

GrubHub Inc.  
Form 10-Q  
November 12, 2015

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2015

OR

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

Commission File Number 1-36389

GRUBHUB INC.

(Exact name of registrant as specified in its charter)

|   |   |
|---|---|
| Delaware<br>(State or other jurisdiction of<br>incorporation or organization) | 46-2908664<br>(I.R.S. Employer<br>Identification No.) |
|---|---|

111 W. Washington Street, Suite 2100

|   |                     |
|---|---------------------|
| Chicago, Illinois<br>(Address of principal executive offices)<br>(877) 585-7878 | 60602<br>(Zip code) |
|---|---------------------|

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(Registrant's telephone number, including area code)

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

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

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

Large Accelerated filer  Accelerated filer

Non-Accelerated filer  (Do not check if a smaller reporting company) Smaller reporting company

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

As of November 6, 2015, 84,925,708 shares of common stock were outstanding.

GRUBHUB INC.

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## Part I. FINANCIAL INFORMATION

## Item 1. Condensed Consolidated Financial Statements

## GRUBHUB INC.

## CONDENSED CONSOLIDATED BALANCE SHEETS

(in thousands, except share data)

|   | September<br>30, 2015<br>(Unaudited) | December<br>31, 2014 |
|---|--------------------------------------|----------------------|
| <b>ASSETS</b>   |                                      |                      |
| <b>CURRENT ASSETS:</b>  |                                      |                      |
| Cash and cash equivalents   | \$ 153,028                           | \$ 201,796           |
| Short term investments  | 142,081                              | 111,341              |
| Accounts receivable, less allowances for doubtful accounts  | 44,337                               | 36,127               |
| Deferred taxes, current   | 339                                  | 825                  |
| Prepaid expenses  | 4,628                                | 2,940                |
| Total current assets  | 344,413                              | 353,029              |
| <b>PROPERTY AND EQUIPMENT:</b>  |                                      |                      |
| Property and equipment, net of depreciation and amortization  | 16,819                               | 16,003               |
| <b>OTHER ASSETS:</b>  |                                      |                      |
| Other assets  | 3,539                                | 3,543                |
| Goodwill  | 387,566                              | 352,788              |
| Acquired intangible assets, net of amortization   | 280,148                              | 254,339              |
| Total other assets  | 671,253                              | 610,670              |
| <b>TOTAL ASSETS</b>   | <b>\$ 1,032,485</b>                  | <b>\$ 979,702</b>    |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>   |                                      |                      |
| <b>CURRENT LIABILITIES:</b>   |                                      |                      |
| Restaurant food liability   | \$ 62,053                            | \$ 91,575            |
| Accounts payable  | 3,514                                | 3,371                |
| Accrued payroll   | 4,691                                | 5,958                |
| Taxes payable   | 306                                  | 1,660                |
| Other accruals  | 11,704                               | 8,441                |
| Total current liabilities   | 82,268                               | 111,005              |
| <b>LONG TERM LIABILITIES:</b>   |                                      |                      |
| Deferred taxes, non-current   | 88,965                               | 92,244               |
| Other accruals  | 5,738                                | 5,931                |
| Total long term liabilities   | 94,703                               | 98,175               |
| <b>Commitments and contingencies</b>  |                                      |                      |
| <b>STOCKHOLDERS' EQUITY:</b>  |                                      |                      |
| Common stock, \$0.0001 par value. Authorized: 500,000,000 shares at September 30, 2015 and December 31, 2014; issued and outstanding: 84,766,595 and 81,905,325 shares as of September 30, 2015 and December 31, 2014, respectively | 8                                    | 8                    |

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|  |              |            |
|--|--------------|------------|
| Accumulated other comprehensive loss       | (425 )       | (262 )     |
| Additional paid-in capital                 | 748,318      | 689,953    |
| Retained earnings                          | 107,613      | 80,823     |
| Total Stockholders' Equity                 | \$ 855,514   | \$ 770,522 |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | \$ 1,032,485 | \$ 979,702 |

(See Notes to Condensed Consolidated Financial Statements (unaudited))

## GRUBHUB INC.

## CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per share data)

(UNAUDITED)

|   | Three Months Ended September 30, |           | Nine Months Ended September 30, |            |
|---|----------------------------------|-----------|---------------------------------|------------|
|   | 2015                             | 2014      | 2015                            | 2014       |
| Revenues  | \$ 85,662                        | \$ 61,941 | \$ 261,866                      | \$ 180,560 |
| Costs and expenses:   |                                  |           |                                 |            |
| Sales and marketing   | 21,443                           | 14,883    | 66,229                          | 47,168     |
| Operations and support  | 27,637                           | 14,902    | 74,941                          | 44,743     |
| Technology (exclusive of amortization)  | 8,412                            | 6,560     | 23,980                          | 17,973     |
| General and administrative  | 10,203                           | 8,143     | 29,049                          | 25,087     |
| Depreciation and amortization   | 6,299                            | 5,748     | 21,377                          | 16,878     |
| Total costs and expenses  | 73,994                           | 50,236    | 215,576                         | 151,849    |
| Income before provision for income taxes  | 11,668                           | 11,705    | 46,290                          | 28,711     |
| Provision for income taxes  | 4,801                            | 5,252     | 19,501                          | 15,213     |
| Net income  | 6,867                            | 6,453     | 26,789                          | 13,498     |
| Preferred stock tax distributions   | —                                | —         | —                               | (320 )     |
| Net income attributable to common stockholders  | \$ 6,867                         | \$ 6,453  | \$ 26,789                       | \$ 13,178  |
| Net income per share attributable to common stockholders:   |                                  |           |                                 |            |
| Basic   | \$ 0.08                          | \$ 0.08   | \$ 0.32                         | \$ 0.19    |
| Diluted   | \$ 0.08                          | \$ 0.08   | \$ 0.31                         | \$ 0.17    |
| Weighted-average shares used to compute net income per share attributable to common stockholders: |                                  |           |                                 |            |
| Basic   | 84,583                           | 79,426    | 83,827                          | 70,893     |
| Diluted   | 85,867                           | 82,771    | 85,599                          | 80,826     |

(See Notes to Condensed Consolidated Financial Statements (unaudited))

GRUBHUB INC.

## CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in thousands)

(UNAUDITED)

|  | Three Months Ended September 30, |          | Nine Months Ended September 30, |           |
|--|----------------------------------|----------|---------------------------------|-----------|
|  | 2015                             | 2014     | 2015                            | 2014      |
| Net income                               | \$ 6,867                         | \$ 6,453 | \$ 26,789                       | \$ 13,498 |
| OTHER COMPREHENSIVE LOSS                 |                                  |          |                                 |           |
| Foreign currency translation adjustments | (266 )                           | (298 )   | (163 )                          | (114 )    |
| COMPREHENSIVE INCOME                     | \$ 6,601                         | \$ 6,155 | \$ 26,626                       | \$ 13,384 |

(See Notes to Condensed Consolidated Financial Statements (unaudited))

## GRUBHUB INC.

## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

(UNAUDITED)

|  | Nine Months Ended<br>September 30, |           |
|--|------------------------------------|-----------|
|  | 2015                               | 2014      |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                    |                                    |           |
| Net income   | \$26,789                           | \$13,498  |
| Adjustments to reconcile net income to net cash from operating activities:     |                                    |           |
| Depreciation   | 3,846                              | 3,708     |
| Provision for doubtful accounts  | 565                                | 232       |
| Loss on disposal of fixed assets   | —                                  | 11        |
| Deferred taxes   | (2,793 )                           | 8,211     |
| Intangible asset amortization  | 17,531                             | 13,170    |
| Tenant allowance amortization  | (119 )                             | (119 )    |
| Stock-based compensation   | 9,378                              | 6,981     |
| Deferred rent  | (73 )                              | 16        |
| Investment premium amortization  | 672                                | —         |
| Change in assets and liabilities, net of the effects of business acquisitions: |                                    |           |
| Accounts receivable  | (6,912 )                           | (13,618 ) |
| Prepaid expenses and other assets  | (1,456 )                           | (1,773 )  |
| Restaurant food liability  | (31,444 )                          | 13,474    |
| Accounts payable   | (633 )                             | (1,348 )  |
| Accrued payroll  | (2,150 )                           | 2,563     |
| Other accruals   | 389                                | 2,252     |
| Net cash provided by operating activities                                      | 13,590                             | 47,258    |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                                    |                                    |           |
| Purchases of investments   | (154,268 )                         | (65,736 ) |
| Proceeds from maturity of investments  | 122,856                            | —         |
| Capitalized website and development costs                                      | (4,961 )                           | (2,396 )  |
| Purchases of property and equipment  | (2,866 )                           | (3,189 )  |
| Acquisitions of businesses, net of cash acquired                               | (55,687 )                          | —         |
| Net cash used in investing activities  | (94,926 )                          | (71,321 ) |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                                    |                                    |           |
| Net proceeds from the issuance of common stock                                 | —                                  | 142,936   |
| Repurchases of common stock  | —                                  | (116 )    |
| Proceeds from exercise of stock options  | 10,689                             | 4,656     |
| Excess tax benefit related to stock-based compensation                         | 21,987                             | 4,569     |
| Taxes paid related to net settlement of stock-based compensation awards        | —                                  | (2,070 )  |
| Preferred stock tax distributions  | —                                  | (320 )    |
| Net cash provided by financing activities                                      | 32,676                             | 149,655   |
| Net change in cash and cash equivalents  | (48,660 )                          | 125,592   |
| Effect of exchange rates on cash   | (108 )                             | (114 )    |
| Cash and cash equivalents at beginning of year                                 | 201,796                            | 86,542    |

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|   |            |            |
|---|------------|------------|
| Cash and cash equivalents at end of the period  | \$ 153,028 | \$ 212,020 |
| SUPPLEMENTAL DISCLOSURE OF NON CASH ITEMS   |            |            |
| Fair value of common stock issued for acquisitions  | \$ 15,980  | \$—        |
| Cash paid for income taxes  | —          | 1,324      |
| Capitalized property, equipment and website and development costs in accounts payable at period end | 414        | —          |
| Cashless exercise of stock options  | —          | 1,053      |
| Settlement of receivable through cashless acquisition of  |            |            |
| treasury shares in connection with the cashless exercise  |            |            |
| of stock options  | —          | (3,123 )   |

(See Notes to Condensed Consolidated Financial Statements (unaudited))

## GRUBHUB INC.

### Notes to Condensed Consolidated Financial Statements (unaudited)

#### 1. Organization

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

#### 2. Significant Accounting Policies

##### Basis of Presentation

The accompanying unaudited condensed consolidated interim financial statements include the accounts of GrubHub Inc. and have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) for interim financial information and in accordance with the rules and regulations of the United States Securities and Exchange Commission (the “SEC”). Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. These unaudited condensed consolidated interim financial statements include all wholly-owned subsidiaries and reflect all normal and recurring adjustments, as well as any other than normal adjustments, that are, in the opinion of management, necessary for a fair presentation of the results for the interim periods and should be read in conjunction with the consolidated financial statements and accompany notes included in the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2014 filed with the SEC on March 5, 2015 (the “2014 Form 10-K”). All significant intercompany transactions have been eliminated in consolidation. Operating results for the three and nine months ended September 30, 2015 are not necessarily indicative of the results that may be expected for the fiscal year ending December 31, 2015.

##### Use of Estimates

The preparation of condensed consolidated financial statements in accordance with GAAP requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities and the related disclosures at the date of the financial statements, as well as the reported amounts of revenue and expenses during the periods presented. Estimates include revenue recognition, the allowance for doubtful accounts, website and internal-use software development costs, goodwill, depreciable lives of property and equipment, recoverability of intangible assets with definite lives and other long-lived assets, stock-based compensation and income taxes. Actual results could differ from these estimates.

There have been no material changes to the Company’s significant accounting policies described in the 2014 Form 10-K.

Recently Issued Accounting Pronouncements

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

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

GRUBHUB INC.

Notes to Condensed Consolidated Financial Statements (unaudited) (Continued)

In May 2014, the FASB issued Accounting Standards Update No. 2014-09, "Revenue from Contracts with Customers (Topic 606)" ("ASU 2014-09"), which supersedes the revenue recognition requirements in Topic 605, Revenue Recognition, including most industry-specific requirements. ASU 2014-09 establishes a five-step revenue recognition process in which an entity will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. ASU 2014-09 also requires enhanced disclosures regarding the nature, amount, timing and uncertainty of revenues and cash flows from contracts with customers. In August 2015, the FASB issued Accounting Standards Update 2015-14, "Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date", which defers the effective date of ASU 2014-09 by one year. ASU 2014-09 will be effective for the Company in the first quarter of 2018. Management is currently evaluating the impact the adoption of ASU 2014-09 will have on the Company's consolidated financial position, results of operations or cash flows. The Company currently anticipates applying the modified retrospective approach when adopting the standard.

### 3. Acquisitions

On February 4, 2015, the Company acquired assets of DiningIn.com, Inc. and certain of its affiliates (collectively, "DiningIn"), and, on February 27, 2015, the Company acquired the membership units of Restaurants on the Run, LLC ("Restaurants on the Run"). Aggregate consideration for the two acquisitions was approximately \$55.7 million in cash and 407,812 restricted shares of the Company's common stock, or an estimated total transaction value of approximately \$71.7 million based on the Company's closing share price on the respective closing dates, net of cash acquired of \$0.7 million. DiningIn and Restaurants on the Run provide delivery options for individual diners, group orders and corporate catering. The acquisitions will expand and enhance the Company's service offerings for its customers, particularly in the delivery space.

The excess of the consideration transferred in the acquisitions over the net amounts assigned to the fair value of the assets acquired was recorded as goodwill, which represents the opportunity to expand restaurant delivery services and enhance the breadth and depth of the Company's restaurant networks. The goodwill related to these acquisitions of \$34.8 million is expected to be deductible for income tax purposes.

During the three and nine months ended September 30, 2015, the Company incurred certain expenses directly and indirectly related to acquisitions of \$0.1 million and \$0.8 million, respectively, which were recognized in general and administrative expenses within the condensed consolidated statements of operations.

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

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|   | (in<br>thousands) |
|---|-------------------|
| Cash and cash equivalents               | \$ 698            |
| Accounts receivable                     | 1,978             |
| Prepaid expenses and other assets       | 266               |
| Customer and vendor relationships       | 35,604            |
| Property and equipment                  | 161               |
| Developed technology                    | 3,295             |
| Goodwill                                | 34,778            |
| Trademarks                              | 372               |
| Accounts payable and accrued expenses   | (4,787 )          |
| Total purchase price plus cash acquired | 72,365            |
| Cash acquired                           | (698 )            |
| Fair value of common stock issued       | (15,980 )         |
| Net cash paid                           | \$ 55,687         |

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

## GRUBHUB INC.

## Notes to Condensed Consolidated Financial Statements (unaudited) (Continued)

The results of operations of DiningIn and Restaurants on the Run have been included in the Company's financial statements since February 4, 2015 and February 27, 2015, respectively. The total amount of revenues and net loss from the acquisitions included in the Company's operating results since the respective acquisition dates through September 30, 2015 were \$16.5 million and \$0.8 million, respectively.

The following unaudited pro forma information presents a summary of the operating results of the Company for the three and nine months ended September 30, 2015 and 2014 as if the acquisitions had occurred on January 1, 2014:

|            | Three Months<br>Ended September<br>30,<br>2015 |          | Nine Months Ended<br>September 30,<br>2014 |           |
|------------|--|----------|--|-----------|
|            | 2015   | 2014     | 2015                                       | 2014      |
|            | (in thousands)                                 |          | (in thousands)                             |           |
| Revenues   | \$85,662                                       | \$68,048 | \$265,627                                  | \$199,538 |
| Net income | 7,160  | 6,230    | 27,930                                     | 13,014    |

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

## 4. Marketable Securities

The amortized cost, unrealized gains and losses and estimated fair value of the Company's held-to-maturity marketable securities as of September 30, 2015 and December 31, 2014 were as follows:

|                           | September 30, 2015                  |                     |                      | Estimated     |
|---------------------------|-------------------------------------|---------------------|----------------------|---------------|
|                           | Amortized<br>Cost<br>(in thousands) | Unrealized<br>Gains | Unrealized<br>Losses | Fair<br>Value |
| Cash and cash equivalents |                                     |                     |                      |               |
| Commercial paper          | \$18,948                            | \$ —                | \$ (3 )              | \$18,945      |
| Corporate bonds           | —                                   | —                   | —                    | —             |
| Short term investments    |                                     |                     |                      |               |

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|                  |            |      |          |            |
|------------------|------------|------|----------|------------|
| Commercial paper | 80,070     | —    | (58 )    | 80,012     |
| Corporate bonds  | 62,011     | 8    | (7 )     | 62,012     |
| Total            | \$ 161,029 | \$ 8 | \$ (68 ) | \$ 160,969 |

December 31, 2014

Estimated

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

All of the Company's marketable securities were classified as held-to-maturity investments and have maturities within one year of September 30, 2015.

## GRUBHUB INC.

## Notes to Condensed Consolidated Financial Statements (unaudited) (Continued)

The gross unrealized losses, estimated fair value and length of time the individual marketable securities were in a continuous loss position for those marketable securities in an unrealized loss position as of September 30, 2015 and December 31, 2014 were as follows:

|                  | September 30, 2015  |                      |            |                 |            |                 |
|------------------|---------------------|----------------------|------------|-----------------|------------|-----------------|
|                  | Less Than 12 Months | 12 Months or Greater | Total      |                 |            |                 |
|                  | Estimated           | Estimated            | Estimated  |                 |            |                 |
|                  | Fair Value          | Unrealized Loss      | Fair Value | Unrealized Loss | Fair Value | Unrealized Loss |
|                  | (in thousands)      |                      |            |                 |            |                 |
| Commercial paper | \$98,957            | \$ (61 )             | \$ —       | \$ —            | \$98,957   | \$ (61 )        |
| Corporate bonds  | 32,292              | (7 )                 | —          | —               | 32,292     | (7 )            |
| Total            | \$131,249           | \$ (68 )             | \$ —       | \$ —            | \$131,249  | \$ (68 )        |

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

During the three and nine months ended September 30, 2015 and the three months ended September 30, 2014, the Company did not recognize any other-than-temporary impairment losses related to its marketable securities. The Company did not have any marketable securities prior to July 1, 2014.

The Company's marketable securities are classified within Level 2 of the fair value hierarchy (see Note 12, Fair Value Measurement, for further details).

## 5. Goodwill and Acquired Intangible Assets

The components of acquired intangible assets as of September 30, 2015 and December 31, 2014 were as follows:

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|  | September 30, 2015    |                          |                    | December 31, 2014     |                          |                    |
|--|-----------------------|--------------------------|--------------------|-----------------------|--------------------------|--------------------|
|  | Gross Carrying Amount | Accumulated Amortization | Net Carrying Value | Gross Carrying Amount | Accumulated Amortization | Net Carrying Value |
|  | (in thousands)        |                          |                    |                       |                          |                    |
| Developed technology                         | \$8,438               | \$ (5,202 )              | \$ 3,236           | \$5,143               | \$ (2,392 )              | \$ 2,751           |
| Customer and vendor relationships, databases | 227,583               | (40,571 )                | 187,012            | 191,979               | (30,067 )                | 161,912            |
| Trademarks                                   | 372                   | (148 )                   | 224                | —                     | —                        | —                  |
| Total amortizable intangible assets          | 236,393               | (45,921 )                | 190,472            | 197,122               | (32,459 )                | 164,663            |
| Indefinite-lived trademarks                  | 89,676                | —                        | 89,676             | 89,676                | —                        | 89,676             |
| Total acquired intangible assets             | \$326,069             | \$ (45,921 )             | \$ 280,148         | \$286,798             | \$ (32,459 )             | \$ 254,339         |

Amortization expense for acquired intangible assets was \$4.7 million and \$3.6 million for the three months ended September 30, 2015 and 2014, respectively, and \$13.5 million and \$10.6 million for the nine months ended September 30, 2015 and 2014, respectively.

Changes in the carrying amount of goodwill for the nine months ended September 30, 2015 were as follows:

|                                  | Goodwill       | Accumulated Impairment Losses | Net Book Value |
|----------------------------------|----------------|-------------------------------|----------------|
|                                  | (in thousands) |                               |                |
| Balance as of December 31, 2014  | \$352,788      | \$ —                          | \$352,788      |
| Acquisitions                     | 34,778         | —                             | 34,778         |
| Balance as of September 30, 2015 | \$387,566      | \$ —                          | \$387,566      |

## GRUBHUB INC.

## Notes to Condensed Consolidated Financial Statements (unaudited) (Continued)

During the nine months ended September 30, 2015, the Company recorded additions to acquired intangible assets of \$39.3 million as a result of the acquisitions of DiningIn and Restaurants on the Run. The components of the acquired intangibles assets added during the nine months ended September 30, 2015 were as follows:

|                                   | Nine Months<br>Ended<br>September 30,<br>2015<br>(in thousands) | Weighted-Average<br>Amortization<br>Period<br>(years) |
|-----------------------------------|---|---|
| Customer and vendor relationships | \$35,604  | 18.4  |
| Developed technology              | 3,295   | 1.5   |
| Trademarks                        | 372   | 1.7   |
| Total                             | \$39,271  |   |

Estimated future amortization expense of acquired intangible assets as of September 30, 2015 was as follows:

|                       | (in<br>thousands) |
|-----------------------|-------------------|
| The remainder of 2015 | \$ 4,674          |
| 2016                  | 16,461            |
| 2017                  | 14,193            |
| 2018                  | 14,022            |
| 2019                  | 12,610            |
| Thereafter            | 128,512           |
| Total                 | \$ 190,472        |

## 6. Property and Equipment

The components of the Company's property and equipment as of September 30, 2015 and December 31, 2014 were as follows:

|  | September<br>30, 2015 | December<br>31, 2014 |
|--|-----------------------|----------------------|
|  | (in thousands)        |                      |

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|   |          |          |
|---|----------|----------|
| Computer equipment                        | \$11,410 | \$12,114 |
| Delivery equipment                        | 360      | —        |
| Furniture and fixtures                    | 2,022    | 1,876    |
| Developed software                        | 8,668    | 12,378   |
| Purchased software                        | 357      | 2,149    |
| Leasehold improvements                    | 5,949    | 5,900    |
| Property and equipment                    | 28,766   | 34,417   |
| Accumulated amortization and depreciation | (11,947) | (18,414) |
| Property and equipment, net               | \$16,819 | \$16,003 |

The gross carrying amount and accumulated amortization and depreciation of the Company's property and equipment as of September 30, 2015 have been adjusted for certain fully depreciated developed and purchased software and computer equipment assets that were disposed of with the migration of nearly all of the Seamless consumer diner traffic to a new web and mobile platform during the second quarter of 2015. During the nine months ended September 30, 2015, the Company recorded approximately \$1.9 million of accelerated depreciation and amortization expense related to these retired assets.

The Company recorded depreciation and amortization expense for property and equipment other than developed software for the three months ended September 30, 2015 and 2014 of \$1.1 million and \$1.5 million, respectively, and \$4.5 million and \$4.2 million for the nine months ended September 30, 2015 and 2014, respectively.

The Company capitalized developed software costs of \$2.0 million and \$1.3 million for the three months ended September 30, 2015 and 2014, respectively, and \$5.5 million and \$2.4 million for the nine months ended September 30, 2015 and 2014, respectively. Amortization expense for developed software costs, recognized in depreciation and amortization in the condensed consolidated statements of operations, for the three months ended September 30, 2015 and 2014 was \$0.5 million and \$0.7 million, respectively, and \$3.4 million and \$2.1 million for the nine months ended September 30, 2015 and 2014, respectively.

GRUBHUB INC.

Notes to Condensed Consolidated Financial Statements (unaudited) (Continued)

7. Commitments and Contingencies

Legal

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

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

No trial date has been set for this case and the consolidated district court case remains stayed. The Company believes this case lacks merit and that it has strong defenses to all of the infringement claims. The Company intends to defend the suit vigorously. However, the Company is unable to predict the likelihood of success of Ameranth's infringement claims and is unable to predict the likelihood of success of its counterclaims. The Company has not recorded an accrual related to this lawsuit as of September 30, 2015, as it does not believe a material loss is probable. It is a reasonable possibility that a loss may be incurred; however, the possible range of loss is not estimable given the early stage of the dispute and the uncertainty as to whether the claims at issue are with or without merit, will be settled out of court, or will be determined in the Company's favor, whether the Company may be required to expend significant management time and financial resources on the defense of such claims, and whether the Company will be able to recover any losses under its insurance policies.

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

Indemnification

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

Restructuring

On November 20, 2013, the Company announced plans to close its Sandy, Utah office location in 2014. The Company recorded a restructuring accrual in the condensed consolidated balance sheets for severance and payroll related benefits and other facility closure costs as a result of the restructuring announcement. The amounts recorded represented the service vesting requirements for identified employees who worked for various periods beyond the communication date and related lease termination costs. The facility was closed on November 30, 2014; however, certain employees worked until January 2, 2015. Total restructuring costs incurred were approximately \$1.3 million, including expense of \$0.5 million related to the termination of the Sandy, Utah office lease agreement. For the three and nine months ended September 30, 2014, restructuring expense of \$0.7 million and \$1.2 million, respectively, was recognized in general and administrative expenses in the condensed consolidated statements of operations. The Company did not incur any restructuring expense during the three and nine months ended September 30, 2015 and does not expect to incur any additional restructuring expense related to the Sandy, Utah facility closure.

## GRUBHUB INC.

## Notes to Condensed Consolidated Financial Statements (unaudited) (Continued)

The following table summarizes the Company's restructuring activity during the nine months ended September 30, 2015:

|   | (in<br>thousands) |
|---|-------------------|
| Restructuring accrual balance at December 31, 2014  | \$ 748            |
| Restructuring expense                               | —                 |
| Cash payments                                       | (748 )            |
| Restructuring accrual balance at September 30, 2015 | \$ —              |

## 8. Stock-Based Compensation

In May 2015, the Company's stockholders approved the GrubHub Inc. 2015 Long-Term Incentive Plan (the "2015 Plan"), pursuant to which the Compensation Committee of the Board of Directors may grant stock options, stock appreciation rights, restricted stock awards, restricted stock units, performance awards and other stock-based and cash-based awards. On May 20, 2015, the Company filed a registration statement on Form S-8 to register up to 14,256,901 shares of common stock reserved for issuance pursuant to awards granted under the 2015 Plan. Effective May 20, 2015, no further grants will be made under the Company's 2013 Omnibus Incentive Plan.

The Company recognizes compensation expense based on estimated grant date fair values for all stock-based awards issued to employees and directors, including stock options, restricted stock awards and restricted stock units.

## Stock Options

The Company granted 1,496,861 and 1,838,073 stock options during the nine months ended September 30, 2015 and 2014, respectively. The fair value of each stock option award was estimated based on the assumptions below as of the grant date using the Black-Scholes-Merton option pricing model. Expected volatilities are based on a combination of the historical and implied volatilities of comparable publicly-traded companies and the historical volatility of the Company's own common stock due to its limited trading history. The Company uses historical data to estimate option exercises and employee terminations within the valuation model. Separate groups of employees that have similar historical exercise behavior are considered separately for valuation purposes. The expected term of the award is estimated using a simplified method. The fair value at grant date prior to the Company's initial public offering in April 2014 (the "IPO") was determined considering the performance of the Company at the grant date as well as future growth and profitability expectations by applying market and income approaches. The risk-free rate for the period within the contractual life of the option is based on the U.S. Treasury yield curve in effect at the time of grant. The assumptions used to determine the fair value of the stock options granted during the nine months ended September 30, 2015 and 2014 were as follows:

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|  | Nine Months<br>Ended September<br>30, |         |
|--|---------------------------------------|---------|
|  | 2015                                  | 2014    |
| Weighted-average fair value options granted      | \$16.48                               | \$13.54 |
| Average risk-free interest rate                  | 1.46 %                                | 1.99 %  |
| Expected stock price volatilities <sup>(a)</sup> | 47.0 %                                | 50.4 %  |
| Dividend yield                                   | None                                  | None    |
| Expected stock option life (years)               | 6.06                                  | 6.28    |

(a) There was no active external or internal market for the Company's common stock prior to the IPO in April 2014. Due to the Company's limited trading history, the Company estimated expected volatility for the nine months ended September 30, 2015 and 2014 based on a combination of the historical and implied volatilities of comparable publicly-traded companies and the historical volatility of the Company's own common stock.

## GRUBHUB INC.

## Notes to Condensed Consolidated Financial Statements (unaudited) (Continued)

Stock option awards as of December 31, 2014 and September 30, 2015, and changes during the nine months ended September 30, 2015, were as follows:

|   | Options     | Exercise Price | Average Intrinsic Weighted-Average |               |
|---|-------------|----------------|------------------------------------|---------------|
|   |             |                | Weighted-Average Value             | Exercise Term |
|   |             |                | (thousands)                        | (years)       |
| Outstanding at December 31, 2014                  | 6,180,795   | \$ 8.49        | \$ 172,661                         | 7.87          |
| Granted   | 1,496,861   | 35.71          |                                    |               |
| Forfeited   | (812,591 )  | 15.11          |                                    |               |
| Exercised   | (2,351,842) | 4.56           |                                    |               |
| Outstanding at September 30, 2015                 | 4,513,223   | 18.38          | 46,801                             | 7.97          |
| Vested and expected to vest at September 30, 2015 | 2,968,849   | 15.99          | 35,802                             | 7.71          |
| Exercisable at September 30, 2015                 | 1,341,181   | \$ 6.86        | \$ 24,432                          | 6.73          |

The aggregate intrinsic value in the table above represents the total pre-tax intrinsic value (the difference between the fair value of the common stock and the exercise price, multiplied by the number of in-the-money options) that would have been received by the option holders had all option holders exercised their in-the-money options on each date. This amount will change in future periods based on the fair value of the Company's stock and the number of options outstanding. The aggregate intrinsic value of awards exercised during the three months ended September 30, 2015 and 2014 was \$4.6 million and \$35.7 million, respectively. The aggregate intrinsic value of awards exercised during the nine months ended September 30, 2015 and 2014 was \$82.6 million and \$47.3 million, respectively.

The stock options vest over different lengths of time depending upon the grant. Compensation expense is recognized over the vesting period. The Company recorded compensation expense for stock options of \$2.3 million for each of the three months ended September 30, 2015 and 2014 and \$7.8 million and \$7.0 million for the nine months ended September 30, 2015 and 2014, respectively. During the three and nine months ended September 30, 2015, the Company capitalized \$0.1 million and \$0.3 million, respectively, of stock-based compensation expense as website and software development costs. As of September 30, 2015, total unrecognized compensation cost, adjusted for estimated forfeitures, related to non-vested stock options was \$19.6 million and is expected to be recognized over a weighted-average period of 2.91 years.

During the nine months ended September 30, 2015 and 2014, the Company reported excess tax benefits as a decrease in cash flows from operations and an increase in cash flows from financing activities of \$22.0 million and \$4.6 million, respectively. Excess tax benefits reflect the total of the individual stock option exercise transactions in which the reduction to the Company's income tax liability is greater than the deferred tax assets that were previously recorded.

## Restricted Stock Units and Restricted Stock Awards

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Non-vested restricted stock units and restricted stock awards as of December 31, 2014 and September 30, 2015, and changes during the nine months ended September 30, 2015 were as follows:

|                                   | Restricted Stock Units |          | Restricted Stock Awards |          |
|-----------------------------------|------------------------|----------|-------------------------|----------|
|                                   | Weighted-Average       |          | Weighted-Average        |          |
|                                   | Grant Date Fair        |          | Grant Date Fair         |          |
|                                   | Shares                 | Value    | Shares                  | Value    |
| Outstanding at December 31, 2014  | 2,899                  | \$ 31.90 | —                       | \$ —     |
| Granted                           | 116,028                | 35.73    | 101,616                 | 42.01    |
| Forfeited                         | —                      | —        | —                       | —        |
| Vested                            | —                      | —        | —                       | —        |
| Outstanding at September 30, 2015 | 118,927                | \$ 35.64 | 101,616                 | \$ 42.01 |

During the three and nine months ended September 30, 2015, compensation expense recognized related to restricted stock awards was \$0.6 million and \$1.3 million, respectively. During the three and nine months ended September 30, 2015, compensation expense recognized related to restricted stock units was \$0.2 million and \$0.3 million, respectively. There were no non-vested restricted stock units or restricted stock awards or related expense during the three and nine months ended September 30, 2014. As of September 30, 2015, \$2.3 million of total unrecognized compensation cost, adjusted for estimated forfeitures, related to 118,927 non-vested restricted stock units with weighted-average grant date fair values of \$35.64 is expected to be recognized over a weighted-

GRUBHUB INC.

Notes to Condensed Consolidated Financial Statements (unaudited) (Continued)

average period of 2.7 years. As of September 30, 2015, \$3.0 million of total unrecognized compensation cost related to 101,616 non-vested restricted stock awards with weighted-average grant date fair values of \$42.01 is expected to be recognized over a weighted-average period of 1.4 years. The fair value of these awards was determined based on the Company's stock price at the grant date and assumes no expected dividend payments through the vesting period.

There were no excess tax benefits related to restricted stock units or restricted stock awards during the nine months ended September 30, 2015 and 2014.

## 9. Income Taxes

As of September 30, 2015, the Company is under audit in the United States for the 2013 income tax year. The Company currently expects the Internal Revenue Service audit to be completed in 2015. The Company does not expect that there will be any additional tax liabilities, penalties and/or interest as a result of the audit.

## 10. Stockholders' Equity

As of September 30, 2015 and December 31, 2014, the Company was authorized to issue two classes of stock: common stock and Series A Preferred Stock.

### Common Stock

Each holder of common stock has one vote per share of common stock held on all matters that are submitted for stockholder vote. At September 30, 2015 and December 31, 2014, there were 500,000,000 shares of common stock authorized. At September 30, 2015 and December 31, 2014, there were 84,766,595 and 81,905,325 shares issued and outstanding, respectively. The Company did not hold any shares as treasury shares as of September 30, 2015 or December 31, 2014.

### Series A Preferred Stock

The Company was authorized to issue 25,000,000 shares of preferred stock as of September 30, 2015 and December 31, 2014. Upon the closing of the Company's IPO on April 4, 2014, all shares of the Company's then-outstanding convertible Series A Preferred Stock automatically converted on a one-for-one basis into an aggregate of 19,284,113 shares of common stock. There were no issued or outstanding shares of preferred stock as of September 30, 2015 or December 31, 2014.

## Redeemable Common Stock

The put rights that would have required the Company to repurchase the Company's then outstanding redeemable common stock at fair value (as defined in the stockholders agreement) determined at the redemption date were terminated and the shares converted on a one-for-one basis into an aggregate of 1,344,236 shares common stock upon the closing of the IPO on April 4, 2014. There were no outstanding shares of redeemable common stock as of September 30, 2015 or December 31, 2014.

The Company's equity as of December 31, 2014 and September 30, 2015, and changes during the nine months ended September 30, 2015, were as follows:

|   | (in<br>thousands) |
|---|-------------------|
| Balance at December 31, 2014                          | \$ 770,522        |
| Net income  | 26,789            |
| Currency translation                                  | (163 )            |
| Issuance of common stock, acquisitions                | 15,980            |
| Stock-based compensation                              | 9,710             |
| Tax benefit related to stock-based compensation       | 21,987            |
| Stock option exercises, net of withholdings and other | 10,689            |
| Balance at September 30, 2015                         | \$ 855,514        |

## GRUBHUB INC.

## Notes to Condensed Consolidated Financial Statements (unaudited) (Continued)

## 11. Earnings Per Share Attributable to Common Stockholders

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

The following table presents the calculation of basic and diluted net income per share attributable to common stockholders for the three and nine months ended September 30, 2015 and 2014:

|  | Three Months Ended September 30, 2015 |        |                      | Nine Months Ended September 30, 2014 |               |           |
|--|---------------------------------------|--------|----------------------|--------------------------------------|---------------|-----------|
|  | Income                                | Shares | Per Share            | Income                               | Shares        | Per Share |
|  | (Numerator)                           |        | (Denominator) Amount | (Numerator)                          | (Denominator) | Amount    |
|  | (in thousands, except per share data) |        |                      |                                      |               |           |
| <b>Basic EPS</b>                                   |                                       |        |                      |                                      |               |           |
| Net income attributable to common stockholders     | \$6,867                               | 84,583 | \$ 0.08              | \$ 6,453                             | 79,426        | \$ 0.08   |
| <b>Effect of Dilutive Securities</b>               |                                       |        |                      |                                      |               |           |
| Preferred stock                                    | —                                     | —      |                      | —                                    | —             |           |
| Stock options                                      | —                                     | 1,267  |                      | —                                    | 3,345         |           |
| Restricted stock units and restricted stock awards | —                                     | 17     |                      | —                                    | —             |           |
| <b>Diluted EPS</b>                                 |                                       |        |                      |                                      |               |           |
| Net income attributable to common stockholders     | \$6,867                               | 85,867 | \$ 0.08              | \$ 6,453                             | 82,771        | \$ 0.08   |
| <b>Basic EPS</b>                                   |                                       |        |                      |                                      |               |           |
| <b>Net income</b>                                  |                                       |        |                      |                                      |               |           |
| Net income   | \$26,789                              |        |                      | \$ 13,498                            |               |           |
| Preferred stock tax distributions                  | —                                     |        |                      | (320 )                               |               |           |
| <b>Basic EPS</b>                                   |                                       |        |                      |                                      |               |           |
|  | 26,789                                | 83,827 | \$ 0.32              | 13,178                               | 70,893        | \$ 0.19   |

|  |          |        |         |           |        |         |
|--|----------|--------|---------|-----------|--------|---------|
| Net income attributable to common stockholders     |          |        |         |           |        |         |
| <b>Effect of Dilutive Securities</b>               |          |        |         |           |        |         |
| Preferred stock                                    | —        | —      |         | 320       | 6,640  |         |
| Stock options                                      | —        | 1,761  |         | —         | 3,293  |         |
| Restricted stock units and restricted stock awards | —        | 11     |         | —         | —      |         |
| <b>Diluted EPS</b>                                 |          |        |         |           |        |         |
| Net income attributable to common stockholders     | \$26,789 | 85,599 | \$ 0.31 | \$ 13,498 | 80,826 | \$ 0.17 |

The number of shares of common stock underlying stock-based awards excluded from the calculation of diluted net income per share attributable to common stockholders because their effect would have been antidilutive for the three and nine months ended September 30, 2015 and 2014 were as follows:

|   | Three Months Ended September 30, 2015 |         | Nine Months Ended September 30, 2014 |         |
|---|---------------------------------------|---------|--------------------------------------|---------|
| Anti-dilutive shares underlying stock-based awards: |                                       |         |                                      |         |
| Stock options                                       | 1,725,267                             | 233,983 | 1,517,215                            | 233,983 |
| Restricted stock awards                             | —                                     | —       | —                                    | —       |
| Restricted stock units                              | 88,063                                | —       | —                                    | —       |

There were no outstanding restricted stock units or restricted stock awards during the three and nine months ended September 30, 2014.

## GRUBHUB INC.

## Notes to Condensed Consolidated Financial Statements (unaudited) (Continued)

## 12. Fair Value Measurement

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

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

Level 1 Quoted prices in active markets for identical assets or liabilities.

Level 2 Assets and liabilities valued based on observable market data for similar instruments, such as quoted prices for similar assets or liabilities.

Level 3 Unobservable inputs that are supported by little or no market activity; instruments valued based on the best available data, some of which is internally developed, and considers risk premiums that a market participant would require.

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

The following table presents the balances of assets measured at fair value on a recurring basis as of September 30, 2015 and December 31, 2014:

|                    | September 30, 2015 |           |         | December 31, 2014 |           |         |
|--------------------|--------------------|-----------|---------|-------------------|-----------|---------|
|                    | Level 1            | Level 2   | Level 3 | Level 1           | Level 2   | Level 3 |
|                    | (in thousands)     |           |         |                   |           |         |
| Money market funds | \$—                | \$4,063   | \$—     | \$—               | \$1,386   | \$—     |
| Commercial paper   | —                  | 98,957    | —       | —                 | 38,055    | —       |
| Corporate bonds    | —                  | 62,012    | —       | —                 | 75,080    | —       |
| Total              | \$—                | \$165,032 | \$—     | \$—               | \$114,521 | \$—     |

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



## Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

The following should be read in conjunction with the condensed consolidated financial statements and the notes thereto included elsewhere in this Quarterly Report on Form 10-Q and with the audited consolidated financial statements included in the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2014 (“2014 Form 10-K”) filed with the United States Securities and Exchange Commission (the “SEC”) on March 5, 2015. In addition to historical condensed consolidated financial information, the following discussion contains forward-looking statements that reflect the Company’s plans, estimates, and beliefs. Actual results could differ materially from those discussed in the forward-looking statements. Factors that could cause or contribute to these differences include those discussed below and elsewhere in this Quarterly Report on Form 10-Q, including those set forth in “Cautionary Statement Regarding Forward-Looking Statements” below.

### Company Overview

GrubHub Inc. and its wholly-owned subsidiaries (collectively referred to as the “Company,” “GrubHub,” “we,” “us,” and “our”) is the leading online and mobile platform for restaurant pick-up and delivery orders, which the Company refers to as takeout. The Company connects more than 35,000 local restaurants with hungry diners in more than 900 cities across the United States and is focused on transforming the takeout experience. For restaurants, GrubHub generates higher margin takeout orders at full menu prices. The GrubHub platform empowers diners with a “direct line” into the kitchen, avoiding the inefficiencies, inaccuracies and frustrations associated with paper menus and phone orders. The Company has a powerful two-sided network that creates additional value for both restaurants and diners as it grows.

The Company’s target market is primarily composed of independent restaurants. These independent restaurants remain local, highly fragmented and are mostly owner-operated family businesses. According to Euromonitor, Americans spent \$221 billion at these approximately 365,000 independent restaurants in 2013. Of that amount, the Company believes that Americans spent approximately \$70 billion on takeout at these independent restaurants in 2013.

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

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

The proliferation of mobile devices over the past few years has significantly increased the value of the GrubHub platform. The Company’s powerful, easy-to-use mobile applications for iPhone, iPad and Android, enable diners to

access GrubHub whenever and wherever they want takeout. The discovery and ordering capabilities that are available on the Company's consumer websites are also available through its mobile applications. GrubHub monetizes the orders placed through its mobile applications using the same rate as orders placed through its websites. The Company's mobile applications make ordering from GrubHub more accessible and personal, driving increased use of the platform by restaurants and diners. Orders placed on mobile devices increased from approximately 50% of consumer orders during the three months ended September 30, 2014 to approximately 57% of consumer orders during the three months ended September 30, 2015.

The Company generates revenues primarily when diners place an order on its platform. Restaurants pay a commission, typically a percentage of the transaction on orders that are processed through the Company's platform. Most of the restaurants on the Company's platform can choose their level of commission rate, at or above the minimum rate, to affect their relative priority in the Company's sorting algorithms, with restaurants paying higher commission rates generally appearing higher in the search order than restaurants paying lower commission rates. For most orders, diners use a credit card to pay the Company for their meal when the order is placed. For these transactions, the Company collects the total amount of the order from the diner and remits the net proceeds to the

restaurant less commission. The Company generally accumulates funds and remits the net proceeds to the restaurants on at least a monthly basis. The Company also deducts commissions for other transactions that go through its platform, such as cash transactions for restaurants in the network, from the aggregate proceeds received.

### Acquisitions

In February 2015, the Company acquired the assets of DiningIn.com, Inc. and certain of its affiliates (collectively, “DiningIn”) and the membership units of Restaurants on the Run, LLC (“Restaurants on the Run”). For a description of the Company’s acquisition of these restaurant delivery service providers, see Note 3, Acquisitions, to the accompanying Notes to the Condensed Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

### Key Business Metrics

Within this Management’s Discussion and Analysis of Results of Operations, the Company discusses key business metrics, including Active Diners, Daily Average Grubs and Gross Food Sales. The Company’s key business metrics are defined as follows:

- **Active Diners.** The number of unique diner accounts from which an order has been placed in the past twelve months through the Company’s platform. Some diners could have more than one account if they were to set up multiple accounts using a different e-mail address for each account. As a result, it is possible that the Active Diner metric may count certain diners more than once during any given period.
- **Daily Average Grubs.** The number of revenue generating orders placed on the Company’s platform divided by the number of days for a given period.
- **Gross Food Sales.** The total value of food, beverages, taxes, prepaid gratuities, and any delivery fees processed through the Company’s platform. The Company includes all revenue generating orders placed on its platform in this metric; however, revenues are only recognized for the Company’s commissions from the transaction, which are a percentage of the total Gross Food Sales for such transaction.

The Company’s key business metrics were as follows for the periods presented:

|                                | Three Months Ended September 30, |           |          | Nine Months Ended September 30, |           |          |
|--------------------------------|----------------------------------|-----------|----------|---------------------------------|-----------|----------|
|                                | 2015                             | 2014      | % Change | 2015                            | 2014      | % Change |
| Active Diners                  | 6,431,000                        | 4,571,000 | 41 %     | 6,431,000                       | 4,571,000 | 41 %     |
| Daily Average Grubs            | 211,500                          | 172,700   | 22 %     | 222,000                         | 176,100   | 26 %     |
| Gross Food Sales (in millions) | \$553.6                          | \$423.8   | 31 %     | \$1,711.1                       | \$1,279.4 | 34 %     |

The Company experienced significant growth across all of its key business metrics, Active Diners, Daily Average Grubs and Gross Food Sales, during the three and nine months ended September 30, 2015 as compared to the same periods in the prior year. Growth in all metrics was primarily attributable to increased product and brand awareness by diners primarily as a result of marketing efforts and word-of-mouth referrals, better restaurant choices for diners in the Company’s markets, an increase in the use of the Company’s mobile applications, which allow diners to order takeout through the platform using their mobile devices, investments in the Company’s platform to drive more orders, as well as, to a lesser extent, an increase from the inclusion of results from acquisitions during the first quarter of 2015.



## Results of Operations

Three Months Ended September 30, 2015 and 2014

The following table sets forth the Company's results of operations for the three months ended September 30, 2015 as compared to the same period in the prior year presented in dollars and as a percentage of revenues:

|  | Three Months Ended September 30,<br>2015 |                 | 2014     |                 | \$<br>Change | %<br>Change |  |
|--|--|-----------------|----------|-----------------|--------------|-------------|--|
|  | Amount                                   | % of<br>revenue | Amount   | % of<br>revenue |              |             |  |
|  | (in thousands, except percentages)       |                 |          |                 |              |             |  |
| Revenues                                       | \$85,662                                 | 100 %           | \$61,941 | 100 %           | \$23,721     | 38 %        |  |
| Costs and expenses:                            |  |                 |          |                 |              |             |  |
| Sales and marketing                            | 21,443                                   | 25 %            | 14,883   | 24 %            | 6,560        | 44 %        |  |
| Operations and support                         | 27,637                                   | 32 %            | 14,902   | 24 %            | 12,735       | 85 %        |  |
| Technology (exclusive of amortization)         | 8,412                                    | 10 %            | 6,560    | 11 %            | 1,852        | 28 %        |  |
| General and administrative                     | 10,203                                   | 12 %            | 8,143    | 13 %            | 2,060        | 25 %        |  |
| Depreciation and amortization                  | 6,299                                    | 7 %             | 5,748    | 9 %             | 551          | 10 %        |  |
| Total costs and expenses <sup>(a)</sup>        | 73,994                                   | 86 %            | 50,236   | 81 %            | 23,758       | 47 %        |  |
| Income before provision for income taxes       | 11,668                                   | 14 %            | 11,705   | 19 %            | (37 )        | (0 %)       |  |
| Provision for income taxes                     | 4,801                                    | 6 %             | 5,252    | 8 %             | (451 )       | (9 %)       |  |
| Net income attributable to common stockholders | \$6,867                                  | 8 %             | \$6,453  | 10 %            | \$414        | 6 %         |  |

## NON-GAAP FINANCIAL MEASURES:

|                                |          |      |          |      |         |     |
|--------------------------------|----------|------|----------|------|---------|-----|
| Adjusted EBITDA <sup>(b)</sup> | \$21,463 | 25 % | \$20,417 | 33 % | \$1,046 | 5 % |
|--------------------------------|----------|------|----------|------|---------|-----|

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

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

## Revenues

Revenues increased by \$23.7 million, or 38%, for the three months ended September 30, 2015 compared to the same period in 2014. The increase was primarily related to growth in Active Diners, which increased from 4.6 million to 6.4 million at the end of each period, driving an increase in Daily Average Grubs to 211,500 during the three months ended September 30, 2015 from 172,700 Daily Average Grubs during the same period in 2014. The growth in Active Diners and Daily Average Grubs was due primarily to marketing efforts, investments in the Company's platform to drive more orders, and organic growth from word-of-mouth referrals. In addition, revenue increased during the three months ended September 30, 2015 compared to the same period in 2014 due to the inclusion of results from the Company's recent acquisitions (see Part I, Item 1, Note 3, "Acquisitions"), as well as an increase in the Company's average commission rates.

## Sales and Marketing

Sales and marketing expense increased by \$6.6 million, or 44%, for the three months ended September 30, 2015 compared to the same period in 2014. The increase was primarily attributable to an increase in the Company's advertising campaigns, as well as growth in the Company's sales and marketing teams including the addition of sales and marketing personnel from recent acquisitions. For the three months ended September 30, 2015 versus the same period in 2014, advertising spending increased by \$5.0 million.

#### Operations and Support

Operations and support expense increased by \$12.7 million, or 85%, for the three months ended September 30, 2015 compared to the same period in 2014. This increase was primarily attributable to expenses related to restaurant delivery services, an increase in internal and external customer service and operations personnel costs to support higher order volume, and higher payment processing costs related to the growth in orders. Delivery expenses were \$6.8 million during the three months ended September 30, 2015 compared to nominal related expenses in the prior year. During the three months ended September 30, 2015, the number of customer service and operations personnel increased by 51% compared to the same period in the prior year as a result of the addition of customer service and operations personnel from recent acquisitions as well as hiring additional personnel to support the increase in orders. In addition, payment processing costs increased \$1.7 million, or 23%, for the three months ended September 30, 2015 compared to the same period in the prior year due to the 31% growth in Gross Food Sales.

## Technology (exclusive of amortization)

Technology expense increased by \$1.9 million, or 28%, for the three months ended September 30, 2015 compared to the same period in 2014. The increase was primarily attributable to growth in the Company's technology team, including salaries, benefits, payroll taxes, stock-based compensation expense and bonuses, as well as higher consulting costs to support the growth and development of the Seamless and GrubHub platforms. During the three months ended September 30, 2015, the number of technology personnel increased by 12% compared to the same period in the prior year.

## General and Administrative

General and administrative expense increased by \$2.1 million, or 25%, for the three months ended September 30, 2015 compared to the same period in 2014. The increase was primarily attributable to general and administrative expenses of the Company's recent acquisitions and an increase in other miscellaneous expenses required to support growth in the business.

## Depreciation and Amortization

Depreciation and amortization expense increased by \$0.6 million, or 10%, for the three months ended September 30, 2015 compared to the same period in 2014. The increase was primarily attributable to the amortization of intangible assets acquired in the DiningIn and Restaurants on the Run acquisitions, partially offset by lower depreciation and amortization expense for certain assets that were fully amortized and disposed of in June of 2015 with the migration of nearly all of the Seamless consumer diner traffic to a new web and mobile platform.

## Provision for Income Taxes

Income tax expense decreased by \$0.5 million for the three months ended September 30, 2015 compared to the same period in 2014. The decrease was primarily due to a lower effective tax rate in 2015 due to the corporate reorganization of the Company. The Company has provided income tax expense for the periods presented based on the expected annual effective tax rate.

## Nine Months Ended September 30, 2015 and 2014

The following table sets forth the Company's results of operations for the nine months ended September 30, 2015 as compared to the same period in the prior year presented in dollars and as a percentage of revenues:

|  | Nine Months Ended September 30,<br>2015      |                 | 2014      |                 | \$<br>Change | %<br>Change |
|--|--|-----------------|-----------|-----------------|--------------|-------------|
|  | Amount<br>(in thousands, except percentages) | % of<br>revenue | Amount    | % of<br>revenue |              |             |
| Revenues                               | \$261,866                                    | 100 %           | \$180,560 | 100 %           | \$81,306     | 45 %        |
| Costs and expenses:                    |  |                 |           |                 |              |             |
| Sales and marketing                    | 66,229                                       | 25 %            | 47,168    | 26 %            | 19,061       | 40 %        |
| Operations and support                 | 74,941                                       | 29 %            | 44,743    | 25 %            | 30,198       | 67 %        |
| Technology (exclusive of amortization) | 23,980                                       | 9 %             | 17,973    | 10 %            | 6,007        | 33 %        |

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|  |          |    |   |          |    |    |          |      |    |
|--|----------|----|---|----------|----|----|----------|------|----|
| General and administrative                     | 29,049   | 11 | % | 25,087   | 14 | %  | 3,962    | 16   | %  |
| Depreciation and amortization                  | 21,377   | 8  | % | 16,878   | 9  | %  | 4,499    | 27   | %  |
| Total costs and expenses <sub>(a)</sub>        | 215,576  | 82 | % | 151,849  | 84 | %  | 63,727   | 42   | %  |
| Income before provision for income taxes       | 46,290   | 18 | % | 28,711   | 16 | %  | 17,579   | 61   | %  |
| Provision for income taxes                     | 19,501   | 7  | % | 15,213   | 8  | %  | 4,288    | 28   | %  |
| Net income                                     | 26,789   | 10 | % | 13,498   | 7  | %  | 13,291   | 98   | %  |
| Preferred stock tax distributions              | —        | —  | % | (320 )   | (0 | %) | 320      | (100 | %) |
| Net income attributable to common stockholders | \$26,789 | 10 | % | \$13,178 | 7  | %  | \$13,611 | 103  | %  |

NON-GAAP FINANCIAL MEASURES:

|                                |          |    |   |          |    |   |          |    |   |
|--------------------------------|----------|----|---|----------|----|---|----------|----|---|
| Adjusted EBITDA <sub>(b)</sub> | \$78,131 | 30 | % | \$53,732 | 30 | % | \$24,399 | 45 | % |
|--------------------------------|----------|----|---|----------|----|---|----------|----|---|

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

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

## Revenues

Revenues increased by \$81.3 million, or 45%, for the nine months ended September 30, 2015 compared to the same period in 2014. The increase was primarily related to growth in Active Diners, which increased from 4.6 million to 6.4 million at the end of each period, driving an increase in Daily Average Grubs to 222,000 during the nine months ended September 30, 2015 from 176,100 Daily Average Grubs during the same period in 2014. The growth in Active Diners and Daily Average Grubs was due primarily to marketing efforts, investments in the Company's platform to drive more orders, and organic growth from word-of-mouth referrals. In addition, revenue increased during the nine months ended September 30, 2015 compared to the same period in 2014 due to the inclusion of results from the Company's recent acquisitions (see Part I, Item 1, Note 3, "Acquisitions") as well as an increase in the Company's average commission rates. The increase in commission rates was driven by the Company's implementation of a new feature on the Seamless platform in April of 2014 that allows restaurants to influence how high they appear in the search results based on the commission rate they choose as well as, to a lesser extent, higher commission rates from the Company's recent acquisitions.

## Sales and Marketing

Sales and marketing expense increased by \$19.1 million, or 40%, for the nine months ended September 30, 2015 compared to the same period in 2014. The increase was primarily attributable to an increase in the Company's advertising campaigns, particularly in television, as well as growth in the Company's sales and marketing teams including the addition of sales and marketing personnel from recent acquisitions. For the nine months ended September 30, 2015 versus the same period in 2014, advertising spending increased by \$14.6 million.

## Operations and Support

Operations and support expense increased by \$30.2 million, or 67%, for the nine months ended September 30, 2015 compared to the same period in 2014. This increase was primarily attributable to expenses related to restaurant delivery services, higher payment processing costs related to the growth in orders, and an increase in internal and external customer service and operations personnel costs to support higher order volume. Delivery expenses were \$12.6 million during the nine months ended September 30, 2015 compared to nominal related expenses in the prior year. In addition, payment processing costs increased \$7.2 million, or 32%, for the nine months ended September 30, 2015 compared to the same period in the prior year due to the 34% growth in Gross Food Sales. During the same period, the number of customer service and operations personnel increased by 28%, including the addition of customer service and operations personnel from recent acquisitions.

## Technology (exclusive of amortization)

Technology expense increased by \$6.0 million, or 33%, for the nine months ended September 30, 2015 compared to the same period in 2014. The increase was primarily attributable to growth in the Company's technology team, including salaries, benefits, payroll taxes, stock-based compensation expense and bonuses, and higher consulting costs to support the growth and development of the Seamless and GrubHub platforms. During the nine months ended September 30, 2015, the number of technology personnel increased by 23% compared to the same period in the prior year.

## General and Administrative

General and administrative expense increased by \$4.0 million, or 16%, for the nine months ended September 30, 2015 compared to the same period in 2014. The increase was primarily attributable to general and administrative expenses of the Company's recent acquisitions, acquisition-related expenses and an increase in other miscellaneous expenses

required to support growth in the business, partially offset by restructuring expenses incurred during the nine months ended September 30, 2014.

#### Depreciation and Amortization

Depreciation and amortization expense increased by \$4.5 million, or 27%, for the nine months ended September 30, 2015 compared to the same period in 2014. The increase was primarily attributable to the amortization of intangible assets acquired in the DiningIn and Restaurants on the Run acquisitions as well as the accelerated amortization and depreciation of certain assets. During the nine months ended September 30, 2015, the Company recorded approximately \$1.9 million of accelerated depreciation and amortization expense for developed and purchased software and computer equipment assets that were disposed of in June of 2015 with the migration of nearly all of the Seamless consumer diner traffic to a new web and mobile platform.

## Provision for Income Taxes

Income tax expense increased by \$4.3 million for the nine months ended September 30, 2015 compared to the same period in 2014. The increase was primarily due to the increase in income before provision for income taxes due to the factors described above, partially offset by a \$2.0 million increase in the Company's deferred tax liabilities as a result of a change in state tax law during the nine months ended September 30, 2014 and the decrease in the effective tax rate due to the corporate reorganization of the Company. The Company has provided income tax expense for the periods presented based on the expected annual effective tax rate.

## Non-GAAP Financial Measure - Adjusted EBITDA

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

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

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

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

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



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

|  | Three Months<br>Ended September<br>30,<br>2015 |          | Nine Months<br>Ended September<br>30,<br>2014 |          |
|--|--|----------|---|----------|
|  | 2015   | 2014     | 2015  | 2014     |
|  | (in thousands)                                 |          | (in thousands)                                |          |
| Net income   | \$6,867  | \$6,453  | \$26,789                                      | \$13,498 |
| Income taxes                                       | 4,801  | 5,252    | 19,501  | 15,213   |
| Depreciation and amortization                      | 6,299  | 5,748    | 21,377  | 16,878   |
| EBITDA   | 17,967   | 17,453   | 67,667  | 45,589   |
| Acquisition and restructuring costs <sup>(a)</sup> | 383  | 670      | 1,086   | 1,162    |
| Stock-based compensation                           | 3,113  | 2,294    | 9,378   | 6,981    |
| Adjusted EBITDA                                    | \$21,463                                       | \$20,417 | \$78,131                                      | \$53,732 |

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

## LIQUIDITY AND CAPITAL RESOURCES

As of September 30, 2015, the Company had cash and cash equivalents of \$153.0 million consisting of cash, money market funds, commercial paper and U.S. and non-U.S.-issued corporate debt securities with original maturities of three months or less and short term investments of \$142.1 million consisting of commercial paper and U.S. and non-U.S.-issued corporate debt securities with original maturities greater than three months, but less than one year. The Company's primary source of liquidity is cash flows from operations.

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

Management believes that the Company's existing cash, cash equivalents and short term investments will be sufficient to meet its working capital requirements for at least the next twelve months. However, the Company's liquidity assumptions may prove to be incorrect, and the Company could utilize its available financial resources sooner than currently expected. The Company's future capital requirements and the adequacy of available funds will depend on many factors, including those set forth in "Cautionary Statement Regarding Forward-Looking Statements" below. If the Company is unable to obtain needed additional funds, it will have to reduce operating costs, which could impair the Company's growth prospects and could otherwise negatively impact its business.

Seasonal fluctuations in the Company's business may also affect the timing of cash flows. In metropolitan markets, the Company generally experiences a relative increase in diner activity from September to April and a relative decrease in diner activity from May to August. In addition, the Company benefits from increased order volume in its campus markets when school is in session and experiences a decrease in order volume when school is not in session, during summer breaks and other vacation periods. Diner activity can also be impacted by colder or more inclement weather,

which typically increases order volume, and warmer or sunny weather, which typically decreases order volume. These changes in diner activity and order volume have a direct impact on operating cash flows. While management expects this seasonal cash flow pattern to continue, changes in the Company's business model could affect the timing or seasonal nature of its cash flows.

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

|   | Nine Months Ended<br>September 30, |          |
|---|------------------------------------|----------|
|   | 2015                               | 2014     |
|   | (in thousands)                     |          |
| Net cash provided by operating activities | \$13,590                           | \$47,258 |
| Net cash used in investing activities     | (94,926)                           | (71,321) |
| Net cash provided by financing activities | 32,676                             | 149,655  |

#### Cash Flows Provided by Operating Activities

For the nine months ended September 30, 2015, net cash provided by operating activities was \$13.6 million compared to \$47.3 million for the same period in 2014. The decrease in cash flows from operations was driven primarily by changes in the Company's

operating assets and liabilities and a decrease in non-cash expenses, partially offset by an increase in net income of \$13.3 million. The decrease in non-cash expenses primarily related to the change in deferred taxes of \$11.0 million, partially offset by an increase in depreciation and amortization of \$4.5 million and an increase of \$2.4 million related to stock-based compensation. In addition, during the nine months ended September 30, 2015 and 2014, significant changes in the Company's operating assets and liabilities, net of the effects of business acquisitions, resulted from the following:

- a decrease in the restaurant food liability of \$31.4 million due to the timing of payments to our restaurants at quarter-end for the nine months ended September 30, 2015 compared to an increase of \$13.5 million for the nine months ended September 30, 2014;
- an increase in accounts receivable of \$6.9 million due to an increase in amounts owed by the Company's payment processors for prepaid orders placed through the platform due to the timing of processor payments at quarter-end along with amounts owed by customers of the Company's corporate ordering program for the nine months ended September 30, 2015 compared to an increase of \$13.6 million for the nine months ended September 30, 2014; and
- a decrease in accrued expenses of \$1.8 million during the nine months ended September 30, 2015 compared to an increase of \$4.8 million during the nine months ended September 30, 2014.

#### Cash Flows Used in Investing Activities

The Company's investing activities during the periods presented included acquisitions of businesses, purchases of and proceeds from maturities of short-term investments, website and internal-use software development and the purchase of property and equipment to support increased headcount.

For the nine months ended September 30, 2015, net cash used in investing activities was \$94.9 million compared to \$71.3 million for the same period in the prior year. The increase in net cash used in investing activities during the nine months ended September 30, 2015 was primarily due to an increase in the purchases of short-term investments of \$88.5 million and acquisitions of businesses of \$55.7 million, partially offset by proceeds from maturities of short-term investments of \$122.9 million.

#### Cash Flows Provided by Financing Activities

The Company's financing activities during the periods presented consisted primarily of net proceeds from the issuance of common stock in the Company's initial public offering in April 2014 (the "IPO") and follow-on offering in September of 2014 (the "follow-on offering"), as well as excess tax benefits related to stock-based compensation and proceeds from the exercise of stock options.

For the nine months ended September 30, 2015, net cash provided by financing activities was \$32.7 million compared to \$149.7 million for the nine months ended September 30, 2014. The decrease in cash provided by financing activities during the nine months ended September 30, 2015 as compared to the same period in the prior year primarily resulted from net proceeds from the issuance of common stock in the IPO of \$94.9 million in April 2014 and net proceeds from the issuance of common stock in the follow-on offering of \$48.0 million, partially offset by excess tax benefits related to stock-based compensation of \$22.0 million and an increase in proceeds from stock option exercises of \$6.0 million.

#### Acquisitions

On February 4, 2015 and February 27, 2015, the Company completed the acquisitions of restaurant delivery service providers, DiningIn and Restaurants on the Run, respectively. Aggregate consideration for the two acquisitions was a total of approximately \$55.7 million in cash and 407,812 restricted shares of the Company's common stock, or an estimated total transaction value of approximately \$71.7 million, net of cash acquired of \$0.7 million, based on the

Company's closing share price on the respective closing dates.

#### Quantitative and Qualitative Disclosures about Market Risk

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

##### Interest Rate Risk

The Company did not have any long-term borrowings as of September 30, 2015.

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The Company invests its excess cash primarily in money market accounts, commercial paper and U.S. and non-U.S.-issued corporate debt securities. The Company intends to hold its investments to maturity. The Company's current investment strategy seeks first to preserve principal, second to provide liquidity for its operating and capital needs and third to maximize yield without putting principal at risk. The Company does not enter into investments for trading or speculative purposes.

The Company's investments are exposed to market risk due to the fluctuation of prevailing interest rates that may reduce the yield on its investments or their fair value. The Company assesses market risk utilizing a sensitivity analysis that measures the potential change in fair values, interest income and cash flows. As the Company's investment portfolio is short-term in nature, management does not believe an immediate 100 basis point increase in interest rates would have a material effect on the fair value of the Company's portfolio, and therefore does not expect the Company's results of operations or cash flows to be materially affected to any degree by a sudden change in market interest rates. In the unlikely event that the Company would need to sell its investments prior to their maturity, any unrealized gains and losses arising from the difference between the amortized cost and the fair value of the investments at that time would be recognized in the condensed consolidated statements of operations. See Note 4, Marketable Securities, to the accompanying Notes to the Condensed Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q for additional details.

#### Inflation Risk

Management does not believe that inflation has had a material effect on the Company's business, results of operations or financial condition.

#### Risks Related to Market Conditions

Goodwill represents the excess of the purchase price of an acquired business over the fair value of the net assets acquired. The Company performs its annual goodwill impairment tests as of September 30, or more frequently if an event occurs or circumstances change that would more likely than not reduce the fair value of the Company below its carrying value. Such indicators may include the following, among others: a significant decline in expected future cash flows, a sustained, significant decline in the Company's stock price and market capitalization, a significant adverse change in legal factors or in the business climate, unanticipated competition, the testing for recoverability of a significant asset group and slower growth rates. Any adverse change in these factors could have a significant impact on the recoverability of goodwill and could have a material impact on the consolidated financial statements. As of September 30, 2015, the Company had \$387.6 million in goodwill.

The annual goodwill impairment test is a two-step process. First, the Company determines if the carrying value of its reporting unit exceeds fair value, which would indicate that goodwill may be impaired. The Company is considered one reporting unit. Second, if the Company then determines that goodwill may be impaired, it compares the implied fair value of the goodwill to its carrying amount to determine if there is an impairment loss.

Management determined the fair value of the Company by using a market-based approach that utilized the market capitalization of the Company, as adjusted for factors such as a control premium. After consideration of the Company's market capitalization, business growth and other factors, management determined that it was more likely than not that the fair value of the Company exceeded its carrying amount and further analysis was not necessary. Nevertheless, significant changes in global economic and market conditions could result in changes to expectations of future financial results and key valuation assumptions. Such changes could result in revisions of management's estimates of fair value and could result in a material impairment of goodwill.

#### OTHER INFORMATION

Off-Balance Sheet Arrangements

The Company did not have any off-balance sheet arrangements as of September 30, 2015.

Contractual Obligations

On October 5, 2015, the Company entered into a second amendment to the lease agreement for the Company's headquarters located in Chicago, Illinois (the "Second Amendment"). The term of the lease, as amended by Second Amendment, is approximately 120 months from on or about April 1, 2016. The Second Amendment, among other things, increases the size of the Company's headquarters in the Building by 30,255 square feet by January 1, 2016 and by an additional 26,355 square feet by September 4, 2016. (See Part II, Item 6, Exhibit 10.3, of this Quarterly Report on Form 10-Q for further details.)

The operating leases acquired in the acquisitions of DiningIn and Restaurants on the Run have also increased the Company's commitments under contractual obligations. The impact of the acquired contractual obligations is reflected in the table below.

The Company's future minimum payments under non-cancelable operating leases for equipment and office facilities, as updated to reflect the changes described above, were as follows as of September 30, 2015:

|                             | Payments Due by Period |              |              |                   | Total    |
|-----------------------------|------------------------|--------------|--------------|-------------------|----------|
|                             | Less than 1 year       | 1 to 3 years | 4 to 5 years | More than 5 years |          |
| Operating lease obligations | \$3,697                | \$8,109      | \$9,428      | \$20,761          | \$41,995 |

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

There were no other material changes to the Company's commitments under contractual obligations as compared to the contractual obligations disclosed in the Company's 2014 Form 10-K.

#### Contingencies

For a discussion of certain litigation involving the Company, see Note 7, Commitments and Contingencies, to the accompanying Notes to the Condensed Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

#### New Accounting Pronouncements and Pending Accounting Standards

Under the Jumpstart Our Business Startups Act (the "JOBS Act"), the Company meets the definition of an "emerging growth company." The Company has irrevocably elected to opt out of the extended transition period for complying with new or revised accounting standards pursuant to Section 107(b) of the JOBS Act. The Company will remain an "emerging growth company" for up to five years following the IPO or until it achieves total annual gross revenues in excess of \$1 billion during a fiscal year or becomes a large accelerated filer as a result of achieving a public float of at least \$700 million at the end of the second fiscal quarter.

As of June 30, 2015, the Company had a public float of greater than \$700 million and will therefore no longer be considered an emerging growth company under the JOBS Act as of the filing of the Company's Annual Report on Form 10-K for the fiscal year ending December 31, 2015.

See Note 2, Significant Accounting Policies, to the accompanying Notes to the Condensed Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q for pending standards and their estimated effect on the Company's consolidated financial statements. There were no accounting standards adopted during the nine months ended September 30, 2015.

#### Critical Accounting Policies and Estimates

The condensed consolidated financial statements are prepared in accordance with GAAP. The preparation of these condensed consolidated financial statements requires the Company to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, costs and expenses, and related disclosures. These estimates form the basis for judgments management makes about the carrying values of the Company's assets and liabilities, which are not readily apparent from other sources. The Company bases its estimates and judgments on historical experience and on various other assumptions that management believes are reasonable under the circumstances. On an ongoing basis, the Company evaluates its estimates and assumptions. Actual results may differ from these estimates under different assumptions or conditions.

The Company believes that the assumptions and estimates associated with revenue recognition, website and software development costs, recoverability of intangible assets with definite lives and other long-lived assets, stock-based compensation, goodwill and income taxes have the greatest potential impact on the condensed consolidated financial statements. Therefore, these are considered to be the Company's critical accounting policies and estimates.

There have been no material changes to the Company's critical accounting policies and estimates as compared to the critical accounting policies and estimates described in in the Company's 2014 Form 10-K.

## CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

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

We cannot guarantee that any forward-looking statement will be realized. These forward-looking statements are subject to a number of risks, uncertainties and assumptions, including the following important factors, in addition to those discussed elsewhere in this Quarterly Report on Form 10-Q and in Part I, Item 1A, Risk Factors, of the Company’s 2014 Form 10-K, that could affect the future results of the Company and could cause those results or other outcomes to differ materially from those expressed or implied in the Company’s forward-looking statements:

- our ability to accurately forecast revenue and appropriately plan expenses;
- our ability to effectively manage the integration of the merger of the GrubHub and Seamless platforms in August 2013 and other acquisitions;
- our ability to attract and retain restaurants to use the Company’s platform in a cost effective manner;
- our ability to maintain, protect and enhance our brand in an effort to increase the number of and retain existing diners and their level of engagement using the Company’s websites and mobile applications;
- our ability to strengthen the Company’s two-sided network;
- the impact of interruptions or disruptions to our service on our business, reputation or brand;
- our ability to choose and effectively manage third-party service providers;
- the seasonality of our business, including the effect of academic calendars on college campuses and seasonal patterns in restaurant dining;
- our ability to generate positive cash flow and achieve and maintain profitability;
- our ability to maintain an adequate rate of growth and effectively manage that growth;
- the impact of worldwide economic conditions, including the resulting effect on diner spending on takeout;
- the exposure to potential liability and expenses for legal claims and harm to our business;
- our ability to keep pace with technology changes in the takeout industry;
- our ability to grow the usage of the Company’s mobile applications and monetize this usage;
- our ability to properly use, protect and maintain the security of personal information and data provided by diners;
- the impact of payment processor costs and procedures;
- our ability to successfully compete with the traditional takeout ordering process and the effects of increased competition on our business;
- our ability to innovate and provide a superior experience for restaurants and diners;
- our ability to successfully expand in existing markets and into new markets;
- our ability to attract and retain qualified employees and key personnel;
- our ability to grow our restaurant delivery services in an effective and cost efficient manner;
- the impact of weather and the effects of natural or man-made catastrophic events on the Company’s business;
- our ability to maintain, protect and enhance the Company’s intellectual property;

- our ability to obtain capital to support business growth; and
- our ability to comply with modified or new legislation and governmental regulations affecting our business.

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

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

### Item 3. Quantitative and Qualitative Disclosures About Market Risk

See Part I, Item 2, Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resource – Quantitative and Qualitative Disclosures About Market Risk, of this Quarterly Report on Form 10-Q.

### Item 4. Controls and Procedures

Disclosure controls and procedures.

As required by Rule 13a-15(b) and Rule 15d-15(b) of the Securities Exchange Act of 1934, the Company's management, including the Chief Executive Officer and Chief Financial Officer, is responsible for establishing and maintaining effective disclosure controls and procedures, as defined under Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934. As of September 30, 2015, an evaluation was performed under the supervision and with the participation of management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that disclosure controls and procedures as of September 30, 2015 were effective in ensuring information required to be disclosed in the Company's SEC reports was recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms, and that such information was accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Changes in internal control over financial reporting.

There have not been any changes in the Company's internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934) that occurred during the quarter ended September 30, 2015 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

## PART II— OTHER INFORMATION

### Item 1. Legal Proceedings

For a description of the Company's material pending legal proceedings, see Note 7, Commitments and Contingencies, to the accompanying Notes to Condensed Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

### Item 1A. Risk Factors

There have been no material changes to the risk factors affecting our business, financial condition or future results from those set forth in Part I, Item 1A (Risk Factors) in the 2014 Form 10-K, which was filed with the Securities and Exchange Commission on March 5, 2015, other than as set forth below. However, you should carefully consider the factors discussed in the 2014 Form 10-K and in this Quarterly Report on Form 10-Q, which could materially affect our business, financial condition or future results. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and/or operating results.

GrubHub is expanding its independent contractor delivery driver network. The status of the drivers as independent contractors, rather than employees, has been and may continue to be challenged.

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

## Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

### Use of Proceeds

On April 3, 2014, the Company's registration statement on Form S-1 (File No. 333-194219) was declared effective by the SEC for an initial public offering pursuant to which the Company issued and sold 4,000,000 shares of common stock at a public offering price of \$26.00 per share. The offering resulted in net proceeds of \$94.9 million after deducting underwriting discounts and commissions of \$6.5 million and other offering expenses of approximately \$2.6 million. There have been no material changes in the planned use of proceeds from the initial public offering from that described in the Company's final prospectus filed with the SEC pursuant to Rule 424(b) under the Securities Act of 1933, as amended (the "Securities Act") on April 7, 2014.

### Unregistered Sales of Equity Securities

There were no sales of unregistered equity securities during the three months ended September 30, 2015.

### Issuer Purchases of Equity Securities

There were no repurchases of equity securities during the three months ended September 30, 2015.

## Item 3. Defaults Upon Senior Securities

Not applicable

## Item 4. Mine Safety Disclosures

Not applicable

## Item 5. Other Information

None

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## Item 6: Exhibits

| Exhibit No. | Description  | Incorporated by Reference |           |         | Filing Date     | Filed Herewith |
|-------------|--|---------------------------|-----------|---------|-----------------|----------------|
|             |  | Form                      | File No.  | Exhibit |                 |                |
| 10.49       | Office Building Lease, dated March 23, 2012, by and between 111 West Washington, LLC and GrubHub, Inc.   | 8-K                       | 001-36389 | 10.1    | October 9, 2015 |                |
| 10.50       | First Amendment to Lease, dated December 11, 2013, by and between Burnham Center – 111 West Washington, LLC and GrubHub, Inc.  | 8-K                       | 001-36389 | 10.2    | October 9, 2015 |                |
| 10.51       | Second Amendment to Lease, dated October 5, 2015, by and between Burnham Center – 111 West Washington, LLC and GrubHub Holdings Inc.                                   | 8-K                       | 001-36389 | 10.3    | October 9, 2015 |                |
| 31.1        | Certification of Matthew Maloney, Chief Executive Officer, pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |                           |           |         |                 | X              |
| 31.2        | Certification of Adam DeWitt, Chief Financial Officer, pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.     |                           |           |         |                 | X              |
| 32.1        | Certification of Matthew Maloney, Chief Executive Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.   |                           |           |         |                 | X              |
| 32.2        | Certification of Adam DeWitt, Chief Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.       |                           |           |         |                 | X              |
| 101.INS     | XBRL Instance Document.  |                           |           |         |                 | X              |
| 101.SCH     | XBRL Taxonomy Extension Schema Document.   |                           |           |         |                 | X              |
| 101.CAL     | XBRL Taxonomy Extension Calculation Linkbase Document.   |                           |           |         |                 | X              |
| 101.DEF     | XBRL Taxonomy Extension Definition Linkbase Document.  |                           |           |         |                 | X              |
| 101.LAB     | XBRL Taxonomy Extension Labels Linkbase Document.  |                           |           |         |                 | X              |
| 101.PRE     | XBRL Taxonomy Extension Presentation Linkbase Document.  |                           |           |         |                 | X              |



SIGNATURES

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

GRUBHUB INC.

By: /s/ Matthew Maloney  
Matthew Maloney  
Chief Executive Officer and Director

(Principal Executive Officer)

By: /s/ Adam DeWitt  
Adam DeWitt  
Chief Financial Officer and Treasurer

(Principal Financial Officer and Principal Accounting Officer)

Date: November 12, 2015