

**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		Twelve Months Ended	
	December 31,		December 31,	
	2019	2018	2019	2018
Revenue (GAAP)	\$ 254,767	\$ 226,974	\$ 988,136	\$ 869,480
Acquisition-related deferred revenue	449	1,056	868	1,890
Non-GAAP Total Revenue	<u>\$ 255,216</u>	<u>\$ 228,030</u>	<u>\$ 989,004</u>	<u>\$ 871,370</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		Twelve Months Ended	
	December 31,		December 31,	
	2019	2018	2019	2018
Gross profit (GAAP)	\$ 143,008	\$ 129,482	\$ 561,963	\$ 505,301
Acquisition-related deferred revenue	449	1,056	868	1,890
Depreciation	3,970	3,048	15,665	12,072
Amortization of product technologies	10,732	9,429	40,461	35,797
Impairment of product technologies	1,618	-	1,618	-
Organizational realignment	16	-	141	-
Stock-based expense	1,401	1,254	5,604	4,403
Adjusted Gross Profit	<u>\$ 161,194</u>	<u>\$ 144,269</u>	<u>\$ 626,320</u>	<u>\$ 559,463</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		Twelve Months Ended	
	December 31,		December 31,	
	2019	2018	2019	2018
Net income (GAAP)	20,169	6,272	58,208	34,725
Acquisition-related deferred revenue	449	1,056	868	1,890
Depreciation, asset impairment, and loss on disposal of assets	10,769	10,445	36,724	35,211
Amortization of product technologies and intangible assets	20,353	19,017	80,764	71,708
Change in fair value of equity investment	-	-	(2,600)	-
Loss due to cyber incident, net of recoveries	-	4,952	-	4,952
Acquisition-related expense (income)	3,594	(257)	4,754	2,437
Organizational realignment	849	-	1,533	-
Regulatory and legal matters	898	-	1,465	78
Stock-based expense	15,287	13,149	62,563	50,641
Interest expense, net	9,443	6,780	35,056	29,959
Income tax (benefit) expense	(5,646)	(618)	2,350	(425)
Adjusted EBITDA	<u>\$ 76,165</u>	<u>\$ 60,796</u>	<u>\$ 281,685</u>	<u>\$ 231,176</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		Twelve Months Ended	
	December 31,		December 31,	
	2019	2018	2019	2018
Product development expense (GAAP)	\$ 26,308	\$ 29,772	\$ 112,222	\$ 118,525
Less: Organizational realignment	84	-	400	-
Stock-based expense	1,715	2,595	8,159	9,923
Non-GAAP Product Development Expense	<u>\$ 24,509</u>	<u>\$ 27,177</u>	<u>\$ 103,663</u>	<u>\$ 108,602</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		Twelve Months Ended	
	December 31,		December 31,	
	2019	2018	2019	2018
Sales and marketing expense (GAAP)	\$ 48,113	\$ 45,084	\$ 193,962	\$ 166,607
Less: Organizational realignment	62	-	170	-
Asset impairment	363	2,720	363	2,720
Stock-based expense	5,887	4,320	23,978	16,573
Non-GAAP Sales and Marketing Expense	<u>\$ 41,801</u>	<u>\$ 38,044</u>	<u>\$ 169,451</u>	<u>\$ 147,314</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		Twelve Months Ended	
	December 31,		December 31,	
	2019	2018	2019	2018
General and administrative expense (GAAP)	\$ 35,354	\$ 32,638	\$ 123,056	\$ 118,208
Less: Organizational realignment	687	-	822	-
Asset impairment and loss on disposal of assets	296	574	555	2,013
Loss due to cyber incident, net of recoveries	-	4,952	-	4,952
Acquisition-related expense (income)	3,594	(257)	4,754	2,437
Regulatory and legal matters	898	-	1,465	78
Stock-based expense	6,284	4,980	24,822	19,742
Non-GAAP General and Administrative Expense	<u>\$ 23,595</u>	<u>\$ 22,389</u>	<u>\$ 90,638</u>	<u>\$ 88,986</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		Twelve Months Ended	
	December 31,		December 31,	
	2019	2018	2019	2018
Operating expense (GAAP)	\$ 119,396	\$ 117,082	\$ 469,543	\$ 439,251
Less: Organizational realignment	833	-	1,392	-
Asset impairment and loss on disposal of assets	659	3,294	918	4,733
Amortization of intangible assets	9,621	9,588	40,303	35,911
Loss due to cyber incident, net of recoveries	-	4,952	-	4,952
Acquisition-related expense (income)	3,594	(257)	4,754	2,437
Regulatory and legal matters	898	-	1,465	78
Stock-based expense	13,886	11,895	56,959	46,238
Non-GAAP Operating Expense	<u>\$ 89,905</u>	<u>\$ 87,610</u>	<u>\$ 363,752</u>	<u>\$ 344,902</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		Twelve Months Ended	
	December 31,		December 31,	
	2019	2018	2019	2018
Operating income (GAAP)	\$ 23,612	\$ 12,400	\$ 92,420	\$ 66,050
Acquisition-related deferred revenue	449	1,056	868	1,890
Asset impairment and loss on disposal of assets	2,277	3,294	2,536	4,733
Amortization of product technologies and intangible assets	20,353	19,017	80,764	71,708
Loss due to cyber incident, net of recoveries	-	4,952	-	4,952
Acquisition-related expense (income)	3,594	(257)	4,754	2,437
Organizational realignment	849	-	1,533	-
Regulatory and legal matters	898	-	1,465	78
Stock-based expense	15,287	13,149	62,563	50,641
Non-GAAP Operating Income	<u>\$ 67,319</u>	<u>\$ 53,611</u>	<u>\$ 246,903</u>	<u>\$ 202,489</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		Twelve Months Ended	
	December 31,		December 31,	
	2019	2018	2019	2018
Net income (GAAP)	\$ 20,169	\$ 6,272	\$ 58,208	\$ 34,725
Income tax (benefit) expense	(5,646)	(618)	2,350	(425)
Income before income taxes	14,523	5,654	60,558	34,300
Acquisition-related deferred revenue	449	1,056	868	1,890
Asset impairment and loss on disposal of assets	2,277	3,294	2,536	6,733
Amortization of product technologies and intangible assets	20,353	19,017	80,764	71,708
Change in fair value of equity investment	-	-	(2,600)	-
Loss due to cyber incident, net of recoveries	-	4,952	-	4,952
Acquisition-related expense (income)	3,594	(257)	4,754	2,437
Organizational realignment	849	-	1,533	-
Regulatory and legal matters	898	-	1,465	78
Amortization of convertible note discount	2,797	2,639	10,946	10,324
Stock-based expense	15,287	13,149	62,563	50,641
Non-GAAP income before income taxes	61,027	49,504	223,387	183,063
Assumed rate for income tax expense (1)	26.0 %	26.0 %	26.0 %	26.0 %
Assumed provision for non-GAAP income tax expense	15,867	12,871	58,080	47,596
Non-GAAP Net Income	<u>\$ 45,160</u>	<u>\$ 36,633</u>	<u>\$ 165,307</u>	<u>\$ 135,467</u>
Net income per diluted share	\$ 0.21	\$ 0.07	\$ 0.60	\$ 0.38
Non-GAAP Net Income per Diluted Share	\$ 0.48	\$ 0.39	\$ 1.76	\$ 1.51
Weighted average outstanding shares - basic	92,412	91,492	92,017	87,290
Non-GAAP adjusted diluted weighted average shares outstanding:				
Weighted average outstanding shares - diluted	95,824	95,108	96,282	91,531
Dilution offset from convertible note hedge transactions	(2,172)	(1,621)	(2,406)	(1,876)
Non-GAAP Diluted Weighted Average Shares Outstanding ⁽²⁾	<u>93,652</u>	<u>93,487</u>	<u>93,876</u>	<u>89,655</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		Twelve Months Ended	
	December 31,		December 31,	
	2019	2018	2019	2018
On demand revenue (GAAP)	\$ 246,235	\$ 218,051	\$ 953,576	\$ 833,709
Acquisition-related deferred revenue	449	1,056	868	1,890
Non-GAAP On Demand Revenue	<u>\$ 246,684</u>	<u>\$ 219,107</u>	<u>\$ 954,444</u>	<u>\$ 835,599</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		Twelve Months Ended	
	December 31,		December 31,	
	2019	2018	2019	2018
Ending On Demand Units	18,475	16,219	18,475	16,219
Average On Demand Units	17,627	16,146	16,758	14,847
ACV	\$ 1,039,588	\$ 876,637		
RPU	\$ 56.27	\$ 54.05		

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 March 31, 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	
	March 31, 2020		December 31, 2020	
	Low ⁽³⁾	High ⁽³⁾	Low ⁽³⁾	High ⁽³⁾
Revenue (GAAP)	\$ 276,070	\$ 280,070	\$ 1,162,770	\$ 1,182,770
Acquisition-related deferred revenue	930	930	2,230	2,230
Non-GAAP Total Revenue	\$ 277,000	\$ 281,000	\$ 1,165,000	\$ 1,185,000

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 March 31, 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	
	March 31, 2020		December 31, 2020	
	Low ⁽³⁾	High ⁽³⁾	Low ⁽³⁾	High ⁽³⁾
Non-GAAP Net Income:				
Net (loss) income (GAAP)	\$ (400)	\$ 1,760	\$ 27,990	\$ 34,450
Income tax (benefit) expense	(130)	560	8,840	10,880
(Loss) income before income taxes	(530)	2,320	36,830	45,330
Acquisition-related deferred revenue	930	930	2,230	2,230
Amortization of product technologies and intangible assets	25,550	25,400	101,790	100,990
Acquisition-related expense	2,970	2,970	10,030	9,730
Organizational realignment	890	790	1,240	790
Amortization of convertible note discount	2,840	2,840	11,610	11,610
Stock-based expense	18,050	17,950	78,820	78,270
Non-GAAP income before income taxes	50,700	53,200	242,550	248,950
Expected effective tax rate ⁽¹⁾	24.0%	24.0%	24.0%	24.0%
Assumed provision for income tax expense	12,168	12,768	58,212	59,748
Non-GAAP Net Income	\$ 38,532	\$ 40,432	\$ 184,338	\$ 189,202
Net income per diluted share	\$ 0.00	\$ 0.02	\$ 0.29	\$ 0.35
Non-GAAP Net Income per Diluted Share	\$ 0.41	\$ 0.43	\$ 1.95	\$ 2.00
Non-GAAP adjusted diluted weighted average shares outstanding:				
Weighted average outstanding shares - diluted	96,007	96,007	97,097	97,097
Dilution offset from convertible note hedge transactions	(2,160)	(2,160)	(2,584)	(2,584)
Non-GAAP Diluted Weighted Average Shares Outstanding ⁽²⁾	93,847	93,847	94,513	94,513

Adjusted EBITDA Guidance

Set forth below is a presentation of the company's "Adjusted EBITDA" guidance for the three months ending March 31, 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 March 31, 2020		Guidance Range for the Twelve Months Ending December 31, 2020	
	Low ⁽³⁾	High ⁽³⁾	Low ⁽³⁾	High ⁽³⁾
Adjusted EBITDA:				
Net (loss) income (GAAP)	\$ (400)	\$ 1,760	\$ 27,990	\$ 34,450
Acquisition-related deferred revenue	930	930	2,230	2,230
Depreciation, asset impairment, and loss on disposal of assets	8,650	8,450	36,090	35,190
Amortization of product technologies and intangible assets	25,550	25,400	101,790	100,990
Acquisition-related expense	2,970	2,970	10,030	9,730
Organizational realignment	890	790	1,240	790
Stock-based expense	18,050	17,950	78,820	78,270
Interest expense, net	13,490	13,190	52,970	51,470
Income tax (benefit) expense	(130)	560	8,840	10,880
Adjusted EBITDA	<u>\$ 70,000</u>	<u>\$ 72,000</u>	<u>\$ 320,000</u>	<u>\$ 324,000</u>

- (1) In 2019, a 26.0% tax rate is assumed in order to approximate the Company's long-term effective corporate tax rate. 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 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.