely affected by any of these risks or uncertainties. In that event, the market price of our common stock could decline and you could lose part or all of your investment.

Our Business and Industry

We may not be able to sustain our revenue and billings growth rate in the future.

Our revenue increased by 16% from $130.4 million in 2017 to $150.7 million in 2018. Our revenue increased 10% from $32.7 million in the three months ended March 31, 2018 to $36.0 million in the three months ended March 31, 2019. Our billings increased 20% from $48.8 million in the three months ended March 31, 2018 to $58.6 million in the three months ended March 31, 2019. We may not be able to sustain revenue and billings growth consistent with our recent history or at all. You should not consider our revenue and billings growth in recent periods as indicative of our future performance. As we grow our business, we expect our revenue and billings growth rates to slow in future periods due to a number of factors, which may include slowing demand for our solutions, increasing competition, decreasing growth of our overall market, our inability to engage and retain a sufficient number of marketers or banks and credit unions, which we refer to as FIs, or our failure, for any reason, to capitalize on growth opportunities. If we are unable to maintain consistent revenue, revenue growth or billings growth, our stock price could be volatile, and it may be difficult for us to achieve and maintain profitability.

We are dependent upon Cardlytics Direct.

All of our revenue and billings during the three months ended March 31, 2019 was derived from sales of Cardlytics Direct. We have historically derived substantially all of our revenue and billings from Cardlytics Direct and expect to continue to derive substantially all of our future revenue and billings from sales of Cardlytics Direct for the foreseeable future. Our operating results could suffer due to:

- lack of continued participation by FI partners in our network or our failure to attract new FI partners;
- failure by our FI partners to increase engagement with our solutions within their customer bases, improve their customers’ user experience, increase customer awareness, leverage additional customer outreach channels like email or otherwise promote our incentive programs on their websites and mobile applications, including by making the programs difficult to access or otherwise diminishing their prominence;
- our failure to offer compelling incentives to our FIs’ customers;
- FI partners may elect to use their FI share to fund their Consumer Incentives;
- any decline in demand for Cardlytics Direct by marketers or their agencies;
- the introduction by competitors of products and technologies that serve as a replacement or substitute for, or represent an improvement over, Cardlytics Direct;
- FIs developing their own technology to support purchase intelligence marketing or other incentive programs;
- technological innovations or new standards that Cardlytics Direct does not address; and
- sensitivity to current or future prices offered by us or competing solutions.

In addition, we are required to pay Consumer Incentives with respect to a majority of our Cardlytics Direct marketing campaigns regardless of whether the amount of such Consumer Incentives exceeds the amount of billings that we are paid by the applicable marketer. Further, we are often required to pay such Consumer Incentives before we receive payment from the applicable marketer. Accordingly, to the extent that the amount of Consumer Incentives that we are required to pay materially exceeds the billings that we receive or we encounter any significant failure to ultimately collect payment, our business, financial condition and operating results could be adversely affected.

If we are unable to grow our revenue and billings from sales of Cardlytics Direct, our business and operating results would be harmed.

We are substantially dependent on Chase, Bank of America and a limited number of other FI partners.

Our business is substantially dependent on Chase, Bank of America and a limited number of other FI partners. We require participation from our FI partners in Cardlytics Direct and access to their purchase data in order to offer our solutions to marketers and their agencies. We must have FI partners with a sufficient number of customers and levels of customer engagement to ensure that we have robust purchase data and marketing space to support a broad array of incentive programs for marketers. We believe that the number of FI MAUs contributed by any FI partner is indicative of our level of dependence on such FI partner since the size of marketing budgets that can be consumed by Cardlytics Direct is a function of the number of active users on our FI partners' digital banking platforms targeted by our campaigns.

During the three months ended March 31, 2018 and 2019, Bank of America contributed 51% and 29% of our average FI MAUs, respectively. Chase contributed 0% and 41% of our average FI MAUs during the three months ended March 31, 2018 and 2019, respectively. NCR contributed 11% and 8% of our average FI MAUs and PNC contributed 10% and 6% of our average FI MAUs during the three months ended March 31, 2018 and 2019, respectively. We anticipate that Chase and Bank of America will contribute a significant portion of our average FI MAUs for the foreseeable future.

In addition, we pay our FI partners an FI Share, which is a negotiated and fixed percentage of our billings to marketers less any Consumer Incentives that we pay to the FIs' customers and certain third-party data costs. During three months ended March 31, 2018 and 2019, Bank of America accounted for 69% and 45% of the total FI Share we paid to all FIs, respectively. Chase accounted for 0% and 27% of the total FI Share we paid to all FIs during the three months ended March 31, 2018 and 2019, respectively. We anticipate that Bank of America and Chase, will continue to receive a significant portion of our FI Share for the foreseeable future.

Our agreements with a substantial majority of our FI partners have three to seven year terms but are generally terminable by the FI partner on 90 days or less prior notice. If an FI partner terminates its agreement with us, we would lose that FI as a source of purchase data and online banking customers. Our FI partners may elect to withhold from us or limit the use of their purchase data for many reasons, including:

- a change in the business strategy;
- if there is a competitive reason to do so;
- if new technical requirements arise;
- consumer concern over use of purchase data;
- if they choose to develop and use in-house solutions or use a competitive solution in lieu of our solutions; and
- if legislation is passed restricting the dissemination, or our use, of the data that is currently provided to us or if judicial interpretations result in similar limitations.

To the extent that we breach or are alleged to have breached the terms of our agreement with any FI partner, or a disagreement arises with an FI partner regarding the interpretation of our contractual arrangements, which has occurred in the past with respect to Bank of America (although Bank of America granted us a waiver) and may occur again in the future, such FI partner may be more likely to cease providing us data or to terminate its agreement with us. The loss of Bank of America, Chase or any other significant FI partner would significantly harm our business, results of operations and financial conditions.

If we fail to maintain our relationships with current FI partners or attract new FI partners, we may not be able to sufficiently grow our revenue, which could significantly harm our business, results of operations and financial condition.

Our ability to grow our revenue depends on our ability to maintain our relationships with current FI partners and attract new FI partners. A significant percentage of consumer credit and debit card spending is concentrated with the 15 largest FIs in the U.S., five of which are currently part of our network, while the balance of card spending is spread across thousands of smaller FIs. Accordingly, our ability to efficiently grow our revenue will specifically depend on our ability to maintain our relationships with the large FIs that are currently part of our network and establish relationships with the large FIs that are not currently part of our network and to maintain our relationships with the large FIs that are currently part of our network. In addition, we must continue to maintain our relationships with our existing bank processor and digital banking provider partners and attract new such partners because these partners aggregate smaller FIs into our network. We have in the past and may in the future be unsuccessful in attempts to establish and maintain relationships with large FIs. If we are unable to maintain our relationships with current FI partners and attract new FI partners, maintain our relationships with our existing bank processor and digital banking provider partners or attract new bank processor and digital provider partners, our business, results of operations and financial condition would be significantly harmed and we may fail to capture a material portion of the native bank advertising market opportunity.

Our future success will depend, in part, on our ability to expand into new industry verticals.

We have historically generated a substantial majority of our revenue from marketers in the restaurant, brick and mortar retail, telecommunications and cable industries, and have recently entered new verticals such as e-commerce, travel and entertainment, grocery and premium verticals, and believe that our future success will depend, in part, on our ability to expand adoption of our solutions in new industry verticals. As we market to a wider group of potential marketers and their agencies, we will need to adapt our marketing strategies to meet the concerns and expectations of customers in these new industry verticals. Our success in expanding sales of our solutions to marketers in new industry verticals will depend on a variety of factors, including our ability to:

- tailor our solutions so that they that are attractive to businesses in such industries;
- hire personnel with relevant industry-vertical experience to lead sales and services teams; and
- develop sufficient expertise in such industries so that we can provide effective and meaningful marketing programs and analytics.

If we are unable to successfully market our solutions to appeal to marketers and their agencies in new industries, we may not be able to achieve our growth or business objectives.

We derive a material portion of our revenue from a limited number of marketers, and the loss of one or more of these marketers could adversely impact our business, results of operations and financial conditions.

Our marketer base is concentrated with our top five marketers representing 23%, 23%, and 28% of revenue for 2017, 2018 and the three months ended March 31, 2019, respectively. We do not have long-term commitments from most of these marketers. If we were to lose one or more of our significant marketers, our revenue may significantly decline. In addition, revenue from significant marketers may vary from period-to-period depending on the timing or volume of marketing spend. The loss of one or more of our significant marketers could adversely affect our business, results of operations and financial conditions.

Further, our top five marketers represented 23% and 27% of accounts receivable as of December 31, 2018 and March 31, 2019, respectively. Accordingly, our credit risk is concentrated among a limited number of marketers and the failure of any significant marketer to satisfy its obligations to us, on a timely basis or at all, could adversely affect our business, results of operations and financial conditions.

If we do not effectively grow and train our sales team, we may be unable to add new marketers or increase sales to our existing marketers and our business will be adversely affected.

We continue to be substantially dependent on our sales team to obtain new marketers and to drive sales with respect to our existing marketers. We believe that the characteristics and skills of the best salespeople for our solutions are still being defined, as our market is relatively new. Further, we believe that there is, and will continue to be, significant competition for sales personnel with the skills and technical knowledge that we require. Our ability to achieve significant revenue growth will depend, in large part, on our success in recruiting, training, integrating and retaining sufficient numbers of sales personnel to support our growth. New hires require significant training and it may take significant time before they achieve full productivity. Our recent hires and planned hires may not become productive as quickly as we expect, and we may be unable to hire or retain sufficient numbers of qualified individuals in the markets where we do business or plan to do business. In addition, as we continue to grow, a large percentage of our sales team will be new to our company and our solutions. If we are unable to hire and train sufficient numbers of effective sales personnel, or the sales personnel are not successful in obtaining new marketers or increasing sales to our existing marketers, our business will be adversely affected.

Delays in the launch of Cardlytics Direct at Wells Fargo, or failure to launch at all, may result in our failure to meet expectations with respect to future operating results.

In August 2018, we signed a four-year agreement, with the initial term expiring on July 1, 2022, for a national launch of Cardlytics Direct with Wells Fargo. We expect Wells Fargo to launch the Cardlytics Direct program in 2019. The full deployment at Wells Fargo may require significant investment in our systems and infrastructure, and we may encounter unforeseen technological issues which could cause delays in the launch, limitations to the scope of the launch or an inability to launch at all. In addition, Wells Fargo may terminate the agreement at any time upon 180 days' written notice. If the full deployment at Wells Fargo is delayed, limited or terminated, our business, financial condition and operating results could be harmed.

We have a significant amount of debt, which may affect our ability to operate our business and secure additional financing in the future.

As of March 31, 2019, our total indebtedness was $46.7 million. On May 21, 2018, we entered into a loan facility with Pacific Western Bank (the "New Loan Facility") consisting of a $30.0 million asset-based revolving line of credit ("2018 Line of Credit") and a $20.0 million term loan ("2018 Term Loan") maturing on May 21, 2020. As of March 31, 2019, there was $26.7 million and $20.0 million outstanding under the 2018 Line of Credit and 2018 Term Loan, respectively.

Our New Loan Facility is secured by substantially all of our assets and requires us, and any debt instruments we may enter into in the future may require us, to comply with various covenants that limit our ability to, among other things:

- dispose of assets;
- complete mergers or acquisitions;
- incur or guarantee indebtedness;
- sell or encumber certain assets;
- pay dividends or make other distributions to holders of our capital stock, including by way of certain stock buybacks;
- make specified investments;
- engage in different lines of business;
- change certain key management personnel; and
- engage in certain transactions with our affiliates.

We are also required under the New Loan Facility to comply with specified financial covenants. Our ability to comply with those financial covenants can be affected by events beyond our control and we may not be able to comply with those covenants. These covenants may make it difficult to operate our business. A failure by us to comply with the covenants contained in our New Loan Facility could result in an event of default, which could adversely affect our ability to respond to changes in our business and manage our operations. Upon the occurrence of an event of default, including the occurrence of a material adverse change, the lenders could elect to declare all amounts outstanding to be due and payable and exercise other remedies as set forth in our New Loan Facility. If the indebtedness under our New Loan Facility were to be accelerated, our future financial condition could be materially adversely affected.

We may incur additional indebtedness in the future. The instruments governing such indebtedness could contain provisions that are as, or more, restrictive than our existing debt instruments. If we are unable to repay, refinance or restructure our indebtedness when payment is due, the lenders could proceed against any collateral granted to them to secure such indebtedness or force us into bankruptcy or liquidation.

A breach of the security of our systems could result in a third party's entry into our FI partners' systems, which would be detrimental to our business, financial condition and operating results.

We leverage our FI partners' purchase data and infrastructures to deliver our solutions. We do not currently receive any personally identifiable information ("PII") from our FI partners, although we may obtain PII in the future as our business evolves, however because of the interconnected nature of our infrastructure with that of our FI partners, there is a risk that third parties may attempt to gain access to our FI partners' systems through our systems for the purpose of stealing data or disrupting our or their respective operations. In turn, we may be a more visible target for cyberattacks and/or physical breaches of our databases or data centers, and we may in the future suffer from such attacks or breaches.

Current or future criminal capabilities, discovery of existing or new vulnerabilities in our systems and attempts to exploit those vulnerabilities or other developments may compromise or breach the technology protecting our systems. In the event that our protection efforts are unsuccessful and our systems are compromised such that a third party gains entry to our or any of our FI partners' systems, we could suffer substantial harm. A security breach could result in operation disruptions that impair our ability to meet our marketers' requirements, which could result in decreased revenue. Also, our reputation could suffer irreparable harm, causing our current and prospective marketers and FI partners to decline to use our solutions in the future. Further, we could be forced to expend significant financial and operational resources in response to a security breach, including repairing system damage, increasing cybersecurity protection costs by deploying additional personnel and protection technologies and litigating and resolving legal claims, all of which could divert resources and the attention of our management and key personnel away from our business operations. In any event, a breach of the security of our systems or data could materially harm our business, financial condition and operating results.

If we fail to generate sufficient revenue to offset our contractual commitments to FIs, our business, results of operations and financial conditions could be harmed.

We have a minimum FI Share commitment with a certain FI partner totaling $10.0 million over a 12-month period following the completion of certain milestones by the FI partner, which were not met as of March 31, 2019. The timing of the completion of the milestones is uncertain; however, we do not currently believe the FI partner will complete the milestones in 2019. Any expected shortfall will be accrued during the 12-month period following the completion of the milestones.

In 2017, we paid certain of our FI partners an aggregate of approximately $2.6 million related to 2016 FI Share commitments in excess of the amount of FI Share otherwise payable to such FI partners in the absence of such commitments, and it is possible that we may be required to fund similar shortfalls in future periods. In certain cases, we are also responsible for funding certain development costs for user interface enhancements and implementation costs on behalf of FIs. These agreements allow for reimbursements to us through future reductions to FI Share. During 2018, development payments to a certain FI partner totaled $9.3 million, which are expected to be offset by recoveries through FI Share payment reductions of $4.6 million in 2019, $1.2 million of which has been recovered through March 31, 2019.

To the extent that we are unable to generate revenue from marketers sufficient to offset these FI Share commitments and other obligations, our business, results of operations and financial conditions could be harmed.

Bringing new FI partners into our network may impede our ability to accurately forecast the performance of our network.

Bringing new FI partners into our network may impede our ability to accurately predict how certain marketing campaigns will perform, and thus may impede our ability to accurately forecast the performance of our network. Such inaccurate predictions could result in marketing campaigns underperforming, which impact the total fees we can collect from marketers, or overperforming, which may result is us paying certain Consumer Incentives to consumers without adequate compensation from the marketers. The amount of time it will take us to be able to understand the impact of a new FI partner on our network is uncertain and difficult to predict. Additionally, our understanding of the impact of any given FI is subject to change at any time, as such understanding can be impacted by factors such as changes to an FI’s business strategy, changes to an FI’s user interface, or changes in the behavior or makeup of an FI's consumer base.

Bringing new FI partners into our network can require considerable time and expense and can be long and unpredictable.

Our FI partners and FI partner prospects engage in highly regulated businesses, are often slow to adopt technological innovation and have rigorous standards with respect to providing third parties, like us, with access to their data. Our operating results depend in part on expanding our FI network to maintain and enhance the scale of our solutions. The length of time that it takes to add an FI partner to our network, from initial evaluation to integration into our network, varies substantially from FI to FI and may take several years. Our sales and integration cycle with respect to our FI partners is long and unpredictable, requires considerable time and expense and may not ultimately be successful. It is difficult to predict exactly when, or even if, a new FI partner will join our network and we may not generate revenue from a new FI partner in the same period as we incurred the costs associated with acquiring such FI partner, or at all. Once an FI partner has agreed to work with us, it may take a lengthy period of time for the implementation of our solutions to be prioritized and integrated into the FI partner’s infrastructure. Because a substantial portion of our expenses are relatively fixed in the short term, our operating results will suffer if revenue falls below our expectations in a particular quarter, which could cause the price of our stock to decline. Ultimately, if additions to our FI network are not realized in the time period expected or not realized at all, or if an FI partner terminates its agreement with us, our business, financial condition and operating results could be adversely affected.

Our quarterly operating results may vary from period to period, which could result in our failure to meet expectations with respect to operating results and cause the trading price of our stock to decline.

Our operating results have historically fluctuated and our future operating results may vary significantly from quarter to quarter due to a variety of factors, many of which are beyond our control. Period-to-period comparisons of our operating results should not be relied upon as an indication of our future performance. Given our relatively short operating history and the rapidly evolving purchase intelligence industry, our historical operating results may not be useful in predicting our future operating results.

Factors that may impact our quarterly operating results include the factors set forth in this “Risk Factors” section, as well as the following:

- our ability to attract and retain marketers, FI partners and bank processor and digital banking provider partners;
- the amount and timing of revenue, operating costs and capital expenditures related to the operations and expansion of our business, particularly with respect to our efforts to attract new FI partners to our network;
- the revenue mix revenue generated from our operations in the U.S. and U.K.;
- delays in the launch of Wells Fargo;
- decisions made by our FI partners to increase Consumer Incentives.
- FI partners may elect to use their FI share to fund their Consumer Incentives and such election;
- changes in the economic prospects of marketers, the industries or verticals that we primarily serve, or the economy generally, which could alter marketers’ spending priorities or budgets;

- the termination or alteration of relationships with our FI partners in a manner that impacts ongoing or future marketing campaigns;
- the amount and timing of expenses required to grow our business, including the timing of our payments of FI Share and FI Share commitments as compared to the timing of our receipt of payments from our marketers;
- changes in demand for our solutions or similar solutions;
- seasonal trends in the marketing industry, including concentration of marketer spend in the fourth quarter of the calendar year and declines in marketer spend in the first quarter of the calendar year;
- competitive market position, including changes in the pricing policies of our competitors;
- exposure related to our international operations and foreign currency exchange rates;
- expenses associated with items such as litigation, regulatory changes, cyberattacks or security breaches;
- the introduction of new technologies, products or solution offerings by competitors; and
- costs related to acquisitions of other businesses or technologies.

Each factor above or discussed elsewhere in this Quarterly Report on Form 10-Q or the cumulative effect of some of these factors may result in fluctuations in our operating results. This variability and unpredictability could result in our failure to meet expectations with respect to operating results, or those of securities analysts or investors, for a particular period. If we fail to meet or exceed expectations for our operating results for these or any other reasons, the market price of our stock could fall and we could face costly lawsuits, including securities class action suits.

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

We have a relatively short operating history, which limits our ability to forecast our future operating results and subjects us to a number of uncertainties, including with respect to our ability to plan for and model future growth. We have encountered and will continue to encounter risks and uncertainties frequently experienced by growing companies in developing industries. If our assumptions regarding these uncertainties, which we use to manage our business, are incorrect or change in response to changes in our markets, or if we do not address these risks successfully, our operating and financial results could differ materially from our expectations, our business could suffer and our stock price could decline. Any success that we may experience in the future will depend in large part on our ability to, among other things:

- maintain and expand our network of FI partners.
- build and maintain long-term relationships with marketers and their agencies;
- develop and offer competitive solutions that meet the evolving needs of marketers;
- expand our relationships with FI partners to enable us to use their purchase data for new solutions;
- improve the performance and capabilities of our solutions;
- successfully expand our business;
- successfully compete with other companies that are currently in, or may in the future enter, the markets for our solutions;
- increase market awareness of our solutions and enhance our brand;
- manage increased operating expenses as we continue to invest in our infrastructure to scale our business and operate as a public company; and
- attract, hire, train, integrate and retain qualified and motivated employees.

Any failure of our FI partners to effectively deliver and promote the online incentive programs that comprise Cardlytics Direct could materially and adversely affect our business.

We have spent the last several years and significant resources building out technology integrations with our FI partners to facilitate the delivery of incentive programs to our FIs' customers and measuring those customers subsequent in-store or digital spending. We are also reliant on our network of FI partners to promote their digital incentive programs, increase customer awareness and leverage additional customer outreach channels like email, all of which can increase customer engagement, as well as expand our network of FI partners. We believe that key factors in the success and effectiveness of our incentive program include the level of accessibility and prominence of the program on the FI partners' website and mobile applications, as well as the user interface through which a customer is presented with marketing content. In certain cases, we have little control over the prominence of the incentive program and design of the user interface that our FI partners choose to use. To the extent that our FI partners deemphasize incentive programs, make incentive programs difficult to locate on their website and/or mobile applications and/or fail to provide a user interface that is appealing to FI customers, FI customers may be less likely to engage with the incentive programs, which could negatively impact the amount of fees that we are able to charge our marketer customers in connection with marketing campaigns, and, therefore, our revenue. In addition, a failure by FIs to properly deliver or sufficiently promote marketing campaigns would reduce the efficacy of our solutions and impair our ability to attract and retain marketers and their agencies. As a result, the revenue we generate from our Cardlytics Direct solution may be adversely affected, which would materially and adversely affect our business, financial condition and results of operations.

Our business could be adversely affected if marketers or their agencies are not satisfied with our solutions or our systems and infrastructure fail to meet their needs.

We derive nearly all of our revenue from marketers and their agencies. Accordingly, our business depends on our ability to satisfy marketers and their agencies with respect to their marketing needs. With respect to Cardlytics Direct, we rely on our Offer Management System ("OMS") to facilitate the creation of marketing campaigns and evaluate the results of campaigns, and our Offer Placement System ("OPS"), to track impressions, engagement, activation and redemptions and to target consumers and present offers. Any failure of, or delays in the performance of, our systems, including without limitation our OMS or OPS, could cause service interruptions or impaired system performance. Such failures in our systems could cause us to maximize our earning potential with respect to any given marketing campaign. Such failures in our systems could also cause us to over-run on campaigns, thus committing us to a higher redemptions, which may negatively affect the profitability of the affected campaigns. If sustained or repeated, these performance issues could adversely affect our business, financial condition or operating results, and further reduce the attractiveness of our solutions to new and existing marketers and cause existing marketers to reduce or cease using our solutions, which could also adversely affect our business, financial condition or operating results. In addition, negative publicity resulting from issues related to our marketer relationships, regardless of accuracy, may damage our business by adversely affecting our ability to attract new marketers or marketing agencies and maintain and expand our relationships with existing marketers.

If the use of our solutions increases, or if marketers or FI partners demand more advanced features from our solutions, we will need to devote additional resources to improving our solutions, and we also may need to expand our technical infrastructure at a more rapid pace than we have in the past. This may involve purchasing or leasing data center capacity and equipment, upgrading our technology and infrastructure and introducing new or enhanced solutions. It may take a significant amount of time to plan, develop and test changes to our infrastructure, and we may not be able to accurately forecast demand or predict the results we will realize from such improvements. There are inherent risks associated with changing, upgrading, improving and expanding our technical infrastructure. Any failure of our solutions to operate effectively with future infrastructure and technologies could reduce the demand for our solutions, resulting in marketer or FI partner dissatisfaction and harm to our business. Also, any expansion of our infrastructure would likely require that we appropriately scale our internal business systems and services organization, including without limitation implementation and support services, to serve our growing marketer base. If we are unable to respond to these changes or fully and effectively implement them in a cost-effective and timely manner, our solutions may become ineffective, we may lose marketers and/or FI partners, and our business, financial condition and operating results may be negatively impacted.

We generally do not have long-term commitments from marketers, and if we are unable to retain and increase sales of our solutions to marketers and their agencies or attract new marketers and their agencies, our business, financial condition and operating results would be adversely affected.

Most marketers do business with us by placing insertion orders for particular marketing campaigns, either directly or through marketing agencies that act on their behalf. We often do not have any commitment from a marketer beyond the campaign governed by a particular insertion order, and we frequently must compete to win further business from a marketer. In most circumstances, our insertion orders may be canceled by marketers or their marketing agencies prior to the completion of all the campaigns contemplated in the insertion orders; provided that marketers or their agencies are required to pay us for services performed prior to cancellation. As a result, our success is dependent upon our ability to outperform our competitors and win repeat business from existing marketers, while continually expanding the number of marketers for which we provide services. To maintain and increase our revenue, we must encourage existing marketers and their agencies to increase their use of our solutions and add new marketers. Many marketers and marketing agencies, however, have only just begun using our solutions for a limited number of marketing campaigns, and our future revenue growth will depend heavily on these marketers and marketing agencies expanding their use of our solutions across campaigns and otherwise increasing their spending with us. Even if we are successful in convincing marketers and their agencies to use our solutions, it may take several months or years for them to meaningfully increase the amount that they spend with us. Further, larger marketers with multiple brands typically have individual marketing budgets and marketing decision makers for each of their brands, and we may not be able to leverage our success in securing a portion of the marketing budget of one or more of a marketer’s brands into additional business with other brands. Moreover, marketers may place internal limits on the allocation of their marketing budgets to digital marketing, to particular campaigns, to a particular provider or for other reasons. In addition, we are reliant on our FI network to have sufficient marketing inventory within Cardlytics Direct to place the full volume of advertisements contracted for by our marketers and their agencies. Any failure to meet these demands may hamper the growth of our business and the attractiveness of our solutions.

Our ability to retain and increase sales of our solutions and attract new marketers and their agencies may be adversely affected by competitive offerings or marketing methods that are lower priced or perceived as more effective than our solutions. Larger marketers may themselves have a substantial amount of purchase data and they may also seek to augment their own purchase data with additional purchase, impression and/or demographic data acquired from third-party data providers, which may allow them to develop, individually or with partners, internal targeting and measurement capabilities.

Because many of our agreement are not long-term with our marketers or their agencies, we may not be able to accurately predict future revenue streams, and we cannot guarantee that our current marketers will continue to use our solutions, or that we will be able to replace departing marketers with new marketers that provide us with comparable revenue. If we are unable to retain and increase sales of our solutions to existing marketers and their agencies or attract new marketers and their agencies for any of the reasons above or for other reasons, our business, financial condition and operating results would be adversely affected.

We have a history of losses and may not achieve profitability in the future.

We have incurred net losses since inception and expect to incur net losses in the future. We incurred net losses of $19.6 million, $53.0 million and $6.3 million in 2017, 2018 and the three months ended March 31, 2019, respectively. As of March 31, 2019, we had an accumulated deficit of $327.8 million. We have never achieved profitability on an annual or quarterly basis and we do not know if we will be able to achieve or sustain profitability. Although our revenue has increased substantially in recent periods, we also do not expect to maintain this rate of revenue growth. We plan to continue to invest in our research and development and sales and marketing efforts, and we anticipate that our operating expenses will continue to increase as we scale our business and expand our operations. We also expect our general and administrative expense to increase as a result of our growth and operating as a public company. Our ability to achieve and sustain profitability is based on numerous factors, many of which are beyond our control. We may never be able to generate sufficient revenue to achieve or sustain profitability.

We operate in an emerging industry and future demand and market acceptance for our solutions is uncertain.

We believe that our future success will depend in large part on the growth, if any, in the market for purchase intelligence. Utilization of consumer purchase data to inform marketing is an emerging industry and future demand and market acceptance for this type of marketing is uncertain. If the market for purchase intelligence does not continue to develop or develops more slowly than we expect, our business, financial condition and operating results could be harmed.

The market in which we participate is competitive and we may not be able to compete successfully with our current or future competitors.

The market for purchase intelligence is nascent and we believe that there is no one company with which we compete directly across our range of solutions. With respect to Cardlytics Direct, we believe that we are the only company that enables marketing through FI channels at scale. In the future, we may face competition from online retailers, credit card companies, established enterprise software companies, advertising and marketing agencies, digital publishers and mobile pay providers with access to a substantial amount of consumer purchase data. While we may successfully partner with a wide range of companies that are to some extent currently competitive to us, these companies may become more competitive to us in the future. As we introduce new solutions, as our existing solutions evolve and as other companies introduce new products and solutions, we are likely to face additional competition.

Some of our actual and potential competitors may have advantages over us, such as longer operating histories, significantly greater financial, technical, marketing or other resources, stronger brand and recognition, larger intellectual property portfolios and broader global distribution and presence. In addition, our industry is evolving rapidly and is becoming increasingly competitive. Larger and more established companies may focus on purchase intelligence marketing and could directly compete with us. Smaller companies could also launch new products and services that we do not offer and that could gain market acceptance quickly.

Our competitors may be able to respond more quickly and effectively than we can to new or changing opportunities, technologies, standards or customer requirements. Larger competitors are also often in a better position to withstand any significant reduction in capital spending, and will therefore not be as susceptible to economic downturns. In addition, current or potential competitors may be acquired by third parties with greater available resources. As a result of such relationships and acquisitions, our current or potential competitors might be able to adapt more quickly to new technologies and customer needs, devote greater resources to the promotion or sale of their products and services, initiate or withstand substantial price competition, take advantage of other opportunities more readily or develop and expand their product and service offerings more quickly than we do. For all of these reasons, we may not be able to compete successfully against our current or future competitors.

If we fail to identify and respond effectively to rapidly changing technology and industry needs, our solutions may become less competitive or obsolete.

Our future success depends on our ability to adapt and innovate. To attract, retain and increase new marketers and FI partners, we will need to expand and enhance our solutions to meet changing needs, add functionality and address technological advancements. If we are unable to adapt our solutions to evolving trends in the marketing industry, if we are unable to properly identify and prioritize appropriate solution development projects or if we fail to develop and effectively market new solutions or enhance existing solutions to address the needs of existing and new marketers and FI partners, we may not be able to achieve or maintain adequate market acceptance and penetration of our solutions, and our solutions may become less competitive or obsolete.

In addition, new, more effective or less costly technologies may emerge that use data sources that we do not have access to, that use entirely different analytical methodologies than we do or that use other indicators of purchases by consumers. If existing and new marketers and their agencies perceive greater value in alternative technologies or data sources, our ability to compete for marketers and their agencies could be materially and adversely affected.

A number of factors could impair our ability to collect the significant amounts of data that we use to deliver our solutions.

Our ability to collect and use data may be restricted or prevented by a number of other factors, including:

- the failure of our network or software systems, or the network or software systems of our FI partners;
- decisions by our FI partners to restrict our ability to collect data from them (which decision they may make at their discretion) or to refuse to implement the mechanisms that we request to ensure compliance with our legal obligations or technical requirements;
- decisions by our FI partners to limit our ability to use their purchase data outside of the applicable banking channel;
- decisions by our FIs' customers to opt out of the incentive program or to use technology, such as browser settings, that reduces our ability to deliver relevant advertisements;
- interruptions, failures or defects in our or our FI partners' data collection, mining, analysis and storage systems;
- changes in regulations impacting the collection and use of data, including the use of cookies;
- changes in browser or device functionality and settings, and other new technologies, which impact our FI partners' ability to collect and/or share data about their customers; and
- changes in international laws, rules, regulations and industry standards or increased enforcement of international laws, rules, regulations, and industry standards.

Any of the above-described limitations on our ability to successfully collect, utilize and leverage data could also materially impair the optimal performance of our solutions and severely limit our ability to target consumers or bill marketers for our services, which would harm our business, financial condition and operating results.

The efficacy of some of our solutions depends upon third-party data providers.

We rely on several third parties to assist us in matching our anonymized identifiers, which we call Cardlytics IDs, with third-party identifiers. This matching process enables us to use purchase intelligence to measure in-store and online campaign sales impact or provide marketers with valuable visibility into the behaviors of current or prospective customers both within and outside the context of their marketing efforts. If any of these key data providers were to withdraw or withhold their identifiers from us, our ability to provide our solutions could be adversely affected. Replacements for these third-party identifiers may not be available in a timely manner or under economically beneficial terms, or at all.

Defects, errors or delays in our solutions could harm our reputation, which would harm our operating results.

The technology underlying our solutions may contain material defects or errors that can adversely affect our ability to operate our business and cause significant harm to our reputation. This risk is compounded by the complexity of the technology underlying our solutions and the large amounts of data that we leverage and process. In addition, with regard to Cardlytics Direct, if we are unable to attribute Consumer Incentives to our FIs' customers in a timely manner, our FI partners may limit or discontinue their use of our solutions. Any such error, failure, malfunction, disruption or delay could result in damage to our reputation and could harm our business, financial condition and operating results.

Significant system disruptions or loss of data center capacity could adversely affect our business, financial condition and operating results.

Our business is heavily dependent upon highly complex data processing capabilities. We contract with our primary third-party data center, located in Atlanta, Georgia, and our redundancy data center, located in Suwanee, Georgia, pursuant to agreements that expire on December 31, 2020, subject to earlier termination upon material breach and a failure to cure. If for any reason our arrangements with our third-party data centers are terminated, or if we are unable to renew our agreements on commercially reasonable terms, we may be required to transfer that portion of our operations to new data center facilities, and we may incur significant costs and possible service interruption in connection with doing so. Further, protection of our third-party data centers against damage or interruption from fire, flood, tornadoes, power loss, telecommunications or equipment failure or other disasters and events beyond our control is important to our continued success. Any damage to, or failure of, the systems of the data centers that we utilize, or of our own equipment located within such data centers, could result in interruptions to the availability or functionality of our solutions. In addition, the failure of the data centers that we utilize to meet our capacity requirements could result in interruptions in the availability or functionality of our solutions or impede our ability to scale our operations. Any damage to the data centers that we utilize, or to our own equipment located within such data centers, that causes loss of capacity or otherwise causes interruptions in our operations could materially adversely affect our ability to quickly and effectively respond to our marketers' or FI partners' requirements, which could result in loss of their confidence, adversely impact our ability to attract new marketers and/or FI partners and force us to expend significant resources. The occurrence of any such events could adversely affect our business, financial condition and operating results.

Seasonal fluctuations in marketing activity could adversely affect our cash flows.

We expect our revenue, operating results, cash flows from operations and other key performance metrics to vary from quarter to quarter in part due to the seasonal nature of our marketers' spending on digital marketing campaigns. For example, many marketers tend to devote a significant portion of their budgets to the fourth quarter of the calendar year to coincide with consumer holiday spending and to reduce spend in the first quarter of the calendar year. Seasonality could have a material impact on our revenue, operating results, cash flow from operations and other key performance metrics from period to period.

Our international sales and operations subject us to additional risks that can adversely affect our business, operating results and financial condition.

During each of 2017, 2018 and the three months ended March 31, 2019, we derived 13% of our revenue outside the U.S. While substantially all of our operations are located in the U.S., we have an office in the U.K. and have opened a research and development office in Visakhapatnam, India and may continue to expand our international operations as part of our growth strategy. Our ability to convince marketers to expand their use of our solutions or renew their agreements with us is directly correlated to our direct engagement with such marketers or their agencies. To the extent that we are unable to engage with non-U.S. marketers and agencies effectively with our limited sales force capacity, we may be unable to grow sales to existing marketers to the same degree we have experienced in the U.S.

Our international operations subject us to a variety of risks and challenges, including:

- localization of our solutions, including adaptation for local practices;
- increased management, travel, infrastructure and legal compliance costs associated with having international operations;
- fluctuations in currency exchange rates and related effect on our operating results;
- longer payment cycles and difficulties in collecting accounts receivable or satisfying revenue recognition criteria, especially in emerging markets;
- increased financial accounting and reporting burdens and complexities;
- general economic conditions in each country or region;
- impact of Brexit;
- reduction in billings, foreign currency exchange rates, and trade with the European Union;
- contractual and legislative restrictions or changes;
- economic uncertainty around the world;
- compliance with foreign laws and regulations and the risks and costs of non-compliance with such laws and regulations;
- compliance with U.S. laws and regulations for foreign operations, including the Foreign Corrupt Practices Act, the U.K. Bribery Act, import and export control laws, tariffs, trade barriers, economic sanctions and other regulatory or contractual limitations on our ability to sell our software in certain foreign markets, and the risks and costs of non-compliance;
- heightened risks of unfair or corrupt business practices in certain geographies and of improper or fraudulent sales arrangements that may impact financial results and result in restatements of financial statements and irregularities in financial statements;
- difficulties in repatriating or transferring funds from or converting currencies in certain countries;
- cultural differences inhibiting foreign employees from adopting our corporate culture;
- reduced protection for intellectual property rights in some countries and practical difficulties of enforcing rights abroad; and
- compliance with the laws of foreign taxing jurisdictions and overlapping of different tax regimes.

Any of these risks could adversely affect our international operations, reduce our international revenues or increase our operating costs, adversely affecting our business, financial condition and operating results.

Exposure to United Kingdom political developments, including the outcome of the referendum on membership in the European Union, could be costly and difficult to comply with and could seriously harm our business.

Currently we have an office in the U.K., which contributed 13% of our revenue in each of 2017, 2018 and the three months ended March 31, 2019. On June 23, 2016, the U.K. held a referendum in which a majority of the eligible members of the electorate voted for the U.K. to leave the EU. The U.K’s withdrawal from the EU is commonly referred to as Brexit. Pursuant to Article 50 of the Treaty on European Union, the U.K. will cease to be an EU Member State either on the effective date of a withdrawal agreement (entry into such a withdrawal agreement will require U.K. parliamentary approval) or, failing that, two years following the U.K's notification of its intention to leave the EU (the “Brexit Date”), unless the European Council (together with the U.K.) unanimously decides to extend the two year period. On March 29, 2017, the U.K. formally notified the European Council of its intention to leave the EU. It appears likely that Brexit will continue to involve a process of lengthy negotiations between the U.K. and EU Member States to determine the future terms of the U.K’s relationship with the EU. For example, in March 2018, the U.K. reached a provisional agreement (the “Withdrawal Agreement”) with the EU on transitional arrangements following the U.K's exit (which are intended to enable the U.K. to remain within the EU single market and customs union for a transitional period through 2020), but the Withdrawal Agreement needs to be formally agreed as part of the withdrawal arrangements currently under negotiation. Given that no formal withdrawal arrangements have been agreed, there have been several extensions to the Brexit Date and the U.K. has yet to formally leave the EU. On April 11, 2019, the EU granted the U.K. a further extension to the Brexit Date until October 31, 2019. The purpose of this extension is to allow for the ratification of the Withdrawal Agreement by the U.K. House of Commons. If the Withdrawal Agreement is ratified, the U.K. will leave the EU earlier than October 31, 2019. As a condition of the extension, the U.K. must take part in EU elections on May 23, 2019. If it does not, the U.K. must leave the EU on June 1, 2019 without any formal withdrawal arrangements.

The uncertainty concerning the U.K's legal, political and economic relationship with the EU after Brexit may be a source of instability in the international markets, create significant currency fluctuations, and/or otherwise adversely affect trading agreements or similar cross-border cooperation arrangements (whether economic, tax, fiscal, legal, regulatory or otherwise) beyond the date of Brexit.

These developments, or the perception that any of them could occur, have had and may continue to have a significant adverse effect on global economic conditions and the stability of global financial markets, and could significantly reduce global market liquidity and restrict the ability of key market participants to operate in certain financial markets. In particular, they could also lead to a period of considerable uncertainty in relation to the U.K. financial and banking markets, as well as on the regulatory process in Europe. Asset valuations, currency exchange rates and credit ratings may be especially subject to increased market volatility.

If the U.K. and the EU are unable to negotiate acceptable withdrawal terms or if other EU Member States pursue withdrawal, barrier-free access between the U.K. and other EU Member States or among the European Economic Area overall could be diminished or eliminated. The long-term effects of Brexit will depend on any agreements (or lack thereof) between the U.K. and the EU and, in particular, any arrangements for the U.K. to retain access to EU markets either during a transitional period or more permanently.

Such a withdrawal from the EU is unprecedented, and it is unclear how the U.K's access to the European single market for goods, capital, services and labor within the EU, or single market, and the wider commercial, legal and regulatory environment, will impact our U.K. customers. The occurrence of any such event could subject us to additional costs and impair our ability to complete projects for our clients, which could adversely affect our operating results and financial condition.

If we do not manage our growth effectively, the quality of our solutions may suffer, and our business, financial condition and operating results may be negatively affected.

The recent, growth in our business has placed, and is expected to continue to place, a significant strain on our managerial, administrative, operational and financial resources, as well as our infrastructure. We rely heavily on information technology ("IT") systems to manage critical functions such as data storage, data processing, matching and retrieval, revenue recognition, budgeting, forecasting and financial reporting. To manage our growth effectively, we must continue to improve and expand our infrastructure, including our IT, financial and administrative systems and controls. In particular, we may need to significantly expand our IT infrastructure as the amount of data we store and transmit increases over time, which will require that we both utilize existing IT products and adopt new technologies. If we are not able to scale our IT infrastructure in a cost-effective and secure manner, our ability to offer competitive solutions will be harmed and our business, financial condition and operating results may suffer.

We must also continue to manage our employees, operations, finances, research and development and capital investments efficiently. Our productivity and the quality of our solutions may be adversely affected if we do not integrate and train our new employees quickly and effectively or if we fail to appropriately coordinate across our executive, research and development, technology, service development, analytics, finance, human resources, marketing, sales, operations and customer support teams. If we continue our rapid growth, we will incur additional expenses, and our growth may continue to place a strain on our resources, infrastructure and ability to maintain the quality of our solutions. If we do not adapt to meet these evolving challenges, or if the current and future members of our management team do not effectively manage our growth, the quality of our solutions may suffer and our corporate culture may be harmed. Failure to manage our future growth effectively could cause our business to suffer, which, in turn, could have an adverse impact on our business, financial condition and operating results.

Our corporate culture has contributed to our success, and if we cannot maintain it as we grow, we could lose the innovation, creativity and teamwork fostered by our culture, and our business may be harmed.

As of March 31, 2019, we had 400 employees. We intend to further expand our overall headcount and operations, with no assurance that we will be able to do so while effectively maintaining our corporate culture. We believe our corporate culture is one of our fundamental strengths as it enables us to attract and retain top talent and deliver superior results for our customers. As we grow and change, we may find it difficult to preserve our corporate culture, which could reduce our ability to innovate and operate effectively. In turn, the failure to preserve our culture could negatively affect our ability to attract, recruit, integrate and retain employees, continue to perform at current levels and effectively execute our business strategy.

We are dependent on the continued services and performance of our senior management and other key personnel, the loss of any of whom could adversely affect our business.

Our future success depends in large part on the continued contributions of our senior management and other key personnel, including our two founders, Scott Grimes, our Chief Executive Officer, and Lynne Laube, our Chief Operating Officer. In particular, the leadership of key management personnel is critical to the successful management of our company, the development of our solutions and our strategic direction. We do not maintain “key person” insurance for any member of our senior management team or any of our other key employees. Our senior management and key personnel are all employed on an at-will basis, which means that they could terminate their employment with us at any time, for any reason and without notice. The loss of any of our key management personnel could significantly delay or prevent the achievement of our development and strategic objectives and adversely affect our business.

If we are unable to attract, integrate and retain additional qualified personnel, including top technical talent, our business could be adversely affected.

Our future success depends in part on our ability to identify, attract, integrate and retain highly skilled technical, managerial, sales and other personnel, including top technical talent from the industry and top research institutions. We face intense competition for qualified individuals from numerous other companies, including other software and technology companies, many of whom have greater financial and other resources than we do. These companies also may provide more diverse opportunities and better chances for career advancement. Some of these characteristics may be more appealing to high-quality candidates than those we have to offer. In addition, new hires often require significant training and, in many cases, take significant time before they achieve full productivity. We may incur significant costs to attract and retain qualified personnel, including significant expenditures related to salaries and benefits and compensation expenses related to equity awards and we may lose new employees to our competitors or other companies before we realize the benefit of our investment in recruiting and training them. Moreover, new employees may not be or become as productive as we expect, as we may face challenges in adequately or appropriately integrating them into our workforce and culture. In addition, as we move into new geographies, we will need to attract and recruit skilled personnel in those areas. We have little experience with recruiting in geographies outside of the U.S., and may face additional challenges in attracting, integrating and retaining international employees. If we are unable to attract, integrate and retain suitably qualified individuals who are capable of meeting our growing technical, operational and managerial requirements, on a timely basis or at all, our business will be adversely affected.

If currency exchange rates fluctuate substantially in the future, the results of our operations could be adversely affected.

Due to our international operations, we may be exposed to the effects of fluctuations in currency exchange rates. We generate revenue and incur expenses for employee compensation and other operating expenses at our U.K. and Indian offices in the local currency. Fluctuations in the exchange rates between the U.S. dollar and the British pound and Indian rupee could result in the dollar equivalent of such revenue and expenses being lower, which could have a negative net impact on our reported operating results. Although we may in the future decide to undertake foreign exchange hedging transactions to cover a portion of our foreign currency exchange exposure, we currently do not hedge our exposure to foreign currency exchange risks.

Our business may be subject to additional obligations to collect and remit sales tax and other taxes, and we may be subject to tax liability for past sales. Any successful action by state, local or other authorities to collect additional or past sales tax could adversely harm our business.

We are subject to federal, state and local taxes in the U.S. and similar taxes in foreign jurisdictions. Significant judgment is required in evaluating our tax positions and our worldwide provision for taxes. During the ordinary course of business, there are many activities and transactions for which the ultimate tax determination is uncertain. We may be audited in various jurisdictions, and such jurisdictions may assess additional taxes against us. Although we believe that our tax estimates are reasonable, the final determination of any tax audits or litigation could be materially different from our historical tax provisions and accruals, which could have a material adverse effect on our operating results or cash flows in the period or periods for which a determination is made.

We do not collect sales or other similar taxes in certain states and many of the states do not apply sales or similar taxes to certain of our solutions. State, local and foreign taxing jurisdictions have differing rules and regulations governing sales and use taxes, and these rules and regulations are subject to varying interpretations that may change over time. In particular, the applicability of sales taxes to our solutions in various jurisdictions is unclear. We review these rules and regulations periodically and, when we believe we are subject to sales and use taxes in a particular state, we may voluntarily engage state tax authorities to determine how to comply with their rules and regulations. A successful assertion by one or more states, including states for which we have not accrued tax liability, requiring us to collect sales or other taxes with respect to sales of our solutions could result in substantial tax liabilities for past transactions, including interest and penalties, discourage customers from purchasing our solutions or otherwise harm our business, financial condition and operating results.

Determining our income tax rate is complex and subject to uncertainty.

The computation of provision for income tax is complex, as it is based on the laws of numerous taxing jurisdictions and requires significant judgment on the application of complicated rules governing accounting for tax provisions under generally accepted accounting principles in the U.S. Provision for income tax for interim quarters is based on a forecast of our U.S. and non-U.S. effective tax rates for the year, which includes forward looking financial projections, including the expectations of profit and loss by jurisdiction, and contains numerous assumptions. Various items cannot be accurately forecasted and future events may be treated as discrete to the period in which they occur. Our provision for income tax can be materially impacted, for example, by the geographical mix of our profits and losses, changes in our business, such as internal restructuring and acquisitions, changes in tax laws and accounting guidance and other regulatory, legislative or judicial developments, tax audit determinations, changes in our uncertain tax positions, changes in our intent and capacity to permanently reinvest foreign earnings, changes to our transfer pricing practices, tax deductions attributed to equity compensation and changes in our need for a valuation allowance for deferred tax assets. For these reasons, our actual income taxes may be materially different than our provision for income tax.

Our use of our net operating loss carryforwards may be limited and such carryforwards may expire unutilized or underutilized.

We may be limited in the portion of our net operating loss carryforwards that we can use in the future to offset taxable income for U.S. federal and state income tax purposes. As of December 31, 2018, we had U.S. federal and state net operating loss carryforwards ("NOLs"), of $249.8 million and $90.5 million, respectively. Federal and state NOLs generated prior to 2018 will expire in various years beginning in 2028. If we do not earn sufficient taxable income in the future, our NOLs may expire unutilized or underutilized. In addition, under Section 382 of the Internal Revenue Code of 1986, as amended ("IRC"), a corporation that undergoes an “ownership change” is subject to limitations on its ability to utilize its existing NOLs to offset future taxable income. We may have experienced “ownership changes” under IRC Section 382 in the past, and subsequent changes in ownership of our stock, including by reason of future offerings, as well as other changes that may be outside of our control, could result in future ownership changes under IRC Section 382. If we are or become subject to limitations on our use of NOLs under IRC Section 382, our NOLs could expire unutilized or underutilized, even if we earn taxable income against which our NOLs could otherwise be offset. Our NOLs may also be impaired under similar provisions of state law. We have recorded a full valuation allowance related to our NOLs in our financial statements and other net deferred tax assets due to the uncertainty of the ultimate realization of the future benefits of those assets.

Comprehensive tax reform bills could adversely affect our business and financial condition.

The U.S. government recently enacted comprehensive tax legislation that includes significant changes to the taxation of business entities. These changes include, among others, (i) a permanent reduction to the corporate income tax rate, (ii) a partial limitation on the deductibility of business interest expense, (iii) a shift of the U.S. taxation of multinational corporations from a tax on worldwide income to a territorial system (along with certain rules designed to prevent erosion of the U.S. income tax base) and (iv) a one-time tax on accumulated offshore earnings held in cash and illiquid assets, with the latter taxed at a lower rate. Notwithstanding the reduction in the corporate income tax rate, the overall impact of this tax reform is uncertain, and our business and financial condition could be adversely affected. This Quarterly Report on Form 10-Q does not discuss any such tax legislation or the manner in which it might affect purchasers of our common stock. We urge our stockholders to consult with their legal and tax advisers with respect to any such legislation and the potential tax consequences of investing in our common stock.

Unfavorable conditions in the global economy or the vertical markets we serve could limit our ability to grow our business and negatively affect our operating results.

General worldwide economic conditions have experienced significant instability in recent years. These conditions make it extremely difficult for marketers and us to accurately forecast and plan future business activities, and could cause marketers to reduce or delay their marketing spending. Historically, economic downturns have resulted in overall reductions in marketing spending. If macroeconomic conditions deteriorate or are characterized by uncertainty or volatility, marketers may curtail or freeze spending on marketing in general and for services such as ours specifically.

In addition, our business may be materially and adversely affected by weak economic conditions in the specific vertical markets that we serve. We have historically generated a substantial majority of our revenue from marketers in the restaurant, brick and mortar retail, telecommunications and cable industries. We cannot predict the timing, strength or duration of any economic slowdown or recovery. In addition, even if the overall economy is robust, we cannot assure you that the market for services such as ours will experience growth or that we will experience growth.

Future acquisitions could disrupt our business and adversely affect our business, financial condition and operating results.

We may choose to expand by making acquisitions that could be material to our business, financial condition or operating results. Our ability as an organization to successfully acquire and integrate technologies or businesses is unproven. Acquisitions involve many risks, including the following:

- an acquisition may negatively affect our business, financial condition, operating results or cash flows because it may require us to incur charges or assume substantial debt or other liabilities, may cause adverse tax consequences or unfavorable accounting treatment, may expose us to claims and disputes by third parties, including intellectual property claims and disputes, or may not generate sufficient financial return to offset additional costs and expenses related to the acquisition;
- we may encounter difficulties or unforeseen expenditures in integrating the business, technologies, products, personnel or operations of any company that we acquire, particularly if key personnel of the acquired company decide not to work for us;
- an acquisition, whether or not consummated, may disrupt our ongoing business, divert resources, increase our expenses and distract our management;
- an acquisition may result in a delay or reduction of purchases for both us and the company that we acquired due to uncertainty about continuity and effectiveness of solution from either company;
- we may encounter difficulties in, or may be unable to, successfully sell any acquired products or solutions;
- an acquisition may involve the entry into geographic or business markets in which we have little or no prior experience or where competitors have stronger market positions;
- challenges inherent in effectively managing an increased number of employees in diverse locations;
- the potential strain on our financial and managerial controls and reporting systems and procedures;
- potential known and unknown liabilities associated with an acquired company;
- our use of cash to pay for acquisitions would limit other potential uses for our cash;
- if we incur debt to fund such acquisitions, such debt may subject us to material restrictions on our ability to conduct our business as well as financial maintenance covenants;
- the risk of impairment charges related to potential write-downs of acquired assets or goodwill in future acquisitions; and
- to the extent that we issue a significant amount of equity or convertible debt securities in connection with future acquisitions, existing stockholders may be diluted and earnings (loss) per share may decrease (increase).

We may not succeed in addressing these or other risks or any other problems encountered in connection with the integration of any acquired business. The inability to integrate successfully the business, technologies, products, personnel or operations of any acquired business, or any significant delay in achieving integration, could have a material adverse effect on our business, financial condition and operating results.

Natural or man-made disasters and other similar events may significantly disrupt our business, and negatively impact our business, financial condition and operating results.

A significant portion of our employee base, operating facilities and infrastructure are centralized in Atlanta, Georgia. Any of our facilities may be harmed or rendered inoperable by natural or man-made disasters, including earthquakes, tornadoes, hurricanes, wildfires, floods, nuclear disasters, acts of terrorism or other criminal activities, infectious disease outbreaks and power outages, which may render it difficult or impossible for us to operate our business for some period of time. Our facilities would likely be costly to repair or replace, and any such efforts would likely require substantial time. Any disruptions in our operations could negatively impact our business, financial condition and operating results, and harm our reputation. In addition, we may not carry business insurance or may not carry sufficient business insurance to compensate for losses that may occur. Any such losses or damages could have a material adverse effect on our business, financial condition and operating results. In addition, the facilities of significant marketers, FI partners or third-party data providers may be harmed or rendered inoperable by such natural or man-made disasters, which may cause disruptions, difficulties or material adverse effects on our business.

We may require additional capital to support growth, and such capital might not be available on terms acceptable to us, if at all, which may in turn hamper our growth and adversely affect our business.

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 solutions or enhance our solutions, improve our operating infrastructure or acquire complementary businesses and technologies. Accordingly, we may need to engage in equity, equity-linked or debt financings to secure additional funds. If we raise additional funds through future issuances of equity or equity-linked securities, including convertible debt securities, our existing stockholders could suffer significant dilution, and any new equity securities that 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, including the ability to pay dividends or repurchase shares of our capital stock. This may make it more difficult for us to obtain additional capital, to pursue business opportunities, including potential acquisitions, or to return capital to our stockholders. We also 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, service our indebtedness and respond to business challenges could be significantly impaired, and our business may be adversely affected.

If we are not able to maintain and enhance our brand, our business, financial condition and operating results may be adversely affected.

We believe that developing and maintaining awareness of the Cardlytics brand in a cost-effective manner is critical to achieving widespread acceptance of our existing solutions and future solutions and is an important element in attracting new marketers and FI partners. Furthermore, we believe that the importance of brand recognition will increase as competition in our market increases. Successful promotion of our brand will depend largely on the effectiveness of our marketing efforts and on our ability to deliver valuable solutions for our marketers, their agencies and our FI partners. In the past, our efforts to build our brand have involved significant expense. Brand promotion activities may not yield increased revenue and billings, and even if they do, any increased revenue and billings may not offset the expenses that we incurred in building our brand. If we fail to successfully promote and maintain our brand, or incur substantial expenses in an unsuccessful attempt to promote and maintain our brand, we may fail to attract enough new marketers or FI partners or retain our existing marketers or FI partners and our business could suffer.

We do not have direct contractual relationships with a substantial majority of our FI partners.

As of March 31, 2019, we had direct contractual relationships with 21 of our FI partners. Our other FI partners became part of our network through bank processors and digital banking providers, such as NCR and Fidelity Information Services LLC (“FIS”). While FI partners that were part of our network through our relationships with NCR and FIS contributed approximately 7.6% and 0.6%, respectively, of our total number of average FI MAUs for the three months ended March 31, 2019, these indirect FI partners represented substantially all of our total FI partners as of March 31, 2019. These indirect FI partners may terminate their relationships with these bank processors or digital banking providers, thereby indirectly terminating their relationships with us, independent of the actual or perceived value of our solutions to them.

Risks Related to Regulatory and Intellectual Property Matters

Regulatory, legislative or self-regulatory developments regarding Internet privacy matters could adversely affect our ability to conduct our business.

We, our FI partners and our marketers are subject to a number of domestic and international laws and regulations that apply to online services and the Internet generally. These laws, rules and regulations address a range of issues including data privacy and cybersecurity, and restrictions or technological requirements regarding the collection, use, storage, protection, retention or transfer of data.

In the U.S., the rules and regulations to which we, directly or contractually through our FI partners, or our marketers may be subject include those promulgated under the authority of the Federal Trade Commission, the Electronic Communications Privacy Act, Computer Fraud and Abuse Act, Health Insurance Portability and Accountability Act, the Gramm-Leach-Bliley Act and state cybersecurity and breach notification laws, as well as regulator enforcement positions and expectations reflected in federal and state regulatory actions, settlements, consent decrees and guidance documents. Internationally, virtually every jurisdiction in which we operate has established its own data security and privacy legal frameworks with which we, directly or contractually through our FI partners, or our marketers may be required to comply, including the Data Protection Directive established in the European Union. Further, many federal, state and foreign government bodies and agencies have introduced, and are currently considering, additional laws and regulations. If passed, we will likely incur additional expenses and costs associated with complying with such laws. The costs of compliance with, and other burdens imposed by, the laws, rules, regulations and policies that are applicable to the businesses of our FI partners or marketers may limit the use and adoption of, and reduce the overall demand for, our solutions.

These existing and proposed laws, regulations and industry standards can be costly to comply with and can delay or impede the development of new solutions, result in negative publicity and reputational harm, increase our operating costs, require significant management time and attention, increase our risk of non-compliance and subject us to claims or other remedies, including fines or demands that we modify or cease existing business practices.

Legislation and regulation of online businesses, including privacy and data protection regimes, is expansive, not clearly defined and rapidly evolving. Such regulation could create unexpected costs, subject us to enforcement actions for compliance failures, or restrict portions of our business or cause us to change our business model.

Government regulation and industry standards may increase the costs of doing business online. Federal, state, municipal and foreign governments and agencies have adopted and could in the future adopt, modify, apply or enforce laws, policies, regulations and standards covering user privacy, data security, technologies such as cookies that are used to collect, store and/or process data, online marketing, the use of data to inform marketing, the taxation of products and services, unfair and deceptive practices, and the collection (including the collection of information), use, processing, transfer, storage and/or disclosure of data associated with unique individual Internet users.

Although we have not collected or retained data that is traditionally considered PII under U.S. law, such as names, email addresses, addresses, phone numbers, social security numbers, credit card numbers, financial data or health data, we typically do collect and store Internet Protocol addresses and other device identifiers, which are or may be considered personal data in some jurisdictions or otherwise may be the subject of legislation or regulation. Furthermore, we may elect to use PII in the future for our current solutions or solutions we may introduce. In addition, certain U.S. laws impose requirements on the collection and use of information from or about users or their devices. Other existing laws may in the future be revised, or new laws may be passed, to impose more stringent requirements on the use of identifiers to collect user information, including information of the type that we collect. Changes in regulations could affect the type of data that we may collect; restrict our ability to use identifiers to collect information, and, thus, affect our ability to actually collect that information; the costs of doing business online, and, therefore, the demand for our solutions; the ability to expand or operate our business; and harm our business. For instance, the California Consumer Privacy Act of 2018, which will become effective on January 1, 2020, has an expansive definition of “personal information” that may impact our business practices or those of our FI partners.

In particular, there has been increasing public and regulatory concern and public scrutiny about the use of PII. Because the interpretation and application of privacy and data protection laws are still uncertain, it is possible that these laws may be interpreted and applied in a manner that is inconsistent with our existing data management practices or our solutions or that the definition of “PII” is expanded in the future. If this is the case, in addition to the possibility of fines, lawsuits and other claims, we could be required to fundamentally change our business activities and practices or modify our solutions, which could have a material adverse effect on our business, financial condition or operating results. Any inability to adequately address privacy concerns, even if unfounded, or comply with applicable privacy or data protection laws, regulations, policies or standards could result in additional cost and liability to us; damage our reputation; affect our ability to attract new marketers and FI partners and maintain relationships with our existing marketers and FI partners; and adversely affect our business, financial condition or operating results. Privacy and security concerns, whether valid or not, may inhibit market adoption of our solutions.

U.S. and non-U.S. regulators also may implement “Do-Not-Track” legislation, particularly if the industry does not implement a standard. Effective January 1, 2014, the California Governor signed into law an amendment to the California Online Privacy Protection Act of 2003. Such amendment requires operators of commercial websites and online service providers, under certain circumstances, to disclose in their privacy policies how such operators and providers respond to browser “do not track” signals.

Some of our activities may also be subject to the laws of foreign jurisdictions, whether or not we are established or based in such jurisdictions. Within the EU where we currently have an active presence in the U.K., Directive 2009/136/EC, commonly referred to as the “Cookie Directive,” directs EU member states to ensure that accessing information on an Internet user’s computer, such as through a cookie, is allowed only if the Internet user has given his or her consent. In response, some member states have implemented legislation requiring entities to obtain the user’s consent before placing cookies for targeted marketing purposes.

In the U.K., for example, the Privacy and Electronic Communications Regulations 2011 ("PECR"), implement the requirements of Directive 2009/136/EC (which amended Directive 2002/58/EC), which is known as the ePrivacy Directive. The PECR regulates various types of electronic direct marketing that use cookies and similar technologies. The PECR also imposes sector-specific breach reporting requirements, but only as applicable to providers of particular public electronic communications services. Additional EU member state laws of this type may follow.

We may be required to, or otherwise may determine that it is advisable to, develop or obtain additional tools and technologies to compensate for a potential lack of cookie data. Even if we are able to do so, such additional tools may be subject to further regulation, time consuming to develop or costly to obtain, and less effective than our current use of cookies. In addition, certain information, such as Internet Protocol addresses as collected and used by us may constitute “personal data” in certain non-U.S. jurisdictions, including in the U.K., and therefore certain of our activities could be subject to EU laws applicable to the processing and use of personal data.

More generally, the regulatory framework for online services and data privacy and security issues worldwide can vary substantially from jurisdiction to jurisdiction, is rapidly evolving and is likely to remain uncertain for the foreseeable future. Many federal, state and foreign government bodies and agencies have adopted or are considering adopting laws, rules, regulations and standards regarding the collection, use, storage and disclosure of information, web browsing and geolocation data collection and data analytics. Interpretation of these laws, rules and regulations and their application to our solutions in the U.S. and foreign jurisdictions is ongoing and cannot be fully determined at this time.

In addition, the regulatory environment for the collection and use of consumer data by marketers is evolving in the U.S. and internationally and is currently a self-regulatory framework, which relies on market participants to ensure self-compliance. The voluntary nature of this self-regulatory framework may change.

The U.S. and foreign governments have enacted, considered or are considering legislation or regulations that could significantly restrict industry participants’ ability to collect, augment, analyze, use and share anonymous data, such as by regulating the level of consumer notice and consent required before a company can place cookies or other tracking technologies. A number of existing bills are pending in the U.S. Congress that contain provisions that would regulate how companies can use cookies and other tracking technologies to collect and utilize user information.

In addition to government regulation, privacy advocates and industry groups may propose new and different self-regulatory standards that either legally or contractually apply to us. We may also be subject to claims of liability or responsibility for the actions of third parties with whom we interact or upon whom we rely in relation to various solutions, including but not limited to our marketers and their agencies and our FI partners. If this were to occur, in addition to the possibility of fines, lawsuits and other claims, we could be required to fundamentally change our business activities and practices or modify our solutions, which could have an adverse effect on our business. Any inability to adequately address privacy and security concerns, even if unfounded, or comply with applicable privacy or data protection laws, regulations and policies, could result in additional cost and liability to us, damage our reputation, inhibit sales and adversely affect our business.

In addition, if we were to gain knowledge that we inadvertently received PII from our FI partners, our failure to comply with applicable laws and regulations, or to protect personal data, could result in enforcement action against us, including fines, imprisonment of our officers and public censure, claims for damages by consumers and other affected individuals, damage to our reputation and loss of goodwill, any of which could have a material adverse impact on our operations, financial performance and business. Even the perception of privacy or security concerns, whether or not valid, may harm our reputation and inhibit adoption of our solution by current and future marketers and marketing agencies.

If the use of matching technologies, such as cookies, pixels and device identifiers, is rejected by Internet users, restricted or otherwise subject to unfavorable terms, such as by non-governmental entities, our performance may decline and we may lose customers and revenue.

Our solutions may use matching technologies, such as cookies, pixels and device identifiers, to match the Cardlytics IDs we have assigned to our FIs' customers with their digital presence outside of the FI partners' websites and mobile applications. Our matching technologies may sometimes be "third-party cookies" because they are placed on individual browsers when Internet users visit a website that is not part of the Cardlytics.com domain. These matching technologies are placed through an Internet browser on an Internet user's computer and correspond with a data set that we retain on our servers. Our matching technologies only record anonymized information and the date that the matching technology was last refreshed. When our matching technologies are present and a user is exposed to marketing content targeted or deployed with our solutions, we are able to gain insight into that user's interaction with the marketing content. If our access to matching technology data is reduced, our ability to conduct our business in the current manner may be affected and thus undermine the effectiveness of our solutions.

Internet users may easily block and/or delete cookies (e.g., through their browsers or "ad blocking" software). The most commonly used Internet browsers allow Internet users to modify their browser settings to prevent cookies from being accepted by their browsers, or are set to block third-party cookies by default. If more browser manufacturers and Internet users adopt these settings or delete their cookies more frequently than they currently do, our business could be negatively affected. Some government regulators and privacy advocates have suggested creating a "Do Not Track" standard that would allow Internet users to express a preference, independent of cookie settings in their browser, not to have website browsing recorded. If Internet users adopt a "Do Not Track" browser setting and the standard either gets imposed by state or federal legislation or agreed upon by standard-setting groups, it may curtail or prohibit us from using non-personal data as we currently do. This could hinder growth of marketing on the Internet generally, and cause us to change our business practices and adversely affect our business, financial condition and operating results.

In addition, browser manufacturers could replace cookies with their own product and require us to negotiate and pay them for use of such product to record information about Internet users' interactions with our marketers, which may not be available on commercially reasonable terms, or at all.

Failure to protect our proprietary technology and intellectual property rights could substantially harm our business, financial condition and operating results.

Our future success and competitive position depend in part on our ability to protect our intellectual property and proprietary technologies. To safeguard these rights, we rely on a combination of patent, trademark, copyright and trade secret laws and contractual protections in the U.S. and other jurisdictions, all of which provide only limited protection and may not now or in the future provide us with a competitive advantage.

As of March 31, 2019, we had four issued patents and are pursuing five additional patents. We cannot assure you that any patents will issue from any patent applications, that patents that issue from such applications will give us the protection that we seek or that any such patents will not be challenged, invalidated, or circumvented. Any patents that may issue in the future from our pending or future patent applications may not provide sufficiently broad protection and may not be enforceable in actions against alleged infringers. We have registered the "Cardlytics" name and logo in the U.S. and certain other countries. We have registrations and/or pending applications for additional marks in the U.S. and other countries; however, we cannot assure you that any future trademark registrations will be issued for pending or future applications or that any registered trademarks will be enforceable or provide adequate protection of our proprietary rights. We also license software from third parties for integration into our products, including open source software and other software available on commercially reasonable terms. We cannot assure you that such third parties will maintain such software or continue to make it available.

In order to protect our unpatented proprietary technologies and processes, we rely on trade secret laws and confidentiality agreements with our employees, consultants, vendors and others. Despite our efforts to protect our proprietary technology and trade secrets, unauthorized parties may attempt to misappropriate, reverse engineer or otherwise obtain and use them. Bank of America also has a right to purchase the source code underlying Cardlytics Direct upon the occurrence of specified events, which could compromise the proprietary nature of our platform and/or allow Bank of America to discontinue the use of our solutions. Additionally, other FIs have a right to obtain the source code underlying Cardlytics OPS through the release of source code held in escrow upon the occurrence of specified events, which could compromise the proprietary nature of our platform and/or allow these FIs to discontinue the use of our solutions.

In addition, others may independently discover our trade secrets, in which case we would not be able to assert trade secret rights, or develop similar technologies and processes. Further, the contractual provisions that we enter into may not prevent unauthorized use or disclosure of our proprietary technology or intellectual property rights and may not provide an adequate remedy in the event of unauthorized use or disclosure of our proprietary technology or intellectual property rights. Moreover, policing unauthorized use of our technologies, trade secrets and intellectual property is difficult, expensive and time-consuming, particularly in foreign countries where the laws may not be as protective of intellectual property rights as those in the U.S. and where mechanisms for enforcement of intellectual property rights may be weak. We may be unable to determine the extent of any unauthorized use or infringement of our solutions, technologies or intellectual property rights.

From time to time, legal action by us may be necessary to enforce our patents and other intellectual property rights, to protect our trade secrets, to determine the validity and scope of the intellectual property rights of others or to defend against claims of infringement or invalidity. Such legal action could result in substantial costs and diversion of resources and could negatively affect our business, financial condition and operating results.

Assertions by third parties of infringement or other violations by us of their intellectual property rights, whether or not correct, could result in significant costs and harm our business, financial condition and operating results.

Patent and other intellectual property disputes are common in our industry. We have in the past and may in the future be subject to claims alleging that we have misappropriated, misused, or infringed other parties' intellectual property rights. Some companies, including certain of our competitors, own larger numbers of patents, copyrights and trademarks than we do, which they may use to assert claims against us. Third parties may also assert claims of intellectual property rights infringement against our FI partners, whom we are typically required to indemnify. As the numbers of solutions and competitors in our market increases and overlap occurs, claims of infringement, misappropriation and other violations of intellectual property rights may increase. Any claim of infringement, misappropriation or other violation of intellectual property rights by a third party, even those without merit, could cause us to incur substantial costs defending against the claim and could distract our management from our business.

The patent portfolios of our most significant competitors are larger than ours. This disparity may increase the risk that they may sue us for patent infringement and may limit our ability to counterclaim for patent infringement or settle through patent cross-licenses. In addition, future assertions of patent rights by third parties, and any resulting litigation, may involve patent holding companies or other adverse patent owners who have no relevant product revenues and against whom our own patents may therefore provide little or no deterrence or protection. There can be no assurance that we will not be found to infringe or otherwise violate any third-party intellectual property rights or to have done so in the past.

An adverse outcome of a dispute may require us to:

- pay substantial damages, including treble damages, if we are found to have willfully infringed a third party's patents or copyrights;
- cease developing or selling solutions that rely on technology that is alleged to infringe or misappropriate the intellectual property of others;
- expend additional development resources to attempt to redesign our solutions or otherwise develop non-infringing technology, which may not be successful;
- enter into potentially unfavorable royalty or license agreements in order to obtain the right to use necessary technologies or intellectual property rights; and
- indemnify our FI partners and other third parties.

In addition, royalty or licensing agreements, if required or desirable, may be unavailable on terms acceptable to us, or at all, and may require significant royalty payments and other expenditures. Some licenses may also be non-exclusive, and therefore our competitors may have access to the same technology licensed to us. Any of the foregoing events could seriously harm our business, financial condition and operating results.

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

We use open source software to deliver our solutions and expect to continue to use open source software in the future. Some of these open source licenses may require that source code subject to the license be made available to the public and that any modifications or derivative works to open source software continue to be licensed under open source licenses. This may require that we make certain proprietary code available under an open source license. We may face claims from others claiming ownership of, or seeking to enforce the license terms applicable to such open source software, including by demanding release of the open source software, derivative works or our proprietary source code that was developed using such software. Few of the licenses applicable to open source software have been interpreted by courts, and there is a risk that these licenses could be construed in a manner that could impose unanticipated conditions or restrictions on our ability to commercialize our products. These claims could also result in litigation, require us to purchase costly licenses or require us to devote additional research and development resources to change the software underlying our solutions, any of which would have a negative effect on our business, financial condition and operating results and may not be possible in a timely manner. We and our customers may also be subject to suits by parties claiming infringement due to the reliance by our solutions on certain open source software, and such litigation could be costly for us to defend or subject us to an injunction. In addition, if the license terms for the open source code change, we may be forced to re-engineer our software or incur additional costs. Finally, we cannot assure you that we have not incorporated open source software into the software underlying our solutions in a manner that may subject our proprietary software to an open source license that requires disclosure, to customers or the public, of the source code to such proprietary software. In the event that portions of our proprietary technology are determined to be subject to an open source license, we could be required to publicly release portions of our source code, re-engineer all or a portion of our technologies, or otherwise be limited in the licensing of our technologies, each of which could reduce or eliminate the value of our solutions and technologies and materially and adversely affect our ability to sustain and grow our business. Many open source licenses also limit our ability to bring patent infringement lawsuits against open source software that we use without losing our right to use such open source software. Therefore, the use of open source software may limit our ability to bring patent infringement lawsuits, to the extent we ever have any patents that cover open source software that we use.

We are subject to government regulation, including import, export, economic sanctions and anti-corruption laws and regulations that may expose us to liability and increase our costs.

Various of our products are subject to U.S. export controls, including the U.S. Department of Commerce’s Export Administration Regulations and economic and trade sanctions regulations administered by the U.S. Treasury Department’s Office of Foreign Assets Controls. These regulations may limit the export of our products and provision of our solutions outside of the U.S., or may require export authorizations, including by license, a license exception or other appropriate government authorizations, including annual or semi-annual reporting and the filing of an encryption registration. Export control and economic sanctions laws may also include prohibitions on the sale or supply of certain of our products to embargoed or sanctioned countries, regions, governments, persons and entities. In addition, various countries regulate the importation of certain products, through import permitting and licensing requirements, and have enacted laws that could limit our ability to distribute our products. The exportation, reexportation, and importation of our products and the provision of solutions, including by our partners, must comply with these laws or else we may be adversely affected, through reputational harm, government investigations, penalties and a denial or curtailment of our ability to export our products or provide solutions. Complying with export control and sanctions laws may be time consuming and may result in the delay or loss of sales opportunities. Although we take precautions to prevent our products from being provided in violation of such laws, our products may have previously been, and could in the future be, provided inadvertently in violation of such laws, despite the precautions we take. If we are found to be in violation of U.S. sanctions or export control laws, it could result in substantial fines and penalties for us and for the individuals working for us. Changes in export or import laws or corresponding sanctions, may delay the introduction and sale of our products in international markets, or, in some cases, prevent the export or import of our products to certain countries, regions, governments, persons or entities altogether, which could adversely affect our business, financial condition and results of operations.

We are also subject to various domestic and international anti-corruption laws, such as the U.S. Foreign Corrupt Practices Act and the U.K. Bribery Act, as well as other similar anti-bribery and anti-kickback laws and regulations. These laws and regulations generally prohibit companies and their employees and intermediaries from authorizing, offering or providing improper payments or benefits to officials and other recipients for improper purposes. We rely on certain third parties to support our sales and regulatory compliance efforts and can be held liable for their corrupt or other illegal activities, even if we do not explicitly authorize or have actual knowledge of such activities. Although we take precautions to prevent violations of these laws, our exposure for violating these laws increases as our international presence expands and as we increase sales and operations in foreign jurisdictions.

Risks Related to Ownership of Our Common Stock

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

Although our common stock is listed on the Nasdaq Global Market, we cannot assure you that an active trading market for our shares will be sustained. If an active market for our common stock is not sustained, it may be difficult for investors in our common stock to sell shares without depressing the market price for the shares or to sell the shares at all.

The market price of our common stock has been and is likely to continue to be volatile.

The market price of our common stock may be highly volatile and may fluctuate substantially as a result of a variety of factors, some of which are related in complex ways. Since shares of our common stock were sold in our initial public offering in February 2018 at a price of $13.00 per share, our stock price has ranged from an intraday low of $9.80 to an intraday high of $28.29 through May 9, 2019. Factors that may affect the market price of our common stock include:

- actual or anticipated fluctuations in our financial condition and operating results;
- variance in our financial performance from expectations of securities analysts or investors;
- changes in the prices of our solutions;
- changes in laws or regulations applicable to our solutions;
- announcements by us or our competitors of significant business developments, acquisitions or new offerings;
- our involvement in litigation;
- our sale of our common stock or other securities in the future;
- changes in senior management or key personnel;
- trading volume of our common stock;
- changes in the anticipated future size and growth rate of our market; and
- general economic, regulatory and market conditions.

The stock markets have experienced extreme price and volume fluctuations that have affected and continue to affect the market prices of equity securities of many companies. These fluctuations have often been unrelated or disproportionate to the operating performance of those companies. Broad market and industry fluctuations, as well as general economic, political, regulatory and market conditions, may negatively impact the market price of our common stock. In the past, companies that have experienced volatility in the market price of their securities have been subject to securities class action litigation. We may be the target of this type of litigation in the future, which could result in substantial costs and divert our management's attention.

We do not intend to pay dividends for the foreseeable future and, as a result, your ability to achieve a return on your investment will depend on appreciation in the price of our common stock.

We have never declared or paid any cash dividends on our common stock and do not intend to pay any cash dividends in the foreseeable future. We anticipate that we will retain all of our future earnings for use in the development of our business and for general corporate purposes. Any determination to pay dividends in the future will be at the discretion of our board of directors. Accordingly, investors must 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 investments.

Concentration of ownership among our current directors, executive officers and their affiliates may limit an investor's ability to influence significant corporate decisions.

Our directors and executive officers, together with their affiliates, beneficially own a significant portion of our outstanding capital stock. As a result, these stockholders, acting together, will have substantial influence over the outcome of matters submitted to our stockholders for approval, including the election of directors and approval of significant corporate transactions, such as a merger or other sale of our company or its assets. This concentration of ownership could delay, defer or prevent a change in control of the company, merger, consolidation, takeover or other business combination, which in turn could adversely affect the market price of our common stock.

Future sales of our common stock in the public market could cause our share price to decline.

Sales of a substantial number of shares of our common stock in the public market, or the perception that these sales might occur, could depress the market price of our common stock and could impair our ability to raise capital through the sale of additional equity securities. We are unable to predict the effect that sales, particularly sales by our directors, executive officers, and significant stockholders, may have on the prevailing market price of our common stock. All of our outstanding shares of common stock are available for sale in the public market, subject only to the restrictions of Rule 144 under the Securities Act in the case of our affiliates. In addition, the shares of common stock subject to outstanding options under our equity incentive plans and the shares reserved for future issuance under our equity incentive plans, as well as shares issuable upon vesting of restricted stock unit awards, will become eligible for sale in the public market in the future, subject to certain legal and contractual limitations. In addition, certain holders of our common stock have the right, subject to various conditions and limitations, to request we include their shares of our common stock in registration statements we may file relating to our securities.

We may issue common stock or other securities if we need to raise additional capital. The number of new shares of our common stock issued in connection with raising additional capital could constitute a material portion of our then-outstanding shares of our common stock.

If securities or industry analysts do not publish research or reports about our business, or publish negative reports about our business, our stock price and trading volume could decline.

The trading market for our common stock will depend, in part, on the research and reports that securities or industry analysts publish about us or our business. We do not have any control over these analysts. If our financial performance fails to meet analyst estimates or one or more of the analysts who cover us downgrade our stock or change their opinion of our business or market value, our share price would likely decline. If one or more of these analysts cease coverage of us or fail to regularly publish reports on us, we could lose visibility in the financial markets, which could cause our share price or trading volume to decline.

Our reported financial results may be adversely affected by changes in accounting principles generally accepted in the U.S.

Generally accepted accounting principles in the U.S. are subject to interpretation by the Financial Accounting Standards Board ("FASB"), the U.S. Securities and Exchange Commission ("SEC"), and various bodies formed to promulgate and interpret appropriate accounting principles. A change in these principles or interpretations could have a significant effect on our reported financial results, and could affect the reporting of transactions completed before the announcement of a change.

We are an “emerging growth company” and we cannot be certain if the reduced disclosure requirements applicable to emerging growth companies will make our common stock less attractive to investors.

We are an “emerging growth company,” as defined in the JOBS Act and we may 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, the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act ("Section 404"), reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved. We cannot predict if investors will find our common stock less attractive if we choose to rely on these exemptions. If some investors find our common stock less attractive as a result, there may be a less active trading market for our common stock and our stock price may be more volatile.

As an “emerging growth company,” the JOBS Act allows us to delay adoption of new or revised accounting pronouncements applicable to public companies until such pronouncements are made applicable to private companies. We have elected to use this extended transition period under the JOBS Act. As a result, our consolidated financial statements may not be comparable to the financial statements of issuers who are required to comply with the effective dates for new or revised accounting standards that are applicable to public companies, which may make our common stock less attractive to investors.

We have incurred and will continue to incur increased costs as a result of being a public company.

As a newly public company, and particularly after we are no longer an “emerging growth company,” we have incurred and we will continue to incur significant legal, accounting and other expenses that we did not incur as a private company. The Sarbanes-Oxley Act, the Dodd-Frank Wall Street Reform and Consumer Protection Act, the listing requirements of the Nasdaq Stock Market and other applicable securities rules and regulations impose various requirements on public companies. We expect that compliance with these requirements will continue to increase certain of our expenses and make some activities more time-consuming than they have been in the past when we were a private company. Such additional costs going forward could negatively affect our financial results.

As a result of becoming a public company, we will be obligated to develop and maintain proper and effective internal control over financial reporting and any failure to maintain the adequacy of these internal controls may adversely affect investor confidence in our company and, as a result, the value of our common stock.

We 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 on an annual basis. Our independent registered public accounting firm will not be required to attest to the effectiveness of our internal control over financial reporting until our first annual report required to be filed with the SEC following the date we are no longer an "emerging growth company," as defined in the JOBS Act. We will be required to disclose significant changes made in our internal control procedures on a quarterly basis.

We have commenced the costly and challenging process of compiling the system and processing documentation necessary to perform the evaluation needed to comply with Section 404, and we may not be able to complete our evaluation, testing and any required remediation in a timely fashion. Our compliance with Section 404 will require that we incur substantial accounting expense and expend significant management efforts. We currently do not have an internal audit group, and we may need to hire additional accounting and financial staff with appropriate public company experience and technical accounting knowledge and compile the system and process documentation necessary to perform the evaluation needed to comply with Section 404.

During the evaluation and testing process of our internal controls, if we identify one or more material weaknesses in our internal control over financial reporting, we will be unable to assert that our internal control over financial reporting is effective. We cannot assure you that there will not be material weaknesses or significant deficiencies in our internal control over financial reporting in the future. Any failure to maintain internal control over financial reporting could severely inhibit our ability to accurately report our financial condition and operating results. If we are unable to conclude that our internal control over financial reporting is effective, or if our independent registered public accounting firm determines we have a material weakness or significant deficiency in our internal control over financial reporting, we could lose investor confidence in the accuracy and completeness of our financial reports, the market price of our common stock could decline, and we could be subject to sanctions or investigations by the SEC or other regulatory authorities. Failure to remedy any material weakness in our internal control over financial reporting, or to implement or maintain other effective control systems required of public companies, could also restrict our future access to the capital markets.

Anti-takeover provisions in our charter documents and under Delaware law could make an acquisition of us more difficult, limit attempts by our stockholders to replace or remove our current management and limit the market price of our common stock.

Provisions in our amended and restated certificate of incorporation and amended and restated bylaws may have the effect of delaying or preventing a change in control or changes in our management. Our amended and restated certificate of incorporation and amended and restated bylaws will include provisions that:

- authorize our board of directors to issue preferred stock without further stockholder action and with voting liquidation, dividend and other rights superior to our common stock;
- require that any action to be taken by our stockholders be effected at a duly called annual or special meeting and not by written consent, and limit the ability of our stockholders to call special meetings;
- establish an advance notice procedure for stockholder proposals to be brought before an annual meeting, including proposed nominations of persons for director nominees;
- establish that our board of directors is divided into three classes, with directors in each class serving three-year staggered terms;
- require the approval of holders of two-thirds of the shares entitled to vote at an election of directors to adopt, amend or repeal our amended and restated bylaws or amend or repeal the provisions of our amended and restated certificate of incorporation regarding the election and removal of directors and the ability of stockholders to take action by written consent or call a special meeting;
- prohibit cumulative voting in the election of directors; and
- provide that vacancies on our board of directors may be filled only by a majority of directors then in office, even though less than a quorum.

These provisions may frustrate or prevent any attempts by our stockholders to replace or remove our current management by making it more difficult for stockholders to replace members of our board of directors, which is responsible for appointing the members of our management. In addition, because we are incorporated in Delaware, we are governed by the provisions of Section 203 of the Delaware General Corporation Law, which generally prohibits a Delaware corporation from engaging in any of a broad range of business combinations with any “interested” stockholder for a period of three years following the date on which the stockholder became an “interested” stockholder. Any of the foregoing provisions could limit the price that investors might be willing to pay in the future for shares of our common stock, and they could deter potential acquirers of our company, thereby reducing the likelihood that you would receive a premium for your shares of our common stock in an acquisition.

Our amended and restated certificate of incorporation designates the Court of Chancery of the State of Delaware as the exclusive forum for certain litigation that may be initiated by our stockholders, which could limit our stockholders’ ability to obtain a favorable judicial forum for disputes with us.

Pursuant to our amended and restated certificate of incorporation, unless we consent in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware will be the sole and exclusive forum for (1) any derivative action or proceeding brought on our behalf, (2) any action asserting a claim of breach of a fiduciary duty owed by any of our directors, officers or other employees to us or our stockholders, (3) any action asserting a claim arising pursuant to any provision of the Delaware General Corporation Law, our amended and restated certificate of incorporation or our amended and restated bylaws or (4) any action asserting a claim governed by the internal affairs doctrine. The forum selection clause in our amended and restated certificate of incorporation may limit our stockholders’ ability to obtain a favorable judicial forum for disputes with us.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Recent Sales of Unregistered Securities

None.

Use of Proceeds from Initial Public Offering of Common Stock

On February 13, 2018, we closed our IPO in which we issued and sold 5,400,000 shares of common stock at a public offering price of $13.00 per share, resulting in gross proceeds of $70.2 million. On February 14, 2018, pursuant to the underwriters’ partial exercise of their over-allotment option to purchase up to an additional 810,000 shares from us, we issued and sold an additional 421,355 shares of our common stock, resulting in incremental gross proceeds of $5.5 million. All of the shares issued and sold in our IPO were registered under the Securities Act pursuant to a registration statement on Form S-1 (File No. 333-222531), which was declared effective by the SEC on February 8, 2018. Merrill Lynch, Pierce, Fenner & Smith Incorporated and J.P. Morgan Securities LLC acted as joint book-running managers of our IPO. Wells Fargo Securities, LLC and SunTrust Robinson Humphrey, Inc. also acted as book-runners for the IPO. Raymond James & Associates, Inc. and KeyBanc Capital Markets Inc. acted as the co-managers for the IPO.

The net proceeds to us, after deducting underwriting discounts and commission of approximately $5.3 million and offering expenses of approximately $4.3 million, were approximately $66.1 million. No offering expenses were paid directly or indirectly to any of our directors or officers (or their associates) or persons owning ten percent or more of any class of our equity securities or to any other affiliates. There has been no material change in the planned use of proceeds from our IPO from those disclosed in the final prospectus for our IPO dated February 8, 2018 and filed with the SEC pursuant to Rule 424(b)(4) of the Securities Act on February 9, 2018.

Issuer Purchases of Equity Securities

None.

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ITEM 6. EXHIBITS

The exhibits listed below are filed or incorporated by reference into this Quarterly Report on Form 10-Q.

		Incorporated by Reference				
Exhibit	**Exhibit Description**	**Schedule /Form**	**File Number**	**Exhibit**	**Filing Date**	**Filed Herewith**
3.1	Amended and Restated Certificate of Incorporation of the Registrant	S-1	333-222531	3.2	1/12/2018	
3.2	Amended and Restated Bylaws of the Registrant	S-1	333-222531	3.4	1/12/2018	
10.1	2019 Bonus Plan of the Registrant					X
10.2**	First Amendment to Loan and Security Agreement, dated March 27, 2019, among Cardlytics, Inc., as Borrower and Pacific Western Bank, as Lender					X
31.1	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002					X
31.2	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002					X
32.1*	Certification of Principal Executive Officer and Principal 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 - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.					X
101.sch	XBRL Taxonomy Schema Linkbase Document					X
101.cal	XBRL Taxonomy Calculation Linkbase Document					X
101.def	XBRL Taxonomy Definition Linkbase Document					X
101.lab	XBRL Taxonomy Label Linkbase Document					X
101.pre	XBRL Taxonomy Presentation Linkbase Document					X

** Portions of this exhibit (indicated by asterisks) have been excluded because such information (i) is not material and (ii) would be competitively harmful if publicly disclosed.

* The certifications furnished in Exhibit 32.1 hereto are deemed to accompany this Quarterly Report on Form 10-Q and will not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, except to the extent that the registrant specifically incorporates it by reference.

SIGNATURES

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

Cardlytics, Inc.

Date: May 9, 2019	By:	/s/ Scott D. Grimes
		Scott D. Grimes
		Chief Executive Officer *(Principal Executive Officer)*
Date: May 9, 2019	By:	/s/ David T. Evans
		David T. Evans
		Chief Financial Officer *(Principal Financial and Accounting Officer)*

Exhibit 10.1

2019 Bonus Plan

Overview

The Cardlytics Bonus Plan ("Bonus Plan") rewards employees for helping Cardlytics ("Company") reach our corporate goals and for employees' personal performance. This document provides details on the 2019 Bonus Plan. If you have additional questions, please speak with your manager or People Operations.

Bonus Potential

Your bonus potential is a percentage (%) of your annualized base salary. For each bonus period (either a quarter or the year), your bonus potential is based on your base salary at the end of that period. Your bonus % is based upon your level and will be communicated to you by your manager. Your bonus % can also be found in Namely.

Bonus Components

Your bonus consists of two components: corporate and personal. The weight of each of these components depends upon your level.

Level	Corporate Component	Personal Component
C-Level Executives	100%	0%
SVP/VP	75%	25%
Sr Director / Sr Principal	60%	40%
Director / Principal / Manager / Sr Manager	50%	50%
Entry-level / Mid / Senior	40%	60%

Payout

- Corporate component
  - Paid out quarterly based upon Company performance on two metrics
  - Typically paid out within 45 days of the end of each quarter
- Personal component
  - Paid out annually based upon 2019 personal performance
  - Typically paid out within 90 days of the end of the year
  - The company must meet a minimum performance threshold for personal bonus to be paid

Corporate Component

The corporate component of the bonus is paid out based upon two metrics:

1. Adjusted contribution (as reported)
2. Adjusted EBITDA (as reported)

Each metric makes up half of the quarterly bonus potential.

The adjusted contribution metric is paid out independently at the following levels:

- **Under the Threshold**: 0% payout
- **From the Threshold to just below the Target**: 50% payout
- **At Target**: 100% payout
- **Over the Target**: For every 1% achievement over Target, pay out of 2%, so 102% pays out 104%, capped at 120% payout.

Examples: If the Company's adjusted contribution is over the Threshold but below the Target, then the adjusted contribution portion will pay out at 50%. If the Company's adjusted contribution is 104% of the Target, then the adjusted contribution portion will pay out at 108%. If the Company's adjusted contribution is 115% of the Target, then the adjusted contribution portion will reach the 120% pay out cap.

The adjusted EBITDA metric is determined after accounting for any bonus payments and is paid out independently at the following levels:

- **Under the Threshold:** 0% payout
- **From the Threshold to just below the Target:** 50% payout
- **At Target:** 100% payout
- **Over the Target:** capped at 100% payout

Personal Component

The personal component of bonus is paid out based on each employee's performance for 2019.

The Company must hit at least 85% of the adjusted contribution Target and be within $6,000,000 of the adjusted EBITDA Target before payout of the personal component.

Executives

For Executives, 20% of the employee's target is paid out each quarter based upon quarterly corporate performance, and 20% is paid out annually based on annual corporate performance. The Executive annual component is paid out just like the quarterly as noted above.

Fine Print

- Regular, full-time employees are eligible to participate
- Employees hired during a quarter will be eligible for a pro-rated bonus for the quarter in which he/she was hired
- Employees hired between January 1, 2019 and October 1, 2019 will be eligible for a pro-rated annual bonus; employees hired after October 1, 2019 will not be eligible for any annual portion of the bonus but will be eligible for a pro-rated Q4 corporate bonus
- Employees who switch from the bonus plan to a commission plan, or vice versa, will be eligible for pro-rated participation in the bonus plan based on the portion of the year he/she was bonus eligible
- Employees are not eligible to participate in a commission plan and the bonus plan simultaneously. Commissioned employees will only be eligible for incentive compensation through his/her commission plan
- You must be an active employee of Cardlytics on the date the bonus is paid in order to be eligible; participants who voluntarily resign prior to the bonus payment date may not be eligible for payment
- The Bonus Plan, its guidelines and your participation are all subject to modification or termination at any time at the sole discretion of the Company
- People Operations and Finance calculate bonus payments and their interpretations of the plan are final in all respects
- Quarterly payments will typically be made 45 days after the end of the quarter, but will be no later than 60 days after the end of the quarter
- Annual payments will typically be made 90 days after the end of the year, but will be made no later than 120 days after the end of the year
- All bonus payments are subject to applicable federal, state and local tax withholdings
- This plan does not create a contract of employment or a contract for pay or benefits

First Amendment to Loan and Security Agreement

Borrower: Cardlytics, Inc.

Date: March 27, 2019

This **FIRST AMENDMENT TO LOAN AND SECURITY AGREEMENT** is entered into between PACIFIC WESTERN BANK, a California state-chartered bank ("PWB"), as Agent and Lender, the other lenders from time to time party to the Loan Agreement, and the borrower named above ("Borrower"). PWB and lenders that may hereafter join as lenders under the Loan Agreement (as defined below) are herein sometimes collectively referred to as "Lenders" and individually as a "Lender". PWB, in its capacity as administrative and collateral Agent for the Lenders, is referred to herein as the "Agent" (which term shall include any successor Agent in accordance with terms hereof).

Agent, Lender and Borrower agree to amend the Loan and Security Agreement between them, dated May 21, 2018 (as amended, the "Loan Agreement"), as follows, effective as of the date hereof. (Capitalized terms used but not defined in this Amendment shall have the meanings set forth in the Loan Agreement.)

1. **Amendment to Success Fee.** Section 3 of the Schedule to the Loan Agreement, which presently reads as follows:

"Success Fee: In the event Borrower realizes revenue (in accordance with GAAP) of $200,000,000 or more during any twelve-month period ending at the end of any month after the date hereof, Borrower shall pay Lender a one-time Success Fee in the amount of $75,000 within 30 days after the end of such month."

is hereby amended in its entirety to read as follows:

"Success Fee: In the event Borrower realizes Billings of $225,000,000 or more during any twelve-month period ending at the end of any month after the date hereof, Borrower shall pay Lender a one-time Success Fee in the amount of $75,000 within 30 days after the end of such month."

2. **Amendment to Financial Covenants.** That portion of Section 5 of the Schedule to the Loan Agreement, which presently reads as follows:]

"Minimum Revenue: Borrower shall maintain revenue, determined in accordance with GAAP, in the following amounts for each twelve-month period ending at following dates:

Twelve Months Ending	*Minimum Revenue (000s omitted)*
4/30/2018	*$124,500*
5/31/2018	*$125,750*
6/30/2018	*$127,000*
7/31/2018	*$128,250*
8/31/2018	*$129,500*
9/30/2018	*$130,750*
10/31/2018	*$132,000*
11/30/2018	*$133,250*
12/31/2018	*$134,500*
1/31/2019	*$135,750*
2/28/2019	*$137,000*
*	*

Certain information has been excluded from this agreement (indicated by "[***]") because such information (i) is not material and (ii) would be competitively harmful if publicly disclosed.

*** For periods after February 28, 2019, the above covenants shall be determined as follows: On or before February 28, 2019, and February 28 in each succeeding year, Borrower shall submit to Lender financial projections for Borrower for the succeeding 12-month period, on a monthly basis, as approved by Borrower's Board of Directors, and Lender and Borrower shall attempt to agree in writing on the financial covenants which Borrower shall be required to comply with for such periods. If for any reason Borrower and Lender are not able to agree in writing on the same, prior to March 31, 2019, or March 31 of any subsequent year, or if such projections are not received by Lender within 60 days after the beginning of any fiscal year, then the financial covenants for such periods during such fiscal year shall be determined by Lender, in Lender's Good Faith Business Judgment."*

is hereby deleted and replaced with the following:

"Minimum Billings: Borrower shall maintain Billings of not less than the following amounts for each twelve-month period ending at following dates:

Twelve Months Ending	Minimum Billings (000s omitted)
3/31/2019	$210,000
4/30/2019	[***]
5/31/2019	[***]
6/30/2019	[***]
7/31/2019	[***]
8/31/2019	[***]
9/30/2019	[***]
10/31/2019	[***]
11/30/2019	[***]
12/31/2019	[***]
1/31/2020	[***]
2/28/2020	[***]
3/31/2020	[***]
4/30/2020	[***]
5/31/2020 and each twelve-month period ending thereafter	$255,000

As used herein, "Billings" means with respect to any fiscal period, on a consolidated basis, the amounts billed by Borrower to their respective customers in such period in accordance with its agreements with its customers."

3. **Fee.** In consideration for Agent and Lender entering into this Amendment, Borrower shall concurrently pay Agent a fee in the amount of $5,000 which shall be non-refundable and in addition to all interest and other fees payable to Agent and Lender under the Loan Documents. Agent is authorized to charge said fee to Borrower's loan account or any of Borrower's deposit accounts with Agent.

4. **Representations True.** Borrower represents and warrants to Agent and Lender that all representations and warranties set forth in the Loan Agreement, as amended hereby, are true and correct.

5. **General Release.** In consideration for Agent and Lender entering into this Amendment, Borrower hereby irrevocably releases and forever discharges Lender, and its successors, assigns, agents, shareholders, directors, officers, employees, agents, attorneys, parent corporations, subsidiary corporations, affiliated corporations, affiliates, participants, and each of them (collectively, the "Releasees"), from any and all claims, debts, liabilities, demands, obligations, costs, expenses, actions and causes of action, of every nature and description, known and unknown, which Borrower now has or at any time may hold, by reason of any matter, cause or thing occurred, done, omitted or suffered to be done prior to the date of this Amendment (collectively, the "Released Claims"). Borrower hereby irrevocably waives the benefits of any and all statutes and rules of law to the extent the same provide in substance that a general release does not extend to claims

Certain information has been excluded from this agreement (indicated by "[***]") because such information (i) is not material and (ii) would be competitively harmful if publicly disclosed.

which the creditor does not know or suspect to exist in its favor at the time of exe-cuting the release. Borrower represents and warrants that it has not assigned to any other Person any Released Claim, and agrees to indemnify Lender against any and all actions, demands, obligations, causes of action, decrees, awards, claims, liabilities, losses and costs, including but not limited to reasonable attorneys' fees of counsel of Lender’s choice and costs, which Lender may sustain or incur as a result of a breach or purported breach of the foregoing representation and warranty.

6. **No Waiver.** Nothing herein constitutes a waiver of any default or Event of Default under the Loan Agreement or any other Loan Documents, whether or not known to Bank.

7. **General Provisions.** Borrower hereby ratifies and confirms the continuing validity, enforceability and effectiveness of the Loan Agreement and all other Loan Documents. This Amendment, the Loan Agreement, any prior written amendments to the Loan Agreement signed by Agent, Lender and Borrower, and the other written documents and agreements between Agent, Lender and Borrower set forth in full all of the representations and agreements of the parties with respect to the subject matter hereof and supersede all prior discussions, representations, agreements and under-standings between the parties with respect to the subject hereof. Except as herein expressly amended, all of the terms and provisions of the Loan Agreement, and all other documents and agreements between Agent and Lender on the one hand and Borrower on the other hand shall continue in full force and effect and the same are hereby ratified and confirmed. This Amendment may be executed in multiple counterparts, by different parties signing separate counterparts, and all of the same taken together shall constitute one and the same agreement.

8. **Mutual Waiver of Jury Trial. AGENT AND LENDERS AND BORROWER EACH ACKNOWLEDGE THAT THE RIGHT TO TRIAL BY JURY IS A CONSTITUTIONAL RIGHT, BUT THAT IT MAY BE WAIVED. EACH OF THE PARTIES, AFTER CONSULTING OR HAVING HAD THE OPPORTUNITY TO CONSULT, WITH COUNSEL OF THEIR CHOICE, KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVES ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LITIGATION BASED UPON OR ARISING OUT OF THIS AGREEMENT OR ANY RELATED INSTRUMENT OR LOAN DOCUMENT OR ANY OF THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT OR ANY COURSE OF CONDUCT, DEALING, STATEMENTS (WHETHER ORAL OR WRITTEN), ACTION OR INACTION OF ANY OF THEM. THESE PROVISIONS SHALL NOT BE DEEMED TO HAVE BEEN MODIFIED IN ANY RESPECT OR RELINQUISHED BY ANY PARTY HERETO, EXCEPT BY A WRITTEN INSTRUMENT EXECUTED BY EACH OF THEM. IF FOR ANY REASON THE PROVISIONS OF THIS SECTION ARE VOID, INVALID OR UNENFORCEABLE, THE SAME SHALL NOT AFFECT ANY OTHER TERM OR PROVISION OF THIS AGREEMENT, AND ALL OTHER TERMS AND PROVISIONS OF THIS AGREEMENT SHALL BE UNAFFECTED BY THE SAME AND CONTINUE IN FULL FORCE AND EFFECT.**

Borrower:	Agent and Lender:
CARDLYTICS, INC.	PACIFIC WESTERN BANK
/s/ David T. Evans	/s/ Illegible
David T. Evans	Authorized Signature
Chief Financial Officer and Head of Corporate Development	

Certain information has been excluded from this agreement (indicated by “[***]”) because such information (i) is not material and (ii) would be competitively harmful if publicly disclosed.

Exhibit 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Scott D. Grimes, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Cardlytics, Inc. (the “registrant”);

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;

    d. Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    e. Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date:	May 9, 2019	By:	/s/ Scott D. Grimes
			Scott D. Grimes
			Chief Executive Officer *(Principal Executive Officer)*

Exhibit 31.2

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, David T. Evans, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Cardlytics, Inc. (the “registrant”);

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;

    d. Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    e. Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date:	May 9, 2019	By:	/s/ David T. Evans
			David T. Evans
			Chief Financial Officer *(Principal Financial and Accounting Officer)*

Exhibit 32.1

CERTIFICATIONS OF
PRINCIPAL EXECUTIVE OFFICER AND PRINCIPAL FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to the requirement set forth in Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended, (the “Exchange Act”) and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. §1350), Scott D. Grimes, Chief Executive Officer of Cardlytics, Inc. (the “Company”), and David T. Evans, Chief Financial Officer of the Company, each hereby certifies that, to the best of his knowledge:

1. The Company’s Quarterly Report on Form 10-Q for the period ended March 31, 2019 (the "Report"), fully complies with the requirements of Section 13(a) or Section 15(d) of the Exchange Act; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date:	May 9, 2019	By:	/s/ Scott D. Grimes
			Scott D. Grimes
			Chief Executive Officer *(Principal Executive Officer)*
Date:	May 9, 2019	By:	/s/ David T. Evans
			David T. Evans
			Chief Financial Officer *(Principal Financial and Accounting Officer)*

This certification accompanies the Report to which it relates, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of the Company under the Securities Act of 1933, as amended, or the Exchange Act, whether made before or after the date of this Report, irrespective of any general incorporation language contained in such filing.

A signed original of this written statement required by Section 906 of the Sarbanes-Oxley Act of 2002 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.