

with ordinary and ongoing operations of the acquired company and facilitates analysis of revenue growth and business trends. The acquired deferred revenue adjustment was not included in prior periods because it was immaterial or zero.

Adjusted Revenue has limitations as a financial measure, should be considered as supplemental in nature, and is not meant as a substitute for the related financial information prepared in accordance with GAAP. These limitations include the following:

- Adjusted Revenue is net of transaction-based costs, which is our largest cost of revenue item;
- Adjusted Revenue is net of bitcoin costs, which could be a significant cost;
- The deferred revenue adjustment that is added back to Adjusted Revenue will never be recognized as revenue by the Company; and
- other companies, including companies in our industry, may calculate Adjusted Revenue differently or not at all, which reduces its usefulness as a comparative measure.

Because of these limitations, you should consider Adjusted Revenue alongside other financial performance measures, including total net revenue and our financial results presented in accordance with GAAP.

The following table presents a reconciliation of total net revenue to Adjusted Revenue for each of the periods indicated:

	Year Ended December 31,				
	2018	2017	2016	2015	2014
	(in thousands)				
Total net revenue	\$3,298,177	\$2,214,253	\$1,708,721	\$1,267,118	\$850,192
Less: Starbucks transaction-based revenue	—	—	78,903	142,283	123,024
Less: transaction-based costs	1,558,562	1,230,290	943,200	672,667	450,858
Less: bitcoin costs	164,827	—	—	—	—
Add: deferred revenue adjustment related to purchase accounting	\$ 12,853	\$ —	\$ —	\$ —	\$ —
Adjusted Revenue	<u>\$1,587,641</u>	<u>\$ 983,963</u>	<u>\$ 686,618</u>	<u>\$ 452,168</u>	<u>\$276,310</u>

Adjusted EBITDA and Adjusted Net Income (Loss) Per Share (Adjusted EPS)

Adjusted EBITDA and Adjusted EPS are non-GAAP financial measures that represent our net income (loss) and net income (loss) per share, adjusted to eliminate the effect of Starbucks transactions and certain other items as described below. We have included these non-GAAP financial measures in this Annual Report on Form 10-K because they are key measures used by our management to evaluate our operating performance, generate future operating plans, and make strategic decisions, including those relating to operating expenses and the allocation of internal resources. Accordingly, we believe these measures provide useful information to investors and others in understanding and evaluating our operating results in the same manner as our management and board of directors. In addition, they provide useful measures for period-to-period comparisons of our business, as they remove the effect of certain non-cash items and certain variable charges.

- We exclude Starbucks transaction-based revenue and Starbucks transaction-based costs. As described above, Starbucks ceased using our payments solutions altogether, and we believe that providing non-GAAP financial measures that exclude the impact of Starbucks is useful to investors.
- We believe it is useful to exclude certain non-cash charges, such as amortization of intangible assets, and share-based compensation expenses, from our non-GAAP financial measures because the amount of such expenses in any specific period may not directly correlate to the underlying performance of our business operations.