

# Q3 2018 FINANCIAL RESULTS

NOVEMBER 2018

# FORWARD LOOKING STATEMENT

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This presentation contains “forward-looking” statements relating to RealPage, Inc.’s strategy, goals and focus; expected, possible or assumed future results including its financial outlook for the fourth quarter and calendar year ending December 31, 2018; progress toward and expected early achievement of its 2020 financial goals; its 2022 revenue and adjusted EBITDA objectives of \$1.5 billion and \$500 million, respectively; the ability of its data assets to drive present and future growth and the enhanced functionality of certain data services; megatrend opportunities that are expected to accelerate growth; and expected benefits related to previous acquisitions. These forward-looking statements are based on management’s beliefs and assumptions and on information currently available to management.

Forward-looking statements include all statements that are not historical facts and may be identified by terms such as “expects,” “believes,” “plans,” or similar expressions and the negatives of those terms. These 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. RealPage may be required to revise its results contained herein upon finalizing its review of quarterly and full-year results and completion of the annual audit, which could cause or contribute to such differences. Additional factors that could cause or contribute to such differences include, but are not limited to, the following: (a) the possibility that general economic conditions, including leasing velocity or uncertainty, could cause information technology spending, particularly in the rental housing industry, to be reduced or purchasing decisions to be delayed; (b) an increase in insurance claims; (c) an increase in client cancellations; (d) the inability to increase sales to existing clients and to attract new clients; (e) RealPage’s failure to integrate acquired businesses and any recent or future acquisitions successfully or to achieve expected synergies, including the recently completed acquisitions of ClickPay, BluTrend, LeaseLabs and Rentlytics; (f) the timing and success of new product introductions by RealPage or its competitors; (g) changes in RealPage’s pricing policies or those of its competitors; (h) legal or regulatory proceedings; (i) the inability to achieve revenue growth or to enable margin expansion; (j) changes in RealPage’s estimates with respect to its long-term corporate tax rate or any other impact from the recently enacted Tax Cuts and Jobs Act; and (k) such other risks and uncertainties described more fully in documents filed with or furnished to the Securities and Exchange Commission (“SEC”) by RealPage, including its Annual Report on Form 10-K previously filed with the SEC on March 1, 2018 and its Quarterly Report on Form 10-Q previously filed with the SEC on August 6, 2018. All information provided in this release is as of the date hereof and RealPage undertakes no duty to update this information except as required by law.

# REALPAGE®

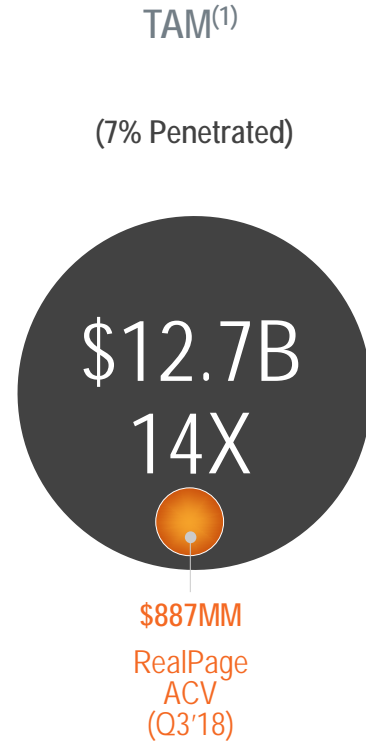
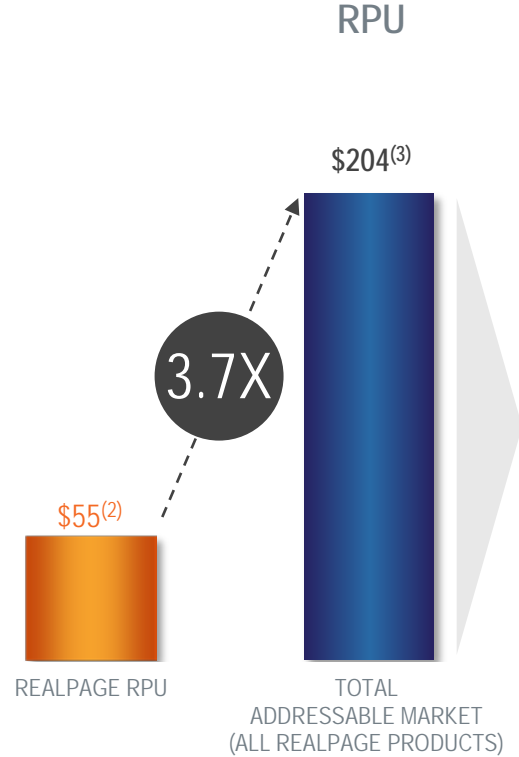
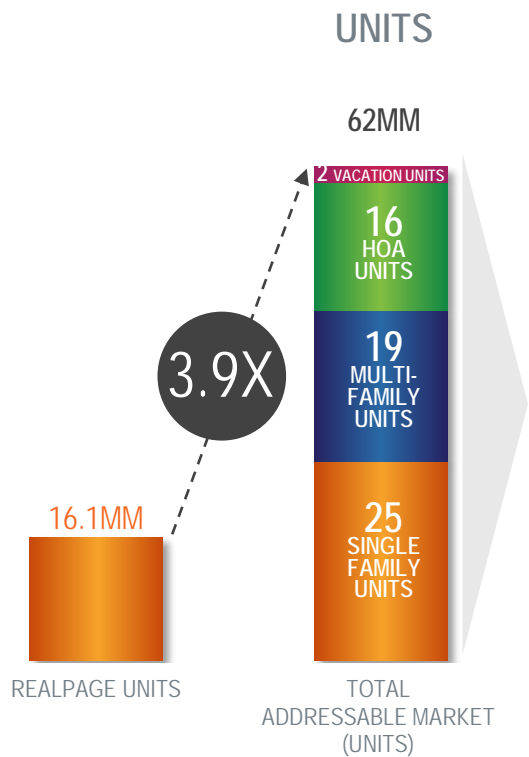
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A global software and data analytics company that improves the operational and transactional performance of real estate assets.



# SELL MORE NEW UNITS

# CROSS-SELL HIGHER RPU



# 2018 PROGRESS

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- Strong financial results across the board
- Ahead of pace needed to achieve 2020 goal of \$1 billion in revenue and \$300 million of adjusted EBITDA
- Innovation & Simplification ~ North Star
- Established 2022 objective of \$1.5 billion in revenue and \$500 million in adjusted EBITDA

# SUSTAINING GROWTH

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- Scale ~ possess largest platform in rental housing industry with 16.1 million units with superior go-to-market infrastructure
- Data drives present, future
  - Industry leading revenue management platform ~ Asset Optimization
  - Rental payment database accurately predicts default; AI to reduce risk further ~ Screening
  - Machine learning dramatically improves criminal matching capabilities, reduces false positives to under 0.2% ~ Screening
  - Lead scoring identifies most likely leads to convert to lease ~ Leasing & Marketing
  - Financial benchmarking enables transparency into revenue and operating expenses ~ Asset Optimization
  - Machine learning enables amenity pricing ~ Asset Optimization
  - Empirical property classification system using regressed rent per square foot as proxy for quality
  - Acquisition of Rentlytics expands data footprint, extends BI and PA platform by nearly 1.0 million units ~ Asset Optimization

# MEGATREND OPPORTUNITIES TO ACCELERATE GROWTH

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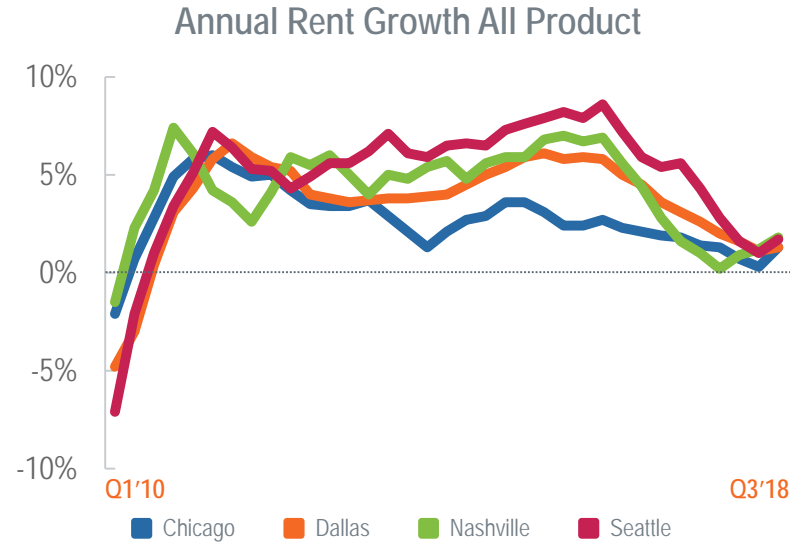
- AI ~ predictive and prescriptive actions to drive outperformance
- Opportunities to expand platform into other areas of real estate ~ international, HOA, etc.
- Data transparency to transactional side of real estate
- GoDirect strategy
- Kigo Hospitality
- Monetizing the resident

# MACROECONOMIC TRENDS:

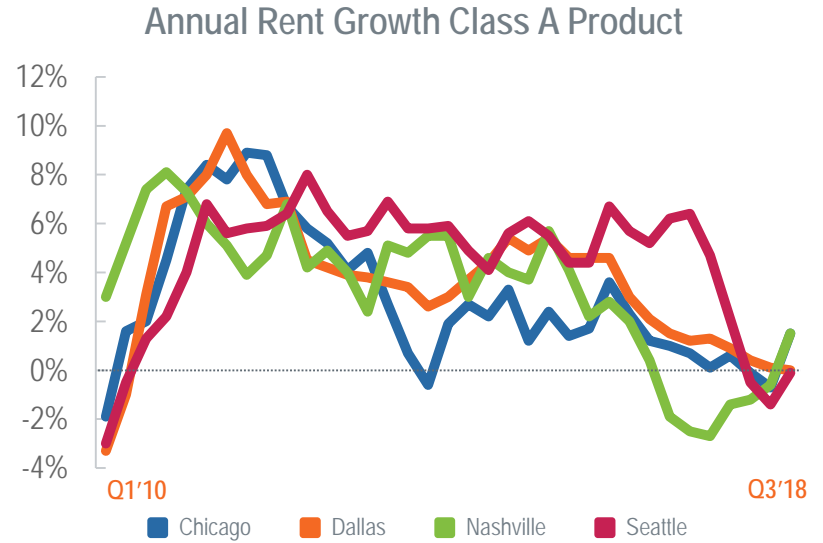
## RENTAL APARTMENT HOUSING MARKET STABILIZING

- Rents grew 3.0% in Q3'18, compared to 2.7% in Q3'17

- Occupancy at 95.8%, compared with 95.3% in Q3'17



Source: MPF Research and AxioMetrics data.



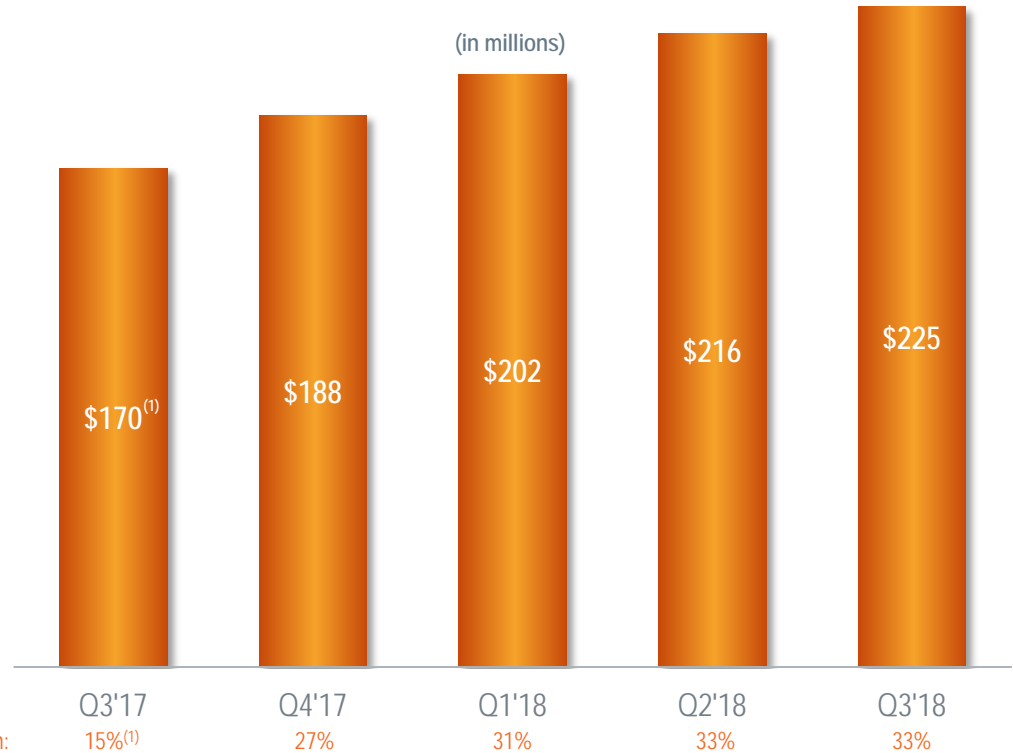
Source: MPF Research and AxioMetrics data.



# Q3'18 FINANCIAL SUMMARY

- Strong Q3'18 financial results
- Total Non-GAAP revenue growth of 33% YOY
- Adjusted EBITDA margin expansion of approximately 270 basis points YOY
- North Star focus driving profitability and accelerating organic revenue growth
- Capital strategy driving cost-effective structure and deployment of capital to drive highest risk-adjusted returns

## Non-GAAP Total Revenue



# ACQUISITIONS

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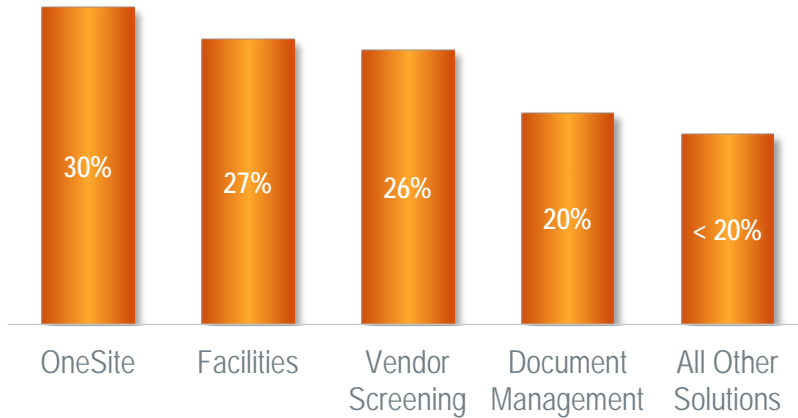
- 2017 acquisition cohort exceeding revenue expectations
- Back-office and client-facing integration nearing completion
- IT integration nearing completion for AxioMetrics and AUM, LRO and On-Site on schedule for completion by end of 2018
- 2017 acquisition cohort in-line with target of 10x by end of 2018

## 2017 Acquisition Cohort

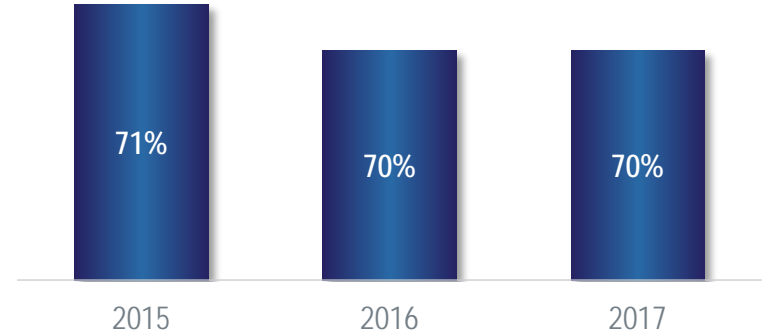
Purchase Price	\$701MM
Transaction Revenue Multiple	5.2x
Transaction EBITDA Multiple	32.3x
Target EBITDA Valuation	10.0x

# PROPERTY MANAGEMENT

Percent Penetrated Into 14.1MM Rental Units<sup>(1)</sup>



Estimated Relative Gross Margin<sup>(2)</sup>

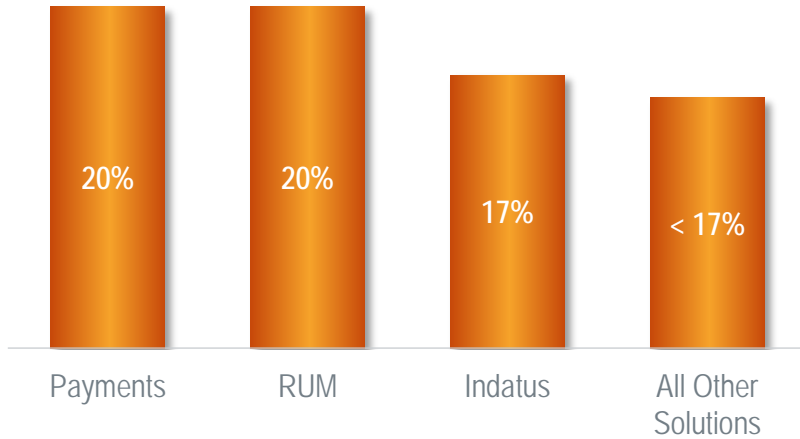


<sup>(1)</sup> Unit overlap exists across solutions.

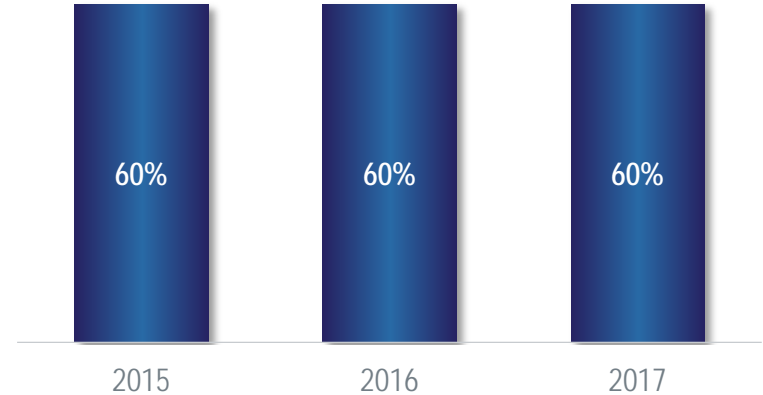
<sup>(2)</sup> Based on Company estimates of certain shared costs allocated to the product category based upon revenue contribution and excludes depreciation, amortization of product technologies, and stock-based expense.

# RESIDENT SERVICES

Percent Penetrated Into 14.1MM Rental Units<sup>(1)</sup>



Estimated Relative Gross Margin<sup>(2)</sup>

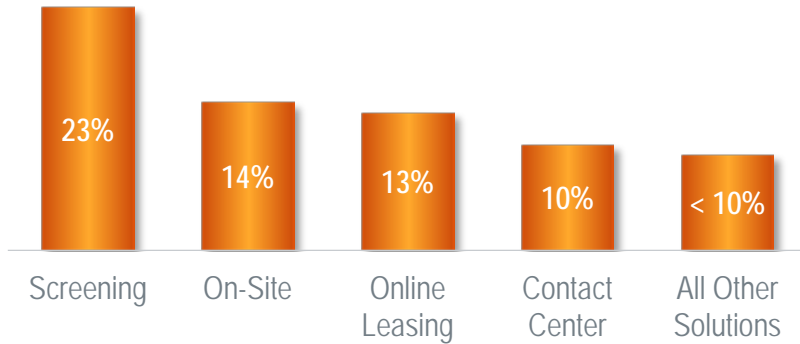


<sup>(1)</sup> Unit overlap exists across solutions.

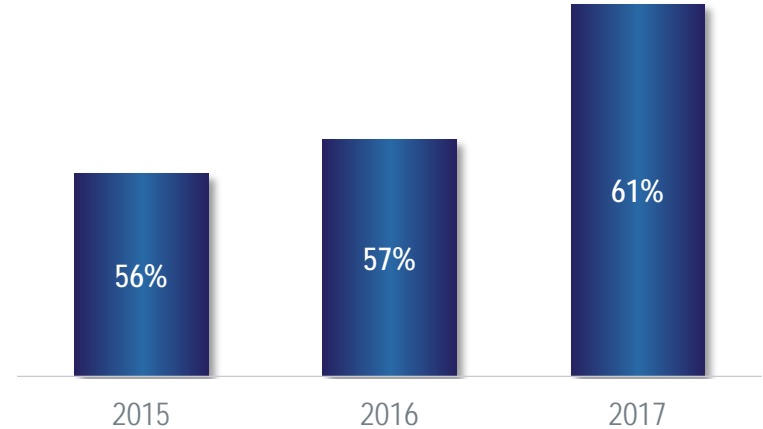
<sup>(2)</sup> Based on Company estimates of certain shared costs allocated to the product category based upon revenue contribution and excludes depreciation, amortization of product technologies, and stock-based expense.

# LEASING AND MARKETING

Percent Penetrated Into 14.1MM Rental Units<sup>(1)</sup>



Estimated Relative Gross Margin<sup>(2)</sup>

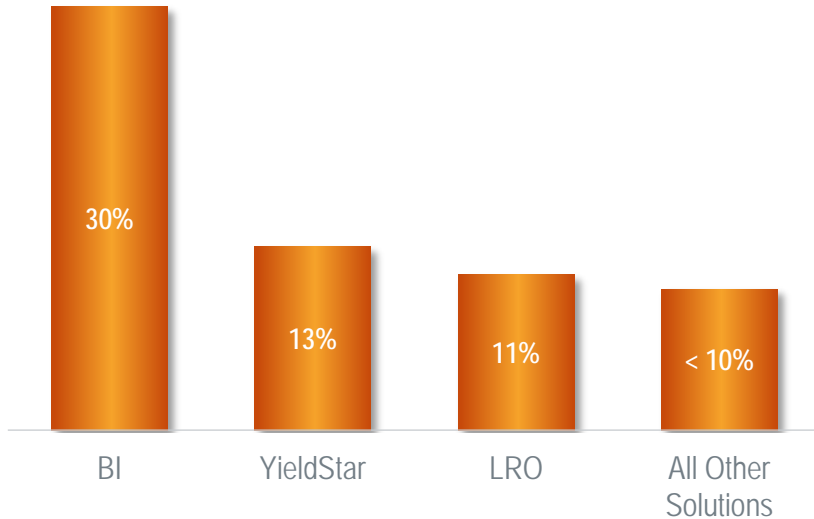


<sup>(1)</sup> Unit overlap exists across solutions.

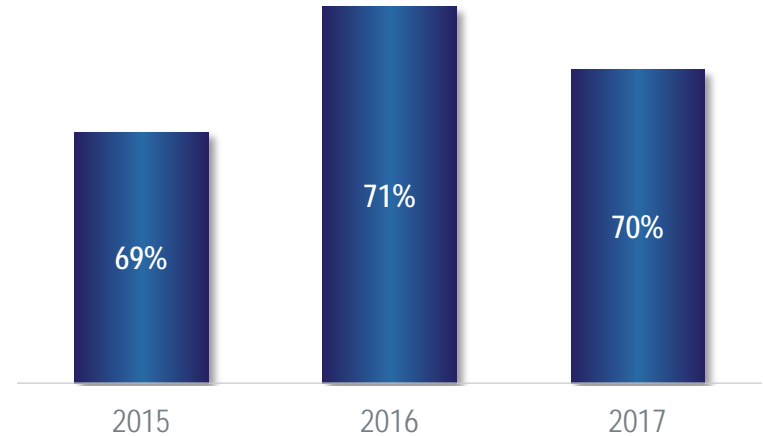
<sup>(2)</sup> Based on Company estimates of certain shared costs allocated to the product category based upon revenue contribution and excludes depreciation, amortization of product technologies, and stock-based expense.

# ASSET OPTIMIZATION

Percent Penetrated Into 14.1MM Units<sup>(1)</sup>



Estimated Relative Gross Margin<sup>(2)</sup>



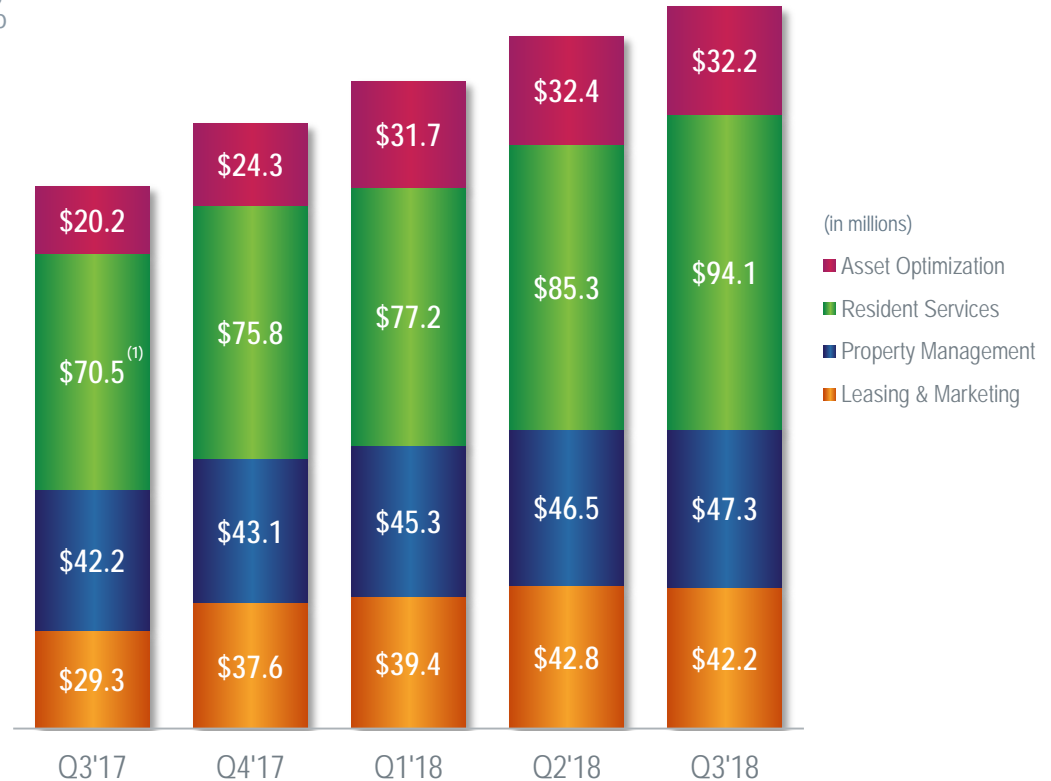
<sup>(1)</sup> Unit overlap exists across solutions.

<sup>(2)</sup> Based on Company estimates of certain shared costs allocated to the product category based upon revenue contribution and excludes depreciation, amortization of product technologies, and stock-based expense.

# PRODUCT FAMILY QUARTERLY FINANCIAL HIGHLIGHTS

- Q3'18 Non-GAAP on-demand growth of 33% driven by:

- Property Management – 12% YOY growth
- Resident Services – 33% YOY growth
- Leasing & Marketing – 44% YOY growth
- Asset Optimization – 59% YOY growth



\*See the appendix section of this presentation for a reconciliation of GAAP to Non-GAAP measures.

<sup>(1)</sup> Includes a \$3.4 million impact from the company's renters' insurance solution related to hurricanes Harvey and Irma.

# LAND AND EXPAND

- Total ACV of \$887 million – 25% YOY growth
- Top 100 ACV clients average RPU of \$69 or \$90 excluding HOA
- Consistent growth across all client segments

	2015	2016	2017	Q3'18
ACV	\$469.7	\$566.3	\$751.2	\$886.7
UNITS	10.6	11.0	13.0	16.1
RPU	\$44.45	\$51.53	\$57.77	\$55.17

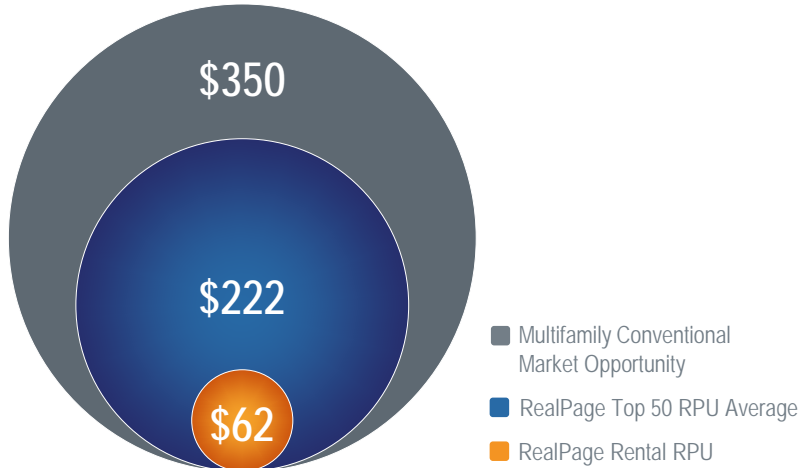
ACV (in millions)





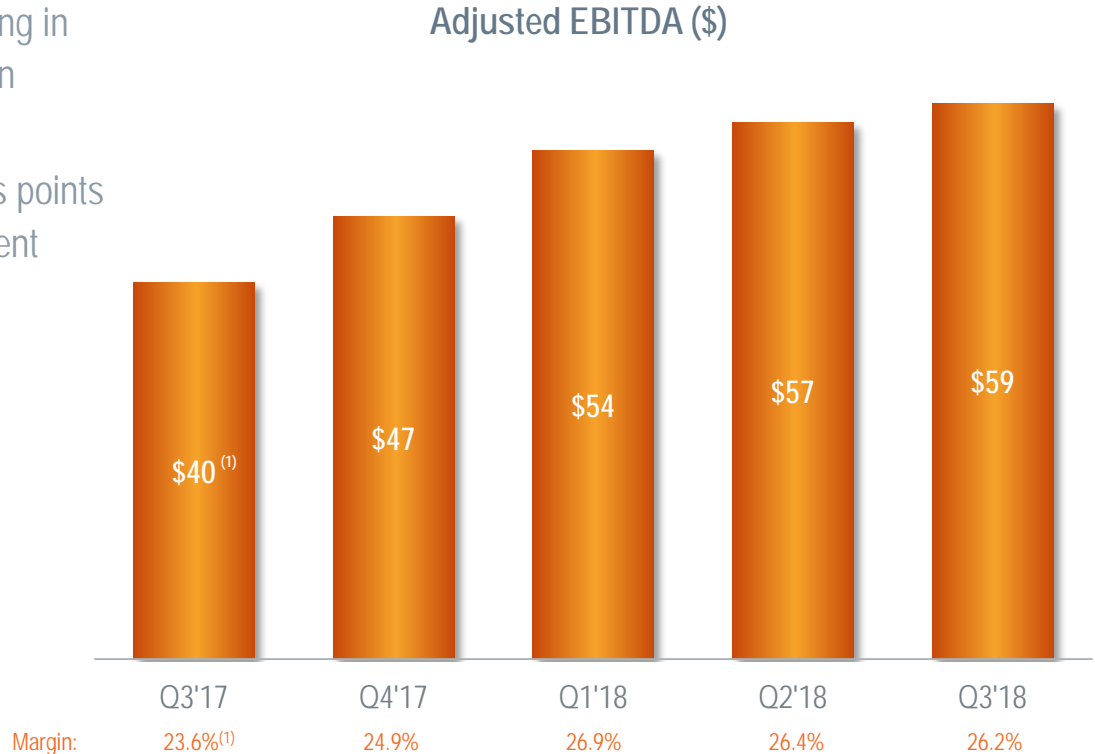
# TOP 50 RPU CLIENTS

- Average \$222 in RPU in Q3'18
- Average RPU of \$222 is over 4.0X aggregate RP RPU of \$55



# QUARTERLY PROFITABILITY

- Adjusted EBITDA growth of 48%, resulting in approximately 270 basis points of margin expansion YOY
- Margin expansion diluted over 200 basis points YOY by innovation investments and recent acquisitions



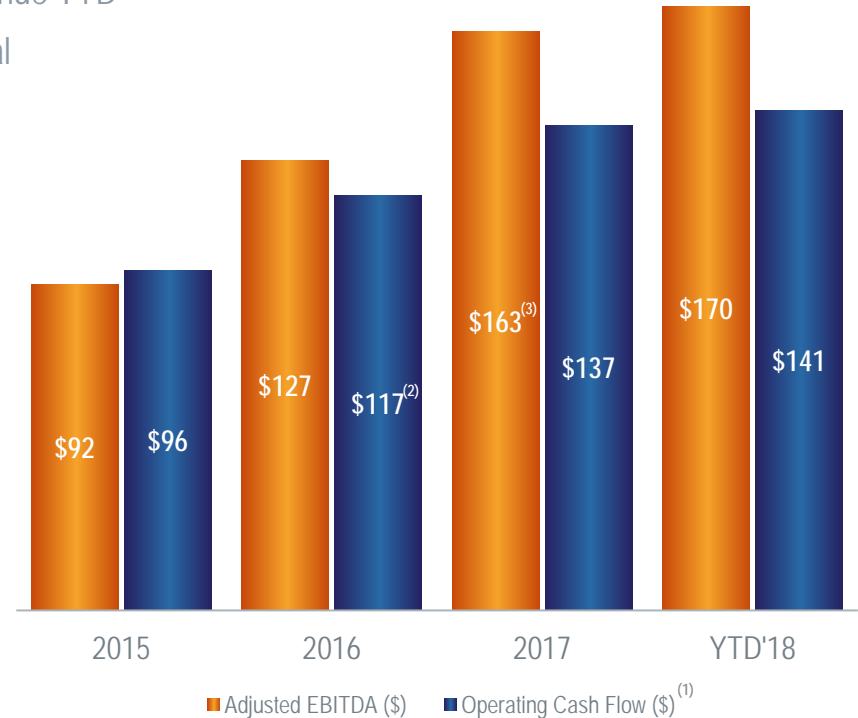
\*See the appendix section of this presentation for a reconciliation of GAAP to Non-GAAP measures.

<sup>(1)</sup> Includes a \$3.4 million impact from the company's renters' insurance solution related to hurricanes Harvey and Irma.

# LIQUIDITY AND OPERATING CASH FLOW

- Cash flow from operations was \$141.4<sup>(1)</sup> million for YTD'18
- Capital expenditures of \$37.3 million for YTD'18, 5.8% of revenue YTD
- Recently strengthened capital structure and added incremental capital from equity offering

(millions)	Q3 '17	Q3 '18
<b>BALANCE SHEET</b>		
CASH AND CASH EQUIVALENTS	\$109.3	\$279.9
DEBT	\$397.7	\$597.5
<b>CASH FLOW</b>		
OPERATING CASH FLOW <sup>(1)</sup>	\$25.8	\$44.3
CAPITAL EXPENDITURES	\$11.4	\$14.8
<b>LEVERAGE</b>		
PROFORMA LEVERAGE	2.9x	3.0x



<sup>(1)</sup> Excludes the impact resulting from changes in restricted cash relating to accounting treatment changes.

<sup>(2)</sup> Includes the accounting treatment of tenant reimbursements related to headquarters of ~\$19 million.

<sup>(3)</sup> Includes a \$3.4 million impact from the company's renters' insurance solution related to hurricanes Harvey and Irma. 19

\*See the appendix section of this presentation for a reconciliation of GAAP to Non-GAAP measures.

# 2018 EXPECTATIONS & FINANCIAL SUMMARY

- Q4'18 Non-GAAP total revenue of \$227.5 million to \$230.5 million
- Q4'18 Adjusted EBITDA of \$59.3 million to \$60.8 million
- Q4'18 Non-GAAP diluted EPS of \$0.37 to \$0.38
- FY'18 Non-GAAP total revenue of \$870.8 million to \$873.8 million
- FY'18 Adjusted EBITDA of \$229.6 million to \$231.1 million
- FY'18 Non-GAAP diluted EPS of \$1.48 to \$1.50



\*See the appendix section of this presentation for a reconciliation of GAAP to Non-GAAP measures.

# APPENDIX

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# RECONCILIATION OF NON-GAAP FINANCIAL MEASURES TO COMPARABLE GAAP MEASURES

## RECONCILIATION OF NON-GAAP FINANCIAL MEASURES TO COMPARABLE GAAP MEASURES

(unaudited, in thousands, except per share data)

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.

	Q1'16	Q2'16	Q3'16	Q4'16	2016	Q1'17	Q2'17	Q3'17	Q4'17	2017	Q1'18	Q2'18	Q3'18	YTD'18
Revenue (GAAP)	\$ 128,383	\$ 142,719	\$ 147,955	\$ 149,071	\$ 568,128	\$ 152,919	\$ 161,306	\$ 169,058	\$ 187,680	\$ 670,963	\$ 201,301	\$ 216,252	\$ 224,953	\$ 642,506
Acquisition-related and other deferred revenue	(343)	(258)	(161)	(187)	(949)	705	945	698	710	3,058	313	103	418	834
Non-GAAP Total Revenue	<u>\$ 128,040</u>	<u>\$ 142,461</u>	<u>\$ 147,794</u>	<u>\$ 148,884</u>	<u>\$ 567,179</u>	<u>\$ 153,624</u>	<u>\$ 162,251</u>	<u>\$ 169,756</u>	<u>\$ 188,390</u>	<u>\$ 674,021</u>	<u>\$ 201,614</u>	<u>\$ 216,355</u>	<u>\$ 225,371</u>	<u>\$ 643,340</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.

	Q1'16	Q2'16	Q3'16	Q4'16	2016	Q1'17	Q2'17	Q3'17	Q4'17	2017	Q1'18	Q2'18	Q3'18	YTD'18
Net income (loss) (GAAP)	\$ 2,996	\$ 2,083	\$ 4,210	\$ 7,361	\$ 16,650	\$ 8,195	\$ 6,213	\$ 6,834	\$ (20,865)	\$ 377	\$ 10,901	\$ 8,479	\$ 9,073	\$ 28,453
Acquisition-related and other deferred revenue	(343)	(258)	(161)	(187)	(949)	705	945	698	710	3,058	313	103	418	834
Depreciation, asset impairment, and loss on disposal of assets	5,496	6,563	7,119	6,635	25,813	6,675	6,929	7,331	6,817	27,752	7,818	7,662	9,286	24,766
Amortization of product technologies and intangible assets	7,111	7,737	7,847	7,573	30,268	7,789	8,227	9,335	14,567	39,918	16,384	17,623	18,684	52,691
Acquisition-related expense (income)	(57)	(9)	(266)	695	363	1,210	1,354	485	2,508	5,557	1,007	1,168	519	2,694
Costs related to the Hart-Scott-Rodino review process	—	—	—	—	—	481	2,228	5,993	2,310	11,012	—	—	78	78
Interest expense, net	719	1,090	1,079	937	3,825	1,120	2,804	4,813	6,335	15,072	7,721	8,584	6,874	23,179
Income tax expense (benefit)	2,114	1,545	3,540	3,637	10,836	811	(3,132)	(7,273)	24,458	14,864	(301)	(189)	683	193
Headquarters relocation costs	1,025	1,174	1,353	—	3,552	—	—	—	—	—	—	—	—	—
Stock-based expense	8,391	10,737	8,255	9,469	36,852	10,092	13,876	11,764	10,103	45,835	10,318	13,695	13,479	37,492
Adjusted EBITDA	<u>\$ 27,452</u>	<u>\$ 30,662</u>	<u>\$ 32,976</u>	<u>\$ 36,120</u>	<u>\$ 127,210</u>	<u>\$ 37,078</u>	<u>\$ 39,444</u>	<u>\$ 39,980</u>	<u>\$ 46,943</u>	<u>\$ 163,445</u>	<u>\$ 54,161</u>	<u>\$ 57,125</u>	<u>\$ 59,094</u>	<u>\$ 170,380</u>

# RECONCILIATION OF NON-GAAP FINANCIAL MEASURES TO COMPARABLE GAAP MEASURES

## 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.

	Q1'16	Q2'16	Q3'16	Q4'16	2016	Q1'17	Q2'17	Q3'17	Q4'17	2017	Q1'18	Q2'18	Q3'18	YTD'18
Net income (loss) (GAAP)	\$ 2,996	\$ 2,083	\$ 4,210	\$ 7,361	\$ 16,650	\$ 8,195	\$ 6,213	\$ 6,834	\$ (20,865)	\$ 377	\$ 10,901	\$ 8,479	\$ 9,073	\$ 28,453
Income tax expense (benefit)	2,114	1,545	3,540	3,637	10,836	811	(3,132)	(7,273)	24,458	14,864	(301)	(189)	683	193
Income (loss) before income taxes	5,110	3,628	7,750	10,998	27,486	9,006	3,081	(439)	3,593	15,241	10,600	8,290	9,756	28,646
Acquisition-related and other deferred revenue	(343)	(258)	(161)	(187)	(949)	705	945	698	710	3,058	313	103	418	834
Asset impairment and loss on disposal of assets	—	85	914	248	1,247	24	63	385	52	524	942	156	2,341	3,439
Amortization of product technologies and intangible assets	7,111	7,737	7,847	7,573	30,268	7,789	8,227	9,335	14,567	39,918	16,384	17,623	18,684	52,691
Acquisition-related expense (income)	(57)	(9)	(266)	695	363	1,210	1,354	485	2,508	5,557	1,007	1,168	519	2,694
Costs related to the Hart-Scott-Rodino review process	—	—	—	—	—	481	2,228	5,993	2,310	11,012	—	—	78	78
Headquarters relocation costs	1,025	1,174	1,353	—	3,552	—	—	—	—	—	—	—	—	—
Amortization of convertible note discount	—	—	—	—	—	—	1,052	2,451	2,488	5,991	2,524	2,562	2,599	7,685
Stock-based expense	8,391	10,737	8,255	9,469	36,852	10,092	13,876	11,764	10,103	45,835	10,318	13,695	13,479	37,492
Non-GAAP income before income taxes	21,237	23,094	25,692	28,796	98,819	29,307	30,826	30,672	36,331	127,136	42,088	43,597	47,874	133,559
Assumed rate for income tax expense <sup>(1)</sup>	40.0 %	40.0 %	40.0 %	40.0 %	40.0 %	40.0 %	40.0 %	40.0 %	40.0 %	40.0 %	26.0 %	26.0 %	26.0 %	26.0 %
Assumed provision for non-GAAP income tax expense	8,495	9,238	10,277	11,518	39,528	11,723	12,330	12,269	14,532	50,854	10,943	11,335	12,447	34,725
Non-GAAP net income	\$ 12,742	\$ 13,856	\$ 15,415	\$ 17,278	\$ 59,291	\$ 17,584	\$ 18,496	\$ 18,403	\$ 21,799	\$ 76,282	\$ 31,145	\$ 32,262	\$ 35,427	\$ 98,834
Net income (loss) per diluted share	\$ 0.04	\$ 0.03	\$ 0.05	\$ 0.09	\$ 0.21	\$ 0.10	\$ 0.08	\$ 0.08	\$ (0.26)	\$ 0.00	\$ 0.13	\$ 0.09	\$ 0.09	\$ 0.31
Non-GAAP net income per diluted share	\$ 0.17	\$ 0.18	\$ 0.20	\$ 0.22	\$ 0.76	\$ 0.22	\$ 0.23	\$ 0.22	\$ 0.26	\$ 0.93	\$ 0.37	\$ 0.37	\$ 0.38	\$ 1.12
Weighted average outstanding shares - basic	76,656	76,363	76,823	77,566	76,854	78,263	79,018	79,838	80,583	79,433	81,166	85,124	91,222	85,874
Weighted average outstanding shares - diluted	77,147	77,161	78,124	79,116	77,843	81,386	81,925	82,760	83,464	82,398	84,817	90,005	96,590	90,451
Dilution offset from convertible note hedge transactions	—	—	—	—	—	—	—	—	(321)	(81)	(1,319)	(2,116)	(2,440)	(1,963)
Non-GAAP diluted weighted average shares outstanding <sup>(2)</sup>	77,147	77,161	78,124	79,116	77,843	81,386	81,925	82,760	83,143	82,317	83,498	87,889	94,150	88,488

# RECONCILIATION OF NON-GAAP FINANCIAL MEASURES TO COMPARABLE GAAP MEASURES

## Non-GAAP On Demand Revenue, Ending On Demand Units, Average On Demand Units, RPU and ACV

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

	Q1'16	Q2'16	Q3'16	Q4'16	2016	Q1'17	Q2'17	Q3'17	Q4'17	2017	Q1'18	Q2'18	Q3'18	YTD'18
On demand revenue (GAAP)	\$ 123,411	\$ 136,610	\$ 140,883	\$ 141,627	\$ 542,531	\$ 146,213	\$ 154,727	\$ 161,578	\$ 180,104	\$ 642,622	\$ 193,300	\$ 206,945	\$ 215,413	\$ 615,658
Acquisition-related and other deferred revenue	(343)	(258)	(161)	(187)	(949)	705	945	698	710	3,058	313	103	418	834
Non-GAAP on demand revenue	123,068	136,352	140,722	141,440	541,582	146,918	155,672	162,276	180,814	645,680	193,613	207,048	215,831	616,492
Ending on demand units	10,999	11,141	11,251	10,989	10,989	11,112	11,485	12,253	13,003	13,003	13,173	15,531	16,073	16,073
Average on demand units	10,783	11,070	11,196	11,120	11,042	11,050	11,298	11,869	12,628	11,711	13,088	14,352	15,802	14,414
RPU	\$ 48.10	\$ 49.27	\$ 50.28	\$ 51.53	\$ 51.53	\$ 53.65	\$ 56.51	\$ 57.85	\$ 57.77	\$ 57.77	\$ 59.17	\$ 53.95	\$ 55.17	\$ 55.17
ACV	\$ 529,052	\$ 548,917	\$ 565,700	\$ 566,263	\$ 566,263	\$ 596,159	\$ 649,017	\$ 708,836	\$ 751,183	\$ 751,183	\$ 779,446	\$ 837,897	\$ 886,747	\$ 886,747
	Q1'16	Q2'16	Q3'16	Q4'16	2016	Q1'17	Q2'17	Q3'17	Q4'17	2017	Q1'18	Q2'18	Q3'18	YTD'18
Property Management	\$ 36,282	\$ 38,467	\$ 39,023	\$ 39,118	\$ 152,890	\$ 40,341	\$ 41,404	\$ 42,175	\$ 43,082	\$ 167,002	\$ 45,319	\$ 46,522	\$ 47,307	\$ 139,148
% of Total	29%	28%	28%	28%	28%	27%	26%	26%	24%	26%	24%	22%	22%	23%
Y-O-Y growth	11%	14%	11%	10%	11%	11%	8%	8%	10%	9%	12%	12%	12%	12%
Resident Services	\$ 45,071	\$ 54,613	\$ 58,351	\$ 60,062	\$ 218,097	\$ 60,968	\$ 64,860	\$ 70,527	\$ 75,822	\$ 272,177	\$ 77,175	\$ 85,329	\$ 94,084	\$ 256,588
% of Total	37%	40%	41%	42%	40%	42%	42%	43%	42%	42%	40%	41%	44%	42%
Y-O-Y growth	36%	60%	50%	49%	49%	35%	19%	21%	26%	25%	27%	32%	33%	31%
Leasing and Marketing	\$ 28,925	\$ 29,618	\$ 29,451	\$ 27,562	\$ 115,556	\$ 27,815	\$ 29,324	\$ 29,334	\$ 37,563	\$ 124,036	\$ 39,434	\$ 42,845	\$ 42,198	\$ 124,477
% of Total	24%	22%	21%	20%	22%	19%	19%	18%	21%	19%	20%	21%	19%	20%
Y-O-Y growth	-2%	-3%	-2%	-3%	-3%	-4%	-1%	0%	36%	7%	42%	46%	44%	44%
Asset Optimization	\$ 12,790	\$ 13,654	\$ 13,897	\$ 14,698	\$ 55,039	\$ 17,794	\$ 20,084	\$ 20,240	\$ 24,347	\$ 82,465	\$ 31,685	\$ 32,352	\$ 32,242	\$ 96,279
% of Total	10%	10%	10%	10%	10%	12%	13%	13%	13%	13%	16%	16%	15%	15%
Y-O-Y growth	18%	17%	15%	20%	18%	39%	47%	46%	66%	50%	78%	61%	59%	66%
Subscription	\$ 110,464	\$ 123,404	\$ 127,155	\$ 128,455	\$ 489,478	\$ 134,325	\$ 141,459	\$ 152,564	\$ 158,958	\$ 587,306	\$ 169,687	\$ 179,082	\$ 189,458	\$ 538,227
% of Total	90%	91%	90%	91%	90%	91%	91%	94%	88%	91%	88%	86%	88%	87%
Y-O-Y growth	18%	27%	24%	22%	23%	22%	15%	20%	24%	20%	26%	27%	24%	26%
Transactional	\$ 12,604	\$ 12,948	\$ 13,567	\$ 12,985	\$ 52,104	\$ 12,593	\$ 14,213	\$ 9,712	\$ 21,856	\$ 58,374	\$ 23,926	\$ 27,966	\$ 26,373	\$ 78,265
% of Total	10%	9%	10%	9%	10%	9%	9%	6%	12%	9%	12%	14%	12%	13%
Y-O-Y growth	5%	1%	3%	13%	5%	0%	10%	-28%	68%	12%	90%	97%	172%	114%



# RECONCILIATION OF NON-GAAP FINANCIAL MEASURES TO COMPARABLE GAAP MEASURES

## Non-GAAP Total Revenue Guidance

Set forth below is a presentation of the company's "Non-GAAP total revenue" guidance for the three and twelve months ending December 31, 2018. Please reference the "Explanation of Non-GAAP Financial Measures"

	Guidance Range for the Three Months Ending December 31, 2018		Guidance Range for the Twelve Months Ending December 31, 2018	
	Low <sup>(3)</sup>	High <sup>(3)</sup>	Low <sup>(3)</sup>	High <sup>(3)</sup>
Revenue (GAAP)	\$ 226,210	\$ 229,410	\$ 868,716	\$ 871,916
Acquisition-related and other deferred revenue	1,250	1,050	2,084	1,884
Non-GAAP total revenue	<u>\$ 227,460</u>	<u>\$ 230,460</u>	<u>\$ 870,800</u>	<u>\$ 873,800</u>

## 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 and twelve months ending December 31, 2018. Please reference the "Explanation of Non-GAAP Financial Measures" section.

	Guidance Range for the Three Months Ending December 31, 2018		Guidance Range for the Twelve Months Ending December 31, 2018	
	Low <sup>(3)</sup>	High <sup>(3)</sup>	Low <sup>(3)</sup>	High <sup>(3)</sup>
Net income (GAAP)	\$ 8,488	\$ 10,198	\$ 36,941	\$ 38,651
Income tax expense	1,300	2,290	1,493	2,483
Income before income taxes	9,788	12,488	38,434	41,134
Acquisition-related and other deferred revenue	1,250	1,050	2,084	1,884
Asset impairment and loss on disposal of assets	-	-	3,439	3,439
Amortization of product technologies and intangible assets	19,409	19,209	72,100	71,900
Acquisition-related expense	300	100	2,994	2,794
Costs related to the Hart-Scott-Rodino review process	—	—	78	78
Amortization of convertible note discount	2,600	2,600	10,285	10,285
Stock-based expense	<u>13,608</u>	<u>13,408</u>	<u>51,100</u>	<u>50,900</u>
Non-GAAP income before income taxes	46,955	48,855	180,514	182,414
Assumed rate for income tax expense <sup>(1)</sup>	26.0%	26.0%	26.0%	26.0%
Assumed provision for non-GAAP income tax expense	12,208	12,702	46,934	47,428
Non-GAAP net income	<u>\$ 34,747</u>	<u>\$ 36,153</u>	<u>\$ 133,580</u>	<u>\$ 134,986</u>
Net income per diluted share	\$ 0.09	\$ 0.11	\$ 0.40	\$ 0.42
Non-GAAP net income per diluted share	\$ 0.37	\$ 0.38	\$ 1.48	\$ 1.50
Weighted average outstanding shares - diluted	97,000	97,000	92,108	92,108
Dilution offset from convertible note hedge transactions	<u>(2,475)</u>	<u>(2,475)</u>	<u>(2,088)</u>	<u>(2,088)</u>
Non-GAAP diluted weighted average shares outstanding <sup>(2)</sup>	94,525	94,525	90,020	90,020

# RECONCILIATION OF NON-GAAP FINANCIAL MEASURES TO COMPARABLE GAAP MEASURES

## Adjusted EBITDA Guidance

Set forth below is a presentation of the company's "Adjusted EBITDA" guidance for the three and twelve months ending December 31, 2018. Please reference the "Explanation of Non-GAAP Financial Measures" section.

	Guidance Range for the Three Months Ending December 31, 2018		Guidance Range for the Twelve Months Ending December 31, 2018	
	Low <sup>(3)</sup>	High <sup>(3)</sup>	Low <sup>(3)</sup>	High <sup>(3)</sup>
Net income (GAAP)	\$ 8,488	\$ 10,198	\$ 36,941	\$ 38,651
Acquisition-related and other deferred revenue	1,250	1,050	2,084	1,884
Depreciation, asset impairment, and loss on disposal of assets	7,774	7,574	32,540	32,340
Amortization of product technologies and intangible assets	19,409	19,209	72,100	71,900
Acquisition-related expense	300	100	2,994	2,794
Costs related to the Hart-Scott-Rodino review process	—	—	78	78
Interest expense, net	7,121	6,921	30,300	30,100
Income tax expense	1,300	2,290	1,493	2,483
Stock-based expense	13,608	13,408	51,100	50,900
Adjusted EBITDA	<u>\$ 59,250</u>	<u>\$ 60,750</u>	<u>\$ 229,630</u>	<u>\$ 231,130</u>

(1) A 26.0% tax rate is assumed in order 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 entered into in May 2017 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.

# EXPLANATION OF NON-GAAP FINANCIAL MEASURES

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The company reports its financial results in accordance with accounting principles generally accepted in the United States of America, or GAAP. However, the company believes that, in order to properly understand its short-term and long-term financial, operational and strategic trends, it may be helpful for investors to exclude certain non-cash or non-recurring items when used as a supplement to financial performance measures in accordance with GAAP. These non-cash or non-recurring items result from facts and circumstances that vary in both frequency and impact on continuing operations. The company also uses results of operations excluding such items to evaluate the operating performance of RealPage and compare it against prior periods, make operating decisions, determine executive compensation, and serve as a basis for long-term strategic planning. These non-GAAP financial measures provide the company with additional means to understand and evaluate the operating results and trends in its ongoing business by eliminating certain non-cash expenses and other items that RealPage believes might otherwise make comparisons of its ongoing business with prior periods more difficult, obscure trends in ongoing operations, reduce management's ability to make useful forecasts, or obscure the ability to evaluate the effectiveness of certain business strategies and management incentive structures. In addition, the company also believes that investors and financial analysts find this information to be helpful in analyzing the company's financial and operational performance and comparing this performance to the company's peers and competitors.

The company defines "Non-GAAP Total Revenue" as total revenue plus acquisition-related and other deferred revenue adjustments. The company believes it is useful to include deferred revenue written down for GAAP purposes under purchase accounting rules and revenue deferred due to a lack of historical experience determining the settlement of the contractual obligation in order to appropriately measure the underlying performance of its business operations in the period of activity and associated expense. Further, the company believes this measure is useful to investors as a way to evaluate the company's ongoing performance because it provides a more accurate depiction of on demand revenue arising from our strategic acquisitions.

The company defines "Adjusted Gross Profit" as gross profit, plus (1) acquisition-related and other deferred revenue adjustments, (2) depreciation, (3) amortization of product technologies, and (4) stock-based expense. The company believes that investors and financial analysts find these non-GAAP financial measures to be useful in analyzing the company's financial and operational performance, comparing this performance to the company's peers and competitors, and understanding the company's ability to generate income from ongoing business operations.

The company defines "Adjusted EBITDA" as net income (loss), plus (1) acquisition-related and other deferred revenue adjustments, (2) depreciation, asset impairment, and the loss on disposal of assets, (3) amortization of product technologies and intangible assets, (4) acquisition-related expense, (5) costs related to the Hart-Scott-Rodino review process, (6) interest expense, net, (7) income tax expense (benefit), and (8) stock-based expense. The company believes that investors and financial analysts find these non-GAAP financial measures to be useful in analyzing the company's financial and operational performance, comparing this performance to the company's peers and competitors, and understanding the company's ability to generate income from ongoing business operations.

The company defines "Non-GAAP Product Development Expense" as product development expense, excluding stock-based expense. The company believes that investors and financial analysts find these non-GAAP financial measures to be useful in analyzing the company's financial and operational performance, comparing this performance to the company's peers and competitors, and understanding the company's ongoing expenditures related to product innovation.

The company defines "Non-GAAP Sales and Marketing Expense" as sales and marketing expense, excluding stock-based expense. The company believes that investors and financial analysts find these non-GAAP financial measures to be useful in analyzing the company's financial and operational performance, comparing this performance to the company's peers and competitors, and understanding the company's ongoing expenditures related to its sales and marketing strategies.

The company defines "Non-GAAP General and Administrative Expense" as general and administrative expense, excluding (1) loss on disposal of assets, (2) acquisition-related expense, (3) costs related to the Hart-Scott-Rodino review process, and (4) stock-based expense. The company believes that investors and financial analysts find these non-GAAP financial measures to be useful in analyzing the company's financial and operational performance, comparing this performance to the company's peers and competitors, and understanding the company's underlying expense structure to support corporate activities and processes.

# EXPLANATION OF NON-GAAP FINANCIAL MEASURES

The company defines "Non-GAAP Operating Expense" as operating expense, excluding (1) asset impairment and loss on disposal of assets, (2) amortization of intangible assets, (3) acquisition-related expense, (4) costs related to the Hart-Scott-Rodino review process, and (5) stock-based expense. The company believes that investors and financial analysts find these non-GAAP financial measures to be useful in analyzing the company's financial and operational performance, comparing this performance to the company's peers and competitors, and understanding the company's underlying expense structure to support ongoing operations.

The company defines "Non-GAAP Operating Income" as operating income, plus (1) acquisition-related and other deferred revenue adjustments, (2) asset impairment and loss on disposal of assets, (3) amortization of product technologies and intangible assets, (4) acquisition-related expense, (5) costs related to the Hart-Scott-Rodino review process, and (6) stock-based expense. The company believes that investors and financial analysts find these non-GAAP financial measures to be useful in analyzing the company's financial and operational performance, comparing this performance to the company's peers and competitors, and understanding the company's ability to generate income from ongoing business operations.

The company defines "Non-GAAP Net Income" as net income (loss), plus (1) income tax expense (benefit), (2) acquisition-related and other deferred revenue adjustments, (3) asset impairment and loss on disposal of assets, (4) amortization of product technologies and intangible assets, (5) acquisition-related expense, (6) costs related to the Hart-Scott-Rodino review process, (7) amortization of convertible note discount, and (8) stock-based expense, less (9) provision for income tax expense based on an assumed rate in order to approximate the company's long-term effective corporate tax rate. The company defines "Non-GAAP Net Income per Diluted Share" as Non-GAAP Net Income divided by Non-GAAP Weighted Average Diluted Shares Outstanding. The company believes that investors and financial analysts find these non-GAAP financial measures to be useful in analyzing the company's financial and operational performance, comparing this performance to the company's peers and competitors, and understanding the company's ability to generate income from ongoing business operations.

We define "Non-GAAP Weighted Average Diluted Shares Outstanding" as weighted average diluted shares outstanding excluding the impact of shares that are issuable upon conversions of our convertible notes. 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 entered into during May 2017 in connection with the issuance of the convertible notes.

The company defines "Non-GAAP On Demand Revenue" as total on demand revenue plus acquisition-related and other deferred revenue adjustments. The company believes it is useful to include deferred revenue written down for GAAP purposes under purchase accounting rules and revenue deferred due to a lack of historical experience determining the settlement of the contractual obligation in order to appropriately measure the underlying performance of the company's business operations in the period of activity and associated expense. Further, the company believes that investors and financial analysts find this measure to be useful in evaluating the company's ongoing performance because it provides a more accurate depiction of on demand revenue arising from our strategic acquisitions.

The company defines "Ending On Demand Units" as the number of rental housing units managed by our clients with one or more of our on demand software solutions at the end of the period. We use ending on demand units to measure the success of our strategy of increasing the number of rental housing units managed with our on demand software solutions. Property unit counts are provided to us by our customers as new sales orders are processed. Property unit counts may be adjusted periodically as information related to our clients' properties is updated or supplemented, which could result in adjustments to the number of units previously reported.

The company defines "Average On Demand Units" as the average of the beginning and ending on demand units for each quarter in the period presented. The company's management monitors this metric to measure its success in increasing the number of on demand software solutions utilized by our clients to manage their rental housing units, our overall revenue, and profitability.

The company defines "ACV," or Annual Client Value, as management's estimate of the annual value of the company's on demand revenue contracts. The company's management monitors this metric to measure its success in increasing the number of on demand units, and the amount of software solutions utilized by its clients to manage their rental housing units.

The company defines "RPU," or Revenue Per Unit, as ACV divided by average on demand units. The company monitors this metric to measure its success in increasing the penetration of on demand software solutions utilized by its clients to manage their rental housing units.

# EXPLANATION OF NON-GAAP FINANCIAL MEASURES

The company excludes or adjusts each of the items identified below from the applicable non-GAAP financial measure referenced above for the reasons set forth with respect to each excluded item:

- Non-GAAP tax rate – In 2017, the company used a 40.0% tax rate in order to approximate the company's long-term effective corporate tax rate. The GAAP tax rate includes certain tax items which may include, but are not limited to: income tax expenses or benefits that are not related to ongoing business operations in the current year; unusual or infrequently occurring items; benefits from stock compensation deductions for tax purposes that exceed the stock compensation expense recognized for GAAP; tax adjustments associated with fluctuations in foreign currency re-measurement; certain changes in estimates of tax matters related to prior fiscal years; certain changes in the realizability of deferred tax assets and liabilities; and changes in tax law. For 2018 guidance purposes, the company uses a Non-GAAP tax rate of approximately 26%, as a result of the recently enacted Tax Cuts and Jobs Act legislation, to approximate the company's long-term effective corporate tax rate. We believe excluding these items assists investors and analysts in understanding the tax provision and the effective tax rate related to ongoing operations.
- Acquisition-related and other deferred revenue – These items are included to reflect deferred revenue written down for GAAP purposes under purchase accounting rules and revenue deferred due to a lack of historical experience determining the settlement of the contractual obligation in order to appropriately measure the underlying performance of the company's business operations in the period of activity and associated expense.
- Asset impairment and loss on disposal of assets – These items comprise gains (losses) on the disposal and impairment of long-lived assets, which are not reflective of the company's ongoing operations. We believe exclusion of these items facilitates a more accurate comparison of the company's results of operations between periods.
- Depreciation of long-lived assets – Long-lived assets are depreciated over their estimated useful lives in a manner reflecting the pattern in which the economic benefit is consumed. Management is limited in its ability to change or influence these charges after the asset has been acquired and placed in service. We do not believe that depreciation expense accurately reflects the performance of our ongoing operations for the period in which the charges are incurred, and are therefore not considered by management in making operating decisions.
- Amortization of product technologies and intangible assets – These items are amortized over their estimated useful lives and generally cannot be changed or influenced by the company after initial capitalization. Accordingly, these items are not considered by the company in making operating decisions. The company does not believe such charges accurately reflect the performance of its ongoing operations for the period in which such charges are incurred.
- Acquisition-related expense – These items consist of direct costs incurred in our business acquisition transactions and the impact of changes in the fair value of acquisition-related contingent consideration obligations. We believe exclusion of these items facilitates a more accurate comparison of the results of the company's ongoing operations across periods and eliminates volatility related to changes in the fair value of acquisition-related contingent consideration obligations.
- Costs related to the Hart-Scott-Rodino review process – This item relates to the company's Hart-Scott-Rodino Antitrust Improvements Act review process regarding the completed acquisitions of On-Site and LRO in 2017 and LeaseLabs in 2018. The company believes that these significant legal costs are not reflective of its ongoing operations or its normal acquisition activity.
- Amortization of the convertible note discount – This item consists of non-cash interest expense related to the amortization of the discount recognized on the convertible notes issued in May 2017. Management excludes this item as it is not indicative of the company's ongoing operating performance.
- Stock-based expense – This item is excluded because these are non-cash expenditures that the company does not consider part of ongoing operating results when assessing the performance of our business, and also because the total amount of the expenditure is partially outside of its control because it is based on factors such as stock price, volatility, and interest rates, which may be unrelated to the company's performance during the period in which the expenses are incurred.