

**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.

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2018	2017	2018	2017
Revenue (GAAP)	\$ 224,953	\$ 169,058	\$ 642,506	\$ 483,283
Acquisition-related and other deferred revenue	418	698	834	2,348
Non-GAAP Total Revenue	<u>\$ 225,371</u>	<u>\$ 169,756</u>	<u>\$ 643,340</u>	<u>\$ 485,631</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		Nine Months Ended	
	September 30,		September 30,	
	2018	2017	2018	2017
Gross profit (GAAP)	\$ 130,467	\$ 97,767	\$ 375,819	\$ 279,533
Acquisition-related and other deferred revenue	418	698	834	2,348
Depreciation	2,991	2,909	9,024	8,855
Amortization of product technologies	8,946	5,497	26,368	14,750
Stock-based expense	1,146	1,040	3,149	2,943
Adjusted Gross Profit	<u>\$ 143,968</u>	<u>\$ 107,911</u>	<u>\$ 415,194</u>	<u>\$ 308,429</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		Nine Months Ended	
	September 30,		September 30,	
	2018	2017	2018	2017
Net income (GAAP)	\$ 9,073	\$ 6,834	\$ 28,453	\$ 21,242
Acquisition-related and other deferred revenue	418	698	834	2,348
Depreciation, asset impairment, and loss on disposal of assets	9,286	7,331	24,766	20,935
Amortization of product technologies and intangible assets	18,684	9,335	52,691	25,351
Acquisition-related expense	519	485	2,694	3,049
Costs related to the Hart-Scott-Rodino review process	78	5,993	78	8,702
Interest expense, net	6,874	4,813	23,179	8,737
Income tax expense (benefit)	683	(7,273)	193	(9,594)
Stock-based expense	13,479	11,764	37,492	35,732
Adjusted EBITDA	<u>\$ 59,094</u>	<u>\$ 39,980</u>	<u>\$ 170,380</u>	<u>\$ 116,502</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		Nine Months Ended	
	September 30,		September 30,	
	2018	2017	2018	2017
Product development expense (GAAP)	\$ 28,942	\$ 21,885	\$ 88,753	\$ 63,562
Less: Stock-based expense	2,520	2,098	7,328	6,431
Non-GAAP Product Development Expense	<u>\$ 26,422</u>	<u>\$ 19,787</u>	<u>\$ 81,425</u>	<u>\$ 57,131</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		Nine Months Ended	
	September 30,		September 30,	
	2018	2017	2018	2017
Sales and marketing expense (GAAP)	\$ 43,179	\$ 36,802	\$ 121,523	\$ 102,548
Less: Stock-based expense	4,242	3,847	12,253	11,241
Non-GAAP Sales and Marketing Expense	<u>\$ 38,937</u>	<u>\$ 32,955</u>	<u>\$ 109,270</u>	<u>\$ 91,307</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		Nine Months Ended	
	September 30,		September 30,	
	2018	2017	2018	2017
General and administrative expense (GAAP)	\$ 30,036	\$ 31,004	\$ 85,570	\$ 82,625
Less: Loss on disposal of assets	341	385	1,439	472
Acquisition-related expense	519	485	2,694	3,049
Costs related to the Hart-Scott-Rodino review process	78	5,993	78	8,702
Stock-based expense	5,571	4,779	14,762	15,117
Non-GAAP General and Administrative Expense	<u>\$ 23,527</u>	<u>\$ 19,362</u>	<u>\$ 66,597</u>	<u>\$ 55,285</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		Nine Months Ended	
	September 30,		September 30,	
	2018	2017	2018	2017
Operating expense (GAAP)	\$ 111,895	\$ 93,529	\$ 322,169	\$ 259,336
Less: Asset impairment and loss on disposal of assets	341	385	1,439	472
Amortization of intangible assets	9,738	3,838	26,323	10,601
Acquisition-related expense	519	485	2,694	3,049
Costs related to the Hart-Scott-Rodino review process	78	5,993	78	8,702
Stock-based expense	12,333	10,724	34,343	32,789
Non-GAAP Operating Expense	<u>\$ 88,886</u>	<u>\$ 72,104</u>	<u>\$ 257,292</u>	<u>\$ 203,723</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		Nine Months Ended	
	September 30,		September 30,	
	2018	2017	2018	2017
Operating income (GAAP)	\$ 18,572	\$ 4,238	\$ 53,650	\$ 20,197
Acquisition-related and other deferred revenue	418	698	834	2,348
Asset impairment and loss on disposal of assets	341	385	1,439	472
Amortization of product technologies and intangible assets	18,684	9,335	52,691	25,351
Acquisition-related expense	519	485	2,694	3,049
Costs related to the Hart-Scott-Rodino review process	78	5,993	78	8,702
Stock-based expense	13,479	11,764	37,492	35,732
Non-GAAP Operating Income	<u>\$ 52,091</u>	<u>\$ 32,898</u>	<u>\$ 148,878</u>	<u>\$ 95,851</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		Nine Months Ended	
	September 30,		September 30,	
	2018	2017	2018	2017
Net income (GAAP)	\$ 9,073	\$ 6,834	\$ 28,453	\$ 21,242
Income tax expense (benefit)	683	(7,273)	193	(9,594)
Income (loss) before income taxes	9,756	(439)	28,646	11,648
Acquisition-related and other deferred revenue	418	698	834	2,348
Asset impairment and loss on disposal of assets	2,341	385	3,439	472
Amortization of product technologies and intangible assets	18,684	9,335	52,691	25,351
Acquisition-related expense	519	485	2,694	3,049
Costs related to the Hart-Scott-Rodino review process	78	5,993	78	8,702
Amortization of convertible note discount	2,599	2,451	7,685	3,503
Stock-based expense	13,479	11,764	37,492	35,732
Non-GAAP income before income taxes	47,874	30,672	133,559	90,805
Assumed rate for income tax expense ⁽¹⁾	26.0 %	40.0 %	26.0 %	40.0 %
Assumed provision for non-GAAP income tax expense	12,447	12,269	34,725	36,322
Non-GAAP Net Income	<u>\$ 35,427</u>	<u>\$ 18,403</u>	<u>\$ 98,834</u>	<u>\$ 54,483</u>
Net income per diluted share	\$ 0.09	\$ 0.08	\$ 0.31	\$ 0.26
Non-GAAP Net Income per Diluted Share	\$ 0.38	\$ 0.22	\$ 1.12	\$ 0.66
Weighted average outstanding shares - basic	91,222	79,838	85,874	79,045
Non-GAAP adjusted diluted weighted average shares outstanding:				
Weighted average outstanding shares - diluted	96,590	82,760	90,451	82,051
Dilution offset from convertible note hedge transactions	(2,440)	-	(1,963)	-
Non-GAAP diluted weighted average shares outstanding ⁽²⁾	<u>94,150</u>	<u>82,760</u>	<u>88,488</u>	<u>82,051</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		Nine Months Ended	
	September 30,		September 30,	
	2018	2017	2018	2017
On demand revenue (GAAP)	\$ 215,413	\$ 161,578	\$ 615,658	\$ 462,518
Acquisition-related and other deferred revenue	418	698	834	2,348
Non-GAAP On Demand Revenue	<u>\$ 215,831</u>	<u>\$ 162,276</u>	<u>\$ 616,492</u>	<u>\$ 464,866</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		Nine Months Ended	
	September 30,		September 30,	
	2018	2017	2018	2017
Ending on demand units	16,073	12,253	16,073	12,253
Average on demand units	15,802	11,869	14,414	11,406
ACV	\$ 886,747	\$ 708,836		
RPU	\$ 55.17	\$ 57.85		

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" section.

	Guidance Range for the Three Months Ending		Guidance Range for the Twelve Months Ending	
	December 31, 2018		December 31, 2018	
	Low ⁽³⁾	High ⁽³⁾	Low ⁽³⁾	High ⁽³⁾
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	\$ 227,460	\$ 230,460	\$ 870,800	\$ 873,800

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		Guidance Range for the Twelve Months Ending	
	December 31, 2018		December 31, 2018	
	Low ⁽³⁾	High ⁽³⁾	Low ⁽³⁾	High ⁽³⁾
Non-GAAP Net Income:				
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	13,608	13,408	51,100	50,900
Non-GAAP income before income taxes	46,955	48,855	180,514	182,414
Expected effective tax rate ⁽¹⁾	26.0%	26.0%	26.0%	26.0%
Assumed provision for income tax expense	12,208	12,702	46,934	47,428
Non-GAAP Net Income	\$ 34,747	\$ 36,153	\$ 133,580	\$ 134,986
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
Non-GAAP adjusted diluted weighted average shares outstanding:				
Weighted average outstanding shares - diluted	97,000	97,000	92,108	92,108
Dilution offset from convertible note hedge transactions	(2,475)	(2,475)	(2,088)	(2,088)
Non-GAAP Diluted Weighted Average Shares Outstanding ⁽²⁾	94,525	94,525	90,020	90,020

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		Guidance Range for the Twelve Months Ending	
	December 31, 2018		December 31, 2018	
	Low ⁽³⁾	High ⁽³⁾	Low ⁽³⁾	High ⁽³⁾
Adjusted EBITDA:				
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.