NETSUITE INC
Form 10-K
February 24, 2016

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

FORM 10-K

(Mark one)

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

¨ 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 001-33870

NetSuite Inc.
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	94-3310471 (I.R.S. Employer Identification No.)
2955 Campus Drive, Suite 100 San Mateo, California (Address of principal executive offices)	94403-2511 (Zip Code)

(650) 627-1000
(Registrant's telephone number, including area code)

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

Common Stock, $0.01 par value (Title of class)	New York Stock Exchange, Inc. (Name of each exchange on which registered)

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

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

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 x

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

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

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

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

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

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

The aggregate market value of the Common Stock held by non-affiliates, based upon the closing sale price of the Common Stock on June 30, 2015, as reported as reported by the New York Stock Exchange, was approximately $3.5 billion. Shares of Common Stock held by each officer, director, and holder of 5% or more of the outstanding Common Stock have been excluded in that such persons may be deemed to be affiliates. This calculation does not reflect a determination that persons are affiliates for any other purposes.

On February 18, 2016, 79,983,660 shares of the registrant's Common Stock, $0.01 par value, were issued and outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's definitive proxy statement for its fiscal 2016 Annual Meeting of Stockholders to be filed within 120 days of the Registrant's fiscal year ended December 31, 2015 are incorporated by reference into Part III of this Annual Report on Form 10-K where indicated.

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PART I

Item 1. Business

Overview

NetSuite Inc. ("NetSuite" or the "Company") is the industry's leading provider of cloud-based financials / Enterprise Resource Planning (“ERP”) and omnichannel commerce software suites. In addition to financials/ERP and omnichannel commerce software suites, we offer a broad suite of applications, including financial management, Customer Relationship Management (“CRM”), ecommerce and retail management, commerce marketing automation, Professional Services Automation (“PSA”) and Human Capital Management ("HCM") that enable companies to manage most of their core business operations in our single integrated suite. Our "real-time dashboard" technology provides an easy-to-use view into up-to-date, role-specific business information. We also offer customer support and professional services related to the support and implementation of our suite of applications. We deliver our suite over the Internet as a subscription service using the software-as-a-service ("SaaS") model.

Our revenue has grown from $17.7 million during the year ended December 31, 2004 to $741.1 million during the year ended December 31, 2015. For the year ended December 31, 2015 the percentage of our revenue generated outside of the United States was 25%. For each of the years ended December 31, 2014, and 2013 the percentage of our revenue generated outside of the United States was 26%.

Industry Background

The 1990s saw the widespread adoption among large enterprises of packaged business management software applications that automated a variety of departmental functions, such as accounting, finance, order and inventory management, human resources, professional services, sales and customer support. These sophisticated applications required significant cash outlays for the initial purchase and for ongoing maintenance and support. In addition, these applications were internally managed and maintained, requiring large staffs to support complex information technology infrastructures. Most importantly, the applications generally were provided by multiple vendors, with each application providing only a departmental view of the enterprise. To gain an enterprise-wide view, organizations attempted to tie together their various incompatible packaged applications through long, complex and costly integration efforts. Many of these attempts failed, in whole or in part, often after significant delay and expense. As a consequence, many large enterprises have transitioned from multiple point products to comprehensive, integrated business management suites, such as those offered by Oracle Corporation ("Oracle") and SAP AG ("SAP"), as their core business management platforms.

Medium-sized businesses and divisions of large enterprises have application software requirements that are similar, in many respects, to large enterprises because their core business processes are substantially similar to those of large enterprises. These requirements include the integration of back-office activities, such as managing payroll and tracking inventory; front-office activities, including order management and customer support; and, increasingly, sophisticated ecommerce capabilities.

Medium-sized businesses are generally less capable than large enterprises of performing the costly, complex and time-consuming integration of multiple point products from one or more vendors. As a result, medium-sized businesses can frequently derive greater benefits from a comprehensive business suite. Suites designed for, and broadly adopted by, large enterprises to provide a comprehensive, integrated platform for managing these core business processes, however, generally are not well suited to medium-sized businesses due to the complexity and cost of such applications.

Medium-sized businesses and divisions of large enterprises have begun to benefit from the development of the cloud computing delivery model. Cloud computing uses the Internet to deliver software applications from a centrally hosted computing facility to end users through a web browser. Cloud computing eliminates the costs associated with installing and maintaining applications within the customer's information technology infrastructure. Cloud applications are generally licensed for a monthly, quarterly or annual subscription fee, as opposed to on-premise enterprise applications that typically require the payment of a much larger, upfront license fee. As a result, cloud applications require substantially less initial and ongoing investment in software, hardware and implementation services and lower ongoing support and maintenance, making them substantially more cost effective to run for medium-sized businesses.

To date, the cloud computing software model has been applied to a variety of types of business software applications, including CRM, security, accounting, HCM, messaging and others, and it has been adopted by a wide variety of businesses.

While cloud applications have enabled medium-sized businesses to benefit from enterprise-class capabilities, most are still point products that require extensive, costly and time-consuming integration to work with other applications. Medium-sized businesses generally have been unable to purchase a comprehensive business management application suite at an affordable cost that enables them to run their businesses using a single system of record, provides real-time views of their operations and can be readily customized and rapidly implemented. We believe NetSuite was the first company to provide a cloud-based integrated suite of business management applications that addresses the needs of medium-sized businesses in the comprehensive manner that Oracle and SAP address the similar needs of large enterprises.

Our Solution

Our comprehensive business management application suite provides an integrated solution for running the core functions of a business. All elements of our application suite share the same customer and transaction data, enabling seamless, cross-departmental business process automation and real-time monitoring of core business metrics. Businesses can deploy our solution as a business management suite, or deploy specific applications such as financials/ERP, CRM, omnichannel commerce, PSA or HCM that can be integrated with existing

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application investments. In addition, our financials/ERP, CRM, omnichannel commerce, PSA and HCM capabilities provide users with real-time visibility and appropriate application functionality through dashboards tailored to their particular job function and access rights.

Because our offering is delivered as a cloud-based solution via the Internet, it is available wherever a user has Internet access, whether on a personal computer or a mobile device. The key advantages of our application suite for our customers are:

One Integrated Solution for Running a Business. Our integrated business application suite provides the functionality required to automate the core operations of medium-sized businesses, as well as divisions of large companies. This unified approach to managing a business enables companies to create cross-functional business processes; extend access to appropriate customers, partners, suppliers or other relevant constituencies; and efficiently share and disseminate information in real time. Our suite is designed to be easy to use, while also providing in-depth functionality to meet the needs of our most sophisticated customers. Our customers can use our application suite to manage mission-critical business processes, including complex financials/ERP (finance, accounting, inventory and payroll), CRM (sales, order management, marketing and customer support), PSA (projects, resources, time, expense and billing) and ecommerce (hosting, online stores and website analytics) functions. We also have tailored our offering to meet the specific needs of customers in the wholesale/distribution, manufacturing, retail, professional services and software industries, to better serve those customers' distinct business requirements and accelerate the implementation of our offerings for customers in those industries.

Role-Based Application Functionality and Real-Time Business Intelligence. Users access our suite through a role-based user interface, or dashboard, which delivers specific application functionality and information appropriate for each user's job responsibilities in a format familiar to them. For example, the dashboard for a salesperson would deliver functionality for managing contacts, leads and forecasts, while the dashboard for a warehouse manager would deliver capabilities appropriate for managing shipping, receiving and returns. These dashboards also incorporate sophisticated business intelligence tools that enable users to track key performance indicators, analyze operational data to identify trends, issues and opportunities and make decisions that can improve the performance of their business, all in real time.

Cloud Delivery Model. We deliver our suite over the Internet as a subscription service via the cloud, eliminating the need for customers to buy and maintain on-premise hardware and software. Our suite is designed to achieve levels of reliability, scalability and security for our customers that have typically only been available to large enterprises with substantial information technology resources. Our architecture enables us to maintain very high levels of availability, scale easily as our customers grow and provide a safe and secure environment for their business-critical data and applications.

Flexible Deployment. As larger organizations increasingly choose cloud computing software to take advantage of the resulting cost savings and business efficiencies, our solution can also be rapidly deployed as a standalone financials/ERP solution rather than as a business management suite. This flexible deployment allows businesses to use our cloud-based financials/ERP capabilities within line of business and integrate it with their existing CRM, PSA and ecommerce investments, or grow into the suite over time. Additionally, global enterprises with entrenched enterprise-class financials/ERP investments at their corporate headquarters can deploy NetSuite OneWorld using a “two-tier” approach. NetSuite OneWorld can integrate with their existing enterprise-class financials/ERP at headquarters. In this case, NetSuite OneWorld is deployed across subsidiaries, divisions or countries allowing the organization to standardize its previously heterogeneous on-premise financials/ERP investments on a cloud-based solution with all the cost savings and rapid deployment options the cloud enables.

Low Total Cost of Ownership. Our suite incorporates the functionality of multiple applications, thereby eliminating the costs associated with attempting to integrate disparate applications, whether managed on-premise or delivered on-demand. Our on-demand delivery model and our application's ease of use and configurability significantly reduce implementation costs for hardware, software and services, upgrades and the need for dedicated information technology personnel. Customers typically subscribe to our application suite for a quarterly or annual fee based on the number of users and the solutions they elect to deploy. Our subscription fees are generally significantly less than typical upfront costs to purchase perpetual licenses, and our on-demand delivery system eliminates ongoing maintenance and upgrade charges.

Rapid Implementation. Because we offer a relatively comprehensive application suite that incorporates the functionality of multiple applications, we generally significantly reduce the time and risk associated with implementing and integrating multiple point products. Our cloud delivery model enables remote implementations and eliminates many of the steps associated with on-premise installations, such as purchasing and setting up hardware. In addition to our industry-specific offerings, our professional services organization is organized along customers' industries; therefore, knowledge gained through an implementation with one customer may be applied to other customers within that industry, thereby speeding implementations. Customers can implement our offerings themselves, engage our professional services organization or utilize the services of our partners.

Ease of Customization and Configuration. We enable users to customize our application suite to the particular needs of their businesses. Our application suite can be configured by end users without software programming expertise. In contrast to traditional on-premise applications, as new versions of our application suite become available, each customer's customizations and configurations are maintained with little or no additional effort or expense required.

Our Business Strategy

Our goal is to enhance our position as the leading provider of cloud-based financials/ERP software suites for medium-sized businesses. The key elements of our strategy include:

Expanding Our Leadership in Cloud-Based, Integrated Business Suites. We believe we were the first software vendor to integrate front-office, back-office and ecommerce management capabilities into a single cloud-based software suite. We intend to improve our position in the cloud-based applications market by continuing to provide high-quality offerings that encompass the enterprise-class functionality and ease-of-use our customers require. We also intend to leverage our position as our customers' primary business management platform to add new and enhanced functionality that will help them run their businesses more efficiently and expand our presence within their organizations.

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Further Penetrate Global Enterprises. We believe there is a substantial opportunity to increase the presence of cloud-based financials/ERP solutions within global enterprises through a “two-tier” deployment model. Under a “two-tier” approach, a global business retains its existing investment in enterprise-class on-premise financials/ERP applications at headquarters, but selects a different solution that financial/ERP needs and is more cost effective to deploy and manage throughout its subsidiaries. We believe NetSuite OneWorld ("OneWorld") provides an ideal solution for this approach to global financials/ERP deployment, given that it provides multi-subsidiary, multi-currency and multi-tax intelligence in real-time with local control for in-country operations, while being deployed as a cloud application for fast and cost-effective delivery.

Tailoring Our Offering to Customers' Specific Industries. While we provide a general purpose suite applicable to all businesses, we believe that tailoring our application to customers' specific industries has been and will continue to be important to our growth. We currently offer industry-specific editions of our service for wholesale/distribution, manufacturing, professional services, retail and software companies. We will continue to enhance the capabilities of our application by further tailoring the functionality for these and other industries.

Growing Our Customer Base and Expanding Use of Our Service Within Existing Accounts. We intend to broaden our offerings and expand our direct and indirect sales efforts to grow our customer base. In addition, we seek to increase ongoing subscription revenue from our existing customers by broadening their use of our suite, thereby increasing the number of users and modules deployed.

Fostering the Continued Development of the NetSuite Partner Network. We provide tools and programs to foster the development of a network of value-added resellers, or ("VARs"), systems integrators and independent software vendors. In addition to programs that enable our partners to resell our suite, our SuiteCloud Platform allows these partners to extend our platform by developing products of their own, including industry-specific versions of our application suite. We intend to continue to enhance our platform and establish distribution models to bring these new solutions to market.

Addressing the Multinational Business Requirements of our Clients. Medium-sized businesses are increasingly seeking global business opportunities, in large part by leveraging the Internet. We believe that there is significant opportunity to address the needs of medium-sized businesses with multinational business operations, and we currently offer a localized version of our suite in a number of countries and languages. We will continue to extend our application offerings to support the requirements of multinational medium-sized businesses.

Enabling our Clients to Deliver an Omni-Channel Customer Experience. Customers today demand a seamless experience regardless of how they interact with a business - whether online, in-store, via phone or in-person. We believe there is a significant opportunity to provide our clients with tools that allow them to redefine the experience for any touch point and any business model: business-to-consumer, business-to-business or business-to-employee. We will continue to enhance and extend our SuiteCommerce offerings, including SuiteCommerce InStore and SuiteCommerce Advance, and NetSuite point-of-sale ("POS") offering to allow our clients to transform their businesses and deliver this omnichannel experience to their customers.

Our Offerings

Our main offering is NetSuite, which is designed to provide the core business management capabilities that most of our customers require. NetSuite, OneWorld and NetSuite CRM+ are designed for use by most types of businesses. NetSuite OpenAir ("OpenAir") is designed for use specifically by professional services businesses. In addition, we offer industry-specific configurations for use by wholesale/distribution, manufacturing, retail, nonprofit, services and software companies. We also sell additional cloud-based application modules that customers can purchase to obtain additional functionality required for their specific business needs.

NetSuite. NetSuite, which is targeted at medium-sized businesses and divisions of large companies, provides a single platform for financials/ERP, CRM, PSA and ecommerce capabilities. It contains a broad array of features that enables users to do their individual jobs more effectively. In addition, because all users are transacting business on the same database system, NetSuite can easily automate processes across departments. For example, when a sales representative enters an order, upon approval it automatically appears on the warehouse manager's dashboard as an item to be shipped and, once the item has been shipped, it automatically appears on the finance manager's dashboard as an item to be billed. Each customer can automate its key business functions across all departments, including sales, marketing, service, finance, inventory, order fulfillment, purchasing and employee management. As with all of our offerings, users access the application and data through a role-based user interface, or dashboard, tailored to deliver specific functionality and information appropriate for their position.

NetSuite OneWorld. OneWorld is targeted at global businesses and divisions of large companies operating in multinational and multi-subsidiary environments. NetSuite OneWorld delivers rich international product capabilities including global financial consolidation, subsidiary management and transactions in more than 190 currencies, support for 20 languages and configurable compliance across more than 100 countries. OneWorld allows users to utilize our single platform for financials/ERP, CRM, PSA and ecommerce capabilities in multi-currency and multi-language environments across multiple subsidiaries and legal entities. OneWorld provides the ability to manage multiple companies or legal entities, with potentially different currencies, taxation rules, and reporting requirements, within a single NetSuite account. OneWorld's tax and compliance management capabilities provide a robust foundation for transparency, automation, simplicity and controls in the management of global tax and compliance responsibilities, enabling multinational businesses to grow globally with confidence. OneWorld has global CRM capabilities that allow for management of multi-currency quotas, forecasts, commission payments, sales tax calculations and real-time reporting for everyone in a global sales organization from the local sales representative, to the regional vice president to the head of worldwide sales. Additionally, growing companies typically employ multiple sales channels for their global sales operations so OneWorld allows for automation of common sales channels employed internationally including direct sales, distribution partner networks and ecommerce. Marketing and customer support operations can also be managed globally using OneWorld so processes such as lead routing and trouble ticket assignment can easily be handled across regions or in-country, with global customer visibility and real-time measurement of marketing and service operational performance.

NetSuite CRM+. NetSuite CRM+ is targeted at a wide range of companies, including companies larger than our traditional medium-sized business customers. Medium-sized businesses may use NetSuite CRM+ as an entry point into the entire suite, while larger enterprises often implement it as an alternative to more limited CRM offerings. This application provides traditional sales force automation, marketing

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automation, customer support and service management functionality. NetSuite CRM+ contrasts with competitive CRM products by also incorporating order management and many other financials/ERP and ecommerce capabilities without requiring additional integration. This provides users with a more comprehensive, real-time view of customer interactions than can be provided by traditional, stand-alone CRM products, whether on-premise or on-demand. NetSuite CRM+ also offers incentive management, project tracking, website hosting and analytics and partner relationship management.

NetSuite OpenAir PSA. NetSuite OpenAir is a Professional Services Automation ("PSA") solution that is used by professional services organizations and is targeted at some of the world's largest companies with thousands of employees. NetSuite OpenAir provides a clear view into the services organization's performance and profitability with dashboards and reports. With NetSuite OpenAir's project accounting functionality, professional services organizations can efficiently monitor and manage projects' revenues, expenses and profitability over the lifetime of the project. This solution provides resource management functionality to improve resource utilization, and delivers web-based project management that improves on-time project delivery and drives project success rates. NetSuite OpenAir provides online and mobile time and expense management and enables services professionals to improve their productivity by entering their expenses while on the road. NetSuite OpenAir can be deployed either as a stand-alone PSA software solution, integrated with NetSuite, or integrated with an existing enterprise CRM or financials/ERP system.

SuiteCommerce. The SuiteCommerce solution is built with the idea that ecommerce is no longer a standalone channel but a core capability for retail and business-to-business ("B2B") businesses. SuiteCommerce enables businesses to move from standalone transactional channels such as online, in-store or telephone to an integrated commerce solution that puts the customer at the center of every experience. SuiteCommerce captures preferences and transactions into rich customer profiles to support personalized marketing, merchandising and promotions across all channels. Business-to-consumer ("B2C") and B2B businesses are increasingly adopting SuiteCommerce's robust, reliable, scalable and flexible cloud-based commerce solution to meet customer expectations to buy, fulfill and return via the channel of their choice. By using SuiteCommerce, businesses can provide customers with consistent, relevant shopping experiences across channels including brick-and-mortar, online, and mobile while gaining a 360-degree view of customers to deliver innovative experiences that are differentiated and more personalized. Companies are relying on SuiteCommerce to run their entire business on a single, unified cloud commerce platform - from ecommerce, in-store and financials to order management, inventory management, customer relationship management and customer support.

Bronto Marketing Platform. Bronto Marketing Platform is our commerce marketing automation platform that delivers timely, relevant and data-driven digital marketing.

NetSuite InStore POS. NetSuite InStore POS provides retailers with a solution that unifies the physical and digital shopping experiences within a single, cloud-based commerce platform. Built on NetSuite's order and inventory management system, SuiteCommerce InStore provides visibility into inventory anywhere in the business, including the ability to combine different fulfillment models such as cash-and-carry and ship-to-home in a single transaction. Built-in CRM provides retail associates access to a comprehensive 360-degree customer history from the store floor and a visual timeline shows all purchases, exchanges, store visits and service requests regardless of channel.

LightCMS. LightCMS is a web-based software platform. LightCMS functionality simplifies the process of building a website and an online store.

Add-On Modules. We also offer advanced capabilities that are part of our integrated suite, but are typically sold separately. These modules allow our customers to specifically augment aspects of our suite to enhance its relevance to their businesses.

NetSuite Industry Editions. We have configured NetSuite to meet the requirements of selected industries. Our current editions serve companies in the wholesale/distribution, manufacturing, services, retail and software industries. Within each edition, we offer advanced industry specific functionality to complement our core NetSuite offering, templates of best practices, and dedicated sales and professional services teams with industry-specific expertise.

SuiteCloud Platform. SuiteCloud is our technology platform that allows customers, partners and developers to tailor and extend our suite to meet specific company, vertical and industry requirements for personalization, business processes and best practices. It allows partners to rapidly develop and distribute cloud-based products of their own, including industry-specific versions of our application suite. NetSuite provides partners building on SuiteCloud with a website – SuiteApp.com – that enables them to market and distribute their value-added solutions to NetSuite. Our application development and customization environment is designed to continue to operate across version upgrades.

Sales and Marketing

Sales. We generate sales through both direct and indirect approaches, with most selling done over the phone. Our direct sales team consists of professionals in various locations across the United States, Europe and the Asia-Pacific region. Within these regions, our direct sales organization focuses on selling to medium-sized businesses and divisions of large companies. Indirect sales are generated through our relationships with channel partners in North America, Latin America, Europe and the Asia-Pacific region.

Our sales process typically begins with the generation of a sales lead from a marketing program or customer referral. After the lead is qualified, our sales personnel conduct focused web-based demonstrations along with initial price discussions. Members of our professional services team are engaged as needed to offer insight around aspects of the implementation. Our sales cycle typically ranges from one to six months, but can vary based on the specific application, the size and complexity of the potential customer's information technology environment and other factors.

Marketing. We tailor our marketing efforts around relevant application categories, customer sizes and customer industries. As part of our marketing strategy, we have established a number of key programs and initiatives including online and search engine advertising, email campaigns and web seminars, product launch events, trade show and industry event sponsorship and participation, marketing support for channel partners, and referral programs.

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Service and Support

Professional Services. We have developed repeatable, cost-effective consulting and implementation services to assist our customers with integrating and importing data from other systems, changing their business processes to take advantage of the enhanced capabilities enabled by our integrated suite, implementing those new business processes within their organization and configuring and customizing our application suite for their business processes and requirements.

Our consulting and implementation methodology leverages the nature of our cloud-based software architecture, the industry-specific expertise of our professional services employees and the design of our platform to simplify, streamline and expedite the implementation process. We generally employ a joint staffing model for implementation projects whereby we involve the customer more actively in the implementation process than traditional software companies. We believe this better prepares our customers to support the application throughout their use of our service. In addition, because our service is cloud-based, our professional services employees can remotely configure our application for most customers based on telephonic consultations. Our consulting and implementation services are offered on a fixed price and time and material basis. Our network of partners also provides professional services to our customers.

Client Support. Our technical support organization, with personnel in Canada, Europe and Asia, offers support 24 hours a day, seven days a week. Our system allows for skills-based and time zone-based routing to address general and technical inquiries across all aspects of our suite. For our direct customers, we offer tiered customer support programs depending upon the service needs of our customers' deployments. Support contracts typically have a one-year term. For customers purchasing through resellers, primary product support is provided by our resellers, with escalation support provided by us.

Training. We offer complimentary training videos, public training courses and end-user training to facilitate the successful adoption of our suite throughout the customer's organization. We also provide self-study training content on a subscription basis for consumption by partners and customers.

Operations, Technology and Development

Our customers rely on our application suite to run their businesses and, as a result, we need to ensure the availability and reliability of our service. We have developed our infrastructure with the goal of achieving availability of our services, which are hosted on a highly-scalable network located in secure third-party facilities. We host the NetSuite services and serve our customers primarily from our California-based data center facilities, which we operate in conjunction with colocation services from CenturyLink Technology Solutions (“CenturyLink”). CenturyLink was formerly SAVVIS Communications Corporation and changed names in January 2014. We also operate data center facilities located in Massachusetts and Washington, which we operate in conjunction with CenturyLink. For purposes of disaster recovery, the California data center serves as back-up for Massachusetts and Washington; while the Massachusetts data center serves as backup for California. In October 2015, we announced the opening of two European data center deployments in Amsterdam, Netherlands and Dublin, Ireland. For purposes of disaster recovery, the Netherlands and Ireland locations serve as back-up for one another.

Our NetSuite OpenAir applications are hosted from a Massachusetts-based data center, which we operate in conjunction with CenturyLink. Our NetSuite POS applications are hosted using a hardware solution provided by a partner with various hosting from data centers based on the East Coast of the United States, which we also operate in conjunction with Amazon. NetSuite POS was formerly known as “Retail Anywhere". The OrderMotion applications are hosted from a Texas-based datacenter which we operate in conjunction with RackSpace. The LightCMS applications are hosted from a datacenter which we operate in conjunction with CenturyLink. The Tribe HR applications are hosted from a Canada-based datacenter which we operate in conjunction with VM Farms.

Our service delivery operations incorporate industry-standard hardware, the Linux open-source operating system and Oracle databases and application servers into a flexible, scalable architecture. Elements of our application suite's infrastructure can be replaced or added with no interruption in service, helping to ensure that the failure of any single device is not expected to cause a broad service outage of the NetSuite Service.

Our single-instance, multi-tenant architecture allows us to provide our customers with enterprise-class capabilities, high quality of service, scalability and security, all at an affordable price. Our architecture enables us to host multiple smaller customers on a single database instance while preserving the ability to migrate any customer to its own server without material interruption or alteration when the customers' growth and business needs require it. In addition to the enhanced flexibility and scalability our architecture provides, it also is designed to work on inexpensive, industry-standard hardware, thereby providing us a significant cost advantage that is reflected in the pricing we are able to offer our customers.

Unlike other SaaS companies that deploy major new releases to all customers at once, we deploy all major releases and many upgrades of our application suite to only a portion of our customer base at any one time. This "phased release process" is designed to allow us to mitigate the impact of major changes and new releases, ensuring that any potential issues affect only a portion of our customers before they are addressed.

The combination of our hosting infrastructure, robust networks, flexible architecture and phased release process enables us to offer a service-level commitment to our customers of 99.5% uptime per period, excluding designated periods of maintenance. Under the terms of this commitment, we offer to credit a full month's service fees for any period where we do not meet this service level.

Product development expenses were $135.5 million, $106.7 million and $78.3 million during the years ended December 31, 2015, 2014 and 2013, respectively. In developing features for our service offerings, we integrate customer feedback, prospect requests, partner requirements and our own industry expertise. We also spend significant time with our customers in formal user testing sessions as well as less formal "ride-alongs" and customer roundtables. We use the NetSuite service to track customer interest in service enhancements and actual work done on these enhancements. We develop our offerings using Java and the Oracle database on the server and Asynchronous JavaScript and XML on the client with a goal of making our service scalable, high performance, robust and easy to use. Finally, we expose many development tools to third-party developers via SuiteFlex to allow extensions to the service that extend and complement the built-in capabilities we develop internally. Our use of the Oracle database is pursuant to various software license agreements with Oracle USA, Inc., an affiliate of Oracle. Lawrence J. Ellison, who beneficially owns a significant portion of our common stock, is the Chief Technology Officer, a principal stockholder and Executive Chairman of the Board of Oracle. See Note 17 to our Consolidated Financial Statements for a further description of this software license agreement.

Customers

Our customers are diverse in size and type across a wide variety of industries, with a focus on medium-sized businesses and divisions of large companies. In 2015, the top 10 industries in which our customers operated, as measured by our recognized revenue, were as follows: Distribution & Wholesale; Professional, Consulting and Other Services; Computer Software; ecommerce & Retail; Manufacturing; Computer & IT Services; Telecommunications Services; Financial Services; Healthcare Services; and Education. We had customers in approximately 100 countries in 2015. No single customer accounted for more than 3% of our revenue in 2015, 2014 or 2013.

Competition

We compete with a broad array of financials/ERP, CRM, ecommerce, PSA and HCM companies. Our markets are highly competitive, fragmented and subject to rapid changes in technology. Many of our potential customers evaluate a wide range of alternatives during their purchase process. Although we believe that none of our larger competitors currently offer a cloud-based comprehensive business management suite, we face significant competition within each of our markets from companies with broad product suites and greater name recognition and resources than we have, as well as smaller companies focused on specialized solutions. In addition, some of our larger competitors have announced plans to launch new products that could compete more closely with our cloud-based application suite. Internationally, we face competition from local companies as well as larger competitors, each of which has products tailored for those local markets. To a lesser extent, we compete with internally developed and maintained solutions. Our current principal competitors include Epicor Software Corporation, Intuit Inc., Microsoft Corporation, Oracle Corporation, SAP AG, The Sage Group plc, salesforce.com, inc. and Workday, Inc.

We believe the principal competitive factors in our markets include:

- service breadth and functionality;
- service performance, security and reliability;
- ability to tailor and customize services for a specific company, vertical or industry;
- ease of use;
- speed and ease of deployment, integration and configuration;
- total cost of ownership, including price and implementation and support costs;
- sales and marketing approach; and
- financial resources and reputation of the vendor.

We believe that we compete favorably with most of our competitors on the basis of each of the factors listed above, except that certain of our competitors have greater sales, marketing and financial resources, more extensive geographic presence and greater name recognition than we do. In addition, although we have extended the number of applications we have introduced for specific vertical markets, we may be at a disadvantage in certain vertical markets compared to certain of our competitors. We may face future competition in our markets from other large, established companies, as well as from emerging companies. In addition, we expect that there is likely to be continued consolidation in our industry that could lead to increased price competition and other forms of competition.

Intellectual Property

Our success depends upon our ability to protect our core technology and intellectual property. To accomplish this, we rely on a combination of intellectual property rights, including trade secrets, patents, copyrights and trademarks, as well as customary contractual protections. We view our trade secrets and know-how as a significant component of our intellectual property assets, as we have spent years designing and developing our cloud-based, integrated application suite, which we believe differentiates us from our competitors.

As of December 31, 2015, we have numerous issued US patents and pending US patent applications. We do not know whether any of our pending patent applications will result in the issuance of patents or whether the examination process will require us to narrow our claims. There can be no assurances that our patents, or our pending patent applications even if granted, will provide us with protection.

We have a number of registered and unregistered trademarks. We maintain a policy requiring our employees, consultants and other third parties to enter into confidentiality and proprietary rights agreements and to control access to software, documentation and other proprietary information.

In addition, we license third-party technologies that are incorporated into some elements of our services. Licenses of third-party technologies may not continue to be available to us at a reasonable cost, or at all. The steps we have taken to protect our intellectual property rights may not be adequate. Third parties may infringe or misappropriate our proprietary rights. Competitors may also independently develop technologies that are substantially equivalent or superior to the technologies we employ in our services. Failure to protect our proprietary rights adequately could significantly harm our competitive position and operating results.

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The software and technology industries are characterized by the existence of a large number of patents, copyrights, trademarks and trade secrets and by frequent litigation based on allegations of infringement or other violations of intellectual property rights. As we face increasing competition, the possibility of intellectual property rights claims against us grows. Many of our service agreements require us to indemnify our customers for certain third-party intellectual property infringement claims, which would increase our costs as a result of defending those claims and might require that we pay damages if there were an adverse ruling in any such claims. We, and certain of our customers, have in the past received correspondence from third parties alleging that certain of our services, or customers' use of our services, violate these third parties' patent rights. These types of correspondence and future claims could harm our relationships with our customers and might deter future customers from subscribing to our services.

With respect to any intellectual property rights claim against us or our customers, we may have to pay damages or stop using technology found to be in violation of a third party's rights. We may have to seek a license for the technology, which may not be available on reasonable terms, significantly increase our operating expenses or require us to restrict our business activities in one or more respects. The technology also may not be available for license to us at all. As a result, we may be required to develop alternative non-infringing technology, which could require significant effort and expense.

Employees

As of December 31, 2015, we had 4,603 employees. We also engage a number of independent contractors and consultants. None of our employees is represented by a labor union with respect to his or her employment with us. We have not experienced any work stoppages, and we consider our relations with our employees to be good. Our future success will depend upon our ability to attract and retain qualified personnel. Competition for qualified personnel remains intense, and we may not be successful in retaining our key employees or attracting skilled personnel.

Available Information

You can obtain copies of our Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and other filings with the Securities and Exchange Commission ("SEC"), and all amendments to these filings, free of charge from our Web site at http://www.netsuite.com/investors as soon as reasonably practicable following our filing of any of these reports with the SEC. You can also obtain copies free of charge by contacting our Investor Relations department at our corporate headquarters. The information found on our website is not a part of this or any other report we file with or furnish to the SEC.

You can also read and copy any materials we file with the SEC at the SEC's Public Reference Room at 100 F Street, N.E., Washington, DC 20549. You can obtain additional information about the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. In addition, the SEC maintains a website (http://www.sec.gov) that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC, including us.

Executive Officers of the Registrant

Our executive officers, and their ages and positions as of February 23, 2016, are set forth below:

Name	Age	Position(s)
Zachary Nelson	54	Chief Executive Officer and Director
Evan M. Goldberg	49	Chief Technology Officer and Chairman of the Board
James McGeever	49	President and Chief Operating Officer and Director
Ronald Gill	49	Chief Financial Officer
Douglas P. Solomon	49	Senior Vice President, General Counsel and Secretary
Marc Huffman	45	President, Worldwide Sales and Distribution

Zachary Nelson has served as a director since July 2002 and as our Chief Executive Officer since January 2003. Prior to that, Mr. Nelson served as our President and Chief Operating Officer from July 2002 to January 2003. Previously he served as senior executive at Network Associates, Inc., Oracle Corporation and Sun Microsystems, Inc. He holds B.S. and M.A. degrees from Stanford University.

Evan M. Goldberg co-founded our company in 1998 and has served as Chairman of our Board of Directors and as our Chief Technology Officer since January 2003. From October 1998 through January 2003, Mr. Goldberg held various positions with us, including President and Chief Executive Officer and Chief Technology Officer. Prior to joining us, Mr. Goldberg founded mBed Software, Inc., a software company focused on multimedia tools for website developers, where he served as Chief Executive Officer from November 1995 to September 1998. From August 1987 to November 1995, Mr. Goldberg held various positions in product development at Oracle Corporation, including Vice President of Development in the New Media Division. Mr. Goldberg holds a B.A. from Harvard College.

James McGeever has served as a director since July 2015 and as our President and Chief Operating Officer since July 2015. Prior to that, Mr. McGeever served as our Chief Operating Officer from July 2010 to July 2015. Mr. McGeever also served as Chief Financial Officer from June 2000 to July 2010. From January 2000 to June 2000, Mr. McGeever served as our Director of Finance. Prior to joining us, Mr. McGeever was the controller of Clontech Laboratories, Inc., a privately held biotechnology company from 1998 to 2000 and the corporate controller at Photon Dynamics, Inc., a capital equipment maker from 1994 to 1998. Mr. McGeever holds a B.Sc. from the London School of Economics. Mr. McGeever has qualified as a chartered accountant in the United Kingdom. Mr. McGeever serves on the Board of Directors of Cornerstone OnDemand, Inc., a provider of comprehensive talent management solutions delivered as Software-as-a-Service.

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Ronald Gill has served as Chief Financial Officer since July 2010. Prior to that, Mr. Gill served as Senior Vice President, Finance from August 2007 to July 2010. Prior to joining our company in August 2007, Mr. Gill was Vice President, Finance at Hyperion Solutions Corporation, a provider of performance management software from August 2006 until July 2007. Hyperion Solutions Corporation was acquired by Oracle Corporation in April 2007. From 2004 until May 2006, Mr. Gill was the Chief Controller, Product and Technology Group at SAP. Mr. Gill holds a B.A. from Baylor University and a Master of International Business Studies degree from the University of South Carolina. Mr. Gill serves on the Board of Directors of HubSpot, Inc., a cloud-based marketing and sales software platform provider.

Douglas P. Solomon has served as our Senior Vice President, General Counsel and Secretary since July 2008. Mr. Solomon served as our Vice President, Legal & Corporate Affairs from November 2006 to July 2008 and has been our Secretary since January 2007. Prior to joining us, Mr. Solomon served in senior legal and management roles at Unwired Planet (formerly Openwave Systems Inc.), a software company, from April 2000 through March 2006, including Vice President, Legal & Corporate Affairs. He holds a B.A. from the University of Michigan and a J.D. from Harvard Law School.

Marc Huffman has served as our President, Worldwide Sales and Distribution since April 2014. Prior to that, Mr. Huffman served as our Senior Vice President of North American Verticals, Channels and APAC from 2010 to April 2014. From 2008 to 2010, Mr. Huffman served as our Senior Vice President of Sales, North America. From December 2003 to 2008, Mr. Huffman served as our Vice President of Sales. Prior to joining us, Mr. Huffman served as a director of sales responsible for Canada and the central U.S. at Oracle Corp. Mr. Huffman holds a B.S. from California State University, Chico.

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Item 1A. Risk Factors

A description of the risks and uncertainties associated with our business is set forth below. If any of such risks and uncertainties actually occurs, our business, financial condition or operating results could differ materially from the plans, projections and other forward-looking statements included in the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and elsewhere in this report and in our other public filings. In addition, if any of the following risks and uncertainties, or if any other risks and uncertainties, actually occurs, our business, financial condition or operating results could be harmed substantially, which could cause the market price of our stock to decline, perhaps significantly.

Risks Related to Our Business

Continued adverse economic conditions or reduced investments in cloud-based applications and information technology spending may harm our business.

Our business depends on the overall demand for cloud-based applications and information technology spending and on the economic health and general willingness of our current and prospective customers to make capital commitments. If the conditions in the U.S. and global economic environment remain uncertain or continue to be volatile, or if they deteriorate further, our business, operating results, and financial condition may be materially adversely affected. Continued weak or volatile economic conditions, or a reduction in spending for cloud-based applications and information technology even if economic conditions improve, would likely harm our business and operating results in a number of ways, including longer sales cycles, extended payment terms, lower prices for our products and services, reduced sales, and lower customer retention rates.

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

We have not been profitable on a generally accepted accounting principles (“GAAP”) basis during any quarterly or annual period since our formation. We experienced a net loss of $124.7 million for the year ended December 31, 2015. As of that date, our accumulated deficit was $674.0 million. We expect to make significant future expenditures related to the development and expansion of our business. As a result of these increased expenditures, we will have to generate and sustain increased revenue to achieve and maintain future profitability. While historically our revenue has grown, this growth may not be sustainable and we may not achieve sufficient revenue to achieve or maintain profitability. We may incur significant losses in the future for a number of reasons, including due to the other risks described in this Annual Report, and we may encounter unforeseen expenses, difficulties, complications and delays and other unknown factors. Accordingly, we may not be able to achieve or maintain profitability and we may continue to incur significant losses for the foreseeable future.

Many of our customers are small- and medium sized businesses and divisions of large companies, which may result in increased costs as we attempt to reach, acquire and retain customers.

We market and sell our application suite to small- and medium-sized businesses and divisions of large companies. To grow our revenue quickly, we must add new customers, sell additional services to existing customers and encourage existing customers to renew their subscriptions. However, selling to and retaining small- and medium-sized businesses can be more difficult than selling to and retaining large enterprises because small- and medium-sized business customers:

- are more price sensitive;
- are more difficult to reach with broad marketing campaigns;
- have high churn rates in part because of the nature of their businesses;
- often lack the staffing to benefit fully from our application suite’s rich feature set; and
- often require higher sales, marketing and support expenditures by vendors that sell to them per revenue dollar generated for those vendors.

If we are unable to cost effectively market and sell our service to our target customers, our ability to grow our revenue and become profitable will be harmed.

Our business depends substantially on customers renewing, upgrading and expanding their subscriptions for our services. Any decline in our customer renewals, upgrades and expansions would harm our future operating results.

We sell our application suite pursuant to service agreements that are generally one year in length. Our customers have no obligation to renew their subscriptions after their subscription period expires, and they may not renew their subscriptions at the same or higher levels. Moreover, under specific circumstances, our customers have the right to cancel their service agreements before they expire. In addition, in the first year of a subscription, customers often purchase a higher level of professional services than they do in renewal years. As a result, our ability to grow is dependent in part on customers purchasing additional subscriptions and modules after the first year of their subscriptions. We may not accurately predict future

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trends in customer renewals. Our customers' renewal rates may decline or fluctuate because of several factors, including their satisfaction or dissatisfaction with our services, the prices of our services, the prices of services offered by our competitors or reductions in our customers' spending levels due to the macroeconomic environment or other factors. If our customers do not renew their subscriptions for our services, renew on less favorable terms, or do not purchase additional functionality or subscriptions, our revenue may grow more slowly than expected or decline and our profitability and gross margin may be harmed.

Any disruption of service at our data centers could interrupt or delay our ability to deliver our service to our customers.

We host our services, serve our customers and support our operations primarily from California-based data centers, which we operate in conjunction with CenturyLink. However, we host our NetSuite OpenAir applications from a Massachusetts-based data center, which we also operate in conjunction with CenturyLink. We also operate some customer and partner accounts along with Release Preview and trial accounts from a Massachusetts-based data center, which we operate in conjunction with CenturyLink. In 2015, we added a data center facility located in Washington, which we also operate in conjunction with CenturyLink. The OrderMotion applications are hosted from a Texas-based data center which we operate in conjunction with RackSpace. The LightCMS applications are hosted from a data center which we operate in conjunction with CenturyLink. The Tribe HR applications are hosted from a Canada-based data center which we operate in conjunction with VM Farms. We do not have sole control over the operations of these facilities. These facilities are vulnerable to damage or interruption from earthquakes, hurricanes, floods, fires, cyber security attacks, terrorist attacks, power losses, telecommunications failures and similar events. The occurrence of a natural disaster or an act of terrorism, a decision to close the facilities without adequate notice or other unanticipated problems could result in lengthy interruptions in our services. As part of our current disaster recovery arrangements, the California data center serves as back-up for Massachusetts and Washington; while the Massachusetts data center serves as backup for California. In particular, our California-based data facilities are located in an area known for seismic activity, increasing our susceptibility to the risk that an earthquake could significantly harm the operations of these facilities. Likewise, facilities operated on the East coast of the United States are susceptible to hurricanes, winter storms and other regionally disruptive events. The facilities also could be subject to break-ins, computer viruses, sabotage, intentional acts of vandalism and other misconduct. In October 2015, we announced the opening of two European data center deployments in Amsterdam, Netherlands and Dublin, Ireland. For purposes of disaster recovery, the Netherlands and Ireland locations serve as back-up for one another.

Our data center facilities providers have no obligations to renew their agreements with us on commercially reasonable terms, or at all. If we are unable to renew our agreements with the facilities providers on commercially reasonable terms, if our agreements with our facility providers are prematurely terminated, or if in the future we add additional data center facility providers, we may experience costs or downtime in connection with the transfer to, or the addition of, new data center facilities.

Any errors, defects, disruptions or other performance problems with our services could harm our reputation and may damage our customers' businesses. Interruptions in our services might reduce our revenue, cause us to issue credits to customers, subject us to potential liability, cause customers to terminate their subscriptions and harm our renewal rates.

We may become liable to our customers and lose customers if we have defects or disruptions in our service or if we provide poor service.

Because we deliver our application suite as a service, errors or defects in the software applications underlying our service, or a failure of our hosting infrastructure, may make our service unavailable to our customers. We are also reliant on third-party software and infrastructure, including the infrastructure of the Internet, to provide our services. Any failure of or disruption to this software and infrastructure could also make our service unavailable to our customers. Since our customers use our suite to manage critical aspects of their business, any errors, defects, disruptions in service or other performance problems with our suite, whether in connection with the day to day operation of our suite, upgrades or otherwise, could damage our customers' businesses. If we have any errors, defects, disruptions in service or other performance problems with our suite, customers could elect not to renew, or delay or withhold payment to us, we could lose future sales or customers may make warranty claims against us, which could result in an increase in our provision for doubtful accounts, an increase in collection cycles for accounts receivable or costly litigation.

The market for cloud-based applications may develop more slowly than we expect.

Our success will depend, to a large extent, on the willingness of medium-sized businesses to accept cloud-based services for applications that they view as critical to the success of their business. Many companies have invested substantial effort and financial resources to integrate traditional enterprise software into their businesses and may be reluctant or unwilling to switch to a different application or to migrate these applications to cloud-based services. Other factors that may affect market acceptance of our application include:

- the security capabilities, reliability and availability of cloud-based services;
- customer concerns with entrusting a third party to store and manage their data, especially confidential or sensitive data;
- our ability to minimize the time and resources required to implement our suite;
- our ability to maintain high levels of customer satisfaction;
- our ability to implement upgrades and other changes to our software without disrupting our service;

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- the level of customization or configuration we offer;
- our ability to provide rapid response time during periods of intense activity on customer websites; and
- the price, performance and availability of competing products and services.

The market for these services may not develop further, or may develop more slowly than we expect, either of which would harm our business.

If our security measures are breached and unauthorized access is obtained to a customer's data, we may incur significant liabilities, our service may be perceived as not being secure and customers may curtail or stop using our suite.

The services we offer involve the storage of large amounts of our customers' sensitive and proprietary information. If our security measures are breached as a result of third party action, employee error, malfeasance or otherwise, and someone disrupts the confidentiality, integrity, or availability our customers' data, we could incur significant liability to our customers and to individuals or businesses whose information was being stored by our customers, our business may suffer and our reputation will be damaged. Because techniques used to obtain unauthorized access to, or to sabotage, systems change frequently and generally are not recognized until launched against a target, we may be unable to anticipate these techniques or to implement adequate preventive measures. If an actual or perceived breach of our security occurs, the market perception of the effectiveness of our security measures could be harmed and we could lose sales and customers. Such an actual or perceived breach could also cause a significant and rapid decline in our stock price and the value of our convertible senior notes (the "Notes").

We provide service-level commitments to our customers, which could cause us to issue credits for future services if the stated service levels are not met for a given period and could significantly harm our revenue.

Our customer agreements provide service-level commitments. If we are unable to meet the stated service-level commitments or suffer extended periods of unavailability for our service, we may be contractually obligated to provide these customers with credits for future services. Our revenue could be significantly impacted if we suffer unscheduled downtime that exceeds the allowed downtimes under our agreements with our customers. In light of our historical experience with meeting our service-level commitments, we do not currently have any liabilities on our balance sheet for these commitments. Our service-level commitment to customers is generally 99.5% uptime per period, excluding scheduled maintenance. The failure to meet this level of service availability may require us to credit qualifying customers for the value of an entire month of their subscription fees, not just the value of the subscription fee for the period of the downtime. As a result, a failure to deliver services for a relatively short duration could cause us to issue these credits to all qualifying customers. Any extended service outages could harm our reputation, revenue and operating results.

In light of the Company's historical experience with meeting its service level commitments, the Company's accrued liability related to such obligations in the accompanying consolidated financial statements is negligible.

Assertions by a third party that we infringe its intellectual property, whether successful or not, could subject us to costly and time consuming litigation or expensive licenses.

The software and technology industries are characterized by the existence of a large number of patents, copyrights, trademarks and trade secrets and by frequent and an increasing amount of litigation based on allegations of infringement or other violations of intellectual property rights. We have from time to time received claims from third parties alleging we are infringing their intellectual property, and as we continue to grow, the possibility of these and other intellectual property rights claims against us may increase. Our technologies or technologies that we license may not be able to withstand any third party claims that they infringe or otherwise violate intellectual property rights. Furthermore, many of our service agreements require us to indemnify our customers for certain third party intellectual property infringement claims, which could increase our costs as a result of defending such claims and may require that we pay damages if there were an adverse ruling related to any such claims. These types of claims could harm our relationships with our customers, may deter future customers from subscribing to our services or could expose us to litigation for these claims. Even if we are not a party to any litigation between a customer and a third party, an adverse outcome in any such litigation could make it more difficult for us to defend our intellectual property in any subsequent litigation in which we are a named party.

Any intellectual property rights claim against us or our customers, with or without merit, could be time consuming, expensive to litigate or settle and could divert management attention and financial resources. An adverse determination also could prevent us from offering our suite to our customers and may require that we procure or develop substitute services that do not infringe.

For any intellectual property rights claim against us or our customers, we may have to pay damages, license fees and/or stop using technology found to be in violation of a third party's rights. We may have to seek a license for the technology. Such license may not be available on reasonable terms, if at all, and may significantly increase our operating expenses or may require us to restrict our business activities and limit our ability to deliver certain products and services. As a result, we may also be required to develop alternative non infringing technology, which could require significant effort and expense and/or cause us to alter our product and service offerings which could negatively affect our business.

Our success depends in large part on our ability to protect and enforce our intellectual property rights.

We rely on a combination of patent, copyright, service mark, trademark and trade secret laws, as well as confidentiality procedures and contractual restrictions, to establish and protect our proprietary rights, all of which provide only

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limited protection. We have numerous issued US patents and pending US patent applications. We cannot assure you that any patents will issue from our currently pending patent applications in a manner that gives us the protection that we seek, if at all, or that any of our current patents or future patents issued to us will not be challenged, invalidated or circumvented. Any of our current patents or patents that may issue in the future from pending or future patent applications may not provide sufficiently broad protection or they may not prove to be enforceable in actions against alleged infringers. Additionally, although we have licensed from other parties proprietary technology covered by patents, we cannot be certain that any such patents will not be challenged, invalidated or circumvented. Also, we cannot assure you that any future service mark or trademark registrations will be issued for pending or future applications or that any registered service marks or trademarks will be enforceable or provide adequate protection of our proprietary rights.

We endeavor to enter into agreements with our employees and contractors and agreements with parties with whom we do business to limit access to and disclosure of our proprietary information. The steps we have taken, however, may not prevent unauthorized use or the reverse engineering of our technology. Moreover, others may independently develop technologies that are competitive to ours or infringe our intellectual property. Enforcement of our intellectual property rights also depends on our successful legal actions against these infringers, but these actions may not be successful, even when our rights have been infringed.

Furthermore, effective patent, trademark, service mark, copyright and trade secret protection may not be available in every country in which our services are available. In addition, the legal standards relating to the validity, enforceability and scope of protection of intellectual property rights in Internet related industries are uncertain and still evolving.

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

Our quarterly and annual operating results may fluctuate as a result of a variety of factors, many of which are outside of our control. A decline in general macroeconomic conditions could adversely affect our customers' ability or willingness to purchase our application suite, which could adversely affect our operating results or financial outlook. Fluctuations in our quarterly operating annual results or financial outlook may also be due to a number of additional factors, including the risks and uncertainties discussed elsewhere in this report.

Fluctuations in our operating results could cause our stock price to decline rapidly, may lead analysts to change their long term model for valuing our common stock, may impact our ability to retain or attract key personnel, or may cause other unanticipated issues. If our operating results or financial outlook fall below the expectations of research analysts or investors, the price of our common stock and the market value of the Notes could decline substantially.

We believe that our revenue and operating results may vary significantly in the future and that period to period comparisons of our operating results may not be meaningful. You should not rely on the results of one quarter as an indication of future performance.

We have encountered and will continue to encounter risks and difficulties frequently experienced by growing companies in rapidly changing industries.

Our company has been in existence since 1998, and much of our growth has occurred since 2004, with our revenue increasing from $17.7 million during the year ended December 31, 2004 to $741.1 million during the year ended December 31, 2015. We have encountered and will continue to encounter risks and difficulties frequently experienced by growing companies in rapidly changing industries. If we do not address these risks successfully, our business may be harmed.

The markets in which we compete are intensely competitive, and if we do not compete effectively, our operating results may be harmed.

The markets for financials/ERP, CRM, ecommerce, PSA and HCM applications are intensely competitive and rapidly changing with relatively low barriers to entry. With the introduction of new technologies and market entrants, we expect competition to intensify in the future. In addition, pricing pressures and increased competition generally could result in reduced sales, reduced margins or the failure of our service to achieve or maintain more widespread market acceptance. Often we compete to sell our application suite against existing systems that our potential customers have already made significant expenditures to install. Competition in our market is based principally upon service breadth and functionality; service performance, security and reliability; ability to tailor and customize services for a specific company, vertical or industry; ease of use of the service; speed and ease of deployment, integration and configuration; total cost of ownership, including price and implementation and support costs; professional services implementation; and financial resources of the vendor.

We face competition from both traditional software vendors and SaaS providers. Our principal competitors include Epicor Software Corporation, Intuit Inc., Microsoft Corporation, Oracle Corporation, SAP, The Sage Group plc and salesforce.com, inc. Many of our actual and potential competitors enjoy substantial competitive advantages over us, such as greater name recognition, longer operating histories, more varied products and services and larger marketing budgets, as well as substantially greater financial, technical and other resources. In addition, many of our competitors have established marketing relationships and access to larger customer bases, and have major distribution agreements with consultants, system integrators and resellers. If we are not able to compete effectively, our operating results will be harmed.

Our brand name and our business may be harmed by aggressive marketing strategies of our competitors.

Because of the early stage of development of our markets, we believe that building and maintaining brand recognition and customer goodwill is critical to our success. Our efforts in this area have, on occasion, been complicated by the marketing

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efforts of our competitors, which may include incomplete, inaccurate and false statements about our company and our services that could harm our business. Our ability to respond to our competitors' misleading marketing efforts may be limited under certain circumstances by legal prohibitions on permissible public communications by us as a public company.

If the prices we charge for our services are unacceptable to our customers, our operating results will be harmed.

As the market for our services matures, or as new competitors introduce new products or services that compete with ours, we may be unable to renew our agreements with existing customers or attract new customers at the same price or based on the same pricing model as previously used. As a result, it is possible that competitive dynamics in our market may require us to change our pricing model or reduce our prices, which could harm our revenue, gross margin and operating results.

If we are unable to develop new services or sell our services into new markets, our revenue growth will be harmed and we may not be able to achieve profitability.

Our ability to attract new customers and increase revenue from existing customers will depend in large part on our ability to enhance and improve our existing application suite and to introduce new services and sell into new markets. The success of any enhancement or new service depends on several factors, including the timely completion, introduction and market acceptance of the enhancement or service. Any new service we develop or acquire may not be introduced in a timely or cost effective manner and may not achieve the broad market acceptance necessary to generate significant revenue. Any new markets into which we attempt to sell our application, including new vertical markets and new countries or regions, may not be receptive. If we are unable to successfully develop or acquire new services, enhance our existing services to meet customer requirements or sell our services into new markets, our revenue will not grow as expected and we may not be able to achieve profitability.

Because we are a global organization and our long term success depends, in part, on our ability to expand our sales of our and operations outside of the United States, our business is susceptible to risks associated with international sales and operations.

We currently maintain offices outside of the United States and have sales personnel or independent consultants in several countries. Approximately one quarter of our employees are located in an office in the Philippines. We have limited experience operating in foreign jurisdictions and are rapidly building our international operations. Managing a global organization is difficult, time consuming and expensive. Our inexperience in operating our business outside of the United States increases the risk that any international expansion efforts that we may undertake will not be successful. In addition, conducting international operations subjects us to new risks that we have not generally faced in the United States. These risks include:

- localization of our services, including translation into foreign languages and adaptation for local practices and regulatory requirements;
- lack of familiarity with and unexpected changes in foreign regulatory requirements;
- longer accounts receivable payment cycles and difficulties in collecting accounts receivable;
- difficulties in managing and staffing international operations;
- fluctuations in currency exchange rates;
- potentially adverse tax consequences, including the complexities of foreign value added tax systems and restrictions on the repatriation of earnings;
- dependence on certain third parties, including channel partners with whom we do not have extensive experience;
- the burdens of complying with a wide variety of foreign laws and legal standards;
- increased financial accounting and reporting burdens and complexities;
- political, social and economic instability abroad, terrorist attacks and security concerns in general; and
- reduced or varied protection for intellectual property rights in some countries.

Operating in international markets also requires significant management attention and financial resources. The investment and additional resources required to establish operations and manage growth in other countries may not produce desired levels of revenue or profitability.

We rely on third party software, including Oracle database software, which may be difficult to replace or could cause errors or failures of our service that could lead to lost customers or harm to our reputation.

We rely on software licensed from third parties to offer our service, including database software from Oracle. This software may not continue to be available to us on commercially reasonable terms, or at all. Any loss of the right to use any of this software could result in delays in the provisioning of our service until equivalent technology is either developed by us, or,

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if available, is identified, obtained and integrated, which could harm our business. Any errors or defects in third party software could result in errors or a failure of our service which could harm our business.

If we fail to maintain proper and effective internal controls, our ability to produce accurate and timely financial statements could be impaired and investors' views of us could be harmed.

Ensuring that we have adequate internal financial and accounting controls and procedures in place so that we can produce accurate financial statements on a timely basis is a costly and time consuming effort that needs to be re evaluated frequently. Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with GAAP. Although we have completed the process of documenting, reviewing and improving our internal controls and procedures for compliance with Section 404 of the Sarbanes Oxley Act of 2002, for the fiscal year ended December 31, 2015, there can be no assurances that control deficiencies will not be identified in the future. Implementing any additional required changes to our internal controls may distract our officers and employees, entail substantial costs to modify our existing processes and add personnel and take significant time to complete. These changes may not, however, be effective in maintaining the adequacy of our internal controls. Any failure to maintain that adequacy, or as consequent inability to produce accurate financial statements on a timely basis, could increase our operating costs and harm our business. In addition, investors' perceptions that our internal controls are inadequate or that we are unable to produce accurate financial statements on a timely basis may harm our stock price and make it more difficult for us to effectively market and sell our service to new and existing customers.

Our business is subject to changing regulations regarding corporate governance and public disclosure that will increase both our costs and the risk of noncompliance.

As a public company, we incur significant legal, accounting and other expenses associated with compliance with applicable laws, rules, regulations and listing requirements. In addition, the Sarbanes-Oxley Act, the Dodd-Frank Act, and rules subsequently implemented by the SEC and The New York Stock Exchange, have imposed a variety of compliance requirements on public companies, including requiring changes in corporate governance practices. In addition, the SEC and the U.S. Congress may continue to increase the scope of applicable disclosure and corporate governance-related rules. Our management and other personnel may need to devote a substantial amount of time to the compliance requirements associated with being a public company. Moreover, these laws, rules and regulations have increased and may continue to increase the scope, complexity and cost of our corporate governance, reporting and disclosure practices.

Because we recognize subscription revenue over the term of the applicable agreement, the lack of subscription renewals or new service agreements may not be reflected immediately in our operating results.

The majority of our quarterly revenue is attributable to service agreements entered into during previous quarters. A decline in new or renewed service agreements in any one quarter will not be fully reflected in our revenue in that quarter but will harm our revenue in future quarters. As a result, the effect of significant downturns in sales and market acceptance of our services in a particular quarter may not be fully reflected in our operating results until future periods. Our subscription model also makes it difficult for us to rapidly increase our revenue through additional sales in any period, because revenue from new customers must be recognized over the applicable subscription term.

Material defects or errors in the software we use to deliver our services could harm our reputation, result in significant costs to us and impair our ability to sell our services.

The software applications underlying our services are inherently complex and may contain material defects or errors, particularly when first introduced or when new versions or enhancements are released. We have from time to time found defects in our service, and new errors in our existing service may be detected in the future. Any defects that cause interruptions to the availability of our services could result in:

- a reduction in sales or delay in market acceptance of our services;
- sales credits or refunds to our customers;
- loss of existing customers and difficulty in attracting new customers;
- diversion of development resources;
- harm to our reputation; and
- increased warranty and insurance costs.

After the release of our services, defects or errors may also be identified from time to time by our internal team and by our customers. The costs incurred in correcting any material defects or errors in our services may be substantial and could harm our operating results.

Government regulation of the Internet and ecommerce is evolving, and unfavorable changes or our failure to comply with regulations could harm our operating results.

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As Internet commerce continues to evolve, increasing regulation by federal, state or foreign agencies becomes more likely. For example, we believe increased regulation is likely in the area of data privacy, and laws and regulations applying to the solicitation, collection, processing or use of personal or consumer information could affect our customers' ability to use and share data, potentially reducing demand for financials/ERP, CRM, PSA and ecommerce solutions and restricting our ability to store, process and share our customers' data. In addition, taxation of services provided over the Internet or other charges imposed by government agencies or by private organizations for accessing the Internet may also be imposed. Any regulation imposing greater fees for Internet use or restricting information exchanged over the Internet could result in a decline in the use of the Internet and the viability of Internet based services, harming our business and operating results.

Privacy concerns and laws or other domestic or foreign regulations may reduce the effectiveness of our application suite and harm our business.

Our customers can use our service to store personal or identifying information regarding their customers and contacts. Federal, state and foreign government bodies and agencies, however, have adopted or are considering adopting laws and regulations regarding the collection, use and disclosure of personal information obtained from consumers and other individuals. The costs of compliance with, and other burdens imposed by, such laws and regulations that are applicable to the businesses of our customers may limit the use and adoption of our service and reduce overall demand for it.

In addition to government activity, privacy advocacy groups and the technology and other industries are considering various new, additional or different self regulatory standards that may place additional burdens on us. If the gathering of personal information were to be curtailed, financials/ERP, CRM, ecommerce, PSA and HCM solutions would be less effective, likely reducing demand for our service and harming our business.

In the past our customers have relied on NetSuite's adherence to the U.S. Department of Commerce's Safe Harbor Privacy Principles and compliance with the U.S.-EU and U.S.-Swiss Safe Harbor Frameworks as agreed to and set forth by the U.S. Department of Commerce, and the European Commission and Switzerland, which established a means for companies operating in Europe to transfer personally identifiable information, or PII, in compliance with the European Commission's Directive on Data Protection (the "Directive") and Swiss data protection laws from the European Economic Area ("EEA") to the U.S. As a result of the October 6, 2015 European Union Court of Justice (the "ECJ"), opinion in Case C-362/14 (Schrems v. Data Protection Commissioner) regarding the adequacy of the U.S.-EU Safe Harbor Framework, the U.S.-EU Safe Harbor Framework is no longer deemed to be a valid method of compliance with restrictions set forth in the Directive (and member states' implementations thereof) regarding the transfer of data outside of the EEA. In light of the ECJ opinion, we are offering other methods to our customers to enable compliant data transfers from the EEA to the U.S.

We may be unsuccessful in establishing a means for the transfer of data from the EEA that is acceptable to our customers. In addition, data protection regulation is an area of increased focus and changing requirements. Data protection 42 Table of Contents regulations are currently being reviewed and are expected to change in the future. There is no assurance that we will be able to meet new requirements that may be imposed on the transfer of PII from the EU to the US without incurring substantial expense or at all. We may experience reluctance or refusal by European or multi-national customers to purchase or continue to use our services due to concerns regarding their data protection obligations. In addition, we may be subject to claims, legal proceedings or other actions by individuals or governmental authorities based on data protection regulations and our commitments to customers or others. We may find it necessary to establish additional systems to maintain EU-origin data in the EEA, which may involve substantial expense and distraction from other aspects of our business.

We publicly post our privacy policies and practices concerning our processing, use and disclosure of PII provided by our website visitors. Our publication of our privacy policy and other statements we publish that provide promises and assurances about privacy and security can subject us to potential state and federal action if they are found to be deceptive or misrepresentative of our practices.

If benefits currently available under the Czech Republic government subsidy program are reduced or disallowed, our operational costs could increase.

At our product development facility in the Czech Republic, we participate in a government subsidy program for employing local residents. Under the program, the Czech Republic government will reimburse us for certain operating expenses we incur. In the second quarter of 2015, we reached the initial program's reimbursement limit. Our operational expenses were reduced by approximately $0.6 million, $1.5 million and $2.5 million, for reimbursements of eligible operating expenses incurred during the years ended December 31, 2015, 2014 and 2013, respectively. We received approximately $1.2 million, $2.2 million and $2.0 million in payments from the Czech Republic government during the years ended December 31, 2015, 2014 and 2013, respectively. If the Czech Republic government determines that our expenses are ineligible for reimbursement, our financial condition and operating results may be harmed.

Changes in financial accounting standards or practices may cause adverse, unexpected financial reporting fluctuations and harm our operating results.

A change in accounting standards or practices could harm our operating results and may even affect our reporting of transactions completed before the change is effective. New accounting pronouncements and varying interpretations of accounting pronouncements have occurred and may occur in the future. Changes to existing rules or the questioning of current practices may harm our operating results or the way we conduct our business.

Unanticipated changes in our effective tax rate could harm our future operating results.

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We are subject to income taxes in the United States and various foreign jurisdictions, and our domestic and international tax liabilities are subject to the allocation of expenses in differing jurisdictions. Our tax rate is affected by changes in the mix of earnings and losses in countries with differing statutory tax rates, certain non deductible expenses arising from the requirement to expense stock options and the valuation of deferred tax assets and liabilities, including our ability to utilize our net operating losses. Increases in our effective tax rate could harm our operating results.

We may be unable to integrate acquired businesses and technologies successfully or to achieve the expected benefits of such acquisitions. We may acquire or invest in additional companies, which may divert our management's attention, result in additional dilution to our stockholders and consume resources that are necessary to sustain our business.

We have undertaken acquisitions in the past and may continue to evaluate and consider potential strategic transactions, including acquisitions and dispositions of businesses, technologies, services, products and other assets in the future. An acquisition, investment or business relationship may result in unforeseen operating difficulties and expenditures. In particular, we may encounter difficulties assimilating or integrating the businesses, technologies, products, personnel or operations of the acquired companies, particularly if the key personnel of the acquired company choose not to work for us, the company's software is not easily adapted to work with ours or we have difficulty retaining the customers of any acquired business due to changes in management or otherwise. Acquisitions may also disrupt our business, divert our resources and require significant management attention that would otherwise be available for development of our business. Moreover, the anticipated benefits of any acquisition, investment or business relationship may not be realized or we may be exposed to unknown liabilities.

We may in the future seek to acquire or invest in additional businesses, products, technologies or other assets. We also may enter into relationships with other businesses to expand our service offerings or our ability to provide service in foreign jurisdictions, which could involve preferred or exclusive licenses, additional channels of distribution, discount pricing or investments in other companies. Negotiating these transactions can be time consuming, difficult and expensive, and our ability to close these transactions may often be subject to approvals that are beyond our control. Consequently, these transactions, even if undertaken and announced, may not close. For one or more of those transactions, we may:

- issue additional equity securities that would dilute our stockholders;
- use cash that we may need in the future to operate our business;
- incur debt on terms unfavorable to us or that we are unable to repay;
- incur large charges or substantial liabilities;
- encounter difficulties retaining key employees of the acquired company or integrating diverse software codes or business cultures; and
- become subject to adverse tax consequences, substantial depreciation or deferred compensation charges.

Any of these risks could harm our business and operating results.

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

Our success and future growth depends to a significant degree on the skills and continued services of our management team. We do not maintain key man insurance on any members of our management team. Meeting our growth plan and our future success depends on our ability to attract, retain and motivate highly skilled technical, managerial, sales, marketing and service and support personnel, including members of our management team. Competition for sales, marketing and technology development personnel is particularly intense in the software and technology industries. As a result, we may be unable to successfully attract or retain qualified personnel. Our inability to attract and retain the necessary personnel could harm our business.

Risks Related to Ownership of our Common Stock and the Notes

Lawrence J. Ellison or members of his family, and related entities, beneficially own a significant portion of our outstanding shares of common stock, which may limit your ability to influence or control certain of our corporate actions. This concentration of ownership may also reduce the market price of our common stock and the value of the Notes and impair a takeover attempt of us.

Entities beneficially owned by Lawrence J. Ellison held an aggregate of approximately 40.1% of our common stock as of December 31, 2015. Further, Mr. Ellison, his family members, trusts for their benefit, and related entities together beneficially owned an aggregate of approximately 45.71% of our common stock as of that date. Mr. Ellison is able to exercise control over approval of significant corporate transactions, including a change of control or liquidation. In addition, if the voting restrictions that apply to NetSuite Restricted Holdings LLC, the investment entity to which Mr. Ellison has transferred his shares, lapse or are amended, Mr. Ellison will be able to exercise control over additional corporate matters, including elections of our directors. So long as Mr. Ellison continues to be either an officer or director of Oracle, these voting restrictions cannot be changed without the approval of an independent committee of Oracle's board of directors. Mr. Ellison's interests and investment objectives may differ from our other stockholders. Mr. Ellison is also the Chief Technology Officer, a principal

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stockholder and Executive Chairman of the Board of Oracle Corporation. Oracle supplies us with database and other software on which we rely to provide our service and is also a potential competitor of ours.

Our Board of Directors adopted resolutions which renounce and provide for a waiver of the corporate opportunity doctrine as it relates to Mr. Ellison. As a result, Mr. Ellison has no fiduciary duty to present corporate opportunities to us. In addition, Mr. Ellison's significant interest in us could discourage potential acquirers or result in a delay or prevention of a change in control of our company or other significant corporate transactions, even if a transaction of that sort would be beneficial to our other stockholders or in our best interest and, as a result, reduce the market price of our common stock and the value of the Notes.

Volatility in the market price and trading volume of our common stock and the Notes could adversely impact the trading price of our common stock and the Notes.

The stock market in recent years has experienced significant price and volume fluctuations that have often been unrelated to the operating performance of companies. The market price of our common stock could fluctuate significantly for many reasons, including in response to the risks described in this section, elsewhere in this report or for reasons unrelated to our operations, such as reports by industry analysts, investor perceptions or negative announcements by our customers, competitors or suppliers regarding their own performance, as well as industry conditions and general financial, economic and political instability. A decrease in the market price of our common stock would likely adversely impact the trading price of the Notes. The market price of our common stock could also be affected by possible sales of our common stock by investors who view the Notes as a more attractive means of equity participation in us and by hedging or arbitrage trading activity that we expect to develop involving our common stock. This trading activity could, in turn, affect the trading prices of our common stock and the Notes.

We may not have the ability to raise the funds necessary to settle conversions of the Notes or to repurchase the Notes upon a fundamental change, which may affect the trading price of our common stock, and our future debt may contain limitations on our ability to repurchase the Notes.

Holders of the Notes will have the right to require us to repurchase their Notes upon the occurrence of a fundamental change at a repurchase price equal to 100% of their principal amount, plus accrued and unpaid interest, if any. In addition, upon conversion of the Notes, unless we elect to deliver solely shares of our common stock to settle such conversion (other than paying cash in lieu of delivering any fractional share), we will be required to make cash payments in respect of the Notes being converted. However, we may not have enough available cash or be able to obtain financing at the time we are required to make repurchases of Notes surrendered therefor or Notes being converted, which could harm our reputation and affect the trading price of our common stock.

In addition, our ability to repurchase the Notes may be limited by law, by regulatory authority or by agreements governing our future indebtedness. Our failure to repurchase Notes at a time when the repurchase is required by the indenture would constitute a default under the indenture and could harm our reputation and affect the trading price of our common stock. A default under the indenture or the fundamental change itself could also lead to a default under agreements governing our future indebtedness. If the repayment of the related indebtedness were to be accelerated after any applicable notice or grace periods, we may not have sufficient funds to repay the indebtedness and repurchase the Notes.

The conditional conversion feature of the Notes, if triggered, may harm our financial condition and operating results.

In the event the conditional conversion feature of the Notes is triggered, holders of Notes will be entitled to convert the Notes at any time during specified periods at their option. If one or more holders elect to convert their Notes, unless we elect to satisfy our conversion obligation by delivering solely shares of our common stock (other than paying cash in lieu of delivering any fractional share), we would be required to settle a portion or all of our conversion obligation through the payment of cash, which could adversely affect our liquidity. In addition, even if holders do not elect to convert their Notes, we could be required under applicable accounting rules to reclassify all or a portion of the outstanding principal of the Notes as a current rather than long-term liability, which would result in a material reduction of our net working capital.

The accounting method for convertible debt securities that may be settled in cash, such as the Notes, could have a material effect on our reported financial results.

The Financial Accounting Standards Board, which we refer to as FASB, issued FASB Staff Position No. APB 14-1, Accounting for Convertible Debt Instruments That May Be Settled in Cash Upon Conversion (Including Partial Cash Settlement), which has subsequently been codified as Accounting Standards Codification 470-20, Debt with Conversion and Other Options, which we refer to as ASC 470-20. Under ASC 470-20, an entity must separately account for the liability and equity components of the convertible debt instruments (such as the Notes) that may be settled entirely or partially in cash upon conversion in a manner that reflects the issuer's economic interest cost. The effect of ASC 470-20 on the accounting for the Notes is that the equity component is required to be included in the additional paid-in capital section of stockholders' equity on our consolidated balance sheet, and the value of the equity component would be treated as original issue discount for purposes of accounting for the debt component of the Notes. As a result, we will be required to record a greater amount of non-cash interest expense in current periods presented as a result of the amortization of the discounted carrying value of the Notes to their face amount over the term of the Notes. We will report lower net income in our financial results because ASC 470-20 will require interest to include both the current period's amortization of the debt discount and the instrument's coupon interest, which could adversely affect our reported or future financial results, the trading price of our common stock and the trading price of the Notes.

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In addition, under certain circumstances, we may apply the treasury stock method with respect to the Notes, the effect of which is that only the number of shares of common stock that would be necessary to settle the conversion spread, if any, are included in the diluted earnings per share calculation. If we are unable to use the treasury stock method, then we would assume issuance of the number of shares of common stock that would be necessary to settle both the principal balance of the Notes and the conversion spread, if any, and our diluted earnings per share would be harmed.

Future sales of shares by existing stockholders could cause our stock price to decline and adversely impact the trading price of the Notes.

If our existing stockholders sell or otherwise dispose of, or indicate an intention to sell or dispose of, substantial amounts of our common stock in the public market, the trading price of our common stock could decline. As of December 31, 2015, we had a total of 79,802,618 shares of our common stock outstanding. Although shares that are held by NetSuite Restricted Holdings LLC are subject to certain restrictions on disposition and a portion of the remaining shares are subject to our Insider Trading Compliance Policy during certain periods of each quarter, substantially all of the shares held by parties other than NetSuite Restricted Holdings LLC, representing 59.9% of our outstanding shares as of December 31, 2015, are freely tradable, subject to our quarterly black-out policy that applies to the shares held by our directors, officers, employees and consultants. If a significant number of these shares are sold, or if it is perceived that they will be sold, in the public market, the trading price of our common stock could decline.

Further, in the future, we may sell additional shares of our common stock to raise capital. In addition, a substantial number of shares of our common stock are reserved for issuance upon the exercise of stock options, the vesting of restricted stock units and performance share units and performance shares and upon conversion of the Notes. We cannot predict the size of future issuances or the effect, if any, that they may have on the market price for our common stock. The issuance and sale of substantial amounts of common stock, or the perception that such issuances and sales may occur, could adversely affect the trading price of the Notes and the market price of our common stock and impair our ability to raise capital through the sale of additional equity securities.

The increase in the conversion rate for Notes converted in connection with a make-whole fundamental change may not adequately compensate the holders of the Notes for any lost value of their Notes as a result of such transaction and may cause our existing stockholders to experience additional dilution.

If a make-whole fundamental change occurs prior to the maturity date, under certain circumstances, we will increase the conversion rate by a number of additional shares of our common stock for Notes converted in connection with such make-whole fundamental change, which may cause our existing stockholders to experience additional dilution. The increase in the conversion rate will be determined based on the date on which the specified corporate transaction becomes effective and the price paid (or deemed to be paid) per share of our common stock in such transaction. The increase in the conversion rate for Notes converted in connection with a make-whole fundamental change may not adequately compensate the holders of the Notes for any lost value of their Notes as a result of such transaction. In addition, if the price of our common stock in the transaction is greater than $275.00 per share or less than $86.00 per share (in each case, subject to adjustment), no additional shares will be added to the conversion rate. Moreover, in no event will the conversion rate per $1,000 principal amount of Notes as a result of this adjustment exceed shares of common stock, subject to adjustment pursuant to the terms of the Notes.

Our obligation to increase the conversion rate for Notes converted in connection with a make-whole fundamental change could be considered a penalty, in which case the enforceability thereof would be subject to general principles of reasonableness and equitable remedies.

Provisions in the indenture for the Notes may deter or prevent a business combination that may be favorable to our stockholders.

If a fundamental change occurs prior to the maturity date of the Notes, holders of the Notes will have the right, at their option, to require us to repurchase all or a portion of their Notes. In addition, if a make-whole fundamental change occurs prior to the maturity date of the Notes, we will in some cases be required to increase the conversion rate for a holder that elects to convert its Notes in connection with such fundamental change. Furthermore, the indenture for the Notes prohibits us from engaging in certain mergers or acquisitions unless, among other things, the surviving entity assumes our obligations under the Notes. These and other provisions in the indenture could deter or prevent a third party from acquiring us even when the acquisition may be favorable to our stockholders.

Any adverse rating of the Notes may cause their trading price to fall, which may affect the trading price of our common stock.

We do not intend to seek a rating on the Notes. However, if a rating service were to rate the Notes and if such rating service were to lower its rating on the Notes below the rating initially assigned to the Notes or otherwise announces its intention to put the Notes on credit watch, the trading price of the Notes could decline and the trading price of our common stock may be affected.

Anti takeover provisions contained in our amended and restated certificate of incorporation and amended and restated bylaws, as well as provisions of Delaware law, could delay changes in management or impair a takeover attempt of us and, as a result, reduce the market price of our common stock and the value of the Notes.

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Our amended and restated certificate of incorporation, amended and restated bylaws and Delaware law contain provisions that could have the effect of rendering more difficult or discouraging an acquisition deemed undesirable by our Board of Directors. Our corporate governance documents include provisions:

- authorizing blank check preferred stock, which could be issued with voting, liquidation, dividend and other rights superior to our common stock;
- limiting the liability of, and providing indemnification to, our directors and officers;
- limiting the ability of our stockholders to call and bring business before special meetings and to take action by written consent in lieu of a meeting;
- requiring advance notice of stockholder proposals for business to be conducted at meetings of our stockholders and for nominations of candidates for election to our Board of Directors;
- controlling the procedures for the conduct and scheduling of board and stockholder meetings;
- providing the Board of Directors with the express power to postpone previously scheduled annual meetings and to cancel previously scheduled special meetings;
- limiting the determination of the number of directors on our board and the filling of vacancies or newly created seats on the board to our Board of Directors then in office; and
- providing that directors may be removed by stockholders only for cause.

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

As a Delaware corporation, we are also subject to provisions of Delaware law, including Section 203 of the Delaware General Corporation law, which prevents some stockholders holding more than 15% of our outstanding common stock from engaging in certain business combinations without approval of the holders of substantially all of our outstanding common stock. Under Section 203, our largest stockholder, which is beneficially owned by Lawrence J. Ellison, and our current stockholders associated with members of Mr. Ellison’s family are not subject to the prohibition from engaging in such business combinations.

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

Our failure to raise additional capital or generate the cash flows necessary to expand our operations and invest in our application services could reduce our ability to compete successfully.

We may need to raise additional funds, and we may not be able to obtain additional debt or equity financing on favorable terms, if at all. If we raise additional equity or convertible debt financing, our stockholders may experience significant dilution of their ownership interests and the per share value of our common stock could decline. If we engage in additional debt financing, we may be required to accept terms that restrict our ability to incur additional indebtedness and force us to maintain specified liquidity or other ratios. If we need additional capital and cannot raise it on acceptable terms, we may not be able to, among other things:

- develop or enhance our application and services;
- continue to expand our product development, sales and marketing organizations;
- acquire complementary technologies, products or businesses;
- expand operations, in the United States or internationally;
- hire, train and retain employees; or
- respond to competitive pressures or unanticipated working capital requirements.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

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Our corporate headquarters is located in San Mateo, California and comprises approximately 165,000 square feet of leased space. We also have leased facilities in the following U.S. cities: Atlanta, Austin, Boston, Chicago, Denver, Minneapolis, New York, and Oklahoma City. We also have leased facilities in Australia, Canada, the Czech Republic, Hong Kong, Japan, the Netherlands, the Philippines, Spain, Singapore, Thailand, United Kingdom, and Uruguay.
We believe that our existing properties are in good condition and are suitable for the conduct of our business. As our existing leases expire and as we continue to expand our operations, we believe that suitable space will be available to us on commercially reasonable terms.

Item 3. Legal Proceedings

From time to time, we are involved in various legal proceedings arising from the normal course of business activities. We are not presently a party to any litigation the outcome of which, we believe, if determined adversely to us, would individually or in the aggregate have a material adverse effect on our business, operating results or financial condition.

Item 4. Mine Safety Disclosures

Not Applicable.

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PART II

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

Our common stock has been quoted on the New York Stock Exchange under the symbol "N". The following table sets forth for the indicated periods the high and low sales prices of our common stock as reported by the New York Stock Exchange.

For the quarters ended	High	Low
2015:		
December 31, 2015	$91.72	$79.28
September 30, 2015	99.73	83.65
June 30, 2015	98.49	90.71
March 31, 2015	$107.87	$90.40
2014:		
December 31, 2014	$113.13	$85.12
September 30, 2014	89.56	78.80
June 30, 2014	96.42	71.42
March 31, 2014	$119.63	$91.56

We have never paid any cash dividends on our common stock. Our Board of Directors currently intends to retain any future earnings to support operations and to finance the growth and development of our business and does not intend to pay cash dividends on our common stock for the foreseeable future. Any future determination related to our dividend policy will be made at the discretion of our board.

As of December 31, 2015, there were 97 registered stockholders of record of our common stock. The actual number of stockholders is greater than this number of holders of record, and includes stockholders who are beneficial owners, but whose shares are held in street name by brokers and other nominees. This number of holders of record also does not include stockholders whose shares may be held in trust by other entities.

The graph set forth below compares the cumulative total stockholder return on our common stock between December 31, 2010 and December 31, 2015, with the cumulative total return of (i) the Nasdaq Composite Index and (ii) the Nasdaq Computer Index, over the same period. This graph assumes the investment of $100 on December 31, 2010 in our common stock, the Nasdaq Composite Index and the Nasdaq Computer Index, and assumes the reinvestment of dividends, if any. The graph assumes the initial value of our common stock on December 31, 2010 was the close price of $25.00 per share.

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	As of December 31,					
	2010	2011	2012	2013	2014	2015
NetSuite	$100	$162	$269	$412	$437	$338
Nasdaq Composite Index	$100	$98	$114	$157	$179	$189
Nasdaq Computer Index	$100	$100	$113	$149	$179	$190

The comparisons shown in the graph are based upon historical data. We caution that the stock price performance shown in the graph above is not necessarily indicative of, nor is it intended to forecast, the potential future performance of our common stock.

Item 6. Selected Financial Data

The following selected condensed consolidated financial data should be read in conjunction with our audited consolidated financial statements and related notes thereto and with Management's Discussion and Analysis of Financial Condition and Results of Operations included elsewhere in this Annual Report. The consolidated statement of operations data for the years ended December 31, 2015, 2014 and 2013 and the selected condensed consolidated balance sheet data as of December 31, 2015 and 2014 are derived from, and are qualified by reference to, the audited consolidated financial statements included in this Annual Report. The condensed consolidated statement of operations data for the fiscal years ended December 31, 2012 and 2011 and the consolidated balance sheet data as of December 31, 2013, 2012 and 2011 are derived from audited consolidated financial statements which are not included in this Annual Report.

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Condensed Consolidated Statements of Operations Data
(Dollars and shares in thousands, except per share amounts)

	Year ended December 31, 2015	2014	2013	2012	2011
Revenue:					
Subscription and support	$593,093	$447,782	$333,556	$252,903	$199,579
Professional services and other	148,056	108,502	80,952	55,922	36,747
Total revenue	741,149	556,284	414,508	308,825	236,326
Cost of revenue:					
Subscription and support	97,021	72,007	55,269	41,857	33,083
Professional services and other	148,407	104,803	79,925	53,706	37,777
Total cost of revenue (1)	245,428	176,810	135,194	95,563	70,860
Gross profit	495,721	379,474	279,314	213,262	165,466
Operating expenses:					
Product development (1)	135,544	106,706	78,312	52,739	43,531
Sales and marketing (1)	388,741	290,961	210,079	154,294	120,172
General and administrative (1)	87,101	65,138	51,693	38,469	31,951
Total operating expenses	611,386	462,805	340,084	245,502	195,654
Operating loss	(115,665)	(83,331)	(60,770)	(32,240)	(30,188)
Other income / (expenses), net and income taxes (1)	(9,078)	(16,706)	(9,639)	(2,989)	(1,819)
Net loss	$(124,743)	$(100,037)	$(70,409)	$(35,229)	$(32,007)
Net loss per common share	$(1.59)	$(1.31)	$(0.95)	$(0.50)	$(0.48)
Weighted average number of shares used in computing net loss per common share	78,521	76,174	74,085	70,713	66,919

(1) Includes stock-based compensation expense, amortization of acquisition-related intangibles, transaction costs for business combinations, costs associated with the settlement of a patent dispute, non-cash interest expense on convertible debt and income tax benefits associated with business combinations are as follows:

	Year ended December 31, 2015	2014	2013	2012	2011
Cost of revenue:					
Subscription and support	$12,200	$8,342	$6,135	$4,691	$3,568
Professional services and other	12,668	10,328	8,834	5,978	4,138
Operating expenses:					
Product development	32,787	28,587	23,543	15,301	12,015
Sales and marketing	45,714	38,897	26,749	16,588	13,437
General and administrative	34,010	25,988	19,123	11,803	9,662
Other income / (expenses) and income taxes, net	(5,065)	(12,910)	(5,935)	—	—
Total	$142,444	$125,052	$90,319	$54,361	$42,820

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Condensed Consolidated Balance Sheet Data
(Dollars in thousands)

	Year ended December 31,				
	2015	2014	2013	2012	2011
Cash and cash equivalents	$289,966	$367,769	$451,577	$185,859	$141,448
Working capital, excluding deferred revenue	541,036	581,112	531,334	242,524	176,447
Total assets	1,140,976	922,239	772,399	369,775	281,180
Deferred revenue	427,729	314,506	224,607	161,416	111,698
Convertible 0.25% senior notes, net	277,955	265,710	254,038	—	—
Long-term debt (includes current portion)	5,928	8,702	11,756	1,985	4,130
Equity	$306,201	$234,234	$210,052	$158,769	$128,010

ITEM 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

This Annual Report on Form 10-K contains "forward-looking statements" that involve risks and uncertainties, as well as assumptions that, if they never materialize or prove incorrect, could cause our results to differ materially from those expressed or implied by such forward-looking statements. Such forward-looking statements include any expectation of earnings, revenues or other financial items; any statements of the plans, strategies and objectives of management for future operations; factors that may affect our operating results; statements concerning new products or services; statements related to future capital expenditures; statements related to future economic conditions or performance; statements as to industry trends and other matters that do not relate strictly to historical facts or statements of assumptions underlying any of the foregoing. These statements are often identified by the use of words such as "anticipate," "believe," "continue," "could," "estimate," "expect," "intend," "may," or "will," and similar expressions or variations. Such forward-looking statements are subject to risks, uncertainties and other factors that could cause actual results and the timing of certain events to differ materially from future results expressed or implied by such forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to those discussed in the section titled "Risk Factors" included in Item 1A of Part I of this Annual Report on Form 10-K, and the risks discussed in our other SEC filings.

We urge you to consider these factors carefully in evaluating the forward-looking statements contained in this Annual Report on Form 10-K. These statements are based on the beliefs and assumptions of our management based on information currently available to management. The forward-looking statements included in this Annual Report are made only as of the date of this Annual Report on Form 10-K. All subsequent written or oral forward-looking statements attributable to our company or persons acting on our behalf are expressly qualified in their entirety by these cautionary statements. We do not undertake, and specifically disclaim, any obligation to update any forward-looking statements to reflect the occurrence of events or circumstances after the date of such statements except as required by law.

Overview

We are the industry's leading provider of cloud-based financials/ERP and omnichannel commerce software suites. In addition to financials/ERP and omnichannel commerce software suites, we offer a broad suite of applications, including accounting, CRM, ecommerce and retail management, PSA and HCM, which enable companies to manage most of their core business operations in our single integrated suite. Our software allows businesses to automate operations, streamline processes and access real-time business information anytime, anywhere.

We also offer customer support and professional services related to implementing and supporting our suite of applications. We deliver our suite over the Internet as a SaaS model.

In 1999, we released our first application, NetLedger, which focused on accounting applications. We then released ecommerce functionality in 2000 and CRM and sales force automation functionality in 2001. In 2002, we released our next generation suite under the name NetSuite to which we have regularly added features and functionality. In December 2007, we went public. In 2008, we acquired OpenAir, and in 2009 we acquired QuickArrow Inc., both of which offer professional services automation and project portfolio management products.

Our headquarters are located in San Mateo, California. We were incorporated in California in September 1998 and reincorporated in Delaware in November 2007. We conduct our business worldwide, with international locations in Canada, Europe, Asia, Australia and Uruguay.

On August 5, 2015, we completed the purchase of all the outstanding equity of Monexa Services Inc. ("Monexa"), a private company that provides cloud-based invoicing and payment services for its customers. Monexa functionality will enhance our existing invoicing and payment solution. Beginning in the third quarter of 2015, Monexa assets, liabilities and operating results are reflected in our consolidated financial statements from the date of acquisition. On the closing date, we paid approximately $33.1 million in cash. Of the consideration paid, $5.7 million is being held in escrow for up to 15 months following the close of the transaction in the event of certain breaches of representations, warranties and certain potential tax obligations covered in the purchase agreement. In connection with the transaction, the Monexa Board of Directors accelerated

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the vesting of certain Monexa employee stock options that were exercised shortly before the closing date, August 5, 2015. Since Monexa accelerated the stock option vesting in contemplation of the business combination, we were required to record the $1.8 million in net proceeds received by Monexa employees as compensation cost in the general and administrative expense line item of our financial statements. Acquisition related transaction costs amounted to $4.0 million and are also reflected as general and administrative expense in our statement of operations. As a result of the Monexa acquisition, we will amortize $13.3 million in intangible assets over the next five years.

On June 8, 2015, we completed the purchase of all the outstanding equity of Bronto Software, Inc. ("Bronto"), a private company that provides a cloud-based marketing platform for its customers to drive revenue through their email, mobile and social campaigns. Bronto functionality will enhance our existing email marketing solution and our existing omnichannel commerce platform. Beginning in the second quarter of 2015, Bronto assets, liabilities and operating results are reflected in our consolidated financial statements from the date of acquisition. We paid approximately $98.2 million in cash and issued 1,030,508 unregistered shares of our common stock with a fair value of $85.9 million, inclusive of a discount from the quoted market price due to certain trading restrictions associated with the shares. Of the consideration paid, $39.6 million is being held in escrow for up to 18 months following the close of the transaction in the event of certain breaches of representations and warranties covered in the purchase agreement. Another $3.9 million is being held in escrow for up to two years as protection against tax contingencies and losses. Acquisition related transaction costs amounted to $5.3 million and are reflected as general and administrative expense in the statement of operations. As a result of the Bronto acquisition, we will amortize $32.6 million in intangible assets over the next seven years.

Key Components of Our Results of Operations

Revenue

Our revenue has grown from $17.7 million during the year ended December 31, 2004 to $741.1 million during the year ended December 31, 2015.

We generate sales directly through our sales team and, to a lesser extent, indirectly through channel partners. We sell our service to customers across a broad spectrum of industries, and we have tailored our service for wholesalers/distributors, manufacturers, e-tailers, services companies and software companies. The primary target customers for our service are medium-sized businesses and divisions of large companies. An increasing percentage of our customers and our revenue have been derived from larger businesses within this market. For the year ended December 31, 2015, we did not have any single customer that accounted for more than 3% of our revenue.

We are pursuing a number of strategies that we believe will enable us to continue to grow. The goals of those strategic objectives are to continue to move up-market, to increase the use of NetSuite as a platform, and to extend the verticalization of our product line. Although we have made progress toward our goals in recent periods, there are still many areas where we believe that we can continue to grow. To achieve these goals, we are focused on the following initiatives:

- Growth of sales of OneWorld, our platform for ERP, CRM, PSA and ecommerce capabilities in multi-currency environments across multiple subsidiaries and legal entities, which supports the needs of large, standalone companies, and divisions of large enterprises;
- Strengthening our offerings for targeted industries such as wholesale/distribution, manufacturing, e-tail, retail, technology and professional services by adding deeper verticalized functionality; and
- Developing our SuiteCloud ecosystem to enable third parties to extend our offerings with their vertical expertise or horizontal solution.

We experience competitive pricing pressure when our products are compared with solutions that address a narrower range of customer needs or are not fully integrated (for example, when compared with ecommerce or CRM stand-alone solutions). In addition, since we sell primarily to medium-sized businesses, we also face pricing pressure in terms of the more limited financial resources or budgetary constraints of many of our target customers. We do not currently experience significant pricing pressure from competitors that offer a similar cloud-based integrated business management suite.

We sell our application suite pursuant to subscription agreements. The duration of these agreements is generally one to three years. We rely in part on a large percentage of our customers to renew their agreements to drive our revenue growth. Our customers have no obligation to renew their subscriptions after the expiration of their subscription period. We generally invoice our customers in advance in monthly, annual or quarterly installments, and typical payment terms provide that our clients pay us within 30 to 60 days of invoice. Amounts that have been invoiced where the customer has a legal obligation to pay are recorded in accounts receivable and deferred revenue. As of December 31, 2015, we had deferred revenue of $427.7 million.

Backlog was approximately $413.5 million and $325.2 million as of December 31, 2015 and 2014, respectively. Of the $413.5 million in backlog as of December 31, 2015, $245.3 million was short-term backlog and $168.2 million was long-term backlog. The $325.2 million in backlog as of December 31, 2014 included $182.8 million in short-term backlog and

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$142.4 million in long-term backlog. Backlog represents future billings under our subscription agreements that have not been invoiced or have not been recorded as deferred revenue. We expect that the amount of backlog may change from year-to-year for several reasons, including specific timing and duration of large customer subscription agreements, varying billing cycles of non-cancelable subscription agreements, the specific timing of customer renewals, foreign currency fluctuations, the timing of when unbilled deferred revenue is to be recognized as revenue and changes in customer financial circumstances. For multi-year subscription agreements billed annually, the associated backlog is typically high at the beginning of the contract period, zero immediately prior to expiration and increases if the agreement is renewed. Low backlog attributable to a particular subscription agreement is typically associated with an impending renewal and is not an indicator of the likelihood of renewal or future revenue of that customer. Accordingly, we expect that the amount of backlog may change from year to year depending in part upon the number of subscription agreements in particular stages in their renewal cycle. Such fluctuations are not reliable indicators of future revenues.

For the most part, our subscription agreements provide service level commitments of 99.5% uptime per period, excluding scheduled maintenance. The failure to meet this level of service availability may require us to credit qualifying customers up to the value of an entire month of their subscription and support fees. In light of the Company's historical experience with meeting its service level commitments, the Company's accrued liability related to such obligations in the accompanying consolidated financial statements is negligible.

Revenue by geographic region, based on the billing address of the customer, was as follows for the periods presented:

	Year ended December 31,		
	2015	2014	2013
	(dollars in thousands)		
United States	$553,186	$414,172	$308,513
International	187,963	142,112	105,995
Total revenue	$741,149	$556,284	$414,508
Percentage of revenue generated outside of the United States	25 %	26 %	26 %

Employees

As of December 31, 2015, our headcount was 4,603 employees including 1,394 employees in sales and marketing, 1,706 employees in operations, professional services, training and customer support, 1,058 employees in product development, and 445 employees in a general and administrative capacity.

Cost of Revenue

Subscription and support cost of revenue primarily consists of costs related to hosting our application suite, providing customer support, data communications expenses, personnel and related costs of operations, stock-based compensation, software license fees, outsourced subscription services, costs associated with website development activities, allocated overhead which includes IT, facility and recruiting costs, amortization expense associated with capitalized internal use software and acquired developed technology, and related plant and equipment depreciation and amortization expenses. These costs are partially offset by a government subsidy credit received from the Czech government. See Product Development expenses below.

Professional services and other cost of revenue primarily consists of personnel and related costs for our professional services employees and executives, external consultants, stock-based compensation and allocated overhead.

We allocate overhead such as facility costs, information technology costs and employee benefit costs to all departments based on headcount. As such, general overhead expenses are reflected in cost of revenue and each operating expense category.

We expect cost of revenue to remain relatively constant as a percentage of revenue over time; however, it could fluctuate period to period depending on the growth of our professional services business and any associated increased costs relating to the delivery of professional services and the timing of significant expenditures.

Operating Expenses

Product Development

Product development expenses primarily consist of personnel and related costs for our product development employees and executives, including salaries, stock-based compensation, employee benefits and allocated overhead which includes IT, facility and recruiting costs. Our product development efforts have been devoted primarily to increasing the functionality and enhancing the ease of use of our on-demand application suite as well as localizing our product for international use. A key component of our strategy is to expand our business internationally. This will require us to conform our application to comply with local regulations and languages, causing us to incur additional expenses related to translation and localization of our application for use in other countries.

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At our product development facility in the Czech Republic, we participate in a government program that subsidizes us for employing local residents. Under the program, the Czech government will reimburse us for certain operating expenses we incur. During the years ended December 31, 2015, 2014 and 2013, we reduced our cost of subscription revenue and product development expenses for eligible operational expenses we expect the Czech government to reimburse. We reached the program's reimbursement limit in 2015. Currently, we are evaluating alternative subsidy employment plans offered by the Czech Republic and other countries.

In 2016, we expect product development expenses to increase in absolute dollars as we continue to extend our service offerings in other countries, and as we expand and enhance our application suite technologies. Such expenses may vary due to the timing of these offerings and technologies.

Sales and Marketing

Sales and marketing expenses primarily consist of personnel and related costs for our sales and marketing employees and executives, including wages, benefits, bonuses, commissions and training, stock-based compensation, commissions paid to our channel partners, the cost of marketing programs such as on-line lead generation, promotional events, webinars and other meeting costs, amortization of intangible assets related to trade name and customer relationships, and allocated overhead which includes IT, facility and recruiting costs. We market and sell our application suite worldwide through our direct sales organization and indirect distribution channels such as strategic resellers. We capitalize and amortize our direct and channel sales commissions over the period the related revenue is recognized.

We expect to continue to invest in sales and marketing to pursue new customers and expand relationships with existing customers. As such, we expect our sales and marketing expenses to increase in absolute dollars in 2016.

General and Administrative

General and administrative expenses primarily consist of personnel and related costs for executive, finance, human resources and administrative personnel, stock-based compensation, legal and other professional fees, other corporate expenses and allocated overhead.

In 2016, we expect our general and administrative expenses to increase in absolute dollars as we continue to expand our business.

Income Taxes

Since inception, we have incurred annual operating losses and, accordingly, have not recorded a provision for income taxes for any of the periods presented other than provisions for state, foreign income, and withholding taxes.

Critical Accounting Policies and Judgments

Our consolidated financial statements are prepared in accordance with GAAP in the United States of America. The preparation of these consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, costs and expenses and related disclosures. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. In many instances, we could have reasonably used different accounting estimates, and in other instances changes in the accounting estimates are reasonably likely to occur from period-to-period. Accordingly, actual results could differ significantly from the estimates made by our management. To the extent that there are material differences between these estimates and actual results, our future financial statement presentation, financial position, results of operations and cash flows will be affected.

In many cases, the accounting treatment of a particular transaction is specifically dictated by GAAP and does not require management's judgment in its application, while in other cases, significant judgment is required in selecting among available alternative accounting standards that allow different accounting treatment for similar transactions. We consider these policies requiring significant management judgment to be critical accounting policies. These critical accounting policies are:

- Revenue recognition;
- Deferred commissions;
- Accounting for stock-based compensation; and
- Other intangible assets.

A description of our critical accounting policies and judgments for those areas are presented below. In addition, please refer to the Notes to Consolidated Financial Statements for further discussion of our accounting policies.

Revenue Recognition

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We generate revenue from two sources: (1) subscription and support services; and (2) professional services and other. Subscription and support revenue includes subscription fees from customers accessing our cloud-based application suite and support fees from customers purchasing support. Our arrangements with customers do not provide the customer with the right to take possession of the software supporting the cloud-based application service at any time. Professional services and other revenue include fees from consultation services to support the business process mapping, configuration, data migration, integration and training. Amounts that have been invoiced are recorded in accounts receivable and in deferred revenue or revenue, depending on whether the revenue recognition criteria have been met.

For the most part, subscription and support agreements are entered into for 12 to 36 months. In aggregate, more than 90% of the professional services component of the arrangements with customers is performed within 300 days of entering into a contract with the customer.

For the most part, the subscription agreements provide service-level commitments of 99.5% uptime per period, excluding scheduled maintenance. The failure to meet this level of service availability may require us to credit qualifying customers up to the value of an entire month of their subscription and support fees. In light of the Company’s historical experience with meeting its service level commitments, the Company's accrued liability related to such obligations in the accompanying consolidated financial statements is negligible.

We commence revenue recognition when all of the following conditions are met:

- there is persuasive evidence of an arrangement;
- the service is being provided to the customer;
- the collection of the fees is reasonably assured; and
- the amount of fees to be paid by the customer is fixed or determinable.

In most instances, revenue from a new customer acquisition is generated under sales agreements with multiple elements, comprised of subscription and support fees from customers accessing our cloud-based application suite and professional services associated with consultation services. We evaluate each element in a multiple-element arrangement to determine whether it represents a separate unit of accounting. An element constitutes a separate unit of accounting when the delivered item has standalone value and delivery of the undelivered element is probable and within our control. Subscription and support have standalone value because we routinely sell it separately. For the most part, professional services have standalone value because we have sold professional services separately, and there are several third party vendors that routinely provide similar professional services to our customers on a standalone basis.

We allocate revenue to each element in an arrangement based on a selling price hierarchy. The selling price for a deliverable is based on its vendor-specific objective evidence (“VSOE”), if available, third-party evidence (“TPE”), if VSOE is not available, or estimated selling price (“ESP”), if neither VSOE nor TPE is available. As we have been unable to establish VSOE or TPE for the elements of our sales arrangements, we establish the ESP for each element primarily by considering the weighted average of actual sales prices of professional services sold on a standalone basis and subscription and support including various add-on modules when sold together without professional services, and other factors such as gross margin objectives, pricing practices and growth strategy. The consideration allocated to subscription and support is recognized as revenue over the contract period commencing when the subscription service is made available to the customer. The consideration allocated to professional services is recognized as revenue using the proportional performance method.

The total arrangement fee for a multiple element arrangement is allocated based on the relative ESP of each element. However, since the professional services are generally completed prior to completion of delivery of subscription and support services, the revenue recognized for professional services in a given reporting period does not include fees subject to delivery of subscription and support services. This results in the recognition of revenue for professional services that is generally no greater than the contractual fees for those professional services.

For single element sales agreements, subscription and support revenue is recognized ratably over the contract term beginning on the provisioning date of the contract. We recognize professional services revenue using the proportional performance method for single element arrangements.

Deferred Commissions

We capitalize commission costs that are incremental and directly related to the acquisition of customer contracts. Commission costs are accrued and capitalized upon execution of the sales contract by the customer. Payments to partners and most sales personnel are made shortly after the receipt of the related customer payment. Payments to managers and above are made either partially or in full once sales contracts are executed. Deferred commissions are amortized over the term of the related non-cancelable customer contract and are recoverable through the related future revenue streams. We believe this is the preferable method of accounting as the commission costs are so closely related to the revenue from the customer contracts that they should be expensed over the same period that the related revenue is recognized. We capitalized commission costs of $119.1 million, $95.5 million and $70.4 million during the years ended December 31, 2015, 2014 and 2013, respectively.

Accounting for Stock-Based Compensation

We recognize the fair value of stock-based compensation in the financial statements over the requisite service period of the individual grants, which generally equals a four year vesting period. We recognize compensation expense for stock

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option awards, restricted stock awards, restricted stock unit awards and employee stock purchase plan awards on a straight-line basis over the requisite service period. We recognize compensation expense related to performance share awards based on the accelerated method which recognizes a larger portion of the expense during the beginning of the vesting period than in the end of the vesting period. Estimates are used in determining the fair value of stock option awards and employee stock purchase plan awards using a Black-Scholes model. The fair value of restricted stock, restricted stock units performance share and performance share units is generally determined based on the intrinsic value of the award on the grant date.

Effective the first quarter of 2014, we changed our methodology for estimating the expected term assumption used to determine employee stock option grant fair value. We changed from the simplified method to a historical data method because we believe we have sufficient data to estimate the stock option exercise period based on historical stock option activity and historical employee termination data.

In recent years, we have awarded more restricted stock, restricted stock units and performance share units than granted stock options. Consequently, our restricted stock, restricted stock units and performance share units stock-based compensation expense represents a larger portion of total stock-based compensation expense recorded in our financial statements than stock options.

As a result of our stock-based compensation activity, we recorded $109.1 million, $96.5 million and $73.7 million of stock-based compensation during the years ended December 31, 2015, 2014 and 2013, respectively, excluding the effect previously capitalized stock-based compensation amortized during the year. Please see Note 13 of Notes to the Consolidated Financial Statements.

Other Intangible Assets

We allocated a portion of the purchase price of the acquisition of our acquired businesses to intangible assets, including customer relationships, developed technology and trade names that are being amortized over their estimated useful lives of one to seven years. We also allocated a portion of the purchase price to tangible assets and assessed the liabilities to be recorded as part of the purchase price. The estimates we made in allocating the purchase price to tangible and intangible assets, and in assessing liabilities recorded as part of the purchase, involved the application of judgment and the use of estimates and these could significantly affect our operating results and financial position.

We continually evaluate whether events or circumstances have occurred that indicate that the estimated remaining useful life of our long-lived assets, including intangible assets, may warrant revision or that the carrying value of these assets may be impaired. Any write-downs are treated as permanent reductions in the carrying amount of the assets. We must use judgment in evaluating whether events or circumstances indicate that useful lives should change or that the carrying value of assets has been impaired. Any resulting revision in the useful life or the amount of impairment also requires judgment. Any of these judgments could affect the timing or size of any future impairment charges. Revision of useful lives or impairment charges could significantly affect our operating results and financial position.

Results of Operations

Revenue, Cost of Revenue, Gross Profit and Gross Margin

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Our revenue, cost of revenue, gross profit and gross margin was as follows for the periods presented:

	Year ended December 31,		
	2015	2014	2013
	(dollars in thousands)		
Revenue:			
Subscription and support	$593,093	$447,782	$333,556
Professional services and other	148,056	108,502	80,952
Total revenue	741,149	556,284	414,508
Cost of revenue (1):			
Subscription and support	97,021	72,007	55,269
Professional services and other	148,407	104,803	79,925
Total cost of revenue	245,428	176,810	135,194
Gross profit	$495,721	$379,474	$279,314
Gross margin	67%	68%	67%

(1) Includes stock-based compensation expense and amortization of intangible assets of:

Cost of revenue:			
Subscription and support	$12,200	$8,342	$6,135
Professional services and other	12,668	10,328	8,834
	$24,868	$18,670	$14,969

Twelve Months Ended December 31, 2015 as Compared to the Twelve Months Ended December 31, 2014

Revenue for the year ended December 31, 2015 increased $184.9 million, or 33%, compared to the same period in 2014.

Subscription and support revenue: Subscription and support revenue for the year ended December 31, 2015 increased $145.3 million, or 32%, compared to the same period in 2014. The increase was primarily the result of an $89.5 million increase in revenue resulting from the acquisition of new customers, including $20.0 million in revenue related to Bronto, and a $55.8 million increase in revenue from existing customers. Additionally, subscriptions and support revenue increased during the year due to an increase in number of customers and continued adoption of OneWorld.

Professional services and other revenue: Professional services and other revenue for the year ended December 31, 2015 increased $39.6 million, or 36%, compared to the same period in 2014. The increase was primarily the result of a $73.8 million increase in revenue resulting from the acquisition of new customers including $2.1 million in revenue related to Bronto. The increase in professional services and other revenue was partially offset by a $34.2 million decrease in revenue from existing customers related to services purchased in connection with the initial implementation of our product in 2014 that did not recur for those customers in 2015. Additionally, our billable professional services hours increased as a result of an increase in customer demand and headcount, while our average consulting rates for professional services decreased slightly.

Revenue generated outside of the United States was $188.0 million, or 25%, of our revenue during the year ended December 31, 2015, as compared to $142.1 million, or 26% of our revenue, during the same period in 2014. The decrease resulted from revenue in the United States growing at a higher rate than revenue outside the United States.

Cost of revenue for the year ended December 31, 2015 increased $68.6 million, or 39%, compared to the same period in 2014.

Subscription and support cost of revenue: Subscription and support cost of revenue for the year ended December 31, 2015 increased $25.0 million, or 35%, compared to the same period in 2014. The increase was primarily the result of a $15.9 million increase in data center production costs, a $6.5 million increase in personnel costs and a $2.6 million increase in IT, facility and other operating expenses. Data center and other production costs increased due to an increase in depreciation of new equipment as a result of our data center expansion, an increase in amortization of intangibles related to our 2015 and 2014 business acquisitions and an increase in support costs, maintenance costs and other operational costs associated with an increase in our data center capacity and activity. Personnel costs increased due to an overall increase in headcount and an increase in incentive bonuses. IT, facility and other operating expenses related to our data center increased due to an increase in costs associated with our global expansion.

Professional services and other cost of revenue: Professional services and other cost of revenue for the year ended December 31, 2015 increased $43.6 million, or 42%, compared to the same period in 2014. The increase was primarily the result of a $38.5 million increase in personnel costs and a $7.7 million increase in IT, facility, partially offset by a $2.6 million decrease in fees related to outsourced consulting services. Personnel costs increased due to an overall increase in headcount and annual merit increases. Headcount increased as a result of an increase in the demand for our professional services. Our

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increase in headcount also resulted in a decrease in outside consulting costs. IT, facility and other operating expenses related to our professional services increased primarily due to our global expansion.

Our gross margin was 67% during the year ended December 31, 2015 and 68% for the same period in 2014. Our gross margin decreased due to an increase in the mix of professional service business which contains a lower gross margin than subscription revenue. Professional services gross margin is lower in comparison to the same period in the prior year because we are integrating recently hired consultants into our professional services operations and from a slight decrease in the average consulting rates in 2015 compared to 2014.

Twelve Months Ended December 31, 2014 as Compared to the Twelve Months Ended December 31, 2013

Revenue for the year ended December 31, 2014 increased $141.8 million, or 34%, compared to the same period in 2013.

Subscription and support revenue: Subscription and support revenue for the year ended December 31, 2014 increased $114.2 million, or 34%, compared to the same period in 2013. The increase was primarily the result of a $69.9 million increase in revenue resulting from the acquisition of new customers and a $44.3 million increase in revenue from existing customers. Additionally, subscriptions and support revenue increased during the year due to an increase in number of customers and continued adoption of OneWorld.

Professional services and other revenue: Professional services and other revenue for the year ended December 31, 2014 increased $27.6 million, or 34%, compared to the same period in 2013. The increase was primarily the result of a $54.2 million increase in revenue resulting from the acquisition of new customers. The increase in professional services and other revenue was partially offset by a $26.6 million decrease in revenue from existing customers related to services purchased in connection with the initial implementation of our product in 2013 that did not recur for those customers in 2014. Additionally, demand for our professional services increased during 2014, while our average consulting rates for professional services remained constant.

Revenue generated outside of the United States was $142.1 million, or 26%, of our revenue during the year ended December 31, 2014, as compared to $106.0 million, or 26%, during the same period in 2013.

Cost of revenue for the year ended December 31, 2014 increased $41.6 million, or 31%, compared to the same period in 2013.

Subscription and support cost of revenue: Subscription and support cost of revenue for the year ended December 31, 2014 increased $16.7 million, or 30%, compared to the same period in 2013. The increase was primarily the result of a $9.9 million increase in data center production costs, a $5.0 million increase in personnel costs and a $1.8 million increase in IT, facility and other operating expenses. Data center and other production costs increased due to an increase in support costs, depreciation of new equipment, amortization of intangibles related to our 2014 and 2013 business acquisitions, maintenance costs and other operational costs associated with an increase in our data center capacity and activity. Personnel costs increased due to an overall increase in headcount and an increase in incentive bonuses. IT, facility and other operating expenses related to our data center increased due to an increase in recruiting and other costs incurred to grow our business.

Professional services and other cost of revenue: Professional services and other cost of revenue for the year ended December 31, 2014 increased $24.9 million, or 31%, compared to the same period in 2013. The increase was primarily the result of a $17.9 million increase in personnel costs, a $4.9 million increase in IT and facility expenses and other operating expenses and a $2.1 million increase in fees related to outsourced consulting services. Personnel costs increased due to an overall increase in headcount and annual merit increases. Headcount increased as a result of an increase in the demand for our professional services. IT, facility, recruiting and other operating expenses related to our professional services increased primarily due to our global expansion. The net increase in outsourced consulting fees resulted from professional service fees incurred to develop our professional services organization, partially offset by a decrease in other outside consulting costs.

Our gross margin was 68% during the year ended December 31, 2014 and 67% for the same period in 2013. Our gross margin increased primarily due to an increase in the average selling price on customer deals and because our gross margin for subscription services is higher than our gross margin for professional services.

Operating Expenses

Operating expenses were as follows for the periods presented:

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	Year ended December 31,					
	2015		2014		2013	
	Amount	% of revenue	Amount	% of revenue	Amount	% of revenue
	(dollars in thousands)					
Operating expenses (1):						
Product development	$135,544	18 %	$106,706	19 %	$78,312	19 %
Sales and marketing	388,741	52 %	290,961	52 %	210,079	51 %
General and administrative	87,101	12 %	65,138	12 %	51,693	12 %
Total operating expenses	$611,386	82 %	$462,805	83 %	$340,084	82 %

(1) Includes stock-based compensation expense, amortization of acquisition-related intangible assets and transaction costs for business combinations as follows:

	Year ended December 31,		
	2015	2014	2013
	(dollars in thousands)		
Product development	$32,787	$28,587	$23,543
Sales and marketing	45,714	38,897	26,749
General and administrative	34,010	25,988	19,123
Total	$112,511	$93,472	$69,415

Twelve Months Ended December 31, 2015 as Compared to the Twelve Months Ended December 31, 2014

Product development expenses: Product development expenses for the year ended December 31, 2015 increased $28.8 million, or 27%, as compared to the same period in 2014. The increase was primarily the result of a $23.5 million increase in personnel costs resulting from an overall increase in headcount, annual salary increases, payroll tax increases and an increase in stock-based compensation. The increase in personnel costs includes a $4.1 million increase in stock-based compensation resulting primarily from the issuance of annual employee equity awards and equity grants to new hires. Additionally, IT, facility and other operating expenses related to our product development increased by $5.3 million due to an increase in costs associated with our global expansion.

Sales and marketing expenses: Sales and marketing expenses for the year ended December 31, 2015 increased $97.8 million, or 34%, as compared to the same period in 2014. The increase was primarily the result of a $76.8 million increase in personnel costs, an $8.7 million increase in IT, facility and recruiting costs, a $6.1 million increase in marketing and other operating expenses and a $6.2 million increase in sales related expenses including the amortization of intangibles due to the Bronto and Monexa business acquisitions. The increase in personnel costs related primarily to increases in commission and payroll expenses resulting from higher sales and an increase in headcount. IT, facility and recruiting costs increased due to an increase in costs associated with our global expansion. Marketing and other operating expenses increased due to our annual user conference, trade shows, product branding and other media campaigns.

General and administrative expenses: General and administrative expenses for the year ended December 31, 2015 increased $22.0 million, or 34%, when compared to the same period in 2014. The increase was primarily the result of an $11.4 million increase in personnel costs and a $10.6 million increase in other operational costs. The increase in personnel costs resulted from an increase in headcount, an increase in incentive pay and other personnel costs. Additionally, personnel costs include a $3.8 million increase in stock-based compensation costs resulting primarily from the issuance of annual equity awards and equity awards to new employees. Other operating expenses increased primarily due to legal, outside accounting and other business combination transaction costs incurred in connection with the acquisitions of Bronto and Monexa in 2015.

Twelve Months Ended December 31, 2014 as Compared to the Twelve Months Ended December 31, 2013

Product development expenses: Product development expenses for the year ended December 31, 2014 increased $28.4 million, or 36%, as compared to the same period in 2013. The increase was primarily the result of a $22.1 million increase in personnel costs resulting from an overall increase in headcount, annual salary increases, payroll tax increases and an increase in stock-based compensation. The increase in personnel costs includes a $5.0 million increase in stock-based compensation resulting primarily from the issuance of annual employee equity awards and equity grants to new hires. Additionally, IT, facility and other operating expenses related to our product development increased by $6.3 million due to an increase in outsourced product development services costs associated with our global expansion, data center costs incurred in connection with our product development and a decrease in government subsidies from the Czech Republic.

Sales and marketing expenses: Sales and marketing expenses for the year ended December 31, 2014 increased $80.9 million, or 39%, as compared to the same period in 2013. The increase was primarily the result of a $61.9 million increase in personnel costs, a $9.8 million increase in marketing and other operating expenses, a $4.8 million increase in sales related expenses and a $4.4 million increase in IT, facility and recruiting costs. The increase in personnel costs related primarily to increases in commission and payroll expenses resulting from higher sales and an increase in headcount. Additionally, personnel costs include a $9.5 million increase in stock-based compensation resulting primarily from the issuance of annual equity awards and grants to new employees. Marketing and other operating expenses increased due to our annual user conference, trade shows, product branding and other media campaigns. Sales related costs increased due to outsourced consulting service fees incurred to increase customer demand and an increase in amortization expenses resulting from customer relationship and trade name intangible assets acquired through our business acquisitions in 2014 and 2013. IT, facility and recruiting costs increased due to an increase in costs associated with our global expansion.

General and administrative expenses: General and administrative expenses for the year ended December 31, 2014 increased $13.4 million, or 26%, when compared to the same period in 2013. The increase was primarily the result of an $8.2 million increase in personnel costs and a $5.2 million increase in other operational costs. The increase in personnel costs resulted from an increase in headcount, an increase in incentive pay and other personnel costs. Additionally, personnel costs include a $5.3 million increase in stock-based compensation costs resulting primarily from the issuance of annual equity awards and equity awards to new employees. Other operating expenses increased primarily due to legal, outside accounting and other business combination transaction costs incurred in connection with the acquisitions of Venda and WMS in the third quarter of 2014.

Non-operating items, including interest income and expense, other income / (expense) and income taxes were as follows for the periods presented:

	Year ended December 31,					
	2015		2014		2013	
	Amount	% of revenue	Amount	% of revenue	Amount	% of revenue
	(dollars in thousands)					
Interest income	458	— %	220	— %	67	— %
Interest expense	(14,674)	(2)%	(14,309)	(3)%	(8,424)	(2)%
Other expense, net	(481)	— %	(451)	— %	(383)	— %
Provision for income taxes	(5,619)	(1)%	2,166	— %	899	— %

Twelve Months Ended December 31, 2015 as Compared to the Twelve Months Ended December 31, 2014

Our provision for income taxes decreased by $7.8 million during the year ended December 31, 2015 as compared to 2014 because in 2015 we recorded approximately $8.3 million in net deferred tax liabilities related to the Bronto acquisition. These deferred tax liabilities create a new source of taxable income, thereby requiring us to release a portion of our deferred tax asset valuation allowance with a related reduction in income tax expense for the year ended December 31, 2015 of $8.3 million. See Note 15 to our consolidated financial statements for more information regarding our income taxes.

Twelve Months Ended December 31, 2014 as Compared to the Twelve Months Ended December 31, 2013

Our interest expense increased by $5.9 million during the year ended December 31, 2014 as compared to 2013 primarily due to our issuance of $310.0 million in aggregate principal amount of 0.25% convertible senior notes in June 2013. In connection with these notes, we record interest costs consisting of amortization of debt discount, coupon interest and amortization of debt issuance costs. In 2014, we recorded interest cost for an entire year as compared to half a year in 2013.

Our provision for income taxes increased by $1.3 million during the year ended December 31, 2014 as compared to 2013 primarily due to tax benefits associated with our 2013 business combinations. See Note 15 to our consolidated financial statements for more information regarding our income taxes.

Quarterly Results of Operations

The following tables set forth our unaudited quarterly condensed consolidated statements of operations data for each of the eight quarters ended December 31, 2015. The data has been prepared on the same basis as the audited consolidated financial statements and related notes included in this Annual Report on Form 10-K and you should read the following tables in conjunction with such financial statements. The table includes all necessary adjustments, consisting only of normal recurring adjustments that we consider necessary for a fair presentation of this data. The results of historical periods are not necessarily indicative of future results.

	Three months ended							
	December 31, 2015	September 30, 2015	June 30, 2015	March 31, 2015	December 31, 2014	September 30, 2014	June 30, 2014	March 31, 2014
	(dollars and shares in thousands, except per share amounts) (unaudited)							
Revenue:								
Subscription and support	$164,536	$154,661	$140,922	$132,974	$126,705	$115,831	$105,851	$99,395
Professional services and other	41,693	38,162	36,358	31,843	31,164	27,829	25,943	23,566
Total revenue	206,229	192,823	177,280	164,817	157,869	143,660	131,794	122,961
Cost of revenue:								
Subscription and support (1)	27,594	25,983	22,454	20,990	20,041	18,522	17,084	16,360
Professional services and other (1)	40,236	40,113	36,687	31,371	30,496	27,477	24,513	22,317
Total cost of revenue	67,830	66,096	59,141	52,361	50,537	45,999	41,597	38,677
Gross profit	138,399	126,727	118,139	112,456	107,332	97,661	90,197	84,284
Operating expenses:								
Product development (1)	37,176	36,112	32,537	29,719	28,548	28,610	25,376	24,172
Sales and marketing (1)	107,539	102,145	95,803	83,254	82,856	74,699	69,726	63,680
General and administrative (1)	21,202	21,824	25,642	18,433	16,902	20,097	14,106	14,033
Total operating expenses	165,917	160,081	153,982	131,406	128,306	123,406	109,208	101,885
Operating loss	(27,518)	(33,354)	(35,843)	(18,950)	(20,974)	(25,745)	(19,011)	(17,601)
Other income / (expenses), net, and income taxes (1)	(4,885)	(3,986)	3,556	(3,763)	(4,371)	(3,550)	(4,153)	(4,632)
Net loss	$(32,403)	$(37,340)	$(32,287)	$(22,713)	$(25,345)	$(29,295)	$(23,164)	$(22,233)
Net loss per NetSuite Inc. common share	$(0.41)	$(0.47)	$(0.41)	$(0.29)	$(0.33)	$(0.38)	$(0.31)	$(0.29)
Weighted average number of shares used in computing net loss per common share	79,615	79,186	77,975	77,276	76,850	76,477	75,919	75,433

(1) Includes stock-based compensation expense, amortization of acquisition-related intangible assets, transaction costs for business combinations, non-cash interest expense on convertible debt and income tax benefits associated with business combination as follows:

Three months ended

June 30, June 30,

	December 31, 2015	September 30, 2015	2015	March 31, 2015	December 31, 2014	September 30, 2014	2014	March 31, 2014
	(in thousands)							
Cost of revenue:								
Subscription and support	$3,603	$3,438	$2,646	$2,513	$2,332	$2,173	$1,851	$1,986
Professional services and other	2,750	4,296	2,826	2,796	2,845	2,684	2,317	2,482
Operating expenses:								
Product development	8,488	8,094	8,421	7,784	7,396	7,733	6,884	6,576
Sales and marketing	12,307	12,940	11,196	9,271	10,945	11,156	9,087	7,709
General and administrative	6,142	8,270	13,524	6,074	6,012	10,552	4,683	4,739
Other income / (expenses) and income taxes, net	(3,452)	(2,932)	4,613	(3,294)	(3,291)	(3,287)	(3,191)	(3,141)
Total	$36,742	$39,970	$34,000	$31,732	$32,821	$37,585	$28,013	$26,633

Liquidity and Capital Resources

As of December 31, 2015, our primary sources of liquidity were our cash and cash equivalents totaling $290.0 million, marketable securities totaling $88.6 million and $176.7 million in accounts receivable, net of allowance. In the year ended December 31, 2015, cash flows from operations generated $100.4 million of cash.

As of December 31, 2015, we had an accumulated deficit of $674.0 million. We have funded this deficit primarily through the net proceeds raised from the sale of our capital stock and convertible notes and cash flows from operations.

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Our cash flow activities were as follows for the periods presented:

	Year ended December 31, 2015	2014	2013
	(in thousands)		
Net cash provided by operating activities	$100,407	$74,920	$62,235
Net cash used in investing activities	(181,135)	(157,296)	(81,023)
Net cash (used in) / provided by financing activities	4,900	(158)	285,576
Effect of exchange rate changes on cash and cash equivalents	(1,975)	(1,274)	(1,070)
Net change in cash and cash equivalents	$(77,803)	$(83,808)	$265,718

Twelve Months Ended December 31, 2015 as Compared to the Twelve Months Ended December 31, 2014

Cash provided by operating activities was driven by sales of our application suite and costs incurred to deliver that service. The timing of our billings and collections relating to our sales and the timing of the payment of our liabilities have a significant impact on our cash flows. Cash flows from operations increased during the year ended December 31, 2015 as compared to 2014 primarily as a result of an increase in collections from customers and the timing of payments to vendors, partially offset by an increase in commissions paid.

Cash used in investing activities during the year ended December 31, 2015 was primarily related to the acquisition of Bronto and Monexa, and capital expenditures associated with our global expansion. In 2015, we paid $98.0 million, net of cash received, to acquire Bronto and $32.6 million, net of cash received. to acquire Monexa compared to 2014, when we paid $39.7 million, net of cash received, to acquire Venda and WMS. In 2015, capital expenditures increased by $26.6 million because we continued to expand our office space and purchase additional property and equipment to accommodate an increase in headcount. Additionally, we increased our datacenter capacity in 2015. In 2014, we initially invested $95.6 million into marketable securities. In 2015, our investment in market securities remained constant so overall cash used for marketable securities activity decreased by $89.0 million when compared to 2014.

Cash provided by / (used in) financing activities for the year ended December 31, 2015 changed from the same period in 2014 due to a $7.1 million increase in proceeds from employee stock option exercises, a $4.6 million decrease in payments to the former owners of businesses acquired, partially offset by a $7.0 million increase in RSUs acquired to settle employee withholding liabilities.

Twelve Months Ended December 31, 2014 as Compared to the Twelve Months Ended December 31, 2013

Cash provided by operating activities was driven by sales of our application suite and costs incurred to deliver that service. The timing of our billings and collections relating to our sales and the timing of the payment of our liabilities have a significant impact on our cash flows. Cash flows from operations increased during the year ended December 31, 2014 as compared to 2013 primarily as a result of an increase in collections from customers and the timing of payments to vendors, partially offset by an increase in commissions paid.

Cash used in investing activities during the year ended December 31, 2014 was related to the purchase and sale of marketable securities, acquiring companies and capital expenditures for property and equipment, consisting of the purchase of software licenses, computer equipment, leasehold improvements and furniture and fixtures as we develop and enhance our infrastructure. Cash used in investing increased due to our $91.8 million net investment into marketable securities in 2014, a $3.4 million increase in capital expenditures associated with our 2014 global expansion, partially offset by a $19.4 million decrease in business combination related cash payments, net of cash received. In 2014, we paid $39.7 million, net of cash received, to acquire Venda and WMS compared to 2013 when we paid $57.4 million, net of cash received, to acquire T-HR ("TribeHR"), OM ("OrderMotion") and WH ("Website Hosting Provider") and $747,000 in other business combination related payments.

The net cash used in financing activities during the year ended December 31, 2014 increased from 2013 due to $301.7 million in net proceeds received from the issuance of $310.0 million at par value of 0.25% convertible senior notes partially offset by the repurchase of $30.0 million of our common stock in June 2013, a $7.9 million decrease in proceeds received from employee stock option exercises and $5.9 million in payments to the former owners of businesses acquired in late 2012 and 2013.

We intend to use our cash for general corporate purposes, including potential future acquisitions or other transactions. Further, we expect to incur additional expenses in connection with our international expansion. We believe that our

cash and cash equivalents are adequate to fund those potential or anticipated activities.
While we believe that our uncommitted current working capital and anticipated cash flows from operations will be adequate to meet our cash needs for daily operations and capital expenditures for at least the next 12 months, we may elect to raise additional capital through the sale of additional equity or debt securities, obtain a credit facility or sell certain assets. If additional funds are raised through the issuance of additional debt securities, these securities could have rights, preferences and privileges senior to holders of common stock or holders of the convertible notes, and terms of any debt could impose restrictions on our operations. The sale of additional equity or convertible debt securities could result in additional dilution to our stockholders and additional financing may not be available in amounts or on terms acceptable to us. If additional financing

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becomes necessary and we are unable to obtain the additional funds, we may be required to reduce the scope of our planned product development and marketing efforts, potentially harming our business, financial condition and operating results.

Contractual Obligations

We generally do not enter into long-term minimum purchase commitments. Our principal commitments consist of our convertible senior notes, obligations under capital leases for equipment, notes payable used for purchase of equipment, operating leases primarily for office space, and other purchase obligations consisting of maintenance support contracts on leased or owned equipment and other general purchase obligations. The following table summarizes our commitments to settle contractual obligations in cash as of December 31, 2015, for the next five years and thereafter:

	Total	Less than 1 year	1 to 3 years	3 to 5 years	More than 5 Years
	(dollars in thousands)				
Capital lease obligations	$39	$36	$3	$—	$—
Convertible 0.25% senior notes including interest	311,873	775	311,098	—	—
Debt obligations - related party, including interest	6,238	3,119	3,119	—	—
Total accrued contractual obligations	318,150	3,930	314,220	—	—
Operating lease obligations	132,085	19,027	48,384	36,190	28,484
Purchase obligations	47,127	29,710	15,570	1,847	—
Total off-balance sheet contractual obligations	179,212	48,737	63,954	38,037	28,484
Total contractual obligations	$497,362	$52,667	$378,174	$38,037	$28,484

Off-Balance Sheet Arrangements

During the years ended December 31, 2015, 2014 and 2013, we did not have any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or variable interest entities, which would have been established for the purpose of facilitating off balance sheet arrangements or other contractually narrow or limited purposes.

Recent Accounting Pronouncements

See Note 2 in Notes to our Consolidated Financial Statements "Significant Accounting Policies".

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

Interest Rate Sensitivity

We had cash and cash equivalents of $290.0 million and marketable securities of $88.6 million at December 31, 2015. These amounts were held primarily in money market funds, commercial paper and U.S government securities. Cash and cash equivalents are held for working capital purposes, marketable securities are held as short-term investments and restricted cash amounts are held as security against various lease obligations. Due to the short term nature of these investments, we believe that we do not have any material exposure to changes in the fair value of our investment portfolio as a result of changes in interest rates.

Market Risk

In June 2013, we issued at par value $310.0 million of 0.25% convertible senior notes due June 1, 2018 ("the Notes"). The Notes have a fixed annual interest rate of 0.25% and we, therefore, do not have economic interest rate exposure on the Notes. However, the fair value of the Notes is exposed to interest rate risk. Generally, the fair value of the Notes will increase as interest rates fall and decrease as interest rates rise. These Notes are also affected by volatility in our common stock price. As of December 31, 2015, the fair value of the Notes was $307.0 million.

Foreign Currency Risk

Our results of operations and cash flows are subject to fluctuations due to changes in foreign currency exchange rates, particularly changes in the British Pound Sterling, Canadian Dollar, Australian Dollar, Philippine Peso, Uruguayan

Peso and the Czech Koruna. Our revenue is generally denominated in the local currency of the contracting party. The majority of our

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invoicing relates to sales occurring in the United States and therefore is denominated in U.S. dollars. We have a significant percentage of sales denominated in foreign currencies including, but not limited to, the local currencies of Australia, the United Kingdom and Canada. Our expenses are incurred primarily in the United States, Canada, the Philippines, Australia and the United Kingdom, with a small portion of expenses incurred in other countries where our international sales and operations offices are located. Our results of operations and cash flows are, therefore, subject to fluctuations due to changes in foreign currency exchange rates. During the year ended December 31, 2015, the U.S. dollar increased against the foreign currencies that our invoicing and operational expenses are denominated in by approximately 9.4% when compared to the same period in the prior year. For the year ended December 31, 2015, the fluctuation in foreign currency rates positively affected our income by approximately $10.9 million.

During the year ended December 31, 2015, we continued a hedging program to limit the exposure of foreign currency risk resulting from the revaluation of foreign denominated assets and liabilities through the use of forward exchange contracts. See “Balance Sheet Hedging - Hedging of Foreign Currency Assets and Liabilities” in Note 6 under the heading “Notes to the Consolidated Financial Statements” of Part 1, Item 1, “Financial Statements” herein for further disclosures.

Fair Value of Financial Instruments

We do not have material exposure to market risk with respect to investments as our investments consist primarily of highly liquid investments with various maturity dates over the next 18 months. We do not use derivative financial instruments for speculative or trading purposes. However, this does not preclude our adoption of specific hedging strategies in the future.

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Item 8. Financial Statements and Supplementary Data

Index to Consolidated Financial Statements

The following financial statements are filed as part of this Annual Report:

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
NetSuite Inc.:

We have audited the accompanying consolidated balance sheets of NetSuite Inc. and subsidiaries as of December 31, 2015 and 2014, and the related consolidated statements of operations and comprehensive loss, total equity, and cash flows for each of the years in the three-year period ended December 31, 2015. In connection with our audits of the consolidated financial statements, we have also audited financial statement Schedule II, as set forth in Item 15(b). We also have audited NetSuite Inc.'s internal control over financial reporting as of December 31, 2015, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). NetSuite Inc.'s management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Report of Management on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedule and an opinion on the Company's internal control over financial reporting based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the consolidated financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

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

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of NetSuite Inc. and subsidiaries as of December 31, 2015 and 2014, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2015, in conformity with U.S. generally accepted accounting principles. Also in our opinion, NetSuite Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2015, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) .

The Company acquired Bronto Software, Inc. (Bronto) during 2015, and management excluded from its assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2015, Bronto's internal control over financial reporting associated with total assets of $16.5 million and total revenue of $22.1 million included in the consolidated financial statements of the Company as of and for the year ended December 31, 2015. Our audit of internal control over financial reporting of the Company also excluded an evaluation of the internal control over financial reporting of Bronto.

/s/ KPMG LLP
Santa Clara, California
February 23, 2016

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NetSuite Inc.
Consolidated Balance Sheets
(dollars in thousands)

	December 31, 2015	2014
Assets		
Current assets:		
Cash and cash equivalents	$289,966	$367,769
Short-term marketable securities	74,748	82,622
Accounts receivable, net of allowances of $1,988 and $1,886 as of December 31, 2015 and December 31, 2014, respectively	176,720	139,221
Deferred commissions	69,579	53,377
Other current assets	44,087	30,012
Total current assets	655,100	673,001
Marketable securities, non-current	13,875	9,143
Property and equipment, net	89,643	58,539
Deferred commissions, non-current	15,287	13,499
Goodwill	291,956	123,049
Other intangible assets, net	60,980	32,404
Other assets	14,135	12,604
Total assets	$1,140,976	$922,239
Liabilities and total equity		
Current liabilities:		
Accounts payable	$3,545	$5,082
Deferred revenue	404,986	300,884
Accrued compensation	55,586	41,081
Accrued expenses	37,901	30,975
Other current liabilities (including note payable to related party of $2,901 and $2,774 as of December 31, 2015 and December 31, 2014, respectively)	17,032	14,751
Total current liabilities	519,050	392,773
Long-term liabilities:		
Convertible 0.25% senior notes, net	277,955	265,710
Deferred revenue, non-current	22,743	13,622
Other long-term liabilities (including note payable to related party of $3,027 and $5,928 as of December 31, 2015 and December 31, 2014, respectively)	15,027	15,900
Total long-term liabilities	315,725	295,232
Total liabilities	834,775	688,005
Commitments and contingencies (Notes 11 and 12)		
Total equity:		
Common stock, par value $0.01, 500,000,000 shares authorized; 79,802,618 and 77,031,827 shares issued and outstanding at December 31, 2015 and December 31, 2014, respectively	798	770
Additional paid-in capital	992,362	788,583
Accumulated other comprehensive loss	(13,009)	(5,912)
Accumulated deficit	(673,950)	(549,207)
Total equity	306,201	234,234
Total liabilities and total equity	$1,140,976	$922,239

See accompanying Notes to Consolidated Financial Statements.

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NetSuite Inc.
Consolidated Statements of Operations and Comprehensive Loss
(dollars and shares in thousands, except per share data)

	Year ended December 31, 2015	2014	2013
Revenue:			
Subscription and support	$593,093	$447,782	$333,556
Professional services and other	148,056	108,502	80,952
Total revenue	741,149	556,284	414,508
Cost of revenue:			
Subscription and support	97,021	72,007	55,269
Professional services and other	148,407	104,803	79,925
Total cost of revenue	245,428	176,810	135,194
Gross profit	495,721	379,474	279,314
Operating expenses:			
Product development	135,544	106,706	78,312
Sales and marketing	388,741	290,961	210,079
General and administrative	87,101	65,138	51,693
Total operating expenses	611,386	462,805	340,084
Operating loss	(115,665)	(83,331)	(60,770)
Other income / (expense), net:			
Interest income	458	220	67
Interest expense	(14,674)	(14,309)	(8,424)
Other expense, net	(481)	(451)	(383)
Total other income / (expense), net	(14,697)	(14,540)	(8,740)
Loss before income taxes	(130,362)	(97,871)	(69,510)
Provision / (benefit) for income taxes	(5,619)	2,166	899
Net loss	(124,743)	(100,037)	(70,409)
Net loss per common share, basic and diluted	$(1.59)	$(1.31)	$(0.95)
Weighted average number of shares used in computing net loss per share	78,521	76,174	74,085
Comprehensive loss:			
Foreign currency translation loss, net of taxes	(6,914)	(5,751)	(1,136)
Unrealized loss on marketable securities	(81)	(5)	—
Accumulated pension liability	(102)	90	(60)
Comprehensive loss	$(131,840)	$(105,703)	$(71,605)

See accompanying Notes to Consolidated Financial Statements.

NetSuite Inc.
Consolidated Statements of Total Equity
(dollars in thousands)

	Common Stock			Accumulated other		
	Shares	Amount	Additional paid-in capital	comprehensive loss	Accumulated deficit	Total equity
BALANCES, January 1, 2013	72,675,265	727	535,853	950	(378,761)	158,769
Exercise of stock options for cash	1,102,032	11	16,940			16,951
Repurchase and vesting of restricted stock awards and units	1,702,944	17	(179)			(162)
Excess tax benefit on stock-based compensation			410			410
Capitalized stock-based compensation			1,099			1,099
Stock-based compensation			73,660			73,660
Convertible 0.25% senior notes issuance			60,931			60,931
Repurchase and retirement of common stock	(348,837)	(4)	(29,997)			(30,001)
Comprehensive loss:						
Accumulated pension liability				(60)		(60)
Foreign currency translation adjustment				(1,136)		(1,136)
Net loss					(70,409)	(70,409)
BALANCES, December 31, 2013	75,131,404	751	658,717	(246)	(449,170)	210,052
Exercise of stock options for cash	340,824	3	9,027			9,030
Repurchase and vesting of restricted stock awards and units	1,255,235	13	(151)			(138)
Excess tax benefit on stock-based compensation			313			313
Capitalized stock-based compensation			1,415			1,415
Stock-based compensation			96,480			96,480
Shares issued to acquire Venda Inc.	304,364	3	22,782			22,785
Comprehensive loss:						
Accumulated pension liability				90		90
Unrealized loss on marketable securities				(5)		(5)
Foreign currency translation adjustment				(5,751)		(5,751)
Net loss					(100,037)	(100,037)
BALANCES, December 31, 2014	77,031,827	770	788,583	(5,912)	(549,207)	234,234
Exercise of stock options for cash	561,811	6	14,183			14,189
Repurchase and vesting of restricted stock awards and units	1,178,472	12	(7,109)			(7,097)
Excess tax benefit on stock-based compensation			242			242

Capitalized stock-based compensation			1,503			1,503
Stock-based compensation			109,090			109,090
Shares issued to acquire Bronto, Inc.	1,030,508	10	85,870			85,880
Comprehensive loss:						
Accumulated pension liability				(102)		(102)
Unrealized loss on marketable securities				(81)		(81)
Foreign currency translation adjustment				(6,914)		(6,914)
Net loss					(124,743)	$(124,743)
BALANCES, December 31, 2015	79,802,618	$798	$992,362	$ (13,009)	$ (673,950)	$306,201

See accompanying Notes to Consolidated Financial Statements.

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NetSuite Inc.
Consolidated Statements of Cash Flows
(dollars in thousands)

	Year ended December 31,		
	2015	2014	2013
Cash flows from operating activities:			
Net loss	$(124,743)	$(100,037)	$(70,409)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Depreciation and amortization	30,353	20,115	15,668
Amortization of other intangible assets	17,862	9,993	6,749
Amortization of debt discount and transaction costs	13,539	12,910	7,316
Provision for accounts receivable allowances	2,293	1,446	1,041
Stock-based compensation	109,090	96,480	73,660
Amortization of deferred commissions	101,149	75,249	55,531
Excess tax benefit on stock-based compensation	(242)	(313)	(410)
Changes in operating assets and liabilities, net of acquired assets and assumed liabilities:			
Accounts receivable	(35,481)	(50,811)	(22,305)
Deferred commissions	(119,145)	(95,532)	(70,380)
Other current assets	(7,407)	(4,932)	(12,486)
Other assets	3,038	(2,165)	(2,329)
Accounts payable	(1,822)	(2,321)	1,691
Accrued compensation	10,367	15,403	6,173
Deferred revenue	109,382	89,668	63,510
Other current liabilities	4,285	11,624	8,771
Other long-term liabilities	(12,111)	(1,857)	444
Net cash provided by operating activities	100,407	74,920	62,235
Cash flows from investing activities:			
Purchases of property and equipment	(50,313)	(23,732)	(20,337)
Capitalized internal use software	(3,004)	(2,578)	(2,056)
Cash paid in business combinations, net of cash received	(130,560)	(39,209)	(58,630)
Purchases of marketable securities	(132,155)	(105,576)	—
Maturities of marketable securities	130,193	10,000	—
Sales of marketable securities	4,704	3,799	—
Net cash used in investing activities	(181,135)	(157,296)	(81,023)
Cash flows from financing activities:			
Proceeds from issuance of convertible 0.25% senior notes	—	—	310,000
Payments of issuance costs on convertible 0.25% senior notes	—	—	(8,260)
Payments under capital leases	(190)	(364)	(744)
Payments under capital leases and long-term debt - related party	(2,774)	(3,054)	(2,612)
Payments to repurchase common stock	—	—	(30,000)
Excess tax benefit on stock-based compensation	242	313	410
Payments related to business combinations	(1,335)	(5,945)	—
RSUs acquired to settle employee withholding liability	(7,098)	(137)	(162)
Proceeds from issuance of common stock	16,055	9,029	16,944
Net cash (used in) / provided by financing activities	4,900	(158)	285,576
Effect of exchange rate changes on cash and cash equivalents	(1,975)	(1,274)	(1,070)

Net change in cash and cash equivalents	(77,803)	(83,808)	265,718
Cash and cash equivalents at beginning of period	367,769	451,577	185,859
Cash and cash equivalents at end of period	$289,966	$367,769	$451,577
Supplemental cash flow disclosure:			
Cash paid for interest to related parties	$345	$464	$431
Cash paid for interest to other parties	$934	$565	$442
Cash paid for income taxes, net of tax refunds	$2,332	$1,320	$937
Noncash financing and investing activities:			
Fixed assets acquired under related party agreement	$—	$—	$11,355