

**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,	
	2019	2018	2019	2018
Revenue (GAAP)	\$ 255,202	\$ 224,953	\$ 733,369	\$ 642,506
Acquisition-related deferred revenue	38	418	419	834
Non-GAAP Total Revenue	<u>\$ 255,240</u>	<u>\$ 225,371</u>	<u>\$ 733,788</u>	<u>\$ 643,340</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,	
	2019	2018	2019	2018
Gross profit (GAAP)	\$ 146,104	\$ 130,467	\$ 418,955	\$ 375,819
Acquisition-related deferred revenue	38	418	419	834
Depreciation	4,007	2,991	11,695	9,024
Amortization of product technologies	10,315	8,946	29,729	26,368
Organizational realignment	125	-	125	-
Stock-based expense	1,425	1,146	4,203	3,149
Adjusted Gross Profit	<u>\$ 162,014</u>	<u>\$ 143,968</u>	<u>\$ 465,126</u>	<u>\$ 415,194</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,	
	2019	2018	2019	2018
Net income (GAAP)	\$ 11,704	\$ 9,073	\$ 38,039	\$ 28,453
Acquisition-related deferred revenue	38	418	419	834
Depreciation, asset impairment, and loss on disposal of assets	8,498	9,286	25,955	24,766
Amortization of product technologies and intangible assets	20,759	18,684	60,411	52,691
Change in fair value of equity investment	-	-	(2,600)	-
Acquisition-related expense	755	519	1,160	2,694
Organizational realignment	684	-	684	-
Regulatory and legal matters	215	78	567	78
Stock-based expense	16,498	13,479	47,276	37,492
Interest expense, net	8,791	6,874	25,613	23,179
Income tax expense	4,171	683	7,996	193
Adjusted EBITDA	<u>\$ 72,113</u>	<u>\$ 59,094</u>	<u>\$ 205,520</u>	<u>\$ 170,380</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,	
	2019	2018	2019	2018
Product development expense (GAAP)	\$ 27,866	\$ 28,942	\$ 85,914	\$ 88,753
Less: Organizational realignment	316	-	316	-
Stock-based expense	1,948	2,520	6,444	7,328
Non-GAAP Product Development Expense	<u>\$ 25,602</u>	<u>\$ 26,422</u>	<u>\$ 79,154</u>	<u>\$ 81,425</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,	
	2019	2018	2019	2018
Sales and marketing expense (GAAP)	\$ 51,906	\$ 43,179	\$ 145,849	\$ 121,523
Less: Organizational realignment	108	-	108	-
Stock-based expense	6,358	4,242	18,091	12,253
Non-GAAP Sales and Marketing Expense	<u>\$ 45,440</u>	<u>\$ 38,937</u>	<u>\$ 127,650</u>	<u>\$ 109,270</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,	
	2019	2018	2019	2018
General and administrative expense (GAAP)	\$ 31,249	\$ 30,036	\$ 87,702	\$ 85,570
Less: Asset impairment and (gain) loss on disposal of assets	(10)	341	259	1,439
Acquisition-related expense	755	519	1,160	2,694
Organizational realignment	135	-	135	-
Regulatory and legal matters	215	78	567	78
Stock-based expense	6,767	5,571	18,538	14,762
Non-GAAP General and Administrative Expense	<u>\$ 23,387</u>	<u>\$ 23,527</u>	<u>\$ 67,043</u>	<u>\$ 66,597</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,	
	2019	2018	2019	2018
Operating expense (GAAP)	\$ 121,465	\$ 111,895	\$ 350,147	\$ 322,169
Less: Asset impairment and (gain) loss on disposal of assets	(10)	341	259	1,439
Amortization of intangible assets	10,444	9,738	30,682	26,323
Acquisition-related expense	755	519	1,160	2,694
Organizational realignment	559	-	559	-
Regulatory and legal matters	215	78	567	78
Stock-based expense	15,073	12,333	43,073	34,343
Non-GAAP Operating Expense	<u>\$ 94,429</u>	<u>\$ 88,886</u>	<u>\$ 273,847</u>	<u>\$ 257,292</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,	
	2019	2018	2019	2018
Operating income (GAAP)	\$ 24,639	\$ 18,572	\$ 68,808	\$ 53,650
Acquisition-related deferred revenue	38	418	419	834
Asset impairment and (gain) loss on disposal of assets	(10)	341	259	1,439
Amortization of product technologies and intangible assets	20,759	18,684	60,411	52,691
Acquisition-related expense	755	519	1,160	2,694
Organizational realignment	684	-	684	-
Regulatory and legal matters	215	78	567	78
Stock-based expense	16,498	13,479	47,276	37,492
Non-GAAP Operating Income	<u>\$ 63,578</u>	<u>\$ 52,091</u>	<u>\$ 179,584</u>	<u>\$ 148,878</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,	
	2019	2018	2019	2018
Net income (GAAP)	\$ 11,704	\$ 9,073	\$ 38,039	\$ 28,453
Income tax expense	4,171	683	7,996	193
Income before income taxes	15,875	9,756	46,035	28,646
Acquisition-related deferred revenue	38	418	419	834
Asset impairment and (gain) loss on disposal of assets	(10)	2,341	259	3,439
Amortization of product technologies and intangible assets	20,759	18,684	60,411	52,691
Change in fair value of equity investment	-	-	(2,600)	-
Acquisition-related expense	755	519	1,160	2,694
Organizational realignment	684	-	684	-
Regulatory and legal matters	215	78	567	78
Amortization of convertible note discount	2,756	2,599	8,149	7,685
Stock-based expense	16,498	13,479	47,276	37,492
Non-GAAP income before income taxes	57,570	47,874	162,360	133,559
Assumed rate for income tax expense (1)	26.0 %	26.0 %	26.0 %	26.0 %
Assumed provision for non-GAAP income tax expense	14,968	12,447	42,214	34,725
Non-GAAP net income	<u>\$ 42,602</u>	<u>\$ 35,427</u>	<u>\$ 120,146</u>	<u>\$ 98,834</u>
Weighted average outstanding shares - diluted	\$ 0.12	\$ 0.09	\$ 0.39	\$ 0.31
Non-GAAP Net Income per Diluted Share	\$ 0.45	\$ 0.38	\$ 1.28	\$ 1.12
Weighted average outstanding shares - basic	92,239	91,222	91,884	85,874
Non-GAAP adjusted diluted weighted average shares outstanding:				
Weighted average outstanding shares - diluted	97,114	96,590	96,392	90,451
Dilution offset from convertible note hedge transactions	(2,716)	(2,440)	(2,485)	(1,963)
Non-GAAP diluted weighted average shares outstanding <sup>(2)</sup>	<u>94,398</u>	<u>94,150</u>	<u>93,907</u>	<u>88,488</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,	
	2019	2018	2019	2018
On demand revenue (GAAP)	\$ 245,637	\$ 215,413	\$ 707,341	\$ 615,658
Acquisition-related deferred revenue	38	418	419	834
Non-GAAP On Demand Revenue	<u>\$ 245,675</u>	<u>\$ 215,831</u>	<u>\$ 707,760</u>	<u>\$ 616,492</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,	
	2019	2018	2019	2018
Ending on demand units	16,779	16,073	16,779	16,073
Average on demand units	16,642	15,802	16,468	14,414
ACV	\$ 990,800	\$ 886,747		
RPU	\$ 59.05	\$ 55.17		

### 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, 2019. 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, 2019		December 31, 2019	
	Low <sup>(3)</sup>	High <sup>(3)</sup>	Low <sup>(3)</sup>	High <sup>(3)</sup>
Revenue (GAAP)	\$ 249,891	\$ 251,891	\$ 983,260	\$ 985,260
Acquisition-related deferred revenue	21	21	440	440
Non-GAAP Total Revenue	\$ 249,912	\$ 251,912	\$ 983,700	\$ 985,700

### 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, 2019. 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, 2019		December 31, 2019	
	Low <sup>(3)</sup>	High <sup>(3)</sup>	Low <sup>(3)</sup>	High <sup>(3)</sup>
Non-GAAP net income:				
Net income (GAAP)	\$ 12,746	\$ 15,165	\$ 50,785	\$ 53,204
Income tax expense	2,908	3,789	10,905	11,786
Income before income taxes	15,654	18,954	61,690	64,990
Acquisition-related deferred revenue	21	21	440	440
Asset impairment and loss on disposal of assets	(1)	(1)	260	260
Amortization of product technologies and intangible assets	20,089	19,889	80,500	80,300
Change in fair value of equity investment	-	-	(2,600)	(2,600)
Acquisition-related expense	3,600	3,300	4,760	4,460
Organizational realignment	766	666	1,450	1,350
Regulatory and legal matters	433	333	1,000	900
Amortization of convertible note discount	2,801	2,801	10,950	10,950
Stock-based expense	16,225	16,025	63,500	63,300
Non-GAAP income before income taxes	59,588	61,988	221,950	224,350
Expected effective tax rate <sup>(1)</sup>	26.0%	26.0%	26.0%	26.0%
Assumed provision for income tax expense	15,493	16,117	57,707	58,331
Non-GAAP Net Income	\$ 44,095	\$ 45,871	\$ 164,243	\$ 166,019
Net income per diluted share	\$ 0.13	\$ 0.16	\$ 0.52	\$ 0.55
Non-GAAP net income per diluted share	\$ 0.47	\$ 0.49	\$ 1.74	\$ 1.76
Non-GAAP adjusted diluted weighted average shares outstanding:				
Weighted average outstanding shares - diluted	97,320	97,320	96,860	96,860
Dilution offset from convertible note hedge transactions	(2,750)	(2,750)	(2,550)	(2,550)
Non-GAAP diluted weighted average shares outstanding <sup>(2)</sup>	94,570	94,570	94,310	94,310

### 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, 2019. Please reference the "Explanation of Non-GAAP Financial Measures" section.

	Guidance Range for the Three Months Ending December 31, 2019		Guidance Range for the Twelve Months Ending December 31, 2019	
	Low <sup>(3)</sup>	High <sup>(3)</sup>	Low <sup>(3)</sup>	High <sup>(3)</sup>
Adjusted EBITDA:				
Net income (GAAP)	\$ 12,746	\$ 15,165	\$ 50,785	\$ 53,204
Acquisition-related deferred revenue	21	21	440	440
Depreciation, asset impairment, and loss on disposal of assets	8,805	8,605	34,760	34,560
Amortization of product technologies and intangible assets	20,089	19,889	80,500	80,300
Change in fair value of equity investment	-	-	(2,600)	(2,600)
Acquisition-related income	3,600	3,300	4,760	4,460
Organizational realignment	766	666	1,450	1,350
Regulatory and legal matters	433	333	1,000	900
Stock-based expense	16,225	16,025	63,500	63,300
Interest expense, net	8,387	8,187	34,000	33,800
Income tax expense	2,908	3,789	10,905	11,786
Adjusted EBITDA	<u>\$ 73,980</u>	<u>\$ 75,980</u>	<u>\$ 279,500</u>	<u>\$ 281,500</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.