Cogint, Inc.
Form 10-K
March 14, 2018

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2017

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: 001-37893

COGINT, INC.

(Exact name of registrant as specified in its charter)

Delaware	77-0688094
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

2650 North Military Trail, Suite 300,

Boca Raton, Florida 33431

(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (561) 757-4000

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

Title of each class	Name of each exchange on which registered
Common Stock, $0.0005 par value per share	The NASDAQ Stock Market LLC

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a 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	(Do not check if a smaller reporting company)	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. o

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

On June 30, 2017, the last business day of the registrant's most recently completed second fiscal quarter, the aggregate market value (based on the closing per share sales price of its common stock on that date) of the voting stock held by non-affiliates of the registrant was approximately $104.0 million.

The number of shares outstanding of the registrant's common stock, as of March 13, 2018, was 72,060,119.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Proxy Statement relating to its 2018 Annual Meeting of Stockholders to be filed with the SEC within 120 days after the end of the fiscal year ended December 31, 2017 are incorporated herein by reference in Part III of this Annual Report on Form 10-K.

COGINT, INC.

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PART I

Item 1. Business.

This business description should be read in conjunction with our audited consolidated financial statements and accompanying notes thereto appearing elsewhere in this Annual Report on Form 10-K for the year ended December 31, 2017 (the “2017 Form 10-K”), which are incorporated herein by this reference.

Company Overview

Cogint, Inc. (“we,” “us,” “our,” “cogint,” or the “Company”), a Delaware corporation, is a data and analytics company providi cloud-based mission-critical information and performance marketing solutions to enterprises in a variety of industries. cogint’s mission is to transform data into intelligence utilizing our proprietary technology platforms to solve complex problems for our clients. Harnessing the power of data fusion and powerful analytics, we transform data into intelligence, in a fast and efficient manner, so that our clients can spend their time on what matters most, running their organizations with confidence. Through our intelligent platforms, CORE™ and Agile Audience Engine™, we uncover the relevance of disparate data points to deliver end-to-end, ROI-driven results for our customers. Our analytical capabilities enable us to build comprehensive datasets in real-time and provide insightful views of people, businesses, assets and their interrelationships. We empower clients across markets and industries to better execute all aspects of their business, from managing risk, identifying fraud and abuse, ensuring legislative compliance, and debt recovery, to identifying and acquiring new customers. With the goal of reducing the cost of doing business and enhancing the consumer experience, our solutions enable our clients to optimize overall decision-making and to have a holistic view of their customers.

We provide unique and compelling solutions essential to the daily workflow of organizations within both the public and private sectors. Our cloud-based data fusion and customer acquisition technology platforms, combined with our massive database consisting of public-record, proprietary and publicly-available data, as well as a unique repository of self-reported information on millions of consumers, enables the delivery of differentiated products and solutions used for a variety of essential functions. These essential functions include identification and authentication, investigation and validation, and customer acquisition and retention.

The Company operates through two reportable segments: (i) Information Services and (ii) Performance Marketing. For financial information relating to our segments and by geographic areas, see Note 15, “Segment information” in our Notes to Consolidated Financial Statements.

Information Services—Leveraging leading-edge technology, proprietary algorithms, and massive datasets, and through intuitive and powerful analytical applications, we provide solutions to organizations within the risk management and consumer marketing industries. CORE is our next generation data fusion platform, providing mission-critical information about individuals, businesses and assets to a variety of markets and industries. Through machine learning and advanced analytics, our Information Services segment uses the power of data fusion to ingest and analyze data at a massive scale. The derived information from the data fusion process ultimately serves to generate unique solutions for banking and financial services companies, insurance companies, healthcare companies, law enforcement and government, the collection industry, law firms, retail, telecommunications companies, corporate security and investigative firms. In addition, our data acquisition solutions enable clients to rapidly grow their customer databases by using self-declared consumer insights to identify, connect with, and acquire first-party consumer data and multi-channel marketing consent at massive scale.

Built in a secure Payment Card Industry (PCI) compliant environment, our cloud-based next generation technology delivers greater than four 9s of service uptime. By leveraging our proprietary infrastructure design within the cloud, we currently operate in six datacenters spread geographically across the U.S. and are able to dynamically and seamlessly scale as needed. Using our intelligent framework and leveraging a micro services architecture where appropriate, we reduce operational cost and complexity, thus delivering superior performance at greatly reduced costs compared to traditional datacenter architectures. Since the release of our CORE platform in May 2016, we have added billions of data records and continue to add approximately over a billion records per month on average. Our average query response time for a comprehensive profile is less than 250 milliseconds versus competitive platforms that measure comprehensive profile response times in seconds.

Performance Marketing—Our Agile Audience Engine drives our Performance Marketing segment, which provides solutions to help brands, advertisers and marketers find the right customers in every major business-to-consumer (B2C) vertical, including internet and telecommunications, financial services, health and wellness, consumer packaged goods, career and education, and retail and entertainment. We deterministically target consumers across various marketing channels and devices, through the user- supplied acquisition of personally identifiable information on behalf of our clients, such as email addresses, other identifying information and responses to dynamically-populated survey questions. Additionally, 80% of our consumer interaction comes from mobile, a highly-differentiated characteristic compared to our competitors whose platforms are not mobile-first.

We own hundreds of media properties, through which we engage millions of consumers everyday with interactive content, such as job postings, cost savings, surveys, promotions and sweepstakes that generate on average over 850,000 consumer registrations and over 8.8 million compiled survey responses daily, with a record high of over 1.0 million registrations and over 10.3 million compiled survey responses in a single day. Our owned media properties alone have created a database of approximately 150 million U.S. adults with detailed profiles, including 224 million unique email addresses, across over 75 million households. With meaningful, people-based interaction that focuses on consumer behavior and declared first-party data, leveraged on a mobile-centric platform that provides seamless omni-channel capabilities, we have the ability to target and develop comprehensive consumer profiles that redefine the way advertisers view their most valuable customers.

For the years ended December 31, 2017, 2016 and 2015, we had revenue of $220.3 million, $186.8 million, and $14.1 million, net loss attributable to cogint of $53.2 million, $29.1 million and $84.5 million, and adjusted EBITDA of $24.2 million, $15.0 million, and negative $6.6 million, respectively. Adjusted EBITDA is a non-GAAP financial measure equal to net loss, the most directly comparable financial measure based on US GAAP, adding back net loss from discontinued operations, interest expense, income tax benefit, depreciation and amortization, share-based compensation expense, and other adjustments, as noted in the tables included in "Use and Reconciliation of Non-GAAP Financial Measures" of Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Our Markets

The target markets for our data and analytical solutions today consist primarily of businesses within the risk management and consumer marketing industries.

International Data Corporation, a global provider of market intelligence and advisory services, estimates that worldwide revenue for big data and business analytics services will be $150.8 billion in 2017 and is expected to be more than $210.0 billion in the year 2020, representing a CAGR of 11.9% from 2017 through 2020. The big data and analytics sector continues to grow at an accelerated pace due to the proliferation of data generated by technological advancements and changing consumer behavior. Continued, rapid adoption and use of smartphones and other mobile devices, social media and online purchasing channels, and the necessity of organizations to sort through this sea of data to glean actionable intelligence to support their daily operations, serve as key drivers of the sector's growth.

Risk management and fraud analytics has become increasingly important not only in the banking and financial services sectors but across multiple other industries and use cases. According to the market research company MarketsAndMarkets, the risk analytics software market is projected to grow from $17.6 billion in 2017, with North America estimated to hold the largest market share in the risk analytics market, to $35.9 billion by 2022, owing to unprecedented growth of data in the region driven by the increasing adoption of mobile and Internet of Things technologies and the direct presence of major risk analytics vendors. Data fusion analytics and the information derived therefrom is now the primary service product for risk management associated with key purchasers such as banking and financial services companies, insurance companies, healthcare companies, law enforcement and government, collection agencies, law firms, retail, telecommunications companies and private investigative firms. Primary use cases include, but are not limited to, obtaining information on consumers, businesses and assets (and their interrelationships) to facilitate the location of individuals and assets, identity verification, and to support criminal, legal, financial, insurance, and corporate investigations, due diligence and the assessment of counterparty risk.

According to the Interactive Advertising Bureau (IAB)'s "Internet Advertising Revenue Report, 2017 first six months results," total digital ad spend in the U.S. was $40.1 billion for the first six months of 2017, a 22.6% increase over the first six months of 2016. Mobile was the leading ad format accounting for 54% of revenue, and performance-based advertising was the leading pricing model accounting for 65% of total U.S. digital advertising spending.

Consumer marketing, which consists of paid advertising, public relations, sales strategy, customer communications and market research, is a multi-trillion-dollar global industry. Digital marketing is the fastest growing subset of this marketplace, with performance marketing being the most dominant format utilized across the industry. Advertisers prefer performance marketing because they only pay when specific actions are completed by consumers in response to their ads, such as making purchases, filling out information request forms, or clicking through to websites. In addition, performance marketing campaigns that target registered and validated consumers are referred to as "people-based" marketing campaigns, and are gaining favor over cookie-based campaigns which target anonymous site visitors. People-based performance marketing campaigns improve the effectiveness of advertising, increase return on ad spend, and facilitate the deterministic targeting of consumers across digital channels such as display, social, search, video and addressable television.

According to eMarketer’s, a leading market research company, worldwide spend on paid media will increase to $584.1 billion in 2017 and is expected to grow to $757.4 billion by 2021, representing a CAGR of 6.7%. Although growth will vary by region, North America is projected to remain the number one advertising region in the world.

Companies in all industries are inundated with data sourced from a growing number of digital mediums including e-commerce, mobile and social media, which provide new information on a daily basis. Companies struggle to parse through the data available to them to make decisions in real-time that improve scale and efficiency while helping them achieve and exceed their strategic goals. Our platform, solutions, and analytical capabilities directly address these issues in an industry-agnostic manner to solve complex problems in a robust and growing marketplace.

Key Challenges Facing our Customers

We believe our products and solutions address the challenges that the industry faces today, which include:

Actionable Big Data Insights Through A Single Platform— As the velocity and volume of data continues to grow exponentially, enterprises have become overwhelmed with data and their inability to glean intelligence from such data to derive successful business decisions in real-time. Customers demand full-suite, turn-key solutions that are agile, flexible, and available on-demand in order to gain the speed, scale and insight necessary to drive their business models. As the breadth and depth of data increases, providers will need to deploy new technologies that enable both the ingestion of data at massive scale in real-time, irrespective of structure or form, and the analytics components necessary to function across multiple channels. The continued digitization of human interactions, and the corresponding availability of the data resulting therefrom, is driving demand for data capture, management and analysis software. As a result, customers are looking for flexible and efficient solutions to fuse disparate sets of not only transactional data but also demographic, ethnographic and behavioral data as well, in order to provide insights that are truly actionable.

Engaging Customers Across All Devices—According to the IAB, mobile advertising in the U.S. totaled $21.7 billion for the first half of 2017, a 40% increase from first half 2016. This impressive growth demonstrates to advertisers the importance of mobile interaction as they search for ways to engage consumers and effectively gather critical data. Developing capabilities to acquire data from all devices and creating omni-channel advertising campaigns are both costly and complex. Traditional cookie-based targeting has proven less effective as support for cookies on mobile devices is infrequent or non-existent, ushering in the need for newer approaches for reaching consumers across devices. Developing a full solution is complex and many offerings in the marketplace struggle to adequately address this growing need.

Pricing Methodology—Historically, internet advertising has been sold on a cost-per-impression (CPM) model where an advertiser is charged each time an advertisement is displayed, regardless of user engagement with the advertisement. This dated methodology has made it difficult to truly gauge the effectiveness of advertising campaigns, and determine the actual costs associated with successful user engagement. Today’s advertising landscape now has several options for pricing advertisements, including the historical CPM method, as well as cost-per-click (CPC) which is most common in search advertising, cost-per-action (CPA), and hybrid models that may combine aspects of the various models. With chief marketing officers increasingly accountable for demonstrating concrete return on their marketing investments, CPA and CPC models are more favorable alternatives to CPM-based offerings.

Cost and Performance Pressures—As our customers face constant cost pressures, they need to continually improve the value they receive from their information solutions. Whether it is right-party contact, managing risk, skip tracing or regulatory compliance, customers are increasingly more sophisticated, requiring enhanced performance that provides fast, accurate, and cost-effective solutions to satisfy their business objectives. Improving performance can mean delivering the right data at the right time, or providing the most intuitive information as rapidly as possible to capitalize on opportunities or reduce risk. Superior data fusion with unique data sources delivers customers an advantage as they cope with these pressures.

Difficult Delivery of Solutions for Complex Problems and Data Analytics at Scale—The larger and more complex a campaign or dataset, the more difficult it is to sustain the same level of performance and insight. The highly-fragmented nature of the internet display landscape, proliferation of data and lack of robust technology limits the ability to target the correct users on the correct device at the correct time and on the correct portal. There is an inherent need for solutions that allow advertisers to deliver high-performing campaigns regardless of size and duration.

Our Competitive Strengths

We believe our leading-edge technology platforms, massive database of holistic views of consumers, and dynamic and intuitive solutions deliver differentiated capabilities to our customers. Our solutions enable our customers to make more informed inquiries regarding their problems and better decisions to solve their most complex problems. We believe the following competitive strengths will continue to deliver an unrivaled value proposition that further drives our differentiation:

Transformative and Innovative Technology Platforms—Through the convergence of our platforms, CORE and Agile Audience Engine, we offer a comprehensive suite of information solutions. Our cloud-based, data and industry agnostic platform, CORE, allows us to assimilate, structure, and fuse billions of disparate records to create comprehensive views of individuals and to present these views in real-time via analytical applications. We believe our platform's speed, power, and scalability are key differentiators in the marketplace. Our Agile Audience Engine enables brands to target, engage, qualify, and communicate with relevant consumers across mobile, web and in-app content environments. Furthermore, we utilize proprietary targeting algorithms and a dynamic survey module to match consumers with the most relevant advertisers, content, and media across all devices. We optimize campaigns by leveraging each advertiser's performance data. Most valuable customer profiles (MVCs), as determined by factors such as individual-level engagement with ads and/or conversion or purchasing histories, are used to fuel lookalike modeling enabling the targeting of individuals who share similar attributes to those MVCs. This results in broadening the scale of acquisition campaigns and enhancing campaign performance.

Massive Database of Holistic Views of Consumers—Data is the lifeblood of our technology platforms. We leverage our CORE and Agile Audience Engine platforms to build massive proprietary datasets and apply analytics in real-time to provide actionable insights. Our Information Services data is compiled from a myriad of online and offline sources, both structured and unstructured, including public record data, publicly-available data, and proprietary data. Public record data includes personally identifiable information, as well as property, identity, bankruptcy, lien, judgment, automotive, phone and other information aggregated from companies specializing in data aggregation, public record repositories, and publicly-available sources. Proprietary data includes data internally generated by proprietary algorithms and analytic processes as well as data which is compiled through our owned media properties, including valuable self-reported consumer information collected through voluntary surveys, promotions and contests. Through next-generation machine learning technology and proprietary algorithms, we efficiently ingest these datasets, structure them into common form, and utilize the process of data fusion to connect or fuse the data so as to create an actionable, real-time view of the data for various use cases, delivering greater intelligence to our customers and enhancing their decision-making capabilities across all markets and industries.

In addition, our technology platforms and systems enable us to collect four distinct types of user data:

- Meta-data—information gleaned by the system such as the user's IP address, browser type, operating system, and, for mobile connected devices, the device model, device ID, browser, and mobile carrier;
- Demographic data—self-reported user information such as name, address, gender, email address and telephone number;
- Ethnographic data—user responses to dynamically curated and served survey questions; and,
- Behavioral data—purchase history, interests, likes and dislikes, preferences and frequencies.

We also use our public record database and third-party services in order to verify and supplement collected data. This data is stored and analyzed, and can be further enhanced in real-time when consumers respond to dynamically populated survey questions, enabling precise targeting and profiling for ad serving and customer acquisition purposes. By using the system and the insights gained, we can develop deep and relevant insights into each individual consumer.

Our platforms and user volume has enabled us to accumulate a massive, owned data warehouse, which contains:

- First party data on over 150 million consumers;
- 224 million unique email addresses;
- 3.0 billion survey responses and growing by more than 8.8 million responses a day; and
- More than 850,000 unique user registrations per day.

People-based Platform Enabling Deterministic, Omni-channel Marketing—Our collection of holistic information serves as the genesis for our operations and the key foundation to providing actionable consumer data. Through our data-centric approach to analyzing consumer characteristics and intent, we are capable of producing highly-deterministic advertisements across multiple devices, including desktops, laptops, smartphones and tablets. By analyzing a consumer's characteristics and integrating that data into our Agile Audience Engine, we are able to create comprehensive profiles that deliver highly-relevant and targeted advertisements on the most effective medium based on the consumer's habits.

Performance Driven Pricing Model that Drives Heightened Return-On-Investment—We recognize performance marketing revenue when the conversions are generated based on predefined user actions such as a click, a registration, an app install or a coupon print. As a result, our revenue is synonymous with customer success, and we only get paid when a user engages with our advertisements. By using a performance-driven pricing model, we enjoy a number of advantages, including increased efficiencies, the ability to exceed ROI projections for customers, and optimized marketing budget allocations limited only on our ability to deliver results. Our performance-driven pricing model presents unique opportunities to work within uncapped marketing budgets which in turn create recurring revenue streams from clients who depend on our solutions. Many of our partners view our Performance Marketing solutions as cost of sales and are incentivized to continue utilizing our solutions that directly drive consumer engagement and revenue.

Predictive Solutions For Complex Advertising Needs—Our proprietary, predictive software algorithm identifies, in real-time, consumers likely to be receptive to our customers' advertisements, thereby focusing marketing spend on the most efficient and effective channel. Additionally, through targeting and optimization, we provide distinctive solutions that aim to serve the needs of our clients and provide them with the deepest insights possible, in order to make more informed decisions. Through our dynamic surveys, we are able to collect self-reported data from 850,000 consumers every day and learn valuable information that would otherwise be unavailable. This symbiotic relationship allows us to capture extremely timely and meaningful information that ultimately shapes the insights we create. Using this information, we are able to curate custom databases and audience clusters in real-time, layered with additional data from our Information Services segment to create a truly customized and unique dataset for our customers. We aim to fuse self-reported data with transactional public record data, in order to create the most comprehensive view of an individual or business. Our ability to capture as well as integrate data from these two sources allows us to establish a lasting competitive advantage. The marriage of these two complementary data sources in addition to our analytic capabilities is highly unique and differentiated in the market.

Our Platforms and Solutions

cogint's CORE and Agile Audience Engine platforms combine the best of both worlds to provide mission-critical information and performance marketing solutions. Our dynamic solutions provide unlimited potential to solve complex problems through customization, vast aggregation of data and ability to ingest any dataset. The marriage of our CORE and Agile Audience Engine platforms allows us to ingest, fuse, and customize datasets of self-reported, transactional and public record data. The exchange and fusion of data and capabilities across industry verticals equally benefit both our Information Services and Performance Marketing segments.

The Company's operations are organized in two reportable segments: (i) Information Services and (ii) Performance Marketing.

(i) Information Services—Leveraging leading-edge technology, proprietary algorithms, and massive datasets, and through intuitive and powerful analytical applications, we provide industry-agnostic analytical solutions for businesses within the risk management and consumer marketing industries. These businesses use our services to acquire new customers, identify cross-selling opportunities, collect debt, verify consumer identities, investigate fraud and abuse, mitigate risk, and to connect and analyze online, offline, customer and partner data to better know their customers. The core capabilities and technology systems in our Information Services segment allow us to serve multiple industries and solve a broad range of business issues. Solutions within our Information Services segment include:

- CORE—our advanced analytical platform, providing cloud-based, mission-critical solutions to a variety of markets and industries. Our primary investigative solution, idiCORE™, provides instant, comprehensive views of individuals, businesses, assets and their interrelationships to multiple industries, including law enforcement, government, financial services, insurance, and corporate risk for purposes such as identity verification, risk assessment, fraud detection, and compliance.

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- Data Acquisition Solutions—empowering clients to rapidly grow their customer databases by using self-declared consumer insights to identify, connect with, and acquire customer data and multi-channel marketing consent at massive scale.

(ii) Performance Marketing—Provides solutions to help brands, advertisers and marketers find the right customers in every major B2C vertical, including internet and telecommunications, financial services, health and wellness, consumer packaged goods, careers and education, and retail and entertainment. We deterministically target consumers across various marketing channels and devices, through the user-supplied acquisition of personally identifiable information on behalf of our clients, such as email addresses, other identifying information and responses to dynamically populated survey questions. Solutions within our Performance Marketing segment include:

- Audience Solutions—empowering clients to target their ads with precision and drive qualified prospects at scale. Marketers can leverage our proprietary media network or activate our first-party data across the digital ecosystem to drive traffic to their websites, only paying when consumers take specified actions.

- Mobile User Acquisition Solutions—offers marketers the precision targeting capabilities of our Agile Audience Engine combined with unique mobile web media inventory to reach qualified audiences of consumers with the highest propensity to download mobile applications and become high lifetime value users.

Our Sales, Distribution and Marketing

Inside Sales—Our inside sales team cultivates relationships, and ultimately closes business, with their end-user markets. These professionals are relationship-based sellers with experience in identifying clients' needs and clearly explaining and defining products that provide solutions to those needs.

Strategic Sales—While the majority of our direct sales efforts are supported through professional inside sales staff, major accounts within certain industries require a more personal, face-to-face sales approach. We continue to expand this team to meet the demand of the markets.

Distributors, Resellers, and Strategic Partners—In conjunction with direct-to-client sales efforts, we engage value-added distributors, resellers, and strategic partners that have a significant foothold in many of the industries that we have not historically served, as well as to further penetrate those industries that we do serve. This allows us to rapidly penetrate these markets while also significantly reducing overhead associated with direct sales and support efforts.

Marketing—We have implemented several methods to market our products, including participation in trade shows and seminars, advertising, public relations, distribution of sales literature and product specifications and ongoing communication with prospective clients, distributors, resellers, strategic partners and our installed base of current clients.

Our Strategy

We are committed to developing unique technology and using our analytical capabilities to deliver solutions that transform the way organizations view data. We are advancing our business through a "three-prong," strategic approach:

- The Risk Management Industry—providing actionable intelligence in support of such use cases as the verification and authentication of consumer identities, due diligence, prevention of fraud and abuse, legislative compliance, and debt collection.

- The Consumer Marketing Industry—deploying advanced data analytics to better identify and segment consumers in support of highly-scalable, people-based marketing, resulting in increased customer acquisition and retention.

- Custom Analytics—enabling the public and private sectors to leverage our advanced data fusion platform and analytical applications to obtain insight essential to decision-making processes throughout each client organization.

We will remain focused on building the business organically and will continue to devote resources to the following to ensure that we are well positioned within the industry.

Add New Customers and Verticals by Expanding Our Core Data Fusion Technology—We believe that our robust data fusion platform, highly-scalable systems and expansive user database affords us numerous opportunities to leverage our technology into the following areas:

- Paid CRM—leverage our database to accelerate the retargeting of consumers in order to drive greater customer lifetime value (CLV) using paid media such as Google, Facebook, paid search, display and mobile platforms.

- Owned CRM—develop a robust strategy and products designed to retarget consumers and drive greater CLV leveraging to company-owned, higher-margin channels including permission-based email marketing, push notifications, text messaging and telephone marketing.
- Data Products—monetize our proprietary data assets outside our own platform by delivering ad targeting and consumer insights solutions (e.g., development of custom audiences for targeting in specific verticals such as finance and insurance).
- Market Research—monetize our proprietary survey module by gathering consumer insights for B2C brands and marketing service providers. Surveys can be utilized for internal product strategy development as well as for external thought leadership (white papers, etc.)

Continuous Advancement of Our Technology and Data to Cross-sell and Up-sell—We strongly believe that our ability to continually innovate and invest resources into our technology and data is a key foundation to our success. In addition to improving our predictive software and underlying technology platforms, we also aim to provide new solutions from our data repository in an effort to offer the greatest value to our clients. We believe this allocation of resources will augment our value proposition for both existing and prospective clients. As we invest in our technology platforms and data assets, we will always do so with a view towards providing solutions that deliver scalability, functionality and interoperability. Our technology platforms operate at significant scale and are programmed to functionally deliver reliable and accurate information through our machine learning algorithms whose performance accelerates with each new item of data about a user, creating a perpetual series of network effects. As a result of our ability to process transactional data, self-reported data, and other proprietary datasets at massive scale, we are focused on creating a dynamic platform that maximizes interoperability and continues to drive growth opportunities within our installed customer base.

Expanding our Sales Team to Enter New International Markets—We intend to continue to grow our existing sales team. Increased sales capability will enable us to work with more direct advertisers, target specific industry verticals, and realize margin upside. Additionally, we believe that a larger sales force provides significant opportunities for us to grow in the U.S. market as well as enter and expand operations in new geographic markets, such as Europe and Asia.

Selective Acquisitions—In addition to organic growth, we may, in the future, make acquisitions of businesses or technologies that advance our objectives and that enhance shareholder value. We are focused on identifying complementary technologies and businesses that advance our “three-prong” strategic approach. The acquisitions of Fluent, LLC (“Fluent”) in December 2015 and Q Interactive, LLC (“Q Interactive”) in June 2016 are examples of our entry into the consumer marketing industry while offering a multitude of beneficial synergies. These acquisitions provide greater diversity of customers, markets, products, and revenue generated therefrom, within the significantly larger addressable market of the consumer marketing industry. Further, these acquisitions present substantial revenue growth opportunities within the U.S. through new markets, cross-selling opportunities, the application of our data fusion technology to the consumer marketing industry, the enhancement of existing products and solutions, the development and commercialization of new products and solutions, and the increased aggregation and fusion of consumer data, including our massive first-party consumer database, creating more robust consumer profiles to be utilized for both risk management and consumer marketing, among other uses. While we maintain our long-term strategy of increasing revenue, gaining market share and enhancing shareholder value through internal development and organic growth, we will continually seek to identify and pursue acquisition opportunities that fit within our strategy.

Grow Direct and Indirect Channels—Ownership of personally identifiable information including valid primary email addresses on over 90% of our consumer database facilitates the deterministic targeting of those consumers across multiple platforms and devices, extending our reach across email, mobile, display, search, social, and eventually addressable television. We intend to grow our owned media properties and increase our partnerships with third-party publishers to further our reach and scale in the market.

Our Competition

Competition in the big data and analytics sector centers on innovation, product stability, pricing and customer service. The market for our products and services is highly competitive and is subject to constant change. We compete on the basis of differentiated solutions, analytical capabilities, integration with our clients' technology, client relationships, service stability, innovation and price. We believe we are well-positioned to effectively compete on all fronts.

In our Information Services segment, our competitors vary widely in size and nature of the products and services they offer. There are a large number of competitors who offer competing products and services in specialized areas, such as fraud prevention, risk management and decisioning solutions. We believe our next-generation data fusion technology, analytical capabilities, robust database, and intelligent design of our cloud-based infrastructure will allow us to differentiate ourselves from our competition in flexibility, capability, service and price.

In our Performance Marketing segment, our traditional competitors have been database marketing services providers, online and traditional media companies, and advertising agencies. We believe the competitive landscape is changing and becoming more complex. We believe our ad-serving and data and customer acquisition technology platform enables our clients to better target, engage, qualify, and communicate with relevant consumers, in a more profitable manner, across mobile, web and in-app content environments than our competitors.

Some of our competitors have substantially greater financial, technical, sales and marketing resources, better name recognition and a larger customer base. Even if we introduce advanced products that meet evolving customer requirements in a timely manner, there can be no assurance that our new products will gain market acceptance.

Certain companies in the big data and analytics sector have expanded their product lines or technologies in recent years as a result of acquisitions. Further, more companies have developed products which conform to existing and emerging industry standards and have sought to compete on the basis of price. We anticipate increased competition from large data and analytics vendors. Increased competition in the big data and analytics sector could result in significant price competition, reduced profit margins or loss of market share, any of which could have a material adverse effect on our business, operating results and financial condition. There can be no assurance that we will be able to compete successfully in the future with current or new competitors.

Concentration of Customers

For the year ended December 31, 2017, there was no individual customer that accounted for more than 10% of the total revenue. For the years ended December 31, 2016 and 2015, the Company recognized revenue from one major customer, accounting for 12% and 14% of the total consolidated revenue, respectively. Such customer, however, manages the ad platforms of leading search engines and represents a consortium of advertisers, which limits overall concentration risk.

As of December 31, 2017 and 2016, there was no individual customer that accounted for more than 10% of the Company’s accounts receivable, net.

Our Intellectual Property

We avail ourself of applicable trade secret and unfair competition laws to protect our proprietary technology, trademark law to protect our trademarks and domain names, and copyright laws to protect our content relating to, among other things, websites and marketing materials. Our intellectual property rights are embodied in confidential and proprietary technology and data, trademarked brands relating to our business units, products, services, and solutions, original content on our materials such as websites and marketing materials, and domain names. With respect to our trademarks, we maintain an extensive portfolio of perpetual common law and federally-registered trademark rights across several brands. We have also sought protection and registration of certain brands and trademarks internationally, such as in Europe and Canada. At present, we do not hold any issued patents.

We use data acquired through licensing rights from approximately 20 providers. The loss of any one of these providers could have an immediate near-term impact on our financial position, results of operations, and liquidity. We rely on declarative, first-party data supplied by our users and supplemented and verified with third-party data sources.

Regulatory Matters

Our Information Services segment is subject to various federal, state, and local laws, rules, and regulations, including, without limitation, the Driver's Privacy Protection Act (18 U.S.C. §§ 2721- 2725) ("DPPA"), the Gramm-Leach-Bliley Act (15 U.S.C. §§ 6801- 6809) ("GLBA"), the Health Insurance Portability and Accountability Act ("HIPAA"), the Federal Trade Commission Act (the "FTC Act"), the Telephone Consumer Protection Act ("TCPA"), and the CAN SPAM Act of 2003 ("CAN-SPAM Act"). A change in any one of a number of the laws, rules, or regulations applicable to our business or the enactment of new or amended legislation or industry regulations to consumer or private sector privacy issues could have a material adverse effect on our financial condition and our ability to provide products or services to its customers. Legislation or industry regulations regarding consumer or private sector privacy issues could place restrictions upon the collection, sharing and use of information that is currently legally available, which could materially increase our cost of collecting and maintaining some data. These types of legislation or industry regulations could also prohibit us from collecting or disseminating certain types of data, which could adversely affect our ability to meet our clients' requirements and our profitability and cash flow targets.

Our Performance Marketing segment is subject to a variety of federal, state, and local laws, rules and regulations applicable to online advertising, commercial email marketing, telemarketing and privacy, including, but not limited to, the FTC Act, TCPA, Do Not Call Implementation Act, CAN-SPAM Act, Telemarketing Sales Rule ("TSR") and California Business & Professions Code § 17529 (the

"California Anti- Spam Act"). These laws, rules and regulations are constantly changing and keeping our business in compliance with or bringing our business into compliance with new laws may be costly, affect our revenue and harm our financial results.

Seasonality

Our results are subject to seasonal fluctuation. Historically, certain products within our Information Services segment experience strength during the second and third quarters, while other products, including within our Performance Marketing segment, tend to be strongest in the fourth quarter, due to holiday advertising budgets, which traditionally carry over into the first quarter.

Management Team

Our management team has a track record of strong performance and significant expertise in the markets we serve. We have built the leading companies in our industry, creating significant shareholder value. We continue to attract and retain experienced management talent for our business. Our team has deep knowledge of the big data and analytics sector and the online marketing and digital advertising industry, and expertise across the various industries that we serve. Our team has overseen the expansion of our proprietary technology platforms, while managing ongoing initiatives and the strategic acquisition of synergistic businesses and technologies. As a result, we are well positioned to continue to successfully drive growth both organically and through acquisitions.

Our Employees

We employ 209 persons as of December 31, 2017. None of our employees are represented by a labor organization, and none are party to any collective bargaining agreement. We have not experienced any work stoppages and consider our relations with our employees to be good. Competition in the recruiting of personnel in the big data and analytics sector is intense. We believe that our future success will depend in part on our continued ability to hire, motivate and retain qualified sales and marketing, executive and administrative and technical personnel. To date, we have not experienced significant difficulties in attracting or retaining qualified employees.

Spin-off of Red Violet and Business Combination Agreement

On September 6, 2017, the Company entered into a Business Combination Agreement (the "Business Combination Agreement") with BlueFocus International Limited ("BlueFocus"), a private company limited by shares registered in Hong Kong. Under the terms of the Business Combination Agreement, the Company would issue to BlueFocus shares of the Company's common stock, representing 63% of the Company's common stock on a fully diluted, post-transaction basis (the "Purchased Shares"), in consideration of the contribution of the equity interests of certain entities and $100.0 million in cash by BlueFocus (the "Business Combination Transaction"). BlueFocus would also repay, assume, or refinance indebtedness of the Company. Before closing of the Business Combination Transaction, cogint would contribute its data and analytics operations and assets into its wholly-owned subsidiary, Red Violet, Inc. ("Red Violet"), and the shares of Red Violet would be distributed as a stock dividend to cogint stockholders of record as of the record date (the "Record Date") and to certain warrant holders (the "Spin-off").

As a condition to closing of the Business Combination Transaction, BlueFocus and the Company sought regulatory approval by the Committee on Foreign Investment in the United States ("CFIUS"). CFIUS has indicated its unwillingness to approve the transaction, therefore, on February 20, 2018, the parties withdrew their application with CFIUS and terminated the Business Combination Agreement in accordance with its terms.

On February 12, 2018, the Company's Board of Directors approved the plan to accelerate the Spin-off. Despite the termination of the Business Combination Agreement, the Company will continue with the accelerated Spin-off of Red Violet, which is governed by a Separation and Distribution Agreement (the "Separation Agreement") as well as other related agreements between cogint and Red Violet, each entered into on February 27, 2018. The Company will contribute $20.0 million in cash to Red Violet upon completion of the Spin-off. Red Violet has filed with the SEC a Registration Statement on Form 10, registering under the Exchange Act, the shares of Red Violet to be distributed in the Spin-off. As a result, upon completion of the Spin-off, cogint stockholders will hold shares of two public companies, cogint and Red Violet. cogint common stock will continue trading on The NASDAQ Stock Market ("NASDAQ").

On March 7, 2018, the Company announced that the Board of Directors established March 19, 2018 as the Record Date and March 26, 2018 as the distribution date (the "Distribution Date") for the Spin-off. On March 9, 2018, in order to meet NASDAQ initial listing requirement of a minimum $4.00 bid price, the Company adjusted the Spin-off ratio so that on the Distribution Date, stockholders of the Company will receive, by way of a dividend, one share of Red Violet common stock for each 7.5 shares of cogint common stock held as of the Record Date. On March 13, 2018, NASDAQ approved Red Violet's application to list its common stock on NASDAQ under the symbol "RDVT."

On March 8, 2018, the Compensation Committee of the Board of Directors of cogint approved the acceleration of an aggregate of 5,222,561 shares of stock options, RSUs and restricted stock held by certain employees, consultants, and directors, including only those employees who will continue with Red Violet upon completion of the Spin-off, subject to such employees still being employed or providing services on the acceleration date. The acceleration date was subsequently determined to be March 12, 2018. The share-based compensation expense of $15.3 million resulting from the above-mentioned acceleration is expected to be recognized in discontinued operations during the first quarter of 2018.

Available Information

cogint's principal executive offices are located at 2650 North Military Trail, Suite 300, Boca Raton, Florida 33431 and our telephone number is (561) 757-4000. Our internet website is www.cogint.com. The website address provided in this 2017 Form 10-K is not intended to function as a hyperlink and information obtained on the websites is not and should not be considered part of this 2017 Form 10-K and is not incorporated by reference in this 2017 Form 10-K or any filing with the Securities and Exchange Commission (the "SEC"). Our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to reports filed or furnished pursuant to Sections 13(a) and 15(d) of the Securities Exchange Act of 1934, as amended, are available, free of charge, on cogint's Investor Relations website at www.cogint.com as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. You may also read and copy any materials we file with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Washington, DC 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC also maintains an internet website located at http://www.sec.gov that contains the information we file or furnish electronically with the SEC.

January 2018 Registered Direct Offering

Pursuant to a definitive securities purchase agreement on January 10, 2018 (the "January 2018 Securities Purchase Agreement") with certain qualified institutional buyers, the Company issued an aggregate of 2,700,000 shares of common stock in a registered direct offering for gross proceeds of $13.5 million, with a purchase price of $5.00 per share, which was received in January 2018. Simultaneously, the Company issued such institutional buyers, for no additional consideration, warrants to purchase an aggregate of 1,350,000 shares of common stock. The warrants have an exercise price of $6.00 per share and are exercisable from the date of issuance and expire on the earlier of the close of business on the two-year anniversary of (i) the date the registration statement registering the resale of the underlying shares is declared effective by the SEC or (ii) the commencement date that such warrants may be exercised by means of a "cashless exercise."

Executive Officers of the Registrant

Our executive officers are as follows:

Name	Position
Derek Dubner	Chief Executive Officer and Director
James Reilly	President

Daniel MacLachlan	Chief Financial Officer
Jeff Dell	Chief Information Officer

Mr. Derek Dubner, 46, presently serves as the Chief Executive Officer of the Company, and as a member of the Company's Board since March 2015, as well as Chief Executive Officer of Interactive Data, a cogint subsidiary. Mr. Dubner served as our Co-Chief Executive Officer from March 2015 until March 2016, when he was appointed the Company's Chief Executive Officer. Also, Mr. Dubner served as our Interim President from July 2016 to June 2017. Mr. Dubner has over 15 years of experience in the data fusion industry. Mr. Dubner has served as the Chief Executive Officer of cogint subsidiary The Best One, Inc. ("TBO", now known as the IDI Holdings, LLC ("IDI Holdings")), a holding company engaged in the acquisition of operating businesses and the acquisition and development of technology assets across various industries, and its subsidiary, Interactive Data, since October 2014. Prior to TBO, Mr. Dubner served as General Counsel of TransUnion Risk and Alternative Data Solutions, Inc. ("TRADS") from December 2013 to June 2014. Mr. Dubner served as General Counsel and Secretary of TLO, LLC ("TLO"), an information solutions provider, from inception in 2009 through December 2013.

Mr. James Reilly, 43, has served as President of the Company since July 1, 2017, and previously from June 2015 until June 30, 2016, and as President and Chief Operating Officer of two of cogint's subsidiaries, IDI Holdings and Interactive Data, from October 2014 until June 30, 2016. From July 1, 2016 through June 30, 2017, Mr. Reilly was enjoined from providing services for cogint or its subsidiaries. Previously, Mr. Reilly served as Vice President of Sales at TRADS. From August 2010 through its acquisition of substantially all of the assets by TRADS in December 2013, Mr. Reilly served as Senior Vice President of TLO.

Mr. Daniel MacLachlan, 39, has served as the Chief Financial Officer of the Company since March 2016 and brings over a decade of experience as the chief financial officer of data-driven technology companies. Mr. MacLachlan served as an Independent Director, Audit and Compensation Committee Chairman for Vapor Corp., a U.S.-based distributor and retailer of vaporizers, e-liquids and electronic cigarettes, from April 2015 through April 2016. From October 2014 until early February 2015, Mr. MacLachlan served as the Chief Financial Officer of TBO. Prior to TBO, Mr. MacLachlan served in the roles of Director of Finance and Chief Financial Officer for TRADS, after it acquired substantially all of the assets of TLO, through a 363 sale process in December 2013. Mr. MacLachlan was the Chief Financial Officer of TLO since its inception in 2009. From 2005 to 2009, Mr. MacLachlan served as the Chief Financial Officer of JARI Research Corporation (“JARI”), a partnership with the Mayo Clinic advancing proprietary cancer therapeutic technology using targeted radioactive therapy. Prior to JARI, Mr. MacLachlan served as a Special Agent in the Federal Bureau of Investigation (FBI) specializing in the criminal investigation of public corruption and civil rights violations.

Mr. Jeff Dell, 46, has served as the Chief Information Officer of the Company since September 2016 and served as the Interim Chief Information Officer of the Company from June 2016 through September 2016. From July 2015 through May 2016, Mr. Dell served as the VP Information Security of the Company. From June 2012 to June 2015, Mr. Dell served as Founder and Chief Executive Officer of Endurance Tracker, Inc., a sports-based data analytics solution. From August 2009 to May 2012, Mr. Dell served as Lead Architect at Tripwire, Inc. From October 2008 to August 2009, Mr. Dell served as Chief Information Security Officer of TLO. From September 2003 to August 2009, Mr. Dell served as Founder and Chief Executive Officer of Activeworx, Inc., a leading information security data analytics company. From January 2001 to August 2003, Mr. Dell served as Chief Information Security Officer of Seisint, Inc., a leading provider in the data fusion industry.

Item 1A. Risk Factors.

Our business, financial condition, operating results, and cash flows may be impacted by a number of factors, many of which are beyond our control, including those set forth below and elsewhere in this 2017 Form 10-K, the occurrence of any one of which could have a material adverse effect on our actual results.

Risks Relating to Our Business

We have a history of losses and negative cash flow from operations which makes our future results uncertain.

Since inception, we have incurred operating losses and negative cash flow from operations. We need to generate greater revenue from the sale of our products and services if we are to achieve and sustain profitability. If we are unable to generate greater revenue, we may not be able to achieve profitability or generate positive cash flow from operations in the future.

Our products and services are highly technical and if they contain undetected errors, our business could be adversely affected and we may have to defend lawsuits or pay damages in connection with any alleged or actual failure of our products and services.

Our products and services are highly technical and complex. Our products and services have contained and may contain one or more undetected errors, defects or security vulnerabilities. Some errors in our products and services may only be discovered after a product or service has been used by end customers. Any errors or security vulnerabilities discovered in our products after commercial release could result in loss of revenue or delay in revenue recognition, or loss of customers, any of which could adversely affect our business and results of operations. In addition, we could face claims for product liability or breach of personally identifiable information. Defending a lawsuit, regardless of its merit, is costly and may divert management’s attention. In addition, if our business liability insurance coverage is inadequate or future coverage is unavailable on acceptable terms or at all, our financial condition could be harmed.

Because our networks and information technology systems are critical to our success, if unauthorized persons hack into our systems or our systems otherwise cease to function properly, our operations could be adversely affected and we could lose revenue or proprietary information, all of which could materially adversely affect our business.

As our business is conducted largely online, it is dependent on our networks being accessible and secure. If an actual or perceived breach of network security occurs, regardless of whether the breach is attributable to our network security controls, the market perception of the effectiveness of our network security could be harmed resulting in loss of current and potential end user customers, data suppliers, or cause us to lose potential value-added resellers. Our business is largely dependent on our customer-facing websites and our websites may be inaccessible because of service interruptions or subject to hacking or computer attacks. Because the techniques used by computer hackers to access or sabotage networks change frequently and generally are not recognized until launched against a target, we may be unable to anticipate these techniques. If an actual or perceived breach were to occur, we cannot assure you that we would not lose revenue or not sustain operating losses as a result.

We also rely heavily on large information technology databases and the ability to provide services using that information. A party who is able to breach the security measures on our networks could misappropriate either our proprietary information or the personal information of consumers that we collect, or otherwise cause interruptions or malfunctions to our operations. Hacking of computer data systems is a growing problem throughout the United States. If we grow and obtain more visibility, we may be more vulnerable to hacking. Moreover, the increased use of mobile devices also increases the risk of intentional and unintentional theft or disclosure of data including personally identifiable information. We may be unable to anticipate all of these vulnerabilities and implement adequate preventative measures and, in some cases, we may not be able to immediately detect a security incident. Any security incident may also result in a misappropriation of our proprietary information or that of our users, clients, and third-party publishers, which could result in legal and financial liability, as well as harm to our reputation.

We may be required to expend significant capital and other resources to protect against such threats or to alleviate problems caused by breaches in security. Additionally, any server interruptions, break-downs or system failures, including failures which may be attributable to events within our control, could increase our future operating costs and cause us to lose business. We maintain insurance policies covering losses relating to our network systems or other assets. However, these policies may not cover the entire cost of a claim. Any future disruptions in our information technology systems, whether caused by hacking or otherwise, may have a material adverse effect on our future results.

Privacy concerns relating to our data collection practices and any perceived or actual unauthorized disclosure of personally identifiable information, whether through breach of our network by an unauthorized party, employee theft, misuse, or error could harm our reputation, impair our ability to attract website visitors and to attract and retain clients, result in a loss of confidence in the security of our products and services, or subject us to claims or litigation arising from damages suffered by consumers, and thereby harm our business and results of operations. In addition, we could incur significant costs for which our insurance policies may not adequately cover and cause us to expend significant resources in protecting against security breaches and complying with the multitude of state, federal and foreign laws regarding data privacy and data breach notification obligations.

We must adequately protect our intellectual property in order to prevent loss of valuable proprietary information.

We rely primarily upon a combination of patent, copyright, trademark and trade secret laws, as well as other intellectual property laws, and confidentiality procedures and contractual agreements, such as non-disclosure agreements, to protect our proprietary technology. However, unauthorized parties may attempt to copy or reverse-engineer aspects of our products or services or to obtain and use information that we regard as proprietary. Policing unauthorized use of our products or services is difficult, and we cannot be certain that the steps we have taken will prevent misappropriation of our intellectual property. If the protection of our intellectual property proves to be inadequate or unenforceable, others may be able to use our proprietary developments without compensation to us, resulting in potential cost advantages to our competitors.

Some of our systems and technologies are not covered by any copyright, patent or patent application. We cannot guarantee that: (i) our intellectual property rights will provide us with a competitive advantage; (ii) our ability to assert our intellectual property rights against potential competitors or to settle current or future disputes will be effective; (iii) our intellectual property rights will be enforced in jurisdictions where competition may be intense or where legal protection may be weak; (iv) any of the patent, trademark, copyright, trade secret or other intellectual property rights that we presently employ in our business will not lapse or be invalidated, circumvented, challenged, or abandoned; (v) competitors will not design around our protected systems and technology; or (vi) that we will not lose the ability to assert our intellectual property rights against others.

Policing unauthorized use of our proprietary rights can be difficult and costly. Litigation, while it may be necessary to enforce or protect our intellectual property rights, could result in substantial costs and diversion of resources and management attention and could adversely affect our business, even if we are successful on the merits. In addition, others may independently discover trade secrets and proprietary information, and in such cases we could not assert any trade secret rights against such parties.

We depend, in part, on strategic alliances, joint ventures and acquisitions to grow our business. If we are unable to make strategic acquisitions and develop and maintain these strategic alliances and joint ventures, our growth may be adversely affected.

An important focus of our business is to identify business partners who can enhance our services, enable us to develop solutions that differentiate us from our competitors, drive users to our websites and monetize our data. We have entered into several alliance agreements or license agreements with respect to certain of our datasets and services and may enter into similar agreements in the future. These arrangements may require us to restrict our use of certain of our technologies or datasets among certain customer industries, restrict content on our websites or grant licenses on terms that ultimately may prove to be unfavorable to us, any of which could adversely affect our business, financial condition or results of operations. Relationships with our alliance agreement partners may include risks due to incomplete information regarding the marketplace and commercial strategies of our partners, and our alliance agreements or other licensing agreements may be the subject of contractual disputes. If we or our alliance agreements' partners are not successful in maintaining or commercializing the alliance agreements' services, such commercial failure could adversely affect our business.

If we consummate any future acquisitions, we will be subject to the risks inherent in identifying, acquiring and operating a newly acquired business.

On March 21, 2015, we acquired IDI Holdings and transformed the nature of our business. IDI Holdings, in turn, had acquired Interactive Data, its core business, in October 2014 shortly following IDI Holdings' incorporation. On December 8, 2015, we acquired Fluent, a company that had greater revenue and headcount than cogint prior to the acquisition. On June 8, 2016, we acquired Q Interactive. We may, in the future, acquire additional businesses, which we believe could complement or expand our current business or offer growth opportunities. We may experience difficulties in identifying potential acquisition candidates that complement our current business at appropriate prices, or at all. We cannot assure you that our acquisition strategy will be successful. We may spend significant management time and resources in analyzing and negotiating acquisitions or investments that are not consummated. Furthermore, the ongoing process of integrating an acquired business is distracting, time consuming, expensive, and requires continuous optimization and allocation of resources. Additionally, if we use stock as consideration, this would dilute our existing shareholders and if we use cash, this would reduce our liquidity and impact our financial flexibility. We may seek debt financing for particular acquisitions, which may not be available on commercially reasonable terms, or at all. We face the risks associated with the business acquisition strategy, including:

- the potential disruption of our existing businesses, including the diversion of management attention and the redeployment of resources;
- entering new markets or industries in which we have limited prior experience;
- our failure in due diligence to identify key issues specific to the businesses we seek to acquire or the industries or other environments in which they operate, or, failure to protect against contingent liabilities arising from those issues;
- unforeseen, hidden or fraudulent liabilities;
- our difficulties in integrating, aligning and coordinating organizations which will likely be geographically separated and may involve diverse business operations and corporate cultures;
- our difficulties in integrating and retaining key management, sales, research and development, production and other personnel;
- the potential loss of key employees, customers or distribution partners of the acquired businesses;
- our difficulties in incorporating the acquired business into our organization;
- the potential loss of customers, distributors or suppliers;
- our difficulties in integrating or expanding information technology systems and other business processes to accommodate the acquired business;
- the risks associated with integrating financial reporting and internal control systems, including the risk that significant deficiencies or material weaknesses may be identified in acquired entities;
- the potential for future impairments of goodwill and other intangible assets if the acquired business does not perform as expected;
- the inability to obtain necessary government approvals for the acquisition, if any; and
- our successfully operating the acquired business.

If we cannot overcome these challenges, we may not realize actual benefits from past and future acquisitions, which will impair our overall business results. If we complete an investment or acquisition, we may not realize the anticipated benefits from the transaction.

Our business is subject to various governmental regulations, laws and orders, compliance with which may cause us to incur significant expenses or reduce the availability or effectiveness of our solutions, and the failure to comply with which could subject us to civil or criminal penalties or other liabilities.

Our businesses are subject to regulation under the GLBA, DPPA, HIPAA, FTC Act, TCPA, CAN-SPAM Act and various other federal, state and local laws and regulations. These laws and regulations, which generally are designed to protect the privacy of the public and to prevent the misuse of personal information available in the marketplace and prevent deceptive practices in advertising and online marketing and telemarketing are complex, change frequently and have tended to become more stringent over time. We have already incurred significant expenses in our attempt to ensure compliance with these laws.

These U.S. federal and state and foreign laws and regulations, which can be enforced by government entities or, in some cases, private parties, are constantly evolving and can be subject to significant change. Keeping our business in compliance with or bringing our business into compliance with new laws may be costly, and may affect our revenue and/or harm our financial results. In addition, the application, interpretation, and enforcement of these laws and regulations are often uncertain, particularly in the new and rapidly evolving industry in which we operate, and may be interpreted and applied inconsistently from jurisdiction to jurisdiction and inconsistently with our current policies and practices. Parts of our business, which rely on third party publishers to drive traffic to our sites, could be adversely impacted if we or any of our third-party publishers or our clients violate applicable laws. In addition, new laws or regulations or changes in enforcement of existing laws or regulations applicable to our clients could affect the activities or strategies of such clients and, therefore, lead to reductions in their level of business with us.

The following legal and regulatory developments also could have a material adverse effect on our business, financial condition or results of operations:

- amendment, enactment or interpretation of laws and regulations that restrict the access and use of personal information and reduce the availability or effectiveness of our solutions or the supply of data available;
- changes in cultural and consumer attitudes in favor of further restrictions on information collection and sharing, which may lead to regulations that prevent full utilization of our solutions;
- failure of data suppliers or customers to comply with laws or regulations, where mutual compliance is required;
- failure of our solutions to comply with current laws and regulations; and
- failure of our solutions to adapt to changes in the regulatory environment in an efficient, cost-effective manner.

Changes in applicable legislation or regulations that restrict or dictate how we collect, maintain, combine and disseminate information could adversely affect our business, financial condition or results of operations. In the future, we may be subject to significant additional expense to ensure continued compliance with applicable laws and regulations and to investigate, defend or remedy actual or alleged violations.

We supply data to call center clients for telemarketing which may subject them to claims under the TCPA, which has become a fertile source for both individual and class action lawsuits and regulatory actions. We have expended considerable resources to comply with the TCPA and incurred additional costs to insure against TCPA-related claims and have not experienced material losses from TCPA claims. Our failure to adhere to or successfully implement appropriate processes and procedures in response to and to defend against TCPA related claims could result in legal and monetary liability, significant fines and penalties, or damage to our reputation in the marketplace, any of which could have a material adverse effect on our business, financial condition, and results of operations.

In connection with our third-party publishers’ email campaigns to generate traffic for our websites, we are subject to various state and federal laws regulating commercial email communications, including the CAN-SPAM Act and the California Anti-Spam Act. If we or any of our third-party publishers fail to comply with any provisions of these laws or regulations, we could be subject to regulatory investigation, enforcement actions, and litigation and claims. Any negative outcomes from such regulatory actions or litigation or claims, including monetary penalties or damages, could have a material adverse effect on our financial condition, results of operation, and reputation.

The outcome of litigation, inquiries, investigations, examinations or other legal proceedings in which we are involved, in which we may become involved, or in which our customers or competitors are involved could subject us to significant monetary damages or restrictions on our ability to do business.

Legal proceedings arise frequently as part of the normal course of our business. These may include individual consumer cases, class action lawsuits and inquiries, investigations, examinations, regulatory proceedings or other actions brought by federal (e.g., the FTC) or state (e.g., state attorneys general) authorities. The scope and outcome of these proceedings is often difficult to assess or quantify. Plaintiffs in lawsuits may seek recovery of large amounts and the cost to defend such litigation may be significant. There may also be adverse publicity and uncertainty associated with investigations, litigation and orders (whether pertaining to us, our customers or our competitors) that could decrease customer acceptance of our services or result in material discovery expenses. In addition, a court-ordered injunction or an administrative cease-and-desist order or settlement may require us to modify our business practices or may prohibit conduct that would otherwise be legal and in which our competitors may engage. Many of the technical and complex statutes to which we are subject, including state and federal financial privacy requirements, may provide for civil and criminal penalties and may permit consumers to maintain individual or class action lawsuits against us and obtain statutorily prescribed damages. Additionally, our customers might face similar proceedings, actions or inquiries which could affect their business and, in turn, our ability to do business with those customers.

While we do not believe that the outcome of any pending or threatened legal proceeding, investigation, examination or supervisory activity will have a material adverse effect on our financial position, such events are inherently uncertain and adverse outcomes could result in significant monetary damages, penalties or injunctive relief against us. Furthermore, we review legal proceedings and claims on an ongoing basis and follow appropriate accounting guidance, including ASC 450, when making accrual and disclosure decisions. We establish accruals for those contingencies where the incurrence of a loss is probable and can be reasonably estimated, and we disclose the amount accrued and the amount of a reasonably possible loss in excess of the amount accrued, if such disclosure is necessary for our financial statements to not be misleading. To estimate whether a loss contingency should be accrued by a charge to income, we evaluate, among other factors, the degree of probability of an unfavorable outcome and the ability to make a reasonable estimate of the amount of the loss. We do not record liabilities when the likelihood that the liability has been incurred is probable, but the amount cannot be reasonably estimated.

Our relationships with key customers may be materially diminished or terminated.

We have established relationships with a number of customers, many of whom could unilaterally terminate their relationship with us or materially reduce the amount of business they conduct with us at any time. Market competition, customer requirements, customer financial condition and customer consolidation through mergers or acquisitions also could adversely affect our ability to continue or expand these relationships. There is no guarantee that we will be able to retain or renew existing agreements, maintain relationships with any of our customers on acceptable terms or at all or collect amounts owed to us from insolvent customers. The loss of one or more of our major customers could adversely affect our business, financial condition and results of operations.

If we lose the services of key personnel, it could adversely affect our business.

Our future success depends, in part, on our ability to attract and retain key personnel. Our future also depends on the continued services of Michael Brauser, our Chairman, Derek Dubner, our Chief Executive Officer, Ole Poulsen, our Chief Science Officer, Ryan Schulke, CEO of Fluent, Matthew Conlin, President of Fluent, and other key employees in all areas of our organization, each of whom is important to the management of certain aspects of our business and operations and the development of our strategic direction, and each of whom may be difficult to replace. We carry "key man" life insurance policies on Mr. Dubner and Mr. Schulke in the amount of $10.0 million each, the beneficiary of which is HIG Whitehorse, the holder of our $60.0 million term loans pursuant to the Credit Agreement ("Credit Agreement") dated December 8, 2015, as amended. The loss of the services of these key individuals and the process to replace these individuals would involve significant time and expense and could significantly delay or prevent the achievement of our business objectives.

Risks Relating to Our Information Services Segment

If we fail to respond to rapid technological changes in the big data and analytics sector, we may lose customers and/or our products and/or services may become obsolete.

The big data and analytics sector is characterized by rapidly changing technology, frequent product introductions, and continued evolution of new industry standards. As a result, our success depends upon our ability to develop and introduce in a timely manner new products and services and enhancements to existing products and services that meet changing customer requirements and evolving industry standards. The development of technologically advanced product solutions is a complex and uncertain process requiring high levels of innovation, rapid response and accurate anticipation of technological and market trends. We cannot assure you that we will be able to identify, develop, manufacture, market or support new or enhanced products and services successfully in a timely manner. Further, we or our competitors may introduce new products or services or product enhancements that shorten the life cycle of existing products or services or cause existing products or services to become obsolete.

Our revenue is concentrated in the U.S. market across a broad range of industries. When these industries or the broader financial markets experience a downturn, demand for our services and revenue may be adversely affected.

Our customers, and therefore our business and revenue, sometimes depend on favorable macroeconomic conditions and are impacted by the availability of credit, the level and volatility of interest rates, inflation, employment levels, consumer confidence and housing demand. In addition, a significant amount of our revenue is concentrated among certain industries. Our customer base suffers when financial markets experience volatility, illiquidity and disruption, which has occurred in the past and which could reoccur. Such market developments, and the potential for increased and continuing disruptions going forward, present considerable risks to our business and operations. Changes in the economy have resulted, and may continue to result, in fluctuations in volumes, pricing and operating margins for our services. For example, the banking and financial market downturn that began to affect U.S. businesses in 2008 caused a greater focus on expense reduction by customers of businesses similar to ours. If businesses in these industries experience economic hardship, we cannot assure you that we will be able to generate future revenue growth. These types of disruptions could lead to a decline in the volumes of services we provide our customers and could negatively impact our revenue and results of operations.

We could lose our access to data sources which could prevent us from providing our services.

Our services and products depend extensively upon continued access to and receipt of data from external sources, including data received from customers, strategic partners and various government and public records repositories. In some cases, we compete with our data providers. Our data providers could stop providing data, provide untimely data or increase the costs for their data for a variety of reasons, including a perception that our systems are insecure as a result of a data security breach, budgetary constraints, a desire to generate additional revenue or for regulatory or competitive reasons. We could also become subject to increased legislative, regulatory or judicial restrictions or mandates on the collection, disclosure or use of such data, in particular if such data is not collected by our providers in a way that allows us to legally use the data. If we were to lose access to this external data or if our access or use were restricted or were to become less economical or desirable, our ability to provide services could be negatively impacted, which would adversely affect our reputation, business, financial condition and results of operations. We cannot provide assurance that we will be successful in maintaining our relationships with these external data source providers or that we will be able to continue to obtain data from them on acceptable terms or at all. Furthermore, we cannot provide assurance that we will be able to obtain data from alternative sources if our current sources become unavailable.

We face intense competition from both start-up and established companies that may have significant advantages over us and our products.

The market for our products and services is intensely competitive. There are numerous companies competing with us in various segments of the big data and analytics sector, and their products and services may have advantages over our products and services in areas such as conformity to existing and emerging industry standards, performance, price, ease of use, scalability, reliability, flexibility, product features and technical support.

Our principal competitors in the big data and analytics sector include Palantir, RELX Group (LexisNexis), TransUnion, Thomson Reuters, Acxiom, and Alliance Data. Current and potential competitors may have one or more of the following significant advantages:

- greater financial, technical and marketing resources;
- better name recognition;
- more comprehensive solutions;
- better or more extensive cooperative relationships; and
- larger customer base.

We cannot assure you that we will be able to compete successfully with our existing or new competitors. Some of our competitors may have, in relation to us, one or more of the following: longer operating histories, longer-standing relationships with end-user customers and greater customer service, public relations and other resources. As a result, these competitors may be able to more quickly develop or adapt to new or emerging technologies and changes in customer requirements, or devote greater resources to the development, promotion and sale of their products and services. Additionally, it is likely that new competitors or alliances among existing competitors could emerge and rapidly acquire significant market share.

There may be further consolidation in our end-customer markets, which may adversely affect our revenue.

There has been, and we expect there will continue to be, merger, acquisition and consolidation activity in our customer markets. If our customers merge with, or are acquired by, other entities that are not our customers, or that use fewer of our services, our revenue may be adversely impacted. In addition, industry consolidation could affect the base of recurring transaction-based revenue if consolidated customers combine their operations under one contract, since many of our contracts provide for volume discounts. In addition, our existing customers might leave certain geographic markets, which would no longer require them to purchase certain products from us and, consequently, we would generate less revenue than we currently expect.

To the extent the availability of free or relatively inexpensive consumer and/or business information increases, the demand for some of our services may decrease.

Public and commercial sources of free or relatively inexpensive consumer and business information have become increasingly available and this trend is expected to continue. Public and commercial sources of free or relatively inexpensive consumer and/or business information may reduce demand for our services. To the extent that our customers choose not to obtain services from us and instead rely on information obtained at little or no cost from these public and commercial sources, our business, financial condition and results of operations may be adversely affected.

If our newer products do not achieve market acceptance, revenue growth may suffer.

Our Information Services products have been in the market place for a limited period of time and may have longer sales cycles than competitive products. Accordingly, we may not achieve the meaningful revenue growth needed to sustain operations. We cannot provide any assurances that sales of our newer products will continue to grow or generate sufficient revenue to sustain our business. If we are unable to recognize revenue due to longer sales cycles or other problems, our results of operations could be adversely affected.

We have not yet received broad market acceptance for our newer products. We cannot assure you that our present or future products will achieve market acceptance on a sustained basis. In order to achieve market acceptance and achieve future revenue growth, we must introduce complementary products, incorporate new technologies into existing product lines and design, and develop and successfully commercialize higher performance products in a timely manner. We cannot assure you that we will be able to offer new or complementary products that gain market acceptance quickly enough to avoid decreased revenue during current or future product introductions or transitions.

Our products and services can have long sales and implementation cycles, which may result in substantial expenses before realizing any associated revenue.

The sale and implementation of our products and services to large companies and government entities typically involves a lengthy education process and a significant technical evaluation and commitment of capital and other resources. This process is also subject to the risk of delays associated with customers' internal budgeting and other procedures for approving capital expenditures, and testing and accepting new technologies that affect key operations. As a result, sales and implementation cycles for our products and services can be lengthy, and we may expend significant time and resources before we receive any revenue from a customer or potential customer. Our quarterly and annual operating results could be adversely affected if orders forecast for a specific customer and for a particular period are not realized.

Consolidation in the big data and analytics sector may limit market acceptance of our products and services.

Several of our competitors have acquired companies with complementary technologies in the past. We expect consolidation in the industries we serve to continue in the future. These acquisitions may permit our competitors to accelerate the development and commercialization of broader product lines and more comprehensive solutions than we currently offer. Acquisitions by our competitors of vendors or other companies with whom we have a strategic relationship may limit our access to commercially significant technologies. Further, business combinations are creating companies with larger market shares, customer bases, sales forces, product offerings and technology and marketing expertise, which may make it more difficult for us to compete.

We may incur substantial expenses defending the Company against claims of infringement.

There are numerous patents held by many companies relating to the design and manufacture of data and analytics solutions. Third parties may claim that our products and/or services infringe on their intellectual property rights. Any claim, with or without merit, could consume management's time, result in costly litigation, cause delays in sales or implementation of products or services or require entry into royalty or licensing agreements. In this respect, patent and other intellectual property litigation is becoming increasingly more expensive in terms of legal fees, expert fees and other expenses. Royalty and licensing agreements, if required and available, may be on terms unacceptable to us or detrimental to our business. Moreover, a successful claim of product infringement against us or our failure or inability to license the infringed or similar technology on commercially reasonable terms could seriously harm our business.

Risks Related to Our Performance Marketing Segment

We operate in an industry that is still developing and has a relatively new business model that is continually evolving, which makes it difficult to evaluate our business and prospects.

Our Performance Marketing segment derives nearly all of its revenue from the sale of online marketing and media services, which is still a developing industry that has undergone rapid and dramatic changes in its relatively short history and which is characterized by rapidly-changing internet media and advertising technology, evolving industry standards, regulatory uncertainty, and changing user and client demands. As a result, we face risks and uncertainties such as:

- the still-developing industry and relatively new business model;

- changes in the economic condition, market dynamics, regulatory enforcement or legislative environment affecting its, its third-party publishers', and its clients' businesses;
- its dependence on the availability and affordability of quality media from third-party publishers;
- its dependence on internet search companies to attract internet visitors;
- its ability to compete in its industry;
- its ability to manage cyber security risks and costs associated with maintaining a robust security infrastructure;
- its inability to monetize users accessing its sites on mobile devices at the same levels as was achieved from users accessing its sites from PCs;
- its ability to develop new services, enhancements and features to meet new demands from its clients; and
- its ability to comply with and avoid regulatory scrutiny in a rapidly evolving legal and regulatory environment.

If we are unable to address these risks, our business, results of operations, and prospects may be adversely affected.

An increasing percentage of our users are accessing our websites from their mobile devices. Our ability to remain competitive with the shift to mobile devices is critical to maintaining our revenue and margins.

A greater percentage of our users are accessing our websites from their mobile devices. We will need to ensure our websites continue to perform well as more consumers shift their online interactions from desktop computers to smartphones, tablets, wearables, and other next generation platforms and devices. While we design and build our websites "mobile first," as more of our users access our websites from mobile devices, the monetization of our online marketing services and content on these mobile devices might not be as lucrative for us compared to those on desktop and laptop computers. If we fail to develop the monetization of the mobile versions of our websites effectively, our business and results of operations may be adversely affected.

We are dependent on third-party publishers for a significant portion of visitors to our websites. Any decline in the supply of media available through these websites or increase in the price of this media could cause our revenue to decline or increase the cost to acquire visitors to our websites.

A significant portion of our revenue is attributable to visitor traffic originating from third-party publishers. Third-party publishers can change the media inventory they make available to us at any time and place significant restrictions on our content offerings. These restrictions may limit the websites that we can promote or prohibit advertisements from specific clients or specific industries, or restrict the use of certain creative content or formats. If a third-party publisher decides not to make media inventory available to us, or decides to demand a higher revenue share or places significant restrictions on the use of such inventory, we may not be able to find media inventory from other websites that satisfy our requirements in a timely and cost-effective manner. In addition, the number of competing online marketing service providers and advertisers that acquire inventory from websites continues to increase. Consolidation of internet advertising networks and third-party publishers could eventually lead to a concentration of desirable inventory on websites or networks owned by a small number of persons, which could limit the supply or impact the pricing of inventory available to us. We cannot provide assurance that we will be able to acquire media inventory that meets our performance, price, and quality requirements, in which our business and results of operations may be adversely affected.

We also purchase media directly from ad networks, search engines and platforms that provide us the ability to access media (inventory) from a range of websites. Many of these publishers also have their own guidelines on acceptable content, advertisements and the types of advertisers and websites that can advertise on their properties. These guidelines change frequently and the changes are often unpublished. If we are restricted from buying media from these platforms, ad networks and/or search engines, our results could be adversely affected.

We depend on internet search providers for a portion of the visitors to our websites. Changes in search engine algorithms applicable to our websites' placements in paid search result listings may cause the number of visitors to our websites to decrease, and as a result, cause our revenue to decline.

Our success depends on our ability to attract online visitors to our websites and monetize them in a cost-effective manner. We use paid search listings from search engine providers such as Google, Bing and Yahoo! by bidding on particular keywords and other strategies. The search engine operators use a quality score which is determined by the relevancy of the ad to the keyword bid on, the click-through rates of the ad, and the amount bid, to determine the placement of the ad in the search results listings. The search engine providers frequently change the algorithms and bidding rules and may exclude certain sites they deem unacceptable from bidding on paid search listings. We may fail to optimally manage our paid listings or operate our websites in a manner that does not run afoul of the search engine requirements. In that case, our business and results of operations may be adversely affected.

Our operations have grown dramatically over the past years which may make it difficult to effectively manage any future growth and scale our products quickly enough to meet our clients' needs while maintaining profitability.

We have historically experienced growth in our operations. This growth has placed, and any future growth will continue to place, significant demands on our management and our operational and financial infrastructure. Growth, if any, may make it more difficult for us to accomplish the following:

- successfully scale our technology to accommodate a larger business and integrate acquisitions;
- maintain our standing with key vendors, including internet search companies and third-party publishers;
- maintain our client service standards;
- develop and improve our operational, financial and management controls and maintaining adequate reporting systems and procedures; and
- hire, train and manage additional staff needed to manage future growth.

Our future success depends in part on the efficient performance of our software and technology infrastructure. As the number of websites, internet users and the amount of data collected increases, our technology infrastructure may not be able to meet the increased demand. Unexpected constraints on our technology infrastructure could lead to slower website response times or system failures and adversely affect the availability of websites and the level of user responses received, which could result in the loss of clients or revenue or harm to our business and/or results of operations.

In addition, our systems, procedures, processes, and controls may be inadequate to support our future operations. The improvements required to manage growth may require us to make significant expenditures, and reallocate valuable management resources. We may spend substantial amounts to secure hosting and other technical services and data storage, upgrade our technology and network infrastructure to handle increased traffic on our owned-and-operated websites and roll out new products and services. This expansion could be expensive and complex and could result in inefficiencies or operational failures. If we do not implement this expansion successfully, or if we experience inefficiencies and/or operational failures during our implementation, the quality of our products and services and our users' experience could decline. This could damage our reputation and cause us to lose current and potential users and clients. The costs associated with these adjustments to our architecture could harm our operating results. Accordingly, if we fail to effectively manage growth, our operating performance will suffer, and we may lose clients, key vendors and key personnel.

We will need to expand our workforce to meet the needs of our business. We operate in a specialized niche of the online advertising and data acquisition marketplace and finding experienced qualified applicants and training them can prove challenging. If we are unable to hire, train and effectively manage a sufficient number of new employees, we may not be able to capitalize on opportunities and/or may not be able to continue to grow our business at past levels.

Historically, our quarterly and annual results of operations have rapidly increased due to several favorable factors, some of which are beyond our control. Moreover, we are one of the larger players in our market segment. Because of these factors, we may not be able to increase our market share and/or sustain our recent rapid growth. Our inability to sustain our growth could cause our performance and outlook to be below the expectations of securities analysts and investors.

As a result of changes in our business model and the need for increased investments and expenditures for certain businesses, products, services, and technologies, we may fail to maintain our margins, attract new clients, or grow our revenue.

We have invested in new businesses, products, markets, services and technologies and plan to expand our work force to meet the needs of revenue growth. Based on our experience, new websites, products and services have lower margins than more established websites, products and services. If we are unsuccessful in our optimization efforts for new websites and products, we may fail to maintain our margins, attract new clients or grow our revenue.

If we fail to compete effectively against other online marketing and media companies and other competitors, we could lose clients and our revenue may decline.

The market for online marketing is intensely competitive, and we expect this competition to continue and to increase in the future, both from existing competitors and, given the relatively low barriers to entry into the market, from new competitors. We compete both for clients and for limited high-quality media. We compete for clients on the basis of a number of factors, including return on investment of client's marketing spending, price, and client service.

We compete with internet and traditional media companies for a share of clients' overall marketing budgets, including:

- offline and online advertising agencies;
- major internet portals and search engine companies with advertising networks;
- other online marketing service providers, including online affiliate advertising networks and industry-specific portals or email marketing companies;
- third-party publishers with their own sales forces that sell their online marketing services directly to clients;
- in-house marketing groups and activities at current or potential clients;
- offline direct marketing agencies;
- mobile and social media; and
- television, radio, and print companies.

Competition for web traffic among websites and search engines, as well as competition with traditional media companies, has resulted and may continue to result in significant increases in media pricing, declining margins, reductions in revenue, and loss of market share. In addition, if we expand the scope of our services, we may compete with a greater number of websites, clients, and traditional media companies across an increasing range of different services, including in vertical markets where competitors may have advantages in expertise, brand recognition, and other areas. Major internet search companies such as Google, Yahoo! and Microsoft as well as social media platforms such as Facebook have significant numbers of direct sales personnel and substantial proprietary advertising inventory and web traffic that provide a significant competitive advantage. The trend toward consolidation in online marketing may also affect pricing and availability of media inventory and web traffic. Many of our current and potential competitors also enjoy other competitive advantages over us, such as longer operating histories, greater brand recognition, larger client bases, greater access to advertising inventory on high-traffic websites, and greater financial, technical, and marketing resources. As a result, we may not be able to compete successfully. The online advertising marketplace is increasingly analytically driven and if the performance of our advertising services is not better than other marketing service providers' offerings, we could lose clients and market share.

A reduction in online marketing spend by our clients, a loss of clients or lower advertising yields may seriously harm our business, financial condition, and results of operations. In addition, a substantial portion of our revenue is generated from a limited number of clients and, if we lose a major client, our revenue will decrease and our business and prospects may be harmed.

We rely on clients' marketing spend on our owned-and-operated websites. We have historically derived, and expects to continue to derive, a significant portion of our revenue through the delivery of targeted advertisements, applications, installs and actions and the delivery of qualified customers. One component of our platform that we use to generate client interest is our system of monetization tools, which is designed to match users with client offerings in a manner that optimizes revenue yield and end-user experience. Clients will stop spending marketing funds on our owned-and-operated websites if their investments do not generate actions or qualified users cost effectively. If our yield-optimized monetization techniques to effectively target and match advertisements to our client offerings fail to increase revenue or return on investment for our clients, our clients could curtail their advertising spend with us or cease using our services altogether.

Furthermore, our top 40 advertisers account for a substantial portion of our revenue. Our advertising clients can generally terminate their agreements with us at any time on little or no prior notice. Clients may also fail to renew their agreements or reduce their level of business with us, leading to lower revenue.

Third-party publishers or vendors may engage in unauthorized or unlawful acts that could subject us to significant liability or cause us to lose clients.

We generate a significant portion of our web visitors from online media that we purchase from third-party publishers. While we actively monitor our publishers' activities, we cannot police all such behavior. Any activity by third-party publishers that clients view as potentially damaging to their brands, whether or not permitted by our contracts with our clients, could harm our relationship with the client and cause the client to terminate its relationship with us, resulting in a loss of revenue. In addition, we may also face liability for any failure of our third-party publishers or vendors to comply with regulatory requirements. Users or customers may complain about the content of publisher ads which may expose us to lawsuits and regulatory scrutiny. The law is unsettled on the extent of liability that an advertiser in our position has for the activities of third-party publishers or vendors. We could be subject to costly litigation and, if we are unsuccessful in defending, could incur damages for the unauthorized or unlawful acts of third-party publishers or vendors.

If we fail to continually enhance and adapt our products and services to keep pace with rapidly changing technologies and industry standards, we may not remain competitive and could lose clients or advertising inventory.

The online media and marketing industry is characterized by rapidly changing standards, changing technologies, frequent new product and service introductions, and changing user and client demands. The introduction of new technologies and services embodying new technologies and the emergence of new industry standards and practices could render our existing technologies and services obsolete and unmarketable or require unanticipated investments in technology. We continually make enhancements and other modifications to our proprietary technologies, and these changes may contain design or performance defects that are not readily apparent. If our proprietary technologies fail to achieve their intended purpose or are less effective than technologies used by our competitors, our business could be harmed.

Our future success will depend in part on our ability to successfully adapt to these rapidly changing online media formats and other technologies. If we fail to adapt successfully, we could lose clients or advertising inventory.

We are exposed to credit risk from and have payment disputes with our advertisers and agency clients and may not be able to collect on amounts owed to us.

Many of our advertising clients are thinly capitalized and pose credit risks. While we run credit checks on our clients, we may nevertheless have difficulty collecting on all amounts owed to it. Some of our clients may challenge the determination of amounts we believe they owe or may refuse to pay because of performance related claims. In these circumstances, we may have difficulty collecting on amounts we believe are owed.

A portion of our client business is sourced through advertising agencies. In many cases, agencies are not required to pay us unless and until they are paid by the underlying client. In addition, many agencies are thinly capitalized and have or may develop high-risk credit profiles. If an agency became insolvent, or if an underlying client does not pay the agency, we may be required to write off accounts receivable as bad debt.

Damage to our reputation could harm our business, financial condition and results of operations.

Our business is dependent on attracting a large number of visitors to our websites and providing subscribers, inquiries, clicks, calls, applications, and customers to our clients, which depends in part on our reputation within the industry and with our clients. Certain other companies within our industry regularly engage in activities that others may view as unlawful or inappropriate. These activities by third parties may be seen as indicative of participants in our industry and may therefore harm the reputation of all participants in our industry, including us.

Our ability to attract potential users and, thereby, clients, also depends in part on users receiving incentives, job listings, prizes, samples and other content as well as attractive offers from our clients. If our users are not satisfied with the content of our websites or our clients' offerings, our reputation and therefore our ability to attract additional clients and users could be harmed.

In addition, from time to time, we may be subject to investigations, inquiries or litigation by various regulators, which may harm our reputation regardless of the outcome of any such action.

Any damage to our reputation, including from publicity from legal proceedings against us or companies that work within our industry, governmental proceedings, consumer class action litigation, or the disclosure of information security breaches or private information misuse, may adversely affect our business, financial condition and results of operations.

Our quarterly revenue and results of operations may fluctuate significantly from quarter to quarter due to fluctuations in advertising spending, including seasonal and cyclical effects.

In addition to other factors that cause our results of operations to fluctuate, results may also be subject to seasonal fluctuation. Furthermore, advertising spend on the internet, similar to traditional media, tends to be cyclical and discretionary as a result of factors beyond our control, including budgetary constraints and buying patterns of clients, as well as economic conditions affecting the internet and media industry. Poor macroeconomic conditions could decrease our clients' advertising spending and thereby have a material adverse effect on our business, financial condition, and operating results.

Limitations on our ability to collect and use data derived from user activities, as well as new technologies that block our ability to deliver internet-based advertising, could significantly diminish the value of our services and have an adverse effect on our ability to generate revenue.

When a user visits our websites, we use technologies to collect information and use registration data provided by users and user response to our dynamically populated survey questions to collect additional user information to create a robust user profile which we use in our targeted ad serving and customer data acquisition services. The use of personal information is the subject of litigation, regulatory scrutiny and industry self-regulatory activities, including the discussion of “do-not-track” technologies and guidelines.

Technologies, tools, software and applications (including new and enhanced web browsers) have been developed, and are likely to continue to be developed, that can block or allow users to opt out of display, search, and internet-based advertising and content, or shift the location where advertising appears on pages so that our advertisements do not show up in the most monetizable places on its pages or are obscured. Recently, app developers have developed ad blocking apps for smartphones and other mobile devices which may hinder marketing activities to smartphone users. As a result, the adoption of such technologies, tools, software, and applications could reduce the number of display and search advertisements that we are able to deliver and/or our ability to deliver internet-based advertising and this, in turn, could reduce our results of operations.

Interruptions, failures or defects in our data collection systems, as well as privacy concerns and regulatory changes or enforcement actions affecting us or our data partners’ ability to collect user data, could also limit our ability to analyze data from, and thereby optimize, our clients’ marketing campaigns. If our access to data is limited in the future, we may be unable to provide effective technologies and services to clients and may lose clients and revenue.

As a creator and a distributor of internet content, we face potential liability and expenses for legal claims based on the nature and content of the materials that we create or distribute. If we are required to pay damages or expenses in connection with these legal claims, our results of operations and business may be harmed.

We display original content and third-party content on our websites and in our marketing messages. As a result, we face potential liability based on a variety of theories, including defamation, negligence, deceptive advertising, copyright or trademark infringement. We are also exposed to risk that content provided by third parties is inaccurate or misleading, and for material posted to our websites by users and other third parties. These claims could divert management time and attention away from our business and result in significant costs to investigate and defend, regardless of the merit of these claims. In addition, if we become subject to these types of claims and are not successful in our defense, we may be forced to pay substantial damages.

We could lose clients if we fail to detect click-through or other fraud on advertisements in a manner that is acceptable to our clients.

We are exposed to the risk of fraudulent clicks or actions on our websites or our third-party publishers’ websites, which could lead our clients to become dissatisfied with our campaigns, and in turn, lead to loss of clients and related revenue. Click-through fraud occurs when an individual click on an ad displayed on a website, or an automated system is used to create such clicks, with the intent of generating the revenue share payment to the publisher rather than viewing the underlying content. Action fraud occurs when online lead forms are completed with false or fictitious information in an effort to increase a publisher’s compensable actions. From time to time, we have experienced fraudulent clicks or actions. We do not charge our clients for fraudulent clicks or actions when they are detected, and such fraudulent activities could negatively affect our profitability or harm our reputation. If fraudulent clicks or actions are not detected, the affected clients may experience a reduced return on their investment in our marketing programs, which could lead the clients to become dissatisfied with our campaigns, and in turn, lead to loss of clients and related revenue. Additionally, we have, from time to time, had to, and in the future may have to, terminate relationships with publishers who we believe to have engaged in fraud. Termination of such relationships entails a loss of revenue associated with the legitimate actions or clicks generated by such publishers.

Risks Related to the Spin-off

We have incurred significant transaction and transaction-related costs in connection with the Spin-off.

We have incurred significant costs in connection with the previously announced and terminated Business Combination Transaction and the Spin-off, including legal, accounting, consulting, financial advisory, and related fees. We may incur additional costs in effecting the separation and spin-off. Although we expect the Spin-off to benefit both us and Red Violet as independent public companies. We cannot assure you these benefits will be achieved in the near term, or at all.

The Spin-off could give rise to disputes or other unfavorable effects, which could have a material adverse effect on our business, financial position and results of operations.

Disputes with third parties could arise out of the distribution, and we could experience unfavorable reactions to the distribution from employees, investors, or other interested parties. These disputes and reactions of third parties could have a material adverse effect on our business, financial position, and results of operations. In addition, following the Spin-off, disputes between us and Red Violet could arise in connection with any of the Separation Agreement, the Tax Matters Agreement, the Employee Matters Agreement or other agreements between the parties.

Under the Separation Agreement, we will indemnify Red Violet for certain liabilities.

Under the Separation Agreement, cogint will agree to indemnify Red Violet for certain liabilities. Although no such liabilities are currently anticipated, if we have to indemnify Red Violet for unanticipated liabilities, the cost of such indemnification obligations may have a material and adverse effect on our financial performance.

A court could deem the Spin-off to be a fraudulent conveyance and void the transaction or impose substantial liabilities upon us.

If the transaction is challenged by a third party, a court could deem the distribution by Red Violet of our common stock or certain internal restructuring transactions undertaken in connection with the Spin-off to be a fraudulent conveyance or transfer. Fraudulent conveyances or transfers are defined to include transfers made or obligations incurred with the actual intent to hinder, delay or defraud current or future creditors or transfers made or obligations incurred for less than reasonably equivalent value when the debtor was insolvent, or that rendered the debtor insolvent, inadequately capitalized or unable to pay its debts as they become due. In such circumstances, a court could void the transactions or impose substantial liabilities upon us, which could adversely affect our financial condition and our results of operations. Among other things, the court could require our stockholders to return to us some or all of the shares of Red Violet common stock issued in the Spin-off or require us to fund liabilities of other companies involved in the restructuring transactions for the benefit of creditors.

Risks Related to Our Common Stock

Our stock price has been and may continue to be volatile, and the value of an investment in our common stock may decline.

The trading price of our common stock has been and is likely to continue to be highly volatile and could be subject to wide fluctuations in response to various factors, some of which are beyond our control. These factors could include:

- additions or departures of key personnel;
- changes in governmental regulations or in the status of our regulatory approvals;
- changes in earnings estimates or recommendations by securities analysts;
- any major change in our board or management;
- general economic conditions and slow or negative growth of our markets; and
- political instability, natural disasters, war and/or events of terrorism.

From time to time, we estimate the timing of the accomplishment of various commercial and other product development goals or milestones. Also, from time to time, we expect that we will publicly announce the anticipated timing of some of these milestones. All of these milestones are based on a variety of assumptions. The actual timing of these milestones can vary dramatically compared to our estimates, in some cases for reasons beyond our control. If we do not meet these milestones as publicly announced, our stock price may decline.

In addition, the stock market has experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of publicly traded companies. Broad market and industry factors may seriously affect the market price of companies' stock, including ours, regardless of actual operating performance. These fluctuations may be even more pronounced in the trading market for our stock. In addition, in the past, following periods of volatility in the overall market and the market price of a particular company's securities, securities class action litigation has often been instituted against these companies. This litigation, if instituted against us, could result in substantial costs and a diversion of our management's attention and resources.

Future issuances of shares of our common stock in connection with acquisitions or pursuant to our stock incentive plans could have a dilutive effect on your investment.

During 2015, 2016, 2017 and through the date hereof, we issued 54,884,418 shares of our common stock in connection with acquisitions, vesting of awards made under our 2008 Share Incentive Plan and our 2015 Stock Incentive Plan (the "Plans" collectively), or for other business purposes. Also, an additional 15,048,890 shares underlying awards made under the Plans and other compensatory arrangements might vest and be delivered through 2021. The benefits derived by us from an acquisition might not exceed the dilutive effect of the acquisition. Pursuant to the Plans, our board of directors may grant stock options, restricted stock units (“RSUs”), or other equity awards to our directors and employees. When these awards vest or are exercised, the issuance of shares of common stock underlying these awards may have a dilutive effect on our common stock.

The concentration of our stock ownership may limit individual stockholder ability to influence corporate matters.

As of December 31, 2017, officers and directors of the Company and its affiliates owned 59% of the Company’s common stock on a fully diluted basis. As a result, these stockholders may be in a position to exert significant influence over all matters requiring stockholder approval, including the election of directors and determination of significant corporate actions. The interests of these stockholders may not always coincide with the interests of other stockholders, and these stockholders may act in a manner that advances their interests and not necessarily those of other stockholders, and might affect the prevailing market price for our securities.

In addition, the Company has entered into a Stockholders’ Agreement (the “Stockholders’ Agreement”), with certain officers and directors of the Company and its affiliates, solely in their respective capacities as stockholders of the Company. Under the Stockholders’ Agreement, the parties thereto agreed to vote in a certain manner on specified matters, including an agreement to vote in favor of each party’s duly approved nominees for the Board.

We expect that we may need additional capital in the future; however, such capital may not be available to us on reasonable terms, if at all, when or as we require additional funding. If we issue additional shares of our common stock or other securities that may be convertible into, or exercisable or exchangeable for, our common stock, our existing stockholders would experience further dilution.

Although we expect that we may need additional capital in the future, we cannot be certain that it will be available to us on acceptable terms when required, or at all. Disruptions in the global equity and credit markets may limit our ability to access capital. To the extent that we raise additional funds by issuing equity securities, our shareholders would experience dilution, which may be significant and could cause the market price of our common stock to decline significantly. Any debt financing, if available, may restrict our operations. If we are unable to raise additional capital when required or on acceptable terms, we may have to significantly delay, scale back or discontinue certain operations. Any of these events could significantly harm our business and prospects and could cause our stock price to decline.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

cogint’s headquarters are located at 2650 North Military Trail, Suite 300, Boca Raton, Florida 33431, where it leases 21,020 rentable square feet of office space in accordance with a 91-month lease entered into in December 2014, and the subsequent first amendment, effective in January 2017, to the lease agreement. Our Seattle office is located at

1111 Third Avenue, Seattle, WA, where it leases 6,003 rentable square feet of office space in accordance with a 90-month lease entered into in April 2017. Our Fluent offices are located at 33 Whitehall Street, New York, New York 10004 where we lease 25,825 rentable square feet of office space under a lease which expires on December 31, 2018.

Item 3. Legal Proceedings.

On July 22, 2017, the Company entered into a settlement agreement with TransUnion and TransUnion Risk and Alternative Data Solutions, Inc. (“TRADS”), settling all litigation with TransUnion and TRADS. Company subsidiary, IDI Holdings, LLC (“IDI Holdings”), will pay $7.0 million to TRADS over the course of one year to settle all these matters (the “TRADS Litigation Settlement”). The terms of the settlement agreement are confidential. The Company recorded the expense of $7.0 million in general and administrative expenses during the second quarter of 2017. For a description of the legal proceedings settled in the TRADS

Litigation Settlement, see Part I, Item 3 of the Company's 2016 Form 10-K and Part II, Item 1 of the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2017.

Following the TRADS Litigation Settlement, the Company is not currently a party to any legal proceeding, investigation or claim which, in the opinion of the management, is likely to have a material adverse effect on the business, financial condition, results of operations or cash flows. Legal fees associated with such legal proceedings, are expensed as incurred. We review legal proceedings and claims on an ongoing basis and follow appropriate accounting guidance, including ASC 450, when making accrual and disclosure decisions. We establish accruals for those contingencies where the incurrence of a loss is probable and can be reasonably estimated, and we disclose the amount accrued and the amount of a reasonably possible loss in excess of the amount accrued, if such disclosure is necessary for our financial statements to not be misleading. To estimate whether a loss contingency should be accrued by a charge to income, we evaluate, among other factors, the degree of probability of an unfavorable outcome and the ability to make a reasonable estimate of the amount of the loss. We do not record liabilities when the likelihood that the liability has been incurred is probable, but the amount cannot be reasonably estimated.

In addition to the foregoing, we may be involved in litigation from time to time in the ordinary course of business. We do not believe that the ultimate resolution of any such matters will have a material adverse effect on our business, financial condition, results of operations or cash flows. However, the results of such matters cannot be predicted with certainty and we cannot assure you that the ultimate resolution of any legal or administrative proceeding or dispute will not have a material adverse effect on our business, financial condition, results of operations and cash flows.

Item 4. Mine Safety Disclosures.

Not Applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Our common stock is listed on The NASDAQ Global Market ("NASDAQ") under the symbol "COGT." Before September 26, 2016, our common stock was listed on the NYSE MKT under the symbol "IDI." On March 19, 2015, we effected a one-for-five reverse split of our issued and outstanding common stock ("Reverse Stock Split"). Trading of our common stock on a post-Reverse Stock Split adjusted basis began at the opening of business on the morning of March 20, 2015. All historic share and per share information, including earnings per share, in this 2017 Form 10-K have been adjusted to reflect the Reverse Stock Split. The table below sets forth, for the respective periods indicated, the high and low prices for our common stock as reported on NASDAQ and NYSE MKT, as applicable.

	Bid Prices	
	High	Low
2017		
First Quarter	$4.85	$3.15
Second Quarter	$6.10	$4.00
Third Quarter	$6.30	$4.20
Fourth Quarter	$5.30	$3.55
2016		
First Quarter	$7.34	$3.78
Second Quarter	$5.92	$4.23
Third Quarter	$6.22	$4.50
Fourth Quarter	$5.25	$2.90

We paid no dividends or made any other distributions in respect of our common stock during our fiscal years ended December 31, 2017 and 2016, and we have no plans to pay any dividends or make any other distributions in the future. Our Credit Agreement prohibits us from paying dividends on our equity securities, other than dividends on common stock which accrue (but are not paid in cash) or are paid in kind, or dividends on preferred stock which accrue (but are not paid in cash) or are paid in kind.

On March 13, 2018, the closing price of our common stock was $3.00 per share as reported on NASDAQ. As of March 13, 2018, there were 72,060,119 shares of our common stock issued and outstanding. As of March 13, 2018, there were 104 record holders of our common stock.

Performance Graph

The following graph and table match our cumulative 5-year total shareholder return on common stock with the cumulative total returns of the NASDAQ Composite index and the NASDAQ Computer & Data Processing index. The graph and table track the performance of a $100.00 investment in our common stock and in each index (with the reinvestment of all dividends) for the five years ended December 31, 2017. The information reflected in the graph and table is not intended to forecast future performance of our common stock and may not be indicative of future performance.

	12/12	12/13	12/14	12/15	12/16	12/17
Cogint, Inc.	100.00	127.02	68.98	123.49	58.04	74.02
NASDAQ Composite	100.00	141.63	162.09	173.33	187.19	242.29
NASDAQ Computer & Data Processing	100.00	151.54	173.50	208.25	224.83	315.58

Recent Sale of Unregistered Securities

None.

Securities Authorized for Issuance Under Equity Compensation Plans

The following table summarizes compensation plans under which our equity securities are authorized for issuance as of December 31, 2017.

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)		Weighted-average exercise price of outstanding options, warrants and rights (b)		Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders [1]	6,298,890	[2]	$ 12.59	[3]	4,694,808
Equity compensation plans not approved by security holders	-		-		-
Total	6,298,890		$ 12.59		4,694,808

[1] The equity compensation plans approved by security holders include the 2008 Plan and 2015 Plan, as defined in Note 14, "Share-based compensation," to the Consolidated Financial Statements.

[2] Includes 6,076,890 shares of RSUs and restricted stock to be issued upon the vesting of such RSUs and restricted stock.

[3] The weighted-average exercise price does not reflect the shares that will be issued in connection with the vesting of RSUs and restricted stock, since RSUs and restricted stock have no exercise price.

Item 6. Selected Financial Data.

The following selected consolidated financial data should be read in conjunction with the consolidated financial statements and notes thereto and "Management's Discussion and Analysis of Financial Condition and Results of Operations" appearing elsewhere in this 2017 Form 10-K. The fiscal year financial information included in the table below is derived from our audited consolidated financial statements. Historical results are not necessarily indicative of future results.

(In thousands, except share and per share data)	Year Ended December 31, 2017	2016	2015 [1]
Statements of Operations:			
Revenue	$220,268	$186,836	$14,091
Loss from operations	$(42,518)	$(34,038)	$(44,400)
Net loss from continuing operations	$(53,206)	$(29,086)	$(42,585)
Net loss from discontinued operations attributable to cogint	$-	$-	$(41,950)
Net loss attributable to cogint	$(53,206)	$(29,086)	$(84,535)
Basic and diluted loss per share [2]			
Continuing operations	$(0.96)	$(0.65)	$(3.27)
Discontinued operations	-	-	(3.22)
	$(0.96)	$(0.65)	$(6.48)
Weighted average shares used in computation of loss per share - Basic and diluted	55,648,235	44,536,906	13,036,082
Statements of Cash Flows:			
Net cash provided by (used in) operating activities	2,352	2,099	(10,673)

[1] Financial data of Fluent, LLC, a subsidiary acquired by the Company on December 8, 2015, for the period from December 9, 2015 to December 31, 2015 were included in the Consolidated Statements of Operations. The Company disposed of all assets and liabilities related to its Chinese and British Virgin Islands based subsidiaries (collectively, the "Advertising Business") in 2015, and the operating results of the Advertising Business for the year ended December 31, 2015 were reflected as discontinued operations. See Note 4, "Acquisitions," and Note 5, "Discontinued Operations," to the Consolidated Financial Statement for details.

[2] Loss per share tables may contain summation differences due to rounding.

(In thousands)	December 31, 2017	2016	2015
Balance sheets:			
Total assets	$316,999	$311,911	$289,192
Long-term debt, net, including promissory notes payable to certain shareholders, net	$60,213	$45,878	$48,668
Total shareholders' equity	$224,007	$229,649	$205,895

(In thousands)	Year Ended December 31, 2017	2016	2015
Adjusted EBITDA [(1)]			
Adjusted EBITDA	$24,233	$14,973	$(6,648)

(1) See “Use and Reconciliation of Non-GAAP Financial Measures” set forth in Item 7, “Management’s Discussion and Analysis of Financial Conditions and Results of Operations,” for a discussion of our use of adjusted EBITDA and a reconciliation to net loss, the most directly comparable GAAP financial measure.

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

You should read the following discussion in conjunction with our consolidated financial statements and related notes included in this Annual Report on Form 10-K (“2017 Form 10-K”). This 2017 Form 10-K contains certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 (“PSLRA”), Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended, (the “Exchange Act”), about our expectations, beliefs, or intentions regarding our business, financial condition, results of operations, strategies, or prospects. You can identify forward-looking statements by the fact that these statements do not relate strictly to historical or current matters. Rather, forward-looking statements relate to anticipated or expected events, activities, trends, or results as of the date they are made. Because forward-looking statements relate to matters that have not yet occurred, these statements are inherently subject to risks and uncertainties that could cause our actual results to differ materially from any future results expressed or implied by the forward-looking statements. Many factors could cause our actual activities or results to differ materially from the activities and results anticipated in forward-looking statements. These factors include those contained in Part I, “Item 1A. Risk Factors” of this 2017 Form 10-K. We do not undertake any obligation to update forward-looking statements, except as required by law. We intend that all forward-looking statements be subject to the safe harbor provisions of PSLRA. These forward-looking statements are only predictions and reflect our views as of the date they are made with respect to future events and financial performance.

Overview

Cogint, Inc. (“we,” “us,” “our,” “cogint,” or the “Company”), a Delaware corporation, is a data and analytics company providi cloud-based mission-critical information and performance marketing solutions to enterprises in a variety of industries. cogint’s mission is to transform data into intelligence utilizing our proprietary technology platforms to solve complex problems for our clients. Harnessing the power of data fusion and powerful analytics, we transform data into intelligence, in a fast and efficient manner, so that our clients can spend their time on what matters most, running their organizations with confidence. Through our intelligent platforms, CORE™ and Agile Audience Engine™, we uncover the relevance of disparate data points to deliver end-to-end, ROI-driven results for our customers. Our analytical capabilities enable us to build comprehensive datasets in real-time and provide insightful views of people, businesses, assets and their interrelationships. We empower clients across markets and industries to better execute all aspects of their business, from managing risk, identifying fraud and abuse, ensuring legislative compliance, and debt recovery, to identifying and acquiring new customers. With the goal of reducing the cost of doing business and enhancing the consumer experience, our solutions enable our clients to optimize overall decision-making and to have a holistic view of their customers.

We provide unique and compelling solutions essential to the daily workflow of organizations within both the public and private sectors. Our cloud-based data fusion and customer acquisition technology platforms, combined with our massive database consisting of public-record, proprietary and publicly-available data, as well as a unique repository of self-reported information on millions of consumers, enables the delivery of differentiated products and solutions used for a variety of essential functions. These essential functions include identification and authentication, investigation and validation, and customer acquisition and retention.

The Company operates through two reportable segments: (i) Information Services and (ii) Performance Marketing. For additional information relating to our segments, see Note 15, “Segment Information,” in our Notes to Consolidated Financial Statements.

Information Services—Leveraging leading-edge technology, proprietary algorithms, and massive datasets, and through intuitive and powerful analytical applications, we provide solutions to organizations within the risk management and consumer marketing industries. CORE is our next generation data fusion platform, providing mission-critical information about individuals, businesses and assets to a variety of markets and industries. Through machine learning and advanced analytics, our Information Services segment uses the power of data fusion to ingest and analyze data at a massive scale. The derived information from the data fusion process ultimately serves to generate unique solutions for banking and financial services companies, insurance companies, healthcare companies, law enforcement and government, the collection industry, law firms, retail, telecommunications companies, corporate security and investigative firms. In addition, our data acquisition solutions enable clients to rapidly grow their customer databases by using self-declared consumer insights to identify, connect with, and acquire first-party consumer data and multi-channel marketing consent at massive scale.

Built in a secure Payment Card Industry (PCI) compliant environment, our cloud-based next generation technology delivers greater than four 9s of service uptime. By leveraging our proprietary infrastructure design within the cloud, we currently operate in six datacenters spread geographically across the U.S. and are able to dynamically and seamlessly scale as needed. Using our intelligent framework and leveraging a micro services architecture where appropriate, we reduce operational cost and complexity, thus delivering superior performance at greatly reduced costs compared to traditional datacenter architectures. Since the release of our CORE platform in May 2016, we have added billions of data records and continue to add approximately over a billion records per month on average. Our average query response time for a comprehensive profile is less than 250 milliseconds versus competitive platforms that measure comprehensive profile response times in seconds.

Performance Marketing—Our Agile Audience Engine drives our Performance Marketing segment, which provides solutions to help brands, advertisers and marketers find the right customers in every major business-to-consumer (B2C) vertical, including internet and telecommunications, financial services, health and wellness, consumer packaged goods, career and education, and retail and entertainment. We deterministically target consumers across various marketing channels and devices, through the user- supplied acquisition of personally identifiable information on behalf of our clients, such as email addresses, other identifying information and responses to dynamically-populated survey questions. Additionally, 80% of our consumer interaction comes from mobile, a highly-differentiated characteristic compared to our competitors whose platforms are not mobile-first.

We own hundreds of media properties, through which we engage millions of consumers everyday with interactive content, such as job postings, cost savings, surveys, promotions and sweepstakes that generate on average over 850,000 consumer registrations and over 8.8 million compiled survey responses daily, with a recent record high of over 1.0 million registrations and over 10.3 million compiled survey responses in a single day. Our owned media properties alone have created a database of approximately 130 million U.S. adults with detailed profiles, including 224 million unique email addresses, across over 75 million households. With meaningful, people-based interaction that focuses on consumer behavior and declared first-party data, leveraged on a mobile-centric platform that provides seamless omni-channel capabilities, we have the ability to target and develop comprehensive consumer profiles that redefine the way advertisers view their most valuable customers.

Previously, we provided advertising services in the out-of-home advertising industry in China under the name Tiger Media, Inc. (“Tiger Media”). On March 21, 2015, Tiger Media completed the acquisition of The Best One, Inc. (“TBO”). In the transaction, TBO became a wholly owned subsidiary of Tiger Media, with TBO changing its name to IDI Holdings, LLC (“IDI Holdings”) and Tiger Media changing its name to IDI, Inc, now known as Cogint, Inc. TBO was a holding company engaged in the acquisition of operating businesses and the acquisition and development of technology assets across various industries. On October 2, 2014, TBO acquired 100% of the membership interests of Interactive Data, LLC (“Interactive Data”). Historically, Interactive Data provided data solutions and services to the Accounts Receivable Management industry, consisting primarily of collection agencies, collection law firms, and debt buyers, for location and identity verification, legislative compliance and debt recovery. Interactive Data now serves the entirety of the risk management industry. Through leading-edge, proprietary technology, advanced systems architecture, and a massive data repository, Interactive Data addresses the rapidly growing need for actionable intelligence.

On December 9, 2015, we completed the acquisition of Fluent, LLC (“Fluent”) with certain transactions effective December 8, 2015 (the “Fluent Acquisition”). Fluent, founded in 2010, is a leader in people-based digital marketing and customer acquisition, serving over 500 leading consumer brands and direct marketers. Fluent’s proprietary audience data and robust ad-serving technology enables marketers to acquire their best customers, with precision, at a massive scale. Leveraging compelling content, unique first-party data assets, and real-time survey interaction with customers, Fluent has helped marketers acquire millions of new prospective customers since its inception.

On June 8, 2016, we acquired Q Interactive (“Q Interactive”) (the “Q Interactive Acquisition”), a subsidiary of Selling Source, LLC. Q Interactive was founded in 1994 as Interactive Coupon Marketing Group and provides performance based digital marketing solutions for advertisers and publishers. We believe the acquisition of Q Interactive is in line with our strategy to bolster our market leadership in performance marketing by adding client relationships as well as technology capabilities. During the first quarter of 2017, Q Interactive’s business was merged and fully integrated into Fluent (the “Q Interactive Integration”), and Q Interactive became a wholly-owned subsidiary of Fluent.

In order for the Company to continue to develop new products, grow its existing business and expand into additional markets, we must generate and sustain sufficient operating profits and cash flow in future periods. This will require us to generate additional sales from current products and new products currently under development. We continue to build out our sales organization to drive current products and to introduce new products into the market place. We will incur increased compensation expenses for our sales and marketing, executive and administrative, and infrastructure related persons as we increase headcount in the next 12 months.

Industry Trends and Uncertainties

Operating results are affected by the following factors that impact the big data and analytics sector in the United States:

- The macroeconomic conditions, including the availability of affordable credit and capital, interest rates, inflation, employment levels and consumer confidence, influences our revenue. Macroeconomic conditions also have a direct impact on overall technology, marketing and advertising expenditures in the U.S. As marketing budgets are often more discretionary in nature, they are easier to reduce in the short term as compared to other corporate expenses. Future widespread economic slowdowns in any of the industries or markets our clients serve could reduce the technology and marketing expenditures of our clients and prospective customers.
- Our revenue is also significantly influenced by industry trends, including the demand for business analytics services in the industries we serve. Companies are increasingly relying on business analytics and big-data technologies to help process data in a cost-efficient manner. As customers have gained the ability to rapidly aggregate data generated by their own activities, they are increasingly expecting access to real-time data and analytics from their service providers as well as solutions that fully integrate into their workflows. The increasing number and complexity of regulations centered around data and provision of information services makes operations for businesses in the big data and analytic sector more challenging.
- The enactment of new or amended legislation or industry regulations pertaining to consumer or private sector privacy issues could have a material adverse impact on information and marketing services. Legislation or industry regulations regarding consumer or private sector privacy issues could place restrictions upon the collection, sharing and use of information that is currently legally available, which could materially increase our cost of collecting and maintaining some data. These types of legislation or industry regulations could also prohibit us from collecting or disseminating certain types of data, which could adversely affect our ability to meet our clients' requirements and our profitability and cash flow targets.

Company Specific Trends and Uncertainties

Our operating results are also directly affected by company-specific factors, including the following:

- Some of our competitors have substantially greater financial, technical, sales and marketing resources, better name recognition and a larger customer base. Even if we introduce advanced products that meet evolving customer requirements in a timely manner, there can be no assurance that our new products will gain market acceptance.
- Certain companies in the big data and analytics sector have expanded their product lines or technologies in recent years as a result of acquisitions. Further, more companies have developed products which conform to existing and emerging industry standards and have sought to compete on the basis of price. We anticipate increased competition from large data and analytics vendors. Increased competition in the big data and analytics sector could result in significant price competition, reduced profit margins or loss of market share, any of which could have a material adverse effect on our business, operating results and financial condition. There can be no assurance that we will be able to compete successfully in the future with current or new competitors.

Spin-off of Red Violet and Business Combination Agreement

On September 6, 2017, the Company entered into a Business Combination Agreement (the "Business Combination Agreement") with BlueFocus International Limited ("BlueFocus"), a private company limited by shares registered in Hong Kong. Under the terms of the Business Combination Agreement, the Company would issue to BlueFocus shares of the Company's common stock, representing 63% of the Company's common stock on a fully diluted, post-transaction basis (the "Purchased Shares"), in consideration of the contribution of the equity interests of certain entities and $100.0 million in cash by BlueFocus (the "Business Combination Transaction"). BlueFocus would also repay, assume, or refinance indebtedness of the Company. Before closing of the Business Combination Transaction, cogint would contribute its data and analytics operations and assets into its wholly-owned subsidiary, Red Violet, Inc.

(“Red Violet”), and the shares of Red Violet would be distributed as a stock dividend to cogint stockholders of record as of the record date (the “Record Date”) and to certain warrant holders (the “Spin-off”).

As a condition to closing of the Business Combination Transaction, BlueFocus and the Company sought regulatory approval by the Committee on Foreign Investment in the United States (“CFIUS”). CFIUS has indicated its unwillingness to approve the transaction, therefore, on February 20, 2018, the parties withdrew their application with CFIUS and terminated the Business Combination Agreement in accordance with its terms.

On February 12, 2018, the Company’s Board of Directors approved the plan to accelerate the Spin-off. Despite the termination of the Business Combination Agreement, the Company will continue with the accelerated Spin-off of Red Violet, which is now governed by a Separation and Distribution Agreement (the “Separation Agreement”) as well as other related agreements between cogint and Red Violet, each entered into on February 27, 2018 (collectively, the “Spin-off Agreements”). The Company will contribute $20.0 million in cash to Red Violet upon completion of the Spin-off. Red Violet has filed with the SEC a Registration Statement on Form 10, registering under the Exchange Act, the shares of Red Violet to be distributed in the Spin-off. As a result, upon completion of the Spin-off, cogint stockholders will hold shares of two public companies, cogint and Red Violet. cogint common stock will continue trading on The NASDAQ Stock Market ("NASDAQ").

On March 7, 2018, the Company announced that the Board of Directors established March 19, 2018 as the Record Date and March 26, 2018 as the distribution date (the "Distribution Date") for the Spin-off. On March 9, 2018, in order to meet NASDAQ initial listing requirement of a minimum $4.00 bid price, the Company adjusted the Spin-off ratio so that on the Distribution Date, stockholders of the Company will receive, by way of a dividend, one share of Red Violet common stock for each 7.5 shares of cogint common stock held as of the Record Date. On March 13, 2018, NASDAQ approved Red Violet's application to list its common stock on NASDAQ under the symbol "RDVT."

On March 8, 2018, the Compensation Committee of the Board of Directors of cogint approved the acceleration of an aggregate of 5,222,561 shares of stock options, RSUs and restricted stock held by certain employees, consultants, and directors, including only those employees who will continue with Red Violet upon completion of the Spin-off, subject to such employees still being employed or providing services on the acceleration date. The acceleration date was subsequently determined to be March 12, 2018. The share-based compensation expense of $15.3 million resulting from the above-mentioned acceleration is expected to be recognized in discontinued operations during the first quarter of 2018.

Pro forma of cogint reflecting the Spin-off of Red Violet (unaudited)

The following table includes the unaudited condensed consolidated pro forma statements of operations of cogint for the years ended December 31, 2017 and 2016 as if the Spin-off of Red Violet had been completed as of the beginning of the periods being presented.

	Pro Forma Year Ended December 31,	
(In thousands)	2017	2016
Revenue	$211,690	$182,251
Costs and expenses:		
Cost of revenue (exclusive of depreciation and amortization)	140,341	129,492
Sales and marketing expenses	16,176	13,501
General and administrative expenses	29,895	22,163
Depreciation and amortization	13,055	12,024
Write-off of long-lived assets	3,626	-
Total costs and expenses	203,093	177,180
Income from operations	8,597	5,071
Interest expense, net	(5,653)	(4,587)
Income before income taxes	2,944	484
Income taxes	1,122	184
Net income	$1,822	$300
Earnings per share:		

Basic	$0.03	$0.01
Diluted	$0.02	$-
Weighted average number of shares outstanding:		
Basic	72,369,185	57,322,752
Diluted	75,491,094	60,255,704

The unaudited pro forma disclosure gives effect to the following transactions and events as if they occurred at the beginning of the periods presented:

- Pursuant to the Spin-off Agreements mentioned above, cogint will spin-off Red Violet by distributing 100% of Red Violet's common stock to holders of cogint's common stock and certain warrants, as a stock dividend on the Record Date of the Spin-off. Upon the Spin-off, cogint will continue to trade on NASDAQ, with Fluent being its wholly-owned subsidiary.
- Certain corporate expenses, such as corporate expenses related to legal services, accounting and finance services, and other professional services, incurred during the years ended December 31, 2017 and 2016 were allocated to cogint assuming the Spin-off occurred at the beginning of the periods presented. In addition, the pro forma also includes the impact of additional restricted

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stock units (“RSUs”) to be granted to the new cogint directors, and additional costs in relation to transition period services provided to cogint by Red Violet.

- cogint will refinance its debt upon the Spin-off of Red Violet. In preparation of the pro forma, we used the assumption of a five-year long-term debt in the aggregate amount of $70.0 million, with an estimated annual interest rate of 8.5%.
- On March 12, 2018, cogint accelerated the outstanding shares of stock options, RSUs and restricted stock held by certain employees, consultants, and directors, including only those employees who will continue with Red Violet upon completion of the Spin-off, subject to such employees still being employed or providing services on the acceleration date. The related compensation expense will be recorded fully in the discontinued operations prior to the Spin-off.
- Income taxes are based on an expected effective income tax rate of 38.1%. As a result of the tax reform legislation commonly known as the Tax Cuts and Jobs Act of 2017 (the “Act”), enacted on December 22, 2017, we expect the effective income tax rate to be lowered going forward.
- The pro forma basic weighted average number of shares outstanding is primarily computed based on the basic weighted average number of shares outstanding of cogint, plus the number of accelerated or vested but not delivered shares of RSUs previously granted to certain employees, consultants, and directors, including only those employees who will continue with Red Violet upon completion of the Spin-off. The pro forma diluted weighted average number of shares outstanding is primarily computed based on the pro forma basic weighted average number of shares outstanding, plus the outstanding RSUs that are not subject to acceleration.

We will continue to evaluate the financial performance of cogint after the Spin-off on a variety of key indicators, including adjusted EBITDA. Adjusted EBITDA is a non-GAAP financial measure equal to net income, the most directly comparable financial measure based on US GAAP, adding back interest expense, income tax expense, depreciation and amortization, share-based compensation expense, write-off of long-lived assets and other adjustments, as noted in the table below. Also see “Use and Reconciliation of Non-GAAP Financial Measures” below for details.

	Pro Forma Year Ended December 31,	
(In thousands)	2017	2016
Net income	$1,822	$300
Interest expense, net	5,653	4,587
Income tax expense	1,122	184
Depreciation and amortization	13,055	12,024
Share-based compensation expense	7,608	5,897
Write-off of long-lived assets	3,626	-
Litigation costs	204	106
Acquisition and restructuring costs	890	488
Adjusted EBITDA	$33,980	$23,586

The unaudited pro forma financial information is presented for informational purposes only, and may not necessarily reflect our future results of operations or what the results of operations would have been had we completed the Spin-off of Red Violet as of the beginning of the periods presented.

January 2018 Registered Direct Offering

Pursuant to a definitive securities purchase agreement on January 10, 2018 with certain qualified institutional buyers, the Company issued an aggregate of 2,700,000 shares of common stock in a registered direct offering for gross proceeds of $13.5 million (the “January 2018 Registered Direct Offering”), with a purchase price of $5.00 per share, which was received in January 2018. Simultaneously, the Company issued such institutional buyers, for no additional consideration, warrants to purchase an aggregate of 1,350,000 shares of common stock. The warrants have an exercise price of $6.00 per share and are exercisable from the date of issuance and expire on the earlier of the close of business on the two-year anniversary of (i) the date the registration statement registering the resale of the underlying shares is declared effective by the SEC or (ii) the commencement date that such warrants may be exercised by means of a “cashless exercise.”

Critical Accounting Policies and Estimates

Management’s discussion and analysis of financial condition and results of operations are based upon cogint’s consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States (“US

GAAP"). The preparation of these financial statements requires cogint to make estimates and judgments that affect the reported amounts of assets, liabilities, revenue and expenses, and related disclosure of contingent assets and liabilities. On an ongoing basis, cogint evaluates its estimates, including those related to revenue recognition, allowance for doubtful receivables, useful lives of intangible assets, recoverability of the carrying amounts of goodwill and intangible assets, share-based compensation and income taxes. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

We believe the following critical accounting policies govern our more significant judgments and estimates used in the preparation of our consolidated financial statements.

Revenue recognition

We provide information services and performance marketing services, and generally recognize revenue when persuasive evidence of an arrangement exists, delivery has occurred or a service has been rendered, the price is fixed or determinable and collection is reasonably assured.

Information services revenue is generated from the risk management industry and consumer marketing industry. Information services revenue generated from the risk management industry is generally recognized on (a) a transactional basis determined by the customers' usage, (b) a monthly fee or (c) a combination of both. Revenue pursuant to transactions determined by the customers' usage is recognized when the transaction is complete, and either party may terminate the transactional agreement at any time. Revenue pursuant to contracts containing a monthly fee is recognized ratably over the contract period, which is generally 12 months, and the contract shall automatically renew for additional, successive 12-month terms unless written notice of intent not to renew is provided by one party to the other at least 30 days or 60 days prior to the expiration of the then current term.

Information services revenue generated from the consumer marketing industry is generally recognized when related services are delivered, in accordance with terms detailed in the agreements. These terms typically call for a specific transactional unit price per record delivered based on predefined qualifying characteristics specified by the customer. These records are tracked in real time by the Company's systems, reported, recorded, and regularly reconciled against advertiser data either in real time or at various contractually defined periods, whereupon the number of qualified records during such specified period are finalized and adjustments, if any, to revenue are made. Additional revenue is generated through revenue-sharing agreements with marketers who target offers to users provided by the Company from the Company's owned and operated sites. Either party may terminate the transactional agreement at any time.

Performance marketing revenue is recognized when the conversions are generated based on predefined user actions (for example, a click, a registration, an app install or a coupon print) subject to certain qualifying characteristics specified by the customer, in accordance with terms detailed in advertiser agreements and/or the attendant insertion orders. These terms typically call for a specific transactional unit price per conversion generated. These conversions are tracked in real time by the Company's systems, reported, recorded, and regularly reconciled against advertiser data either in real time or at various contractually defined periods, whereupon the number of qualified conversions during such specified period are finalized and adjustments, if any, to revenue are made. Either party may terminate the transactional agreement at any time.

Customer payments received in excess of the amount of revenue recognized are recorded as deferred revenue in the consolidated balance sheets, and are recognized as revenue when the services are rendered. As of December 31, 2017, deferred revenue totaled $0.3 million, all of which is expected to be realized in 2018.

Generally, customers are invoiced monthly. The Company sells its products or provides services to customers with normal payment terms ranging from due upon receipt to 60 days. Rarely does the Company extend payment terms beyond their normal terms.

Allowances for doubtful accounts

The Company maintains allowance for doubtful accounts for estimated losses resulting from the inability of its customers to make required payments. Management determines whether an allowance needs to be provided for an amount due from a customer depending on the aging of the individual balances receivable, recent payment history, contractual terms and other qualitative factors such as status of business relationship with the customer. Historically, the Company’s estimates for doubtful accounts have not differed materially from actual results. The amount of the allowance for doubtful accounts was $1.9 million and $0.8 million as of December 31, 2017 and 2016, respectively.

Income taxes

The Company accounts for income taxes in accordance with ASC 740, “Income Taxes,” which requires the use of the asset and liability method of accounting for income taxes. Under the asset and liability method, deferred tax assets and liabilities are computed based upon the difference between the financial statement and income tax basis of assets and liabilities using the enacted tax rate applicable when the related asset or liability is expected to be realized or settled. Deferred income tax expenses or benefits are based on the changes in the asset or liability each period. If available evidence suggests that it is more likely than not that some portion or all of the deferred tax assets will not be realized, a valuation allowance is required to reduce the deferred tax assets to the amount that is more likely than not to be realized. As of December 31, 2017, the Company has a valuation allowance of $10.9 million. Future changes in such valuation allowance are included in the provision for deferred income taxes in the period of change.

On December 22, 2017, the Act was enacted, resulting in significant modifications to existing law, including lowering the U.S. corporate statutory income tax rate to 21%, among other changes. As a full valuation allowance was provided as of December 31, 2017, the Act does not have any material net impact on our consolidated financial statements, however, certain income tax disclosures, including the re-measurement of deferred tax assets and liabilities and related valuation allowance, and the effective income tax rate reconciliation, are affected. The Company follows the guidance in SEC Staff Accounting Bulletin 118 (“SAB 118”), which provides additional clarification regarding the application of ASC 740 in situations where the Company does not have the necessary information available, prepared, or analyzed in reasonable detail to complete the accounting for certain income tax effects of the Act for the reporting period in which the Act was enacted. SAB 118 provides for a measurement period beginning in the reporting period that includes the Act’s enactment date and ending when the Company has obtained, prepared, and analyzed the information needed in order to complete the accounting requirements but in no circumstances should the measurement period extend beyond one year from the enactment date. Due to certain ambiguities in the Act, the Company is still evaluating the impact of changes to Code Section 162(m) on our consolidated financial statements. It is the intention of the Company to complete the necessary analysis within the measurement period, upon receiving further clarifying guidance from U.S. Department of the Treasury, no later than December 31, 2018.

ASC 740 clarifies the accounting for uncertain tax positions. This interpretation requires that an entity recognizes in the consolidated financial statements the impact of a tax position, if that position is more likely than not of being sustained upon examination, based on the technical merits of the position. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. The Company’s accounting policy is to accrue interest and penalties related to uncertain tax positions, if and when required, as interest expense and a component of other expenses, respectively, in the consolidated statements of operations.

Goodwill

In accordance with ASC 350, “Intangibles - Goodwill and Other,” goodwill is tested at least annually for impairment, or when events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable, by assessing qualitative factors or performing a quantitative analysis in determining whether it is more likely than not that its fair value exceeds the carrying value. A quantitative step one assessment involves determining the fair value of each reporting unit using market participant assumptions. If we believe that the carrying value of a reporting unit with goodwill exceeds its estimated fair value, we will perform a quantitative step two assessment. Step two compares the carrying value of the reporting unit to the fair value of all of the assets and liabilities of the reporting unit (including any unrecognized intangibles) as if the reporting unit was acquired in a business combination. In January 2017, the FASB issued Accounting Standards Update No. 2017-04 (“ASU 2017-04”), “Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment,” which eliminates step two from the goodwill impairment test. Under ASU 2017-04, an entity should recognize an impairment charge for the amount by which the carrying amount of a reporting unit exceeds its fair value up to the amount of goodwill allocated to that reporting unit. The Company early adopted ASU 2017-04 in the fourth quarter of 2017.

On October 1, 2017 and 2016, we performed a quantitative step one assessment. The results of our step one assessment proved that the estimated fair value of each reporting unit exceeds the carrying value. We concluded that goodwill was not impaired as of December 31, 2017 and 2016.

For purposes of reviewing impairment and the recoverability of goodwill, we must make various assumptions regarding estimated future cash flows and other factors in determining the fair values of the reporting unit, including market multiples, discount rates, etc.

Impairment of long-lived assets

Finite-lived intangible assets are amortized over their respective useful lives and, along with other long-lived assets, are evaluated for impairment periodically whenever events or changes in circumstances indicate that their related carrying amounts may not be recoverable in accordance with ASC 360-10-15, “Impairment or Disposal of Long-Lived Assets.” In evaluating long-lived assets for recoverability, including finite-lived intangibles and property and equipment, the Company uses its best estimate of future cash flows expected to result from the use of the asset and eventual disposition in accordance with ASC 360-10-15. To the extent that estimated future undiscounted cash inflows attributable to the asset, less estimated future undiscounted cash outflows, are less than the carrying amount, an impairment loss is recognized in an amount equal to the difference between the carrying value of such asset and its fair value. Assets to be disposed of and for which there is a committed plan of disposal, whether through sale or abandonment, are reported at the lower of carrying value or fair value less costs to sell.

Asset recoverability is an area involving management judgment, requiring assessment as to whether the carrying value of assets can be supported by the undiscounted future cash flows. In calculating the future cash flows, certain assumptions are required to be made in respect of highly uncertain matters such as revenue growth rates, gross margin percentages and terminal growth rates. In September 2016, the Company wrote off the remaining balance of the intellectual property purchased by TBO from Ole Poulsen (the “Purchased IP”), pursuant to a purchase agreement dated October 14, 2014, and capitalized litigation costs of $4.1 million, in total, as a result of an unfavorable ruling in relation to a litigation matter, which was settled pursuant to a settlement agreement on July 22, 2017. See Item 3, “Legal Proceedings,” included in this 2017 Form 10-K, and Note 17(d), “Contingency,” to the Notes to Consolidated Financial Statements, for additional information. In the first quarter of 2017, the Company wrote off the remaining balance of long-lived assets of $3.6 million, relating primarily to the acquired proprietary technology and trade names acquired in the Q Interactive Acquisition, into the total costs and expenses as a write-off of long-lived assets, as a result of the Q Interactive Integration.

We concluded there was no impairment as of December 31, 2017 and 2016.

Share-based compensation

The Company accounts for share-based compensation to employees in accordance with ASC 718, “Compensation—Stock Compensation.” Under ASC 718, the Company measures the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award and generally recognizes the costs on a straight-line basis over the period the employee is required to provide service in exchange for the award, which generally is the vesting period. For awards with performance conditions, we begin recording share-based compensation when achieving the performance criteria is probable.

The fair value of RSUs and restricted stock is determined based on the number of shares granted and the quoted price of our common stock and fair value of share options is estimated on the date of grant using a Black-Scholes model. We estimate the volatility of our shares on the date of grant utilizing the historical volatility of our publicly-traded shares. We estimate the risk-free interest rate based on rates in effect for United States government bonds with terms similar to the expected terms of the stock options, at the time of grant. We estimate the expected terms by taking into account the contractual terms and historical exercise patterns. The estimated number of stock awards that will ultimately vest requires judgment, and to the extent actual results or updated estimates differ from our current estimates, such amount will be recorded as a cumulative adjustment in the period estimates are revised. Changes in our estimates and assumptions may cause us to realize material changes in share-based compensation expense in the future. During the first quarter of 2017, we adopted ASU No. 2016-09 (“ASU 2016-09”), “Compensation-Stock Compensation (Topic 718): Improvement to Employee Share-based Payment Accounting,” which simplifies the accounting for share-based payment transactions, and the Company elected the option to recognize gross share-based compensation expense with actual forfeitures recognized as they occur, on a retrospective basis.

We have issued share-based awards with performance-based vesting criteria. Achievement of the milestones must be probable before we begin recording share-based compensation expense. At each reporting date, we review the likelihood that these awards will vest and if the vesting is deemed probable, we begin to recognize compensation expense at that time. In the period that achievement of the performance-based criteria is deemed probable, US GAAP requires the immediate recognition of all previously unrecognized compensation since the original grant date. As a result, compensation expense recorded in the period that achievement is deemed probable could include a substantial amount of previously unrecorded compensation expense related to the prior periods. If ultimately performance goals are not met, for any share-based awards where vesting was previously deemed probable, previously recognized compensation cost will be reversed.

The Company accounts for share-based compensation to non-employees in accordance with ASC 505-50, “Equity-Based Payments to Non-Employees.” Under ASC 505-50, share-based payment transactions with non-employees shall be measured at the fair value of the consideration received or the fair value of the equity instruments issued, whichever is more reliably measurable. In the event that the fair value of the equity instruments issued in a share-based payment transaction with non-employees is more reliably measurable than the fair value of the consideration received, the transaction shall be measured based on the fair value of the equity instruments issued by the Company. Fair value of the consideration is updated each reporting period until the performance required to receive the award is complete. We recognize the fair value as expense on a straight-line basis over the expected service period.

Recently Issued Accounting Standards

See Item 8 of Part II, “Financial Statements and Supplementary Data – Note 2. Summary of significant accounting policies - (t) Recently issued accounting standards.”

Fourth Quarter Financial Results

Three months ended December 31, 2017 compared to three months ended December 31, 2016:

- Total revenue increased 9% to $59.2 million from $54.2 million.
- Information Service revenue increased 27% to $20.5 million from $16.2 million.
- Performance Marketing revenue increased 2% to $38.7 million from $38.0 million.
- Net loss was $6.0 million (inclusive of income tax benefit of $0 and non-cash items totaling $11.0 million) compared to $5.4 million (inclusive of income tax benefit of $2.5 million and non-cash items totaling $10.8 million).
- Adjusted EBITDA grew 36% to $8.6 million from $6.3 million.

Full Year Financial Results

Year ended December 31, 2017 compared to year ended December 31, 2016:

- Total revenue increased 18% to $220.3 million from $186.8 million.
- Information Service revenue increased 41% to $78.4 million from $55.4 million.
- Performance Marketing revenue increased 8% to $141.9 million from $131.4 million.
- Net loss was $53.2 million (inclusive of income tax benefit of $0 and non-cash items totaling $52.8 million) compared to $29.1 million (inclusive of income tax benefit of $14.0 million and non-cash items totaling $47.2 million).
- Adjusted EBITDA grew 62% to $24.2 million from $15.0 million.

Use and Reconciliation of Non-GAAP Financial Measures

Management evaluates the financial perf