

SQUARETRADE
5-YEAR SUMMARY OF CERTAIN HISTORICAL FINANCIAL AND OTHER INFORMATION ⁽¹⁾

(\$ in thousands)

	For the year ended or as of December 31,				
	(Unaudited)				
	2016	2015	2014	2013	2012
Operating results					
Revenue ⁽²⁾	\$ 272,570	\$ 248,581	\$ 192,223	\$ 109,663	\$ 43,323
Cost of revenue ⁽³⁾	(193,481)	(160,728)	(125,655)	(72,413)	(31,406)
Gross margin ⁽⁴⁾	79,089	87,853	66,568	37,250	11,917
Operating expenses, excluding amortization of intangibles, contingent consideration, and other transaction-related expenses ⁽⁵⁾	(106,733)	(103,061)	(84,623)	(62,169)	(32,980)
Amortization of intangibles	(15,894)	(16,080)	(17,776)	(17,781)	(16,726)
Contingent consideration ⁽⁶⁾	(32,976)	6,300	(1,800)	(900)	-
Other transaction-related expenses ⁽⁶⁾	(1,740)	-	-	-	-
Loss from operations	(78,254)	(24,988)	(37,631)	(43,600)	(37,789)
Interest, tax and other expense	(1,182)	(1,521)	270	13,074	12,118
Net loss	\$ (79,436)	\$ (26,509)	\$ (37,361)	\$ (30,526)	\$ (25,671)
Interest expense (income)	1,573	1,928	1,625	1,293	(16)
Income tax (benefit) expense	129	(185)	(2,016)	(14,258)	(12,189)
Depreciation	4,368	4,223	3,721	2,702	1,292
Amortization of intangibles	15,894	16,080	17,776	17,781	16,726
Loss before interest, tax, depreciation and amortization *	\$ (57,472)	\$ (4,463)	\$ (16,255)	\$ (23,008)	\$ (19,858)
Number of active warranties as of December 31 (in millions)	28.5	21.7	15.1	8.9	4.7
Financial position					
Total current assets	\$ 242,947	\$ 268,487	\$ 235,604	\$ 184,632	\$ 118,956
Goodwill and intangibles, net	327,527	343,422	359,502	377,278	395,059
Total assets ⁽⁷⁾	916,781	919,746	896,085	800,438	659,359
Total current liabilities	290,264	298,704	284,926	221,050	114,342
Total liabilities ⁽⁸⁾	735,227	661,231	615,907	486,419	317,404
Stockholder's equity	181,554	258,515	280,178	314,019	341,955
Total liabilities and stockholder's equity	\$ 916,781	\$ 919,746	\$ 896,085	\$ 800,438	\$ 659,359

Notes:

⁽¹⁾ The summary of certain historical financial and other information is unaudited and is provided for informational purposes only. Past performance is not indicative of future results.

⁽²⁾ Revenue is derived from the sale of warranties primarily covering consumer electronics, personal computers and mobile telephones. Revenue is recognized ratably over the period warranty protection is provided, generally ranging from one to five years.

⁽³⁾ Cost of revenue relates to contractual amounts designated to support the payment of warranty claims, costs paid to third-party insurers to underwrite the warranties, and other costs directly related to the sale of the warranties. Such costs are recognized ratably over the terms of the warranties.

⁽⁴⁾ The decline in gross margin in 2016 compared to 2015 primarily relates to new retailer acquisition-related costs, costs related to European business expansion and incremental refurbishment and repair costs.

⁽⁵⁾ Operating expenses consist primarily of sales and marketing and general and administrative costs that are recognized as incurred. 2016 operating expenses include \$3 million of other non-recurring expenses and higher research and development costs related to growth initiatives.

⁽⁶⁾ 2016 acquisition-related expenses, including contingent consideration due to the previous shareholders who sold their equity interests in connection with a third party's investment in SquareTrade in 2012 and other professional services fees related to the acquisition of SquareTrade by Allstate Non-Insurance Holdings, Inc. which closed on January 3, 2017. Prior period contingent consideration represents the change in the value of contingent consideration owed by SquareTrade to the previous shareholders who sold shares in connection with a third-party's investment in SquareTrade in 2012.

⁽⁷⁾ Assets, other than goodwill and intangibles, consist primarily of amounts held to support the payment of potential warranty claims, including restricted cash, deferred costs which represent the unrecognized portion of the costs of the Company's warranty obligations and deferred fees and commissions recognized ratably over the warranty term.

⁽⁸⁾ Liabilities consist primarily of deferred revenue associated with active warranties that are recognized ratably over the contractual warranty period with amounts held in trust for the payment of warranty claims.

* Denotes a measure that is not based on generally accepted accounting principles ("non-GAAP"). We believe that investors' understanding of SquareTrade's performance is enhanced by our disclosure of loss before interest, tax, depreciation and amortization, a non-GAAP measure, which is reconciled above to the most directly comparable GAAP measure of net loss. Our method for calculating this measure may differ from that used by other companies and therefore comparability may be limited. We are presenting this non-GAAP financial measure as we believe it enables investors to evaluate period to period performance by excluding potential differences caused by changes in interest expense that are influenced by capital market conditions, variations in tax positions, variations in the age and depreciable lives of fixed assets and the amortization of intangibles related to acquisitions. Loss before interest, tax, depreciation and amortization is not a measure of our financial performance under GAAP and should not be considered as a substitute for net loss and does not reflect the overall profitability of our business.