

**RECONCILIATION OF NON-GAAP FINANCIAL MEASURES TO
COMPARABLE GAAP MEASURES**
(unaudited, in thousands, except per share amounts)

The following is a reconciliation of the non-GAAP financial measures used by RealPage to describe its financial results determined in accordance with accounting principles generally accepted in the United States of America ("GAAP"). An explanation of these measures is also included under the heading "Explanation of Non-GAAP Financial Measures."

While the company believes that these non-GAAP financial measures provide useful supplemental information to investors regarding the underlying performance of our business operations, investors are reminded to consider these non-GAAP measures in addition to, and not as a substitute for, financial performance measures prepared in accordance with GAAP. In addition, it should be noted that these non-GAAP financial measures may be different from non-GAAP measures used by other companies, and the company may utilize other measures to illustrate performance in the future. Non-GAAP measures have limitations in that they do not reflect all of the amounts associated with our results of operations as determined in accordance with GAAP.

Non-GAAP Total Revenue

Set forth below is a presentation of the company's "Non-GAAP Total Revenue." Please reference the "Explanation of Non-GAAP Financial Measures" section.

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2020	2019	2020	2019
Revenue (GAAP)	\$ 285,607	\$ 243,861	\$ 562,280	\$ 478,167
Acquisition-related deferred revenue	425	157	825	381
Non-GAAP Total Revenue	<u>\$ 286,032</u>	<u>\$ 244,018</u>	<u>\$ 563,105</u>	<u>\$ 478,548</u>

Adjusted Gross Profit

Set forth below is a presentation of the company's "Adjusted Gross Profit." Please reference the "Explanation of Non-GAAP Financial Measures" section.

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2020	2019	2020	2019
Gross profit (GAAP)	\$ 160,363	\$ 138,253	\$ 314,354	\$ 272,851
Acquisition-related deferred revenue	425	157	825	381
Depreciation	3,830	4,017	7,610	7,688
Amortization of product technologies	14,531	9,900	28,303	19,414
Organizational realignment	255	-	453	-
Stock-based expense	2,257	1,447	4,267	2,778
Adjusted Gross Profit	<u>\$ 181,661</u>	<u>\$ 153,774</u>	<u>\$ 355,812</u>	<u>\$ 303,112</u>

Adjusted EBITDA

Set forth below is a presentation of the company's "Adjusted EBITDA." Please reference the "Explanation of Non-GAAP Financial Measures" section.

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2020	2019	2020	2019
Net income (GAAP)	\$ 11,301	\$ 15,063	\$ 16,906	\$ 26,335
Acquisition-related deferred revenue	425	157	825	381
Depreciation, asset impairment, and loss on disposal of assets	8,566	8,697	16,949	17,457
Amortization of product technologies and intangible assets	25,778	20,302	50,969	39,652
Change in fair value of equity investment	-	-	-	(2,600)
Acquisition-related expense	3,137	376	6,861	405
Organizational realignment	1,220	-	2,431	-
Regulatory and legal matters	2,150	352	2,509	352
Stock-based expense	12,331	15,865	28,532	30,778
Interest expense, net	13,129	8,241	26,034	16,822
Income tax expense (benefit)	1,867	(822)	(634)	3,825
Adjusted EBITDA	<u>\$ 79,904</u>	<u>\$ 68,231</u>	<u>\$ 151,382</u>	<u>\$ 133,407</u>

Non-GAAP Product Development Expense

Set forth below is a presentation of the company's "Non-GAAP Product Development Expense." Please reference the "Explanation of Non-GAAP Financial Measures" section.

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2020	2019	2020	2019
Product development expense (GAAP)	\$ 31,433	\$ 28,151	\$ 62,981	\$ 58,048
Less: Organizational realignment	465	-	698	-
Stock-based expense	1,629	2,016	3,566	4,496
Non-GAAP Product Development Expense	<u>\$ 29,339</u>	<u>\$ 26,135</u>	<u>\$ 58,717</u>	<u>\$ 53,552</u>

Non-GAAP Sales and Marketing Expense

Set forth below is a presentation of the company's "Non-GAAP Sales and Marketing Expense." Please reference the "Explanation of Non-GAAP Financial Measures" section.

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2020	2019	2020	2019
Sales and marketing expense (GAAP)	\$ 49,424	\$ 49,120	\$ 104,081	\$ 93,943
Less: Organizational realignment	278	-	889	-
Stock-based expense	2,296	6,383	8,184	11,733
Non-GAAP Sales and Marketing Expense	<u>\$ 46,850</u>	<u>\$ 42,737</u>	<u>\$ 95,008</u>	<u>\$ 82,210</u>

Non-GAAP General and Administrative Expense

Set forth below is a presentation of the company's "Non-GAAP General and Administrative Expense." Please reference the "Explanation of Non-GAAP Financial Measures" section.

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2020	2019	2020	2019
General and administrative expense (GAAP)	\$ 42,399	\$ 28,310	\$ 82,927	\$ 56,453
Less: Organizational realignment	222	-	391	-
Asset impairment and (gain) loss on disposal of assets	-	(17)	12	269
Acquisition-related expense	3,137	376	6,861	405
Regulatory and legal matters	2,150	352	2,509	352
Stock-based expense	6,149	6,019	12,515	11,771
Non-GAAP General and Administrative Expense	<u>\$ 30,741</u>	<u>\$ 21,580</u>	<u>\$ 60,639</u>	<u>\$ 43,656</u>

Non-GAAP Operating Expense

Set forth below is a presentation of the company's "Non-GAAP Operating Expense." Please reference the "Explanation of Non-GAAP Financial Measures" section.

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2020	2019	2020	2019
Operating expense (GAAP)	\$ 134,503	\$ 115,983	\$ 272,655	\$ 228,682
Less: Organizational realignment	965	-	1,978	-
Asset impairment and (gain) loss on disposal of assets	-	(17)	12	269
Amortization of intangible assets	11,247	10,402	22,666	20,238
Acquisition-related expense	3,137	376	6,861	405
Regulatory and legal matters	2,150	352	2,509	352
Stock-based expense	10,074	14,418	24,265	28,000
Non-GAAP Operating Expense	<u>\$ 106,930</u>	<u>\$ 90,452</u>	<u>\$ 214,364</u>	<u>\$ 179,418</u>

Non-GAAP Operating Income

Set forth below is a presentation of the company's "Non-GAAP Operating Income." Please reference the "Explanation of Non-GAAP Financial Measures" section.

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2020	2019	2020	2019
Operating income (GAAP)	\$ 25,860	\$ 22,270	\$ 41,699	\$ 44,169
Acquisition-related deferred revenue	425	157	825	381
Asset impairment and (gain) loss on disposal of assets	-	(17)	12	269
Amortization of product technologies and intangible assets	25,778	20,302	50,969	39,652
Acquisition-related expense	3,137	376	6,861	405
Organizational realignment	1,220	-	2,431	-
Regulatory and legal matters	2,150	352	2,509	352
Stock-based expense	12,331	15,865	28,532	30,778
Non-GAAP Operating Income	<u>\$ 70,901</u>	<u>\$ 59,305</u>	<u>\$ 133,838</u>	<u>\$ 116,006</u>

Non-GAAP Net Income

Set forth below is a presentation of the company's "Non-GAAP Net Income" and "Non-GAAP Net Income per Diluted Share." Please reference the "Explanation of Non-GAAP Financial Measures" section.

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2020	2019	2020	2019
Net income (GAAP)	\$ 11,301	\$ 15,063	\$ 16,906	\$ 26,335
Income tax expense (benefit)	1,867	(822)	(634)	3,825
Income before income taxes	13,168	14,241	16,272	30,160
Acquisition-related deferred revenue	425	157	825	381
Asset impairment and (gain) loss on disposal of assets	-	(17)	12	269
Amortization of product technologies and intangible assets	25,778	20,302	50,969	39,652
Change in fair value of equity investment	-	-	-	(2,600)
Acquisition-related expense	3,137	376	6,861	405
Organizational realignment	1,220	-	2,431	-
Regulatory and legal matters	2,150	352	2,509	352
Amortization of convertible notes' discount	4,183	2,717	7,021	5,393
Stock-based expense	12,331	15,865	28,532	30,778
Non-GAAP income before income taxes	62,392	53,993	115,432	104,790
Assumed rate for income tax expense (1)	24.0 %	26.0 %	24.0 %	26.0 %
Assumed provision for non-GAAP income tax expense	14,974	14,038	27,704	27,245
Non-GAAP Net Income	<u>\$ 47,418</u>	<u>\$ 39,955</u>	<u>\$ 87,728</u>	<u>\$ 77,545</u>
Net income per diluted share	\$ 0.11	\$ 0.16	\$ 0.17	\$ 0.27
Non-GAAP Net Income per Diluted Share	\$ 0.49	\$ 0.43	\$ 0.92	\$ 0.83
Weighted average outstanding shares - basic	95,752	91,914	94,203	91,703
Non-GAAP Adjusted Diluted Weighted Average Shares Outstanding:				
Weighted average outstanding shares - diluted	100,254	96,493	98,143	96,036
Dilution offset from convertible note hedge transactions	(2,755)	(2,528)	(2,462)	(2,368)
Non-GAAP Diluted Weighted Average Shares Outstanding ⁽²⁾	<u>97,499</u>	<u>93,965</u>	<u>95,681</u>	<u>93,668</u>

Non-GAAP On Demand Revenue

Set forth below is a presentation of the company's "Non-GAAP On Demand Revenue." Please reference the "Explanation of Non-GAAP Financial Measures" section.

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2020	2019	2020	2019
On demand revenue (GAAP)	\$ 278,559	\$ 235,185	\$ 547,030	\$ 461,704
Acquisition-related deferred revenue	425	157	825	381
Non-GAAP On Demand Revenue	<u>\$ 278,984</u>	<u>\$ 235,342</u>	<u>\$ 547,855</u>	<u>\$ 462,085</u>

Ending On Demand Units, Average On Demand Units, ACV, and RPU

Set forth below is a presentation of the company's "Ending On Demand Units," "Average On Demand Units," "ACV," and "RPU." Please reference the "Explanation of Non-GAAP Financial Measures" section.

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2020	2019	2020	2019
Ending on demand units	18,880	16,505	18,880	16,505
Average on demand units	18,844	16,453	18,743	16,382
ACV	\$ 1,118,074	\$ 942,436		
RPU	\$ 59.22	\$ 57.10		

Non-GAAP Total Revenue Guidance

Set forth below is a presentation of the company's "Non-GAAP Total Revenue" guidance for the three months ending September 30, 2020, and the twelve months ending December 31, 2020. Please reference the "Explanation of Non-GAAP Financial Measures" section.

	Guidance Range for the Three Months Ending		Guidance Range for the Twelve Months Ending	
	September 30, 2020		December 31, 2020	
	Low ⁽³⁾	High ⁽³⁾	Low ⁽³⁾	High ⁽³⁾
Revenue (GAAP)	\$ 287,710	\$ 293,710	\$ 1,133,710	\$ 1,153,710
Acquisition-related deferred revenue	290	290	1,290	1,290
Non-GAAP Total Revenue	\$ 288,000	\$ 294,000	\$ 1,135,000	\$ 1,155,000

Non-GAAP Net Income Guidance

Set forth below is a presentation of the company's "Non-GAAP Net Income" and "Non-GAAP Net Income per Diluted Share" guidance for the three months ending September 30, 2020, and the twelve months ending December 31, 2020. Please reference the "Explanation of Non-GAAP Financial Measures" section.

	Guidance Range for the Three Months Ending		Guidance Range for the Twelve Months Ending	
	September 30, 2020		December 31, 2020	
	Low ⁽³⁾	High ⁽³⁾	Low ⁽³⁾	High ⁽³⁾
Non-GAAP Net Income:				
Net income (GAAP)	\$ 5,602	\$ 9,982	\$ 30,230	\$ 38,908
Income tax expense	1,188	2,558	2,990	5,762
Income before income taxes	6,790	12,540	33,220	44,670
Acquisition-related deferred revenue	290	290	1,290	1,290
Asset impairment and loss on disposal of assets	-	-	20	20
Amortization of product technologies and intangible assets	25,300	24,900	101,480	100,680
Acquisition-related expense	1,540	1,440	9,920	9,620
Organizational realignment	750	500	3,480	3,130
Regulatory and legal matters	-	-	2,510	2,510
Amortization of convertible notes' discount	5,960	5,960	19,040	19,040
Stock-based expense	16,260	15,860	58,770	57,970
Non-GAAP income before income taxes	56,890	61,490	229,730	238,930
Expected effective tax rate ⁽¹⁾	24.0%	24.0%	24.0%	24.0%
Assumed provision for income tax expense	13,654	14,758	55,135	57,343
Non-GAAP Net Income	\$ 43,236	\$ 46,732	\$ 174,595	\$ 181,587
Net income per diluted share	\$ 0.05	\$ 0.10	\$ 0.30	\$ 0.38
Non-GAAP Net Income per Diluted Share	\$ 0.43	\$ 0.46	\$ 1.77	\$ 1.84
Non-GAAP Adjusted Diluted Weighted Average Shares Outstanding:				
Weighted average outstanding shares - diluted	104,703	104,703	101,448	101,448
Dilution offset from convertible note hedge transactions	(3,151)	(3,151)	(2,843)	(2,843)
Non-GAAP Diluted Weighted Average Shares Outstanding ⁽²⁾	101,552	101,552	98,605	98,605

Adjusted EBITDA Guidance

Set forth below is a presentation of the company's "Adjusted EBITDA" guidance for the three months ending September 30, 2020, and the twelve months ending December 31, 2020. Please reference the "Explanation of Non-GAAP Financial Measures" section.

	Guidance Range for the Three Months Ending		Guidance Range for the Twelve Months Ending	
	September 30, 2020		December 31, 2020	
	Low ⁽³⁾	High ⁽³⁾	Low ⁽³⁾	High ⁽³⁾
Adjusted EBITDA:				
Net income (GAAP)	\$ 5,602	\$ 9,982	\$ 30,230	\$ 38,908
Acquisition-related deferred revenue	290	290	1,290	1,290
Depreciation, asset impairment, and loss on disposal of assets	8,970	8,770	35,130	34,730
Amortization of product technologies and intangible assets	25,300	24,900	101,480	100,680
Acquisition-related expense	1,540	1,440	9,920	9,620
Organizational realignment	750	500	3,480	3,130
Regulatory and legal matters	-	-	2,510	2,510
Stock-based expense	16,260	15,860	58,770	57,970
Interest expense, net	14,100	13,700	54,200	53,400
Income tax expense	1,188	2,558	2,990	5,762
Adjusted EBITDA	<u>\$ 74,000</u>	<u>\$ 78,000</u>	<u>\$ 300,000</u>	<u>\$ 308,000</u>

- (1) For 2020 guidance purposes, the company uses a 24.0% tax rate to approximate the company's long-term effective corporate tax rate. Please reference the "Explanation of Non-GAAP Financial Measures" section.
- (2) It is the current intent of the company to settle conversions of the convertible notes through combination settlement, which involves repayment of the principal portion in cash and any excess of the conversion value over the principal amount in shares of our common stock. We exclude these shares that are issuable upon conversions of our convertible notes because we expect that the dilution from such shares will be offset by the convertible note hedge transactions and capped call transactions entered into in May 2017 and May 2020, respectively, in connection with the issuance of the convertible notes.
- (3) Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. The company may be required to revise its results upon finalizing its review of quarterly and full year results, which could cause or contribute to such differences. All information provided in this release is as of the date hereof and RealPage, Inc. undertakes no duty to update this information except as required by law. See additional discussion under "Cautionary Statement Regarding Forward-Looking Statements" above.