

Q1 2020 FINANCIAL RESULTS

MAY 2020

FORWARD LOOKING STATEMENTS

This presentation contains “forward-looking” statements relating to RealPage, Inc.’s strategy, goals, future focus areas, and expected, possible or assumed future results, including its financial outlook for the second quarter ending June 30, 2020 and calendar year ending December 31, 2020, and that the range of financial expectations for 2020 includes anticipated headwinds related to lower leasing velocity and delayed new client projects; our focus on leading the industry through the storm, including rapidly delivering innovative solutions to optimize rental housing operations such as those that facilitate virtual leasing, living and payments; the impact on our financial outlook due to lower expectations for bookings in the first half, slower leasing velocity, and the intent to adjust variable costs due to lower revenue and the realization of some productivity improvements, but not product development or sales and marketing spend given our view that clients will have an increased need for products and services that help them accelerate their transition to more virtual operations. 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, including the uncertainty associated with the potential impacts of the COVID-19 pandemic on our business, financial condition, and results of operations. The Company 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 other uncertainty, and conditions and uncertainty caused by the COVID-19 pandemic, 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 recent or future acquired businesses successfully or to achieve expected synergies, including the recently completed acquisitions of Modern Message, Buildium, Investor Management Services, Simple Bills, Hipercpt, and Lease Term Solutions; (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 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 2, 2020. 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.

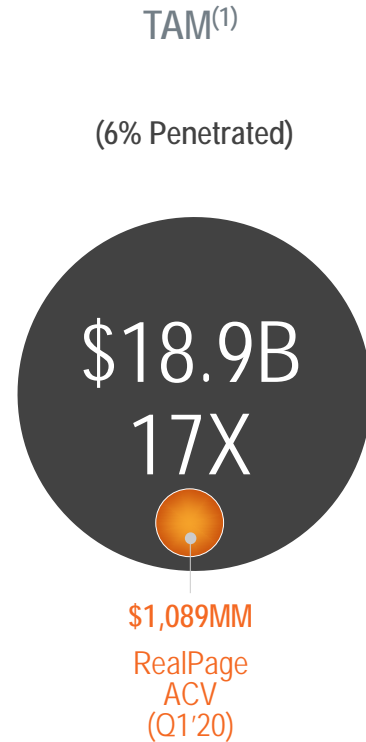
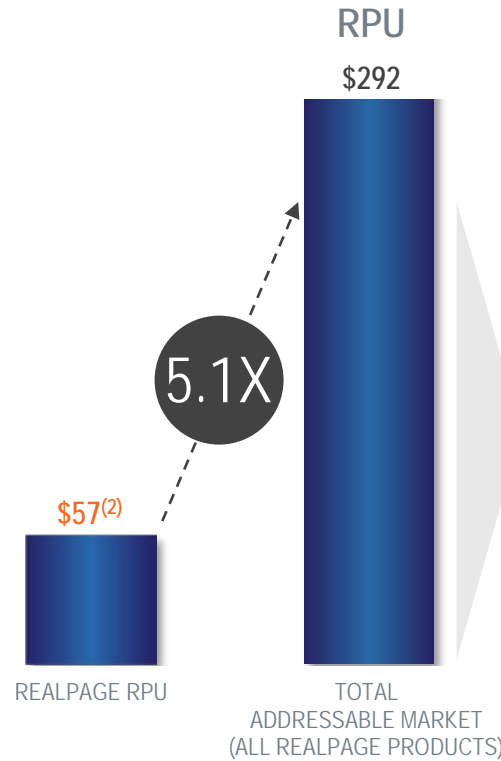
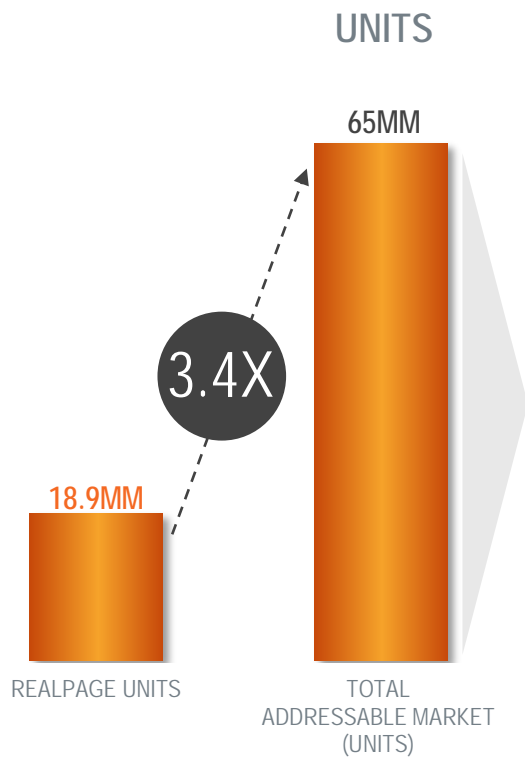
REALPAGE®

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



SELL MORE NEW UNITS

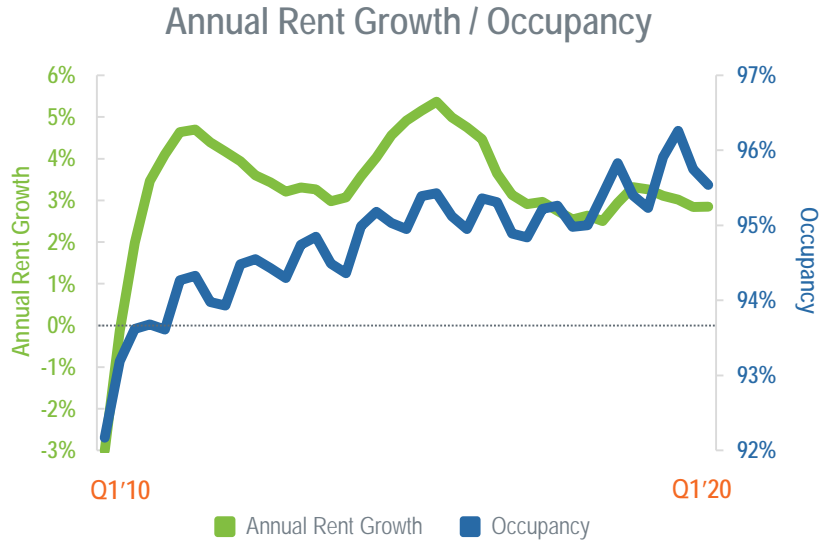
CROSS-SELL HIGHER RPU



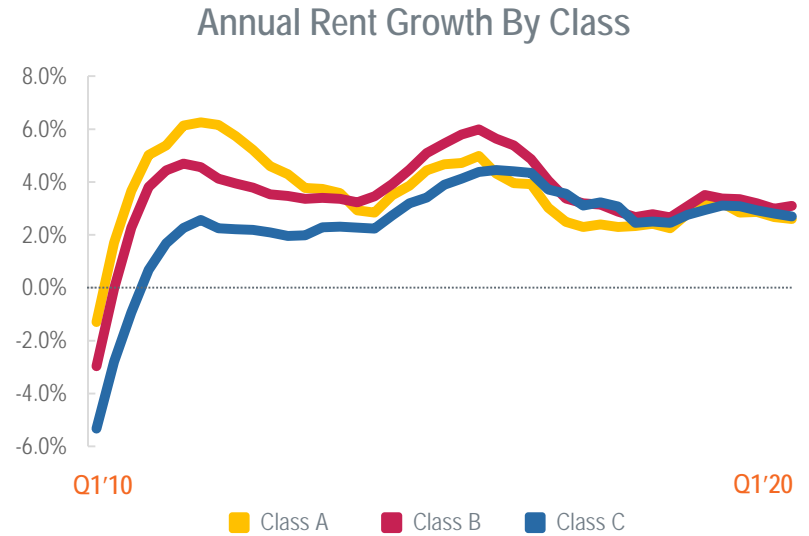
MACROECONOMIC TRENDS: RENTAL HOUSING MARKET STRENGTH

- Rents grew 2.8% in Q1'20, compared to growth of 3.3% in Q1'19

- Occupancy at 95.8% in Q1'20, compared with 95.4% in Q1'19



Source: MPF Research and AxioMetrics data.



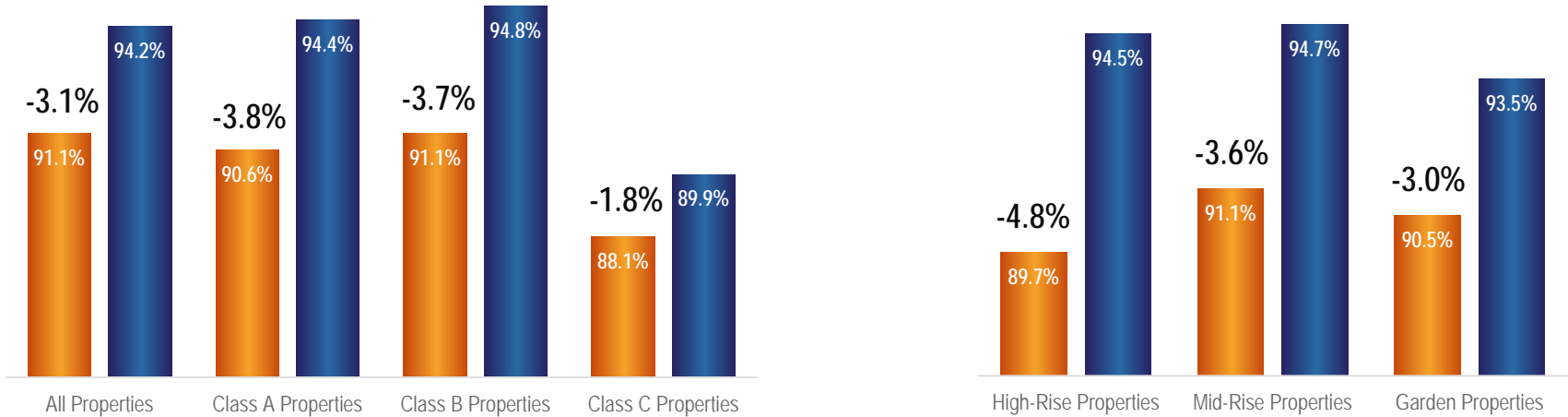
Source: MPF Research and AxioMetrics data.

Q1 SUMMARY

- Solid financial performance
- Reducing guidance expectations due primarily to macro-economic backdrop
- Real-time data provided by RealPage has been instrumental to industry ~ partnering with NMHC

RENT PAYMENT TRACKER SEGMENTATION RESULTS

■ 20-Apr ■ 19-Apr

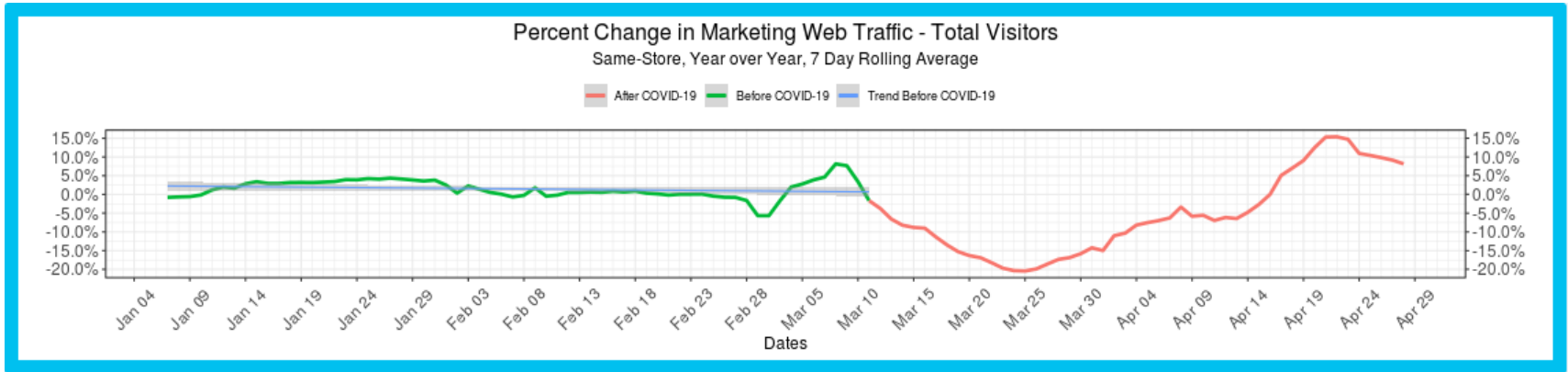


	2020
# METROS WITH OVER 4% DECLINE	5
# METROS WITH DECLINES 2-4%	20
# METROS WITH UNDER 2% DECLINE	26

Source RealPage data.

TRAFFIC – WEBSITE TOTAL VISITORS

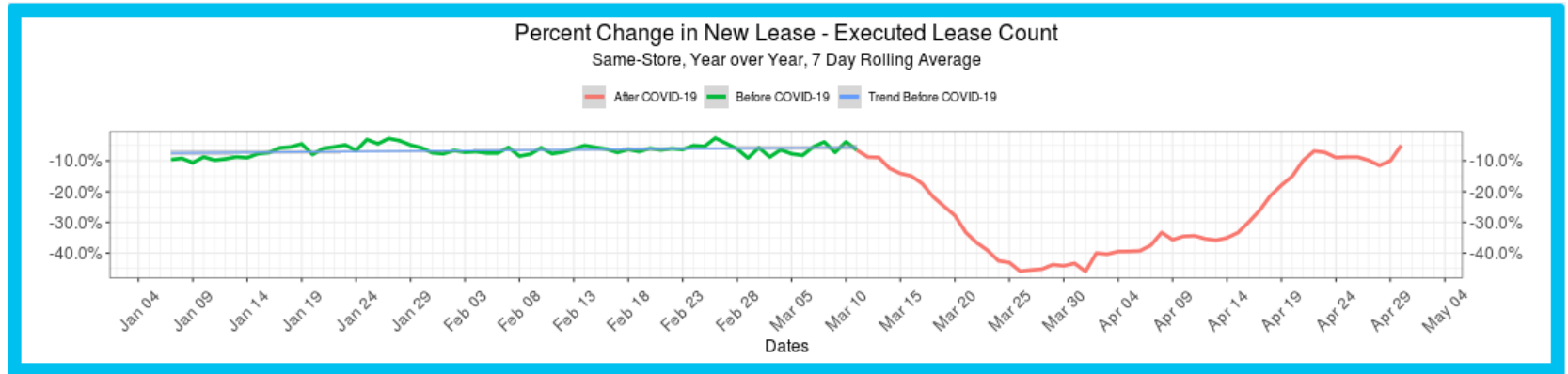
(1367 COMMUNITIES)



Source RealPage data.

LEASING – NEW LEASES (COUNT)

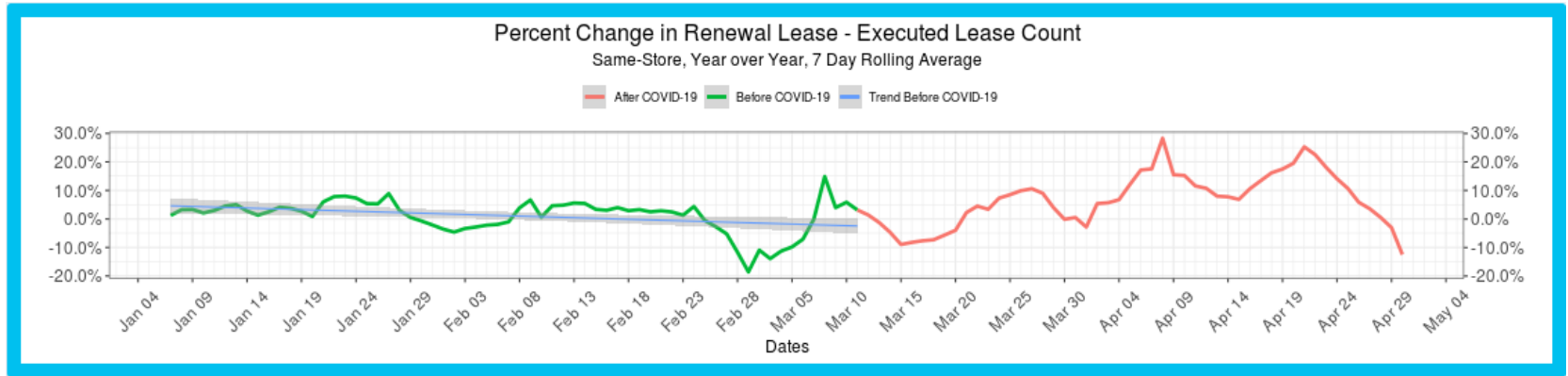
(6609 COMMUNITIES)



Source RealPage data.

LEASING – RENEWAL LEASES (COUNT)

(6609 COMMUNITIES)



Source RealPage data.

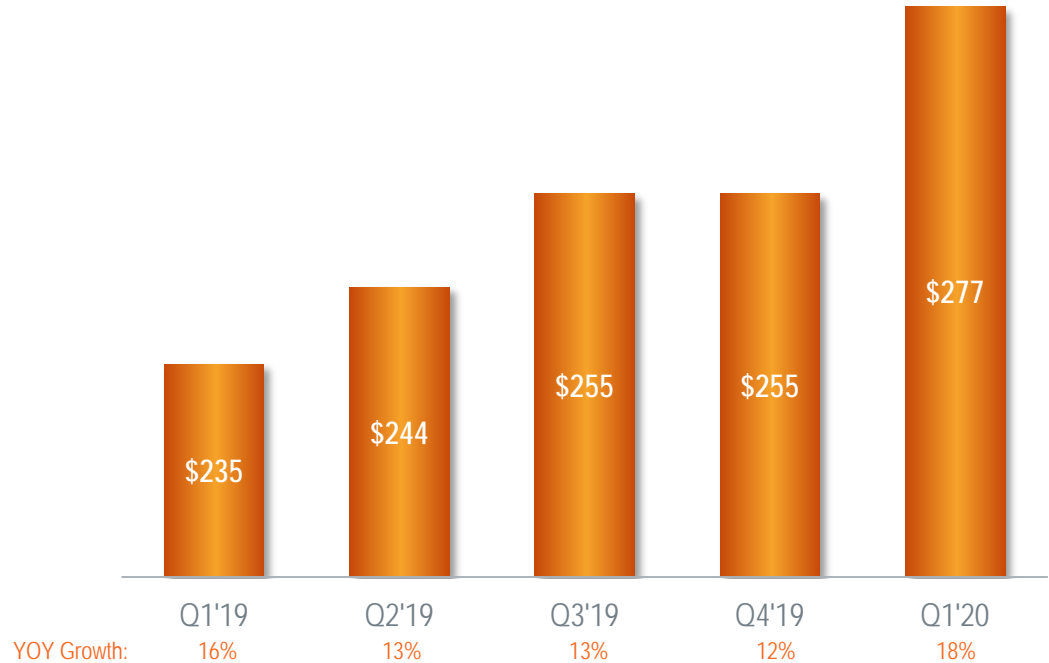
COVID-19 RESPONSE

- Partnering with clients utilizing real-time data
- Transitioned 98% of employees to work from home in 2 ½ weeks
- Created 4 temporary labor centers
- Maintained service levels throughout crisis ~ emphasis on operational productivity
- Crisis uncovers four important areas for clients: virtual leasing office, revenue management, retention, electronic payments

Q1'20 FINANCIAL SUMMARY

- Total Non-GAAP revenue growth of 18% YOY
- Adjusted EBITDA growth of 10% YOY

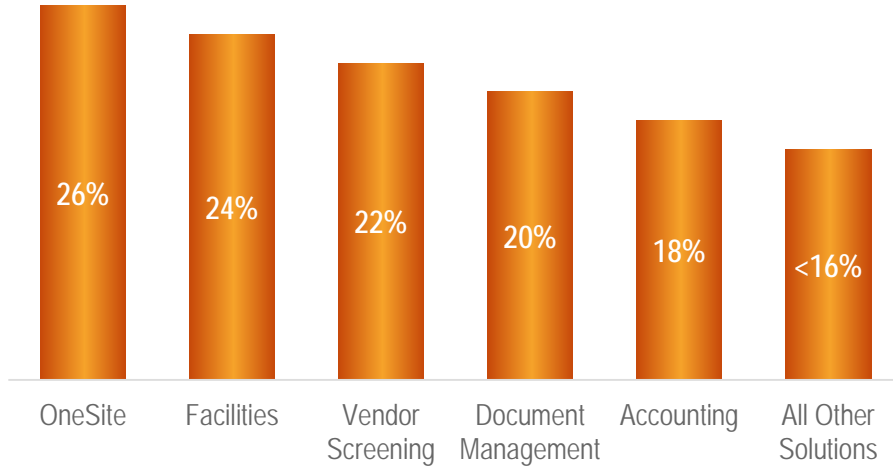
Non-GAAP Total Revenue
(in millions)



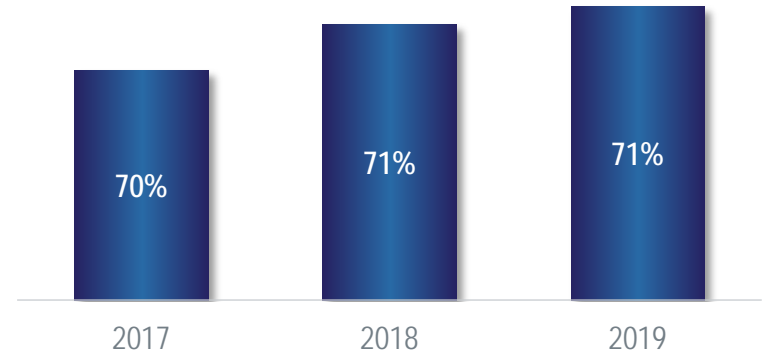
*See the appendix section of this presentation for a reconciliation of GAAP to Non-GAAP measures.

PROPERTY MANAGEMENT

Percent Penetrated Into 16.5MM Rental Units⁽¹⁾



Estimated Relative Gross Margin⁽²⁾

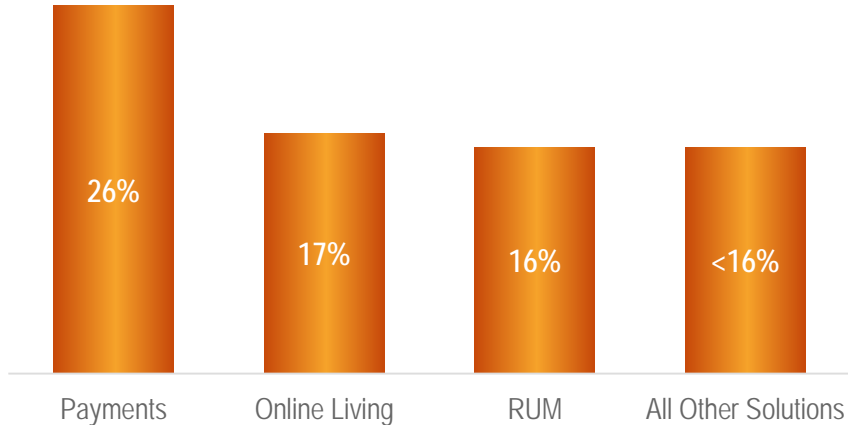


⁽¹⁾ Unit overlap exists across solutions.

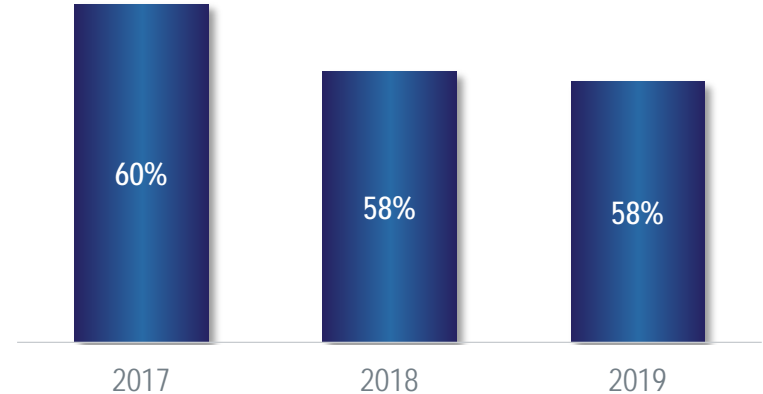
⁽²⁾ Based on Company estimates of certain shared costs allocated to the product category based upon revenue contribution and excludes depreciation, amortization of product technologies, and stock-based expense.

RESIDENT SERVICES

Percent Penetrated Into 16.5MM Rental Units⁽¹⁾



Estimated Relative Gross Margin⁽²⁾

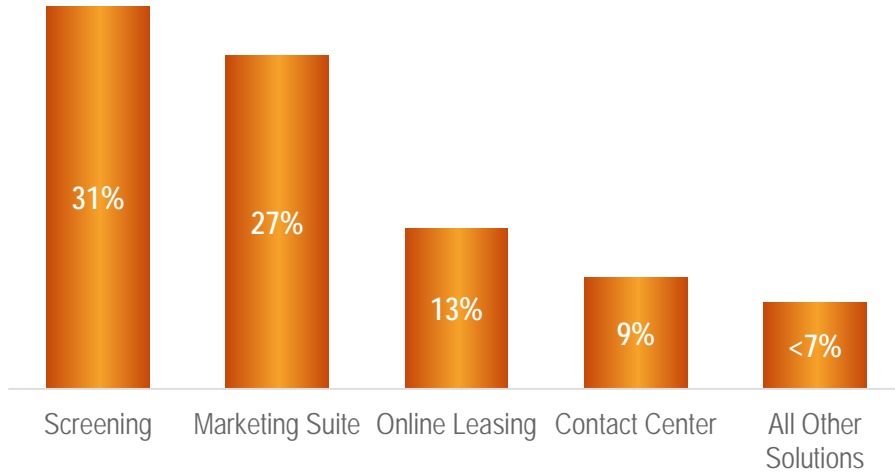


⁽¹⁾ Unit overlap exists across solutions.

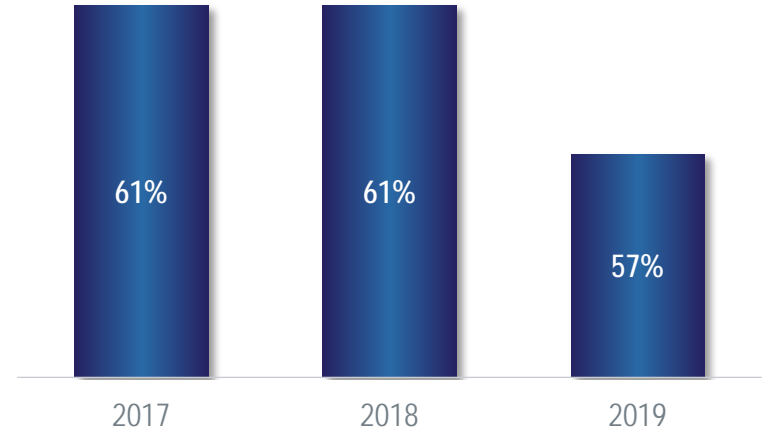
⁽²⁾ Based on Company estimates of certain shared costs allocated to the product category based upon revenue contribution and excludes depreciation, amortization of product technologies, and stock-based expense.

LEASING AND MARKETING

Percent Penetrated Into 16.5MM Rental Units⁽¹⁾



Estimated Relative Gross Margin⁽²⁾

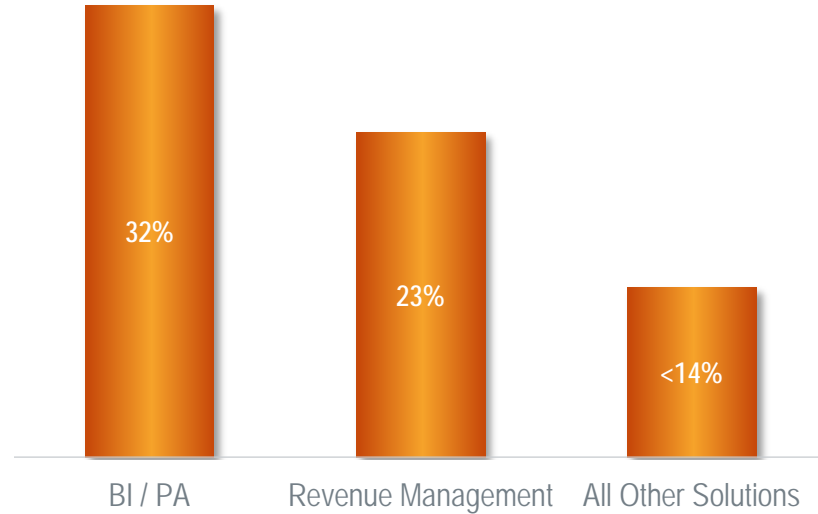


⁽¹⁾ Unit overlap exists across solutions.

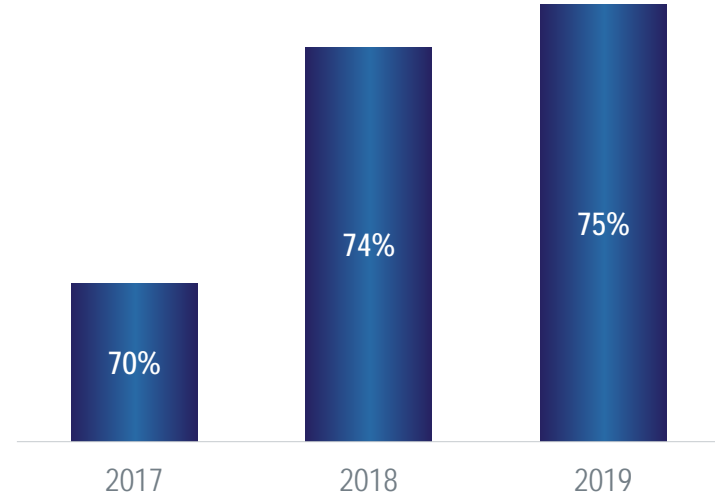
⁽²⁾ Based on Company estimates of certain shared costs allocated to the product category based upon revenue contribution and excludes depreciation, amortization of product technologies, and stock-based expense.

ASSET OPTIMIZATION

Percent Penetrated Into 16.5MM Units⁽¹⁾



Estimated Relative Gross Margin⁽²⁾



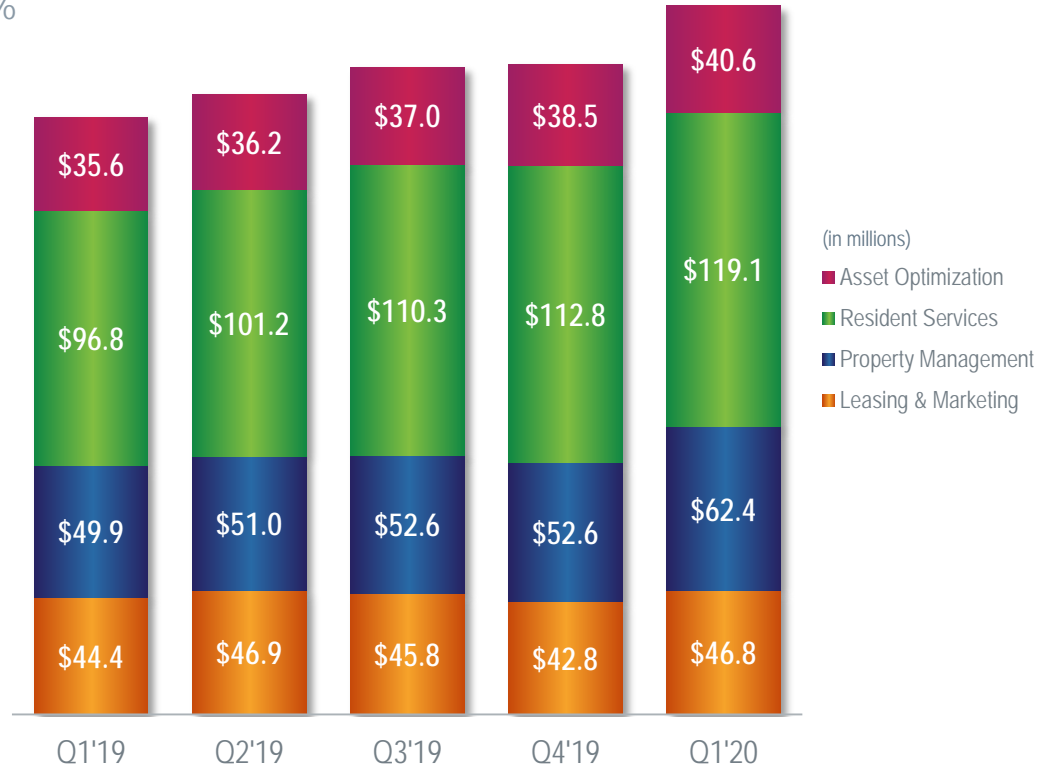
⁽¹⁾ Unit overlap exists across solutions.

⁽²⁾ 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

• Q1'20 Non-GAAP on-demand growth of 19% driven by:

- Property Management – 25% YOY growth
- Resident Services – 23% YOY growth
- Leasing & Marketing – 5% YOY growth
- Asset Optimization – 14% YOY growth



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

LAND AND EXPAND

- Total ACV of \$1,089 million – 19% YOY growth
- Top 100 ACV clients average RPU of \$72 or \$96 excluding HOA

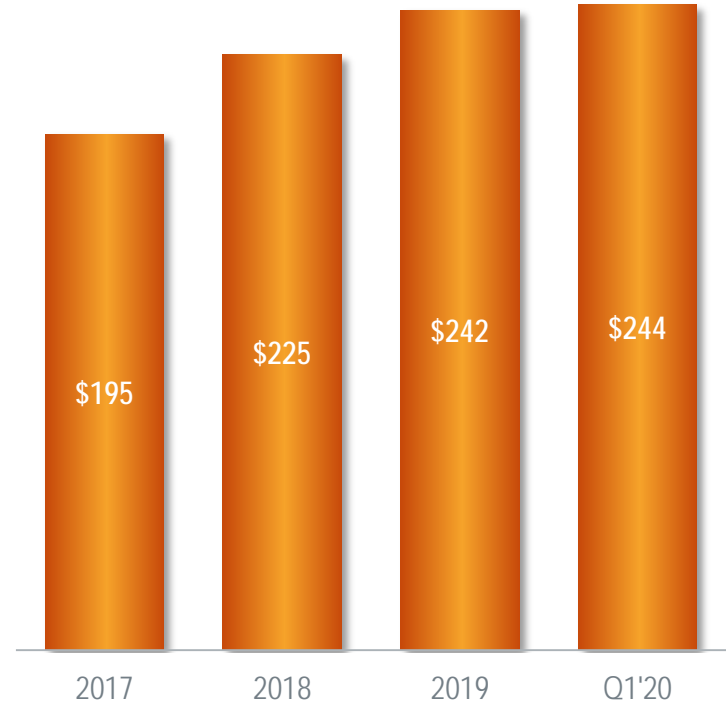
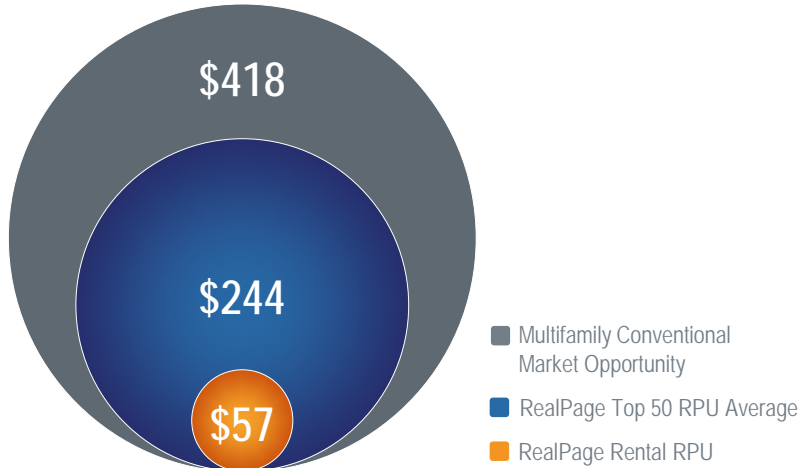
	2017	2018	2019	Q1'20
ACV	\$751.2	\$876.6	\$1,039.6	\$1,089.2
UNITS	13.0	16.2	18.5	18.9
RPU	\$57.77	\$54.05	\$56.27	\$57.48

ACV (in millions)



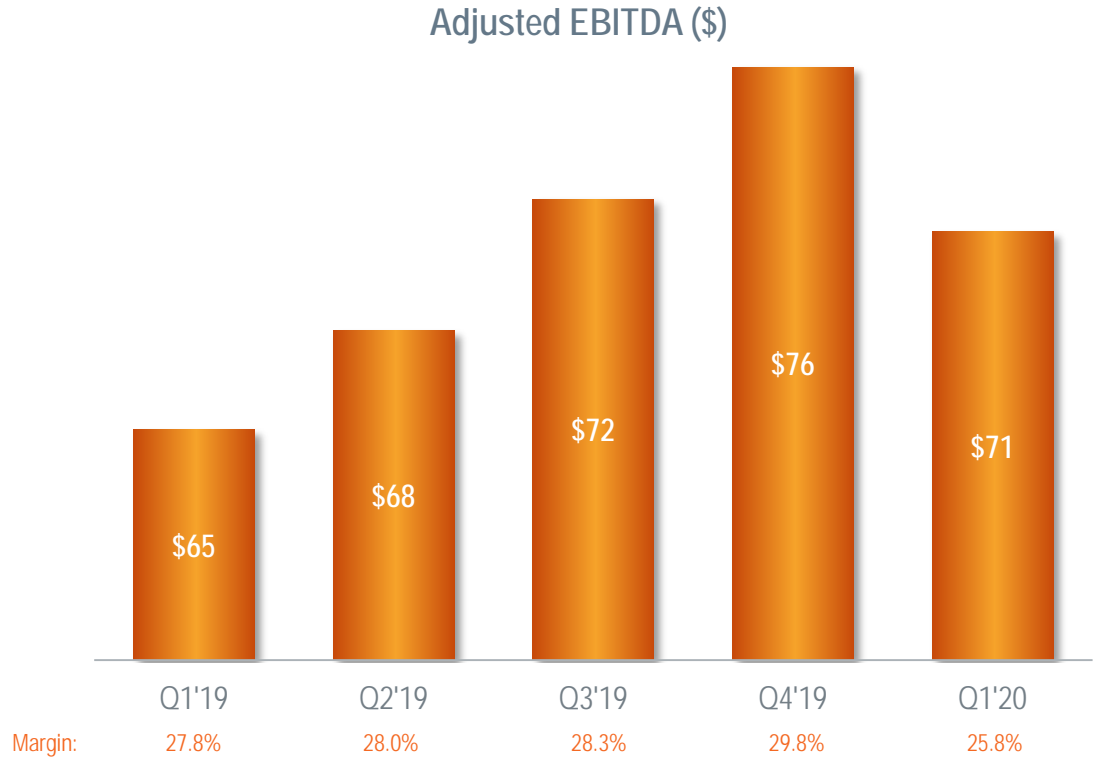
TOP 50 RPU CLIENTS

- Average \$244 in RPU in Q1'20
- Average RPU of \$244 is 4X aggregate RP RPU of \$57



QUARTERLY PROFITABILITY

- Adjusted EBITDA growth of 10%



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

LIQUIDITY AND OPERATING CASH FLOW

- Cash flow from operations was \$67.0⁽¹⁾ million in Q1'20
- Capital expenditures of \$13.3 million for Q1'20, 5% of revenue during the period

(millions)	Q1'19	Q1'20
BALANCE SHEET		
CASH AND CASH EQUIVALENTS	\$252.7	\$184.3
DEBT	\$595.7	\$1,128.8
CASH FLOW		
OPERATING CASH FLOW ⁽¹⁾	\$54.2	\$67.0
CAPITAL EXPENDITURES	\$10.9	\$13.3
LEVERAGE		
STREET LEVERAGE ⁽³⁾	1.3x	3.3x
BANK LEVERAGE ⁽³⁾	1.8x	3.6x

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

⁽²⁾ Includes a \$3.4 million impact from the company's renters' insurance solution related to hurricanes Harvey and Irma.

⁽³⁾ The delta between Street Leverage and Bank Leverage is run-rate Adjusted EBITDA versus TTM Adjusted EBITDA.

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



DEBT, COVENANTS AND LEVERAGE RATIO

INSTRUMENT / DESCRIPTION	TYPE	SIZE	DRAWN	MATURITY	TERMS	COVENANTS
TERM LOAN	SENIOR SECURED	\$ 300 M	\$ 296 M	SEPTEMBER 2024	Ranges from LIBOR + 100 bps to LIBOR + 200 bps - Currently at LIBOR + 175 bps	3.75x for Sr Secured Ratio; 5.0x net leverage for total debt load
TERM LOAN	SENIOR SECURED	\$ 300 M	\$ 296 M	SEPTEMBER 2024	Ranges from LIBOR + 100 bps to LIBOR + 200 bps - Currently at LIBOR + 175 bps	3.75x for Sr Secured Ratio; 5.0x net leverage for total debt load
REVOLVING CREDIT FACILITY	SENIOR SECURED	\$ 600 M	\$ 230 M	SEPTEMBER 2024	Ranges from LIBOR + 100 bps to LIBOR + 200 bps - Currently at LIBOR + 175 bps	3.75x for Sr Secured Ratio; 5.0x net leverage for total debt load
CONVERT	UNSECURED	\$ 345 M	\$ 345 M	NOVEMBER 2022	1.5% conversion premium - conversion price is \$41.95 - option to settle all in cash, cash + stock, or all stock	N/A
OTHER (EARN OUT, HOLD-BACK, ETC.)	CASH AS OF 3/31/20	NET DEBT	ADJUSTED EBITDA (TTM)	NET BANK LEVERAGE RATIO	NET BANK LEVERAGE RATIO EX-CONVERT	
\$ 39 M	\$ (184 M)	\$ 1,022 M	\$ 284 M	3.6x	2.4x	

Q2 AND FY 2020 EXPECTATIONS

- Q2'20 Non-GAAP total revenue of \$276 million to \$280 million
- Q2'20 Adjusted EBITDA of \$66 million to \$70 million
- Q2'20 Non-GAAP diluted EPS of \$0.38 to \$0.42
- FY'20 Non-GAAP total revenue of \$1,115 million to \$1,155 million
- FY'20 Adjusted EBITDA of \$290 million to \$300 million
- FY'20 Non-GAAP diluted EPS of \$1.74 to \$1.84

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

APPENDIX

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 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.

	Q1'18	Q2'18	Q3'18	Q4'18	2018	Q1'19	Q2'19	Q3'19	Q4'19	2019	Q1'20
Revenue (GAAP)	\$ 201,301	\$ 216,252	\$ 224,953	\$ 226,974	\$ 869,480	\$ 234,306	\$ 243,861	\$ 255,202	\$ 254,767	\$ 988,136	\$ 276,673
Acquisition-related deferred revenue	313	103	418	1,056	1,890	224	157	38	449	868	400
Non-GAAP Total Revenue	\$ 201,614	\$ 216,355	\$ 225,371	\$ 228,030	\$ 871,370	\$ 234,530	\$ 244,018	\$ 255,240	\$ 255,216	\$ 989,004	\$ 277,073

Adjusted EBITDA

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

	Q1'18	Q2'18	Q3'18	Q4'18	2018	Q1'19	Q2'19	Q3'19	Q4'19	2019	Q1'20
Net income (loss) (GAAP)	\$ 10,901	\$ 8,479	\$ 9,073	\$ 6,272	\$ 34,725	\$ 11,272	\$ 15,063	\$ 11,704	\$ 20,169	\$ 58,208	\$ 5,605
Acquisition-related deferred revenue	313	103	418	1,056	1,890	224	157	38	449	868	400
Depreciation, asset impairment, and loss on disposal of assets	7,818	7,662	9,286	10,445	35,211	8,760	8,697	8,498	10,769	36,724	8,383
Amortization of product technologies and intangible assets	16,384	17,623	18,684	19,017	71,708	19,350	20,302	20,759	20,353	80,764	25,191
Loss due to cyber incident, net of recoveries	—	—	—	4,952	4,952	—	—	—	—	—	—
Gain on change in fair value of equity investment	—	—	—	—	—	(2,600)	—	—	—	(2,600)	—
Acquisition-related expense (income)	1,007	1,168	519	(257)	2,437	29	376	755	3,594	4,754	3,724
Regulatory and legal matters	—	—	78	—	78	—	352	215	898	1,465	359
Interest expense, net	7,721	8,584	6,874	6,780	29,959	8,581	8,241	8,791	9,443	35,056	12,905
Income tax expense (benefit)	(301)	(189)	683	(618)	(425)	4,647	(822)	4,171	(5,646)	2,350	(2,501)
Organizational realignment	—	—	—	—	—	—	—	684	849	1,533	1,211
Stock-based expense	10,318	13,695	13,479	13,149	50,641	14,913	15,865	16,498	15,287	62,563	16,201
Adjusted EBITDA	\$ 54,161	\$ 57,125	\$ 59,094	\$ 60,796	\$ 231,176	\$ 65,176	\$ 68,231	\$ 72,113	\$ 76,165	\$ 281,685	\$ 71,478

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.

	Q1'18	Q2'18	Q3'18	Q4'18	2018	Q1'19	Q2'19	Q3'19	Q4'19	2019	Q1'20
Net income (loss) (GAAP)	\$ 10,901	\$ 8,479	\$ 9,073	\$ 6,272	\$ 34,725	\$ 11,272	\$ 15,063	\$ 11,704	\$ 20,169	\$ 58,208	\$ 5,605
Income tax expense (benefit)	(301)	(189)	683	(618)	(425)	4,647	(822)	4,171	(5,646)	2,350	(2,501)
Income (loss) before income taxes	10,600	8,290	9,756	5,654	34,300	15,919	14,241	15,875	14,523	60,558	3,104
Acquisition-related deferred revenue	313	103	418	1,056	1,890	224	157	38	449	868	400
Asset impairment and (gain) loss on disposal of assets	942	156	2,341	3,294	6,733	286	(17)	(10)	2,277	2,536	12
Amortization of product technologies and intangible assets	16,384	17,623	18,684	19,017	71,708	19,350	20,302	20,759	20,353	80,764	25,191
Gain on change in fair value of equity investment	—	—	—	—	—	(2,600)	—	—	—	(2,600)	—
Loss due to cyber incident, net of recoveries	—	—	—	4,952	4,952	—	—	—	—	—	—
Acquisition-related expense (income)	1,007	1,168	519	(257)	2,437	29	376	755	3,594	4,754	3,724
Organizational realignment	—	—	—	—	—	—	—	684	849	1,533	1,211
Regulatory and legal matters	—	—	78	—	78	—	352	215	898	1,465	359
Amortization of convertible note discount	2,524	2,562	2,599	2,639	10,324	2,676	2,717	2,756	2,797	10,946	2,838
Stock-based expense	10,318	13,695	13,479	13,149	50,641	14,913	15,865	16,498	15,287	62,563	16,201
Non-GAAP income before income taxes	42,088	43,597	47,874	49,504	183,063	50,797	53,993	57,570	61,027	223,387	53,040
Assumed rate for income tax expense ⁽¹⁾	26.0 %	26.0 %	26.0 %	26.0 %	26.0 %	26.0 %	26.0 %	26.0 %	26.0 %	26.0 %	24.0 %
Assumed provision for non-GAAP income tax expense	10,943	11,335	12,447	12,871	47,596	13,207	14,038	14,968	15,867	58,080	12,730
Non-GAAP net income	\$ 31,145	\$ 32,262	\$ 35,427	\$ 36,633	\$ 135,467	\$ 37,590	\$ 39,955	\$ 42,602	\$ 45,160	\$ 165,307	\$ 40,310
Net income (loss) per diluted share	\$ 0.13	\$ 0.09	\$ 0.09	\$ 0.07	\$ 0.38	\$ 0.12	\$ 0.16	\$ 0.12	\$ 0.21	\$ 0.60	\$ 0.06
Non-GAAP net income per diluted share	\$ 0.37	\$ 0.37	\$ 0.38	\$ 0.39	\$ 1.51	\$ 0.40	\$ 0.43	\$ 0.45	\$ 0.48	\$ 1.76	\$ 0.43
Weighted average outstanding shares - basic	81,166	85,124	91,222	91,492	87,290	91,490	91,914	92,239	92,412	92,017	92,654
Weighted average outstanding shares - diluted	84,817	90,005	96,590	95,108	91,531	95,561	96,493	97,114	95,823	96,282	95,919
Dilution offset from convertible note hedge transactions	(1,319)	(2,116)	(2,440)	(1,621)	(1,876)	(2,207)	(2,528)	(2,716)	(2,172)	(2,406)	(2,170)
Non-GAAP diluted weighted average shares outstanding ⁽²⁾	83,498	87,889	94,150	93,487	89,655	93,354	93,965	94,398	93,651	93,876	93,749

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES TO COMPARABLE GAAP MEASURES

	Q1'18	Q2'18	Q3'18	Q4'18	2018	Q1'19	Q2'19	Q3'19	Q4'19	2019	Q1'20
On demand revenue (GAAP)	\$ 193,300	\$ 206,945	\$ 215,413	\$ 218,051	\$ 833,709	\$ 226,519	\$ 235,185	\$ 245,637	\$ 246,235	\$ 953,576	\$ 268,471
Acquisition-related deferred revenue	313	103	418	1,056	1,890	224	157	38	449	868	400
Non-GAAP on demand revenue	193,613	207,048	215,831	219,107	835,599	226,743	235,342	245,675	246,684	954,444	268,871
Ending on demand units	13,173	15,531	16,073	16,219	16,219	16,401	16,505	16,779	18,475	18,475	18,949
Average on demand units	13,088	14,352	15,802	16,146	14,847	16,310	16,453	16,642	17,627	16,758	18,712
RPU	\$ 59.17	\$ 53.95	\$ 55.17	\$ 54.05	\$ 54.05	\$ 55.61	\$ 57.10	\$ 59.05	\$ 56.27	\$ 56.27	\$ 57.48
ACV	\$ 779,446	\$ 837,897	\$ 886,747	\$ 876,637	\$ 876,637	\$ 912,060	\$ 942,436	\$ 990,800	\$ 1,039,588	\$ 1,039,588	\$ 1,089,189
	Q1'18	Q2'18	Q3'18	Q4'18	2018	Q1'19	Q2'19	Q3'19	Q4'19	2019	Q1'20
Property Management	\$ 45,319	\$ 46,522	\$ 47,307	\$ 47,826	\$ 186,974	\$ 49,914	\$ 51,006	\$ 52,591	\$ 52,633	\$ 206,144	\$ 62,433
Percent of total non-GAAP on demand revenue	24%	22%	22%	22%	22%	22%	22%	21%	21%	22%	23%
Year-over-year growth	12%	12%	12%	11%	12%	10%	10%	11%	10%	10%	25%
Resident Services	\$ 77,175	\$ 85,329	\$ 94,084	\$ 93,865	\$ 350,453	\$ 96,804	\$ 101,209	\$ 110,315	\$ 112,747	\$ 421,075	\$ 119,086
Percent of total non-GAAP on demand revenue	40%	41%	44%	43%	42%	43%	43%	45%	46%	44%	44%
Year-over-year growth	27%	32%	33%	24%	29%	25%	19%	17%	20%	20%	23%
Leasing and Marketing	\$ 39,434	\$ 42,845	\$ 42,198	\$ 42,882	\$ 167,359	\$ 44,401	\$ 46,899	\$ 45,761	\$ 42,792	\$ 179,853	\$ 46,790
Percent of total non-GAAP on demand revenue	20%	21%	19%	19%	20%	19%	20%	19%	17%	19%	18%
Year-over-year growth	42%	46%	44%	14%	35%	13%	9%	8%	0%	7%	5%
Asset Optimization	\$ 31,685	\$ 32,352	\$ 32,242	\$ 34,534	\$ 130,813	\$ 35,624	\$ 36,228	\$ 37,008	\$ 38,512	\$ 147,372	\$ 40,562
Percent of total non-GAAP on demand revenue	16%	16%	15%	16%	16%	16%	15%	15%	16%	15%	15%
Year-over-year growth	78%	61%	59%	42%	59%	12%	12%	15%	12%	13%	14%
Subscription	\$ 169,687	\$ 179,082	\$ 189,458	\$ 196,799	\$ 735,026	\$ 201,943	\$ 207,209	\$ 218,536	\$ 222,988	\$ 850,676	\$ 240,589
Percent of total non-GAAP on demand revenue	88%	86%	88%	90%	88%	89%	88%	89%	90%	89%	89%
Year-over-year growth	26%	27%	24%	24%	25%	19%	16%	15%	13%	16%	19%
Transactional	\$ 23,926	\$ 27,966	\$ 26,373	\$ 22,308	\$ 100,573	\$ 24,800	\$ 28,133	\$ 27,139	\$ 23,696	\$ 103,768	\$ 28,282
Percent of total non-GAAP on demand revenue	12%	14%	12%	10%	12%	11%	12%	11%	10%	11%	11%
Year-over-year growth	90%	97%	172%	2%	72%	4%	1%	3%	6%	3%	14%

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 months ending June 30, 2020 and for the twelve months ending December 31, 2020. Please reference the "Explanation of Non-GAAP Financial Measures" section.

	Guidance Range for the Three Months Ending June 30, 2020		Guidance Range for the Twelve Months Ending December 31, 2020	
	Low ⁽³⁾	High ⁽³⁾	Low ⁽³⁾	High ⁽³⁾
Revenue (GAAP)	\$ 275,580	\$ 279,580	\$ 1,113,720	\$ 1,153,720
Acquisition-related deferred revenue	420	420	1,280	1,280
Non-GAAP total revenue	<u>\$ 276,000</u>	<u>\$ 280,000</u>	<u>\$ 1,115,000</u>	<u>\$ 1,155,000</u>

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES TO COMPARABLE GAAP MEASURES

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 June 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 June 30, 2020		Guidance Range for the Twelve Months Ending December 31, 2020	
	Low ⁽³⁾	High ⁽³⁾	Low ⁽³⁾	High ⁽³⁾
Net income (GAAP)	\$ 210	\$ 4,510	\$ 21,500	\$ 31,870
Income tax expense	120	1,220	2,820	6,250
Income before income taxes	330	5,730	24,320	38,120
Acquisition-related deferred revenue	420	420	1,280	1,280
Asset impairment and loss on disposal of assets	—	—	20	20
Amortization of product technologies and intangible assets	25,860	25,660	101,250	100,650
Acquisition-related expense	2,520	2,420	10,780	10,480
Organizational realignment	350	150	1,560	1,360
Regulatory and legal matters	—	—	360	360
Amortization of convertible note discount	2,880	2,880	11,610	11,610
Stock-based expense	15,080	14,880	65,410	64,810
Non-GAAP income before income taxes	47,440	52,140	216,590	228,690
Assumed rate for income tax expense ⁽¹⁾	24.0%	24.0%	24.0%	24.0%
Assumed provision for non-GAAP income tax expense	11,386	12,514	51,982	54,886
Non-GAAP net income	\$ 36,054	\$ 39,626	\$ 164,608	\$ 173,804
Net income per diluted share	\$ 0.00	\$ 0.05	\$ 0.22	\$ 0.33
Non-GAAP net income per diluted share	\$ 0.38	\$ 0.42	\$ 1.74	\$ 1.84
Weighted average outstanding shares - diluted	97,233	97,233	96,889	96,889
Dilution offset from convertible note hedge transactions	(2,569)	(2,569)	(2,537)	(2,537)
Non-GAAP diluted weighted average shares outstanding ⁽²⁾	94,664	94,664	94,352	94,352

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 months ending June 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	
	June 30, 2020		December 31, 2020	
	Low ⁽¹⁾	High ⁽¹⁾	Low ⁽¹⁾	High ⁽¹⁾
Adjusted EBITDA:				
Net income (GAAP)	\$ 210	\$ 4,510	\$ 21,500	\$ 31,870
Acquisition-related deferred revenue	420	420	1,280	1,280
Depreciation, asset impairment, and loss on disposal of assets	9,390	9,190	37,060	36,460
Amortization of product technologies and intangible assets	25,860	25,660	101,250	100,650
Acquisition-related expense	2,520	2,420	10,780	10,480
Organizational realignment	350	150	1,560	1,360
Regulatory and legal matters	-	-	360	360
Stock-based expense	15,080	14,880	65,410	64,810
Interest expense, net	12,050	11,550	47,980	46,480
Income tax expense	120	1,220	2,820	6,250
Adjusted EBITDA	<u>\$ 66,000</u>	<u>\$ 70,000</u>	<u>\$ 290,000</u>	<u>\$ 300,000</u>

- (1) For 2020, 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.

EXPLANATION OF NON-GAAP FINANCIAL MEASURES

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 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 deferred revenue. The company believes it is useful to include deferred revenue written down for GAAP purposes under purchase accounting rules 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 revenue arising from our strategic acquisitions.

The company defines "Adjusted EBITDA" as net income, plus (1) acquisition-related deferred revenue, (2) depreciation, asset impairment, and loss on disposal of assets, (3) amortization of product technologies and intangible assets, (4) change in fair value of equity investment, (5) loss due to cyber incident, net of recoveries, (6) acquisition-related expense (income), (7) organizational realignment costs, (8) regulatory and legal matters, (9) stock-based expense, (10) interest expense, net, and (11) income tax expense (benefit). The company believes that investors and financial analysts find this non-GAAP financial measure 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, plus (1) income tax expense (benefit), (2) acquisition-related deferred revenue, (3) asset impairment and loss on disposal of assets, (4) amortization of product technologies and intangible assets, (5) change in fair value of equity investment, (6) loss due to cyber incident, net of recoveries, (7) acquisition-related expense (income), (8) organizational realignment costs, (9) amortization of convertible note discount, (10) regulatory and legal matters, and (11) stock-based expense, less (12) 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 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 in May 2017 in connection with the issuance of the convertible notes.

EXPLANATION OF NON-GAAP FINANCIAL MEASURES

The company defines "Non-GAAP Net Income per Diluted Share" as Non-GAAP Net Income divided by Non-GAAP Diluted Weighted Average Diluted Shares Outstanding" as . The company believes that investors and financial analysts find this non-GAAP financial measure 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 On Demand Revenue" as total on demand revenue plus acquisition-related deferred revenue. In addition, the company may refer to derivatives of Non-GAAP On Demand Revenue such as product family details (i.e., Property Management, Resident Services, Leasing and Marketing and Asset Optimization) and other revenue detail (i.e., Subscription and Transactional). The company believes it is useful to include deferred revenue written down for GAAP purposes under purchase accounting rules 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 of 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 at a point in time. 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 ending 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.

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:

EXPLANATION OF NON-GAAP FINANCIAL MEASURES

Non-GAAP 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. The non-GAAP tax rate excludes the tax effect of these items. We believe excluding these items assists investors and analysts in understanding the tax provision and the effective tax rate related to non-GAAP operations. In 2019, the company used a non-GAAP tax rate of approximately 26% to approximate the company's long-term effective corporate tax rate. During 2019, the company availed itself of research and development tax credits for both federal and state and other state tax credits that will impact its long-term effective tax rate in future periods. For 2020 guidance purposes, the company uses a non-GAAP tax rate of 24% to more align with the expected impact of the credits and other anticipated impacts of US tax reform as rules are clarified by the US Treasury and foreign jurisdictional changes that impact the company's tax portfolio globally. This non-GAAP tax rate will be reviewed annually to determine whether it remains appropriate in consideration of the company's operating environment, changes in tax legislation, jurisdictional mix of earnings, and other factors deemed appropriate and necessary.

Acquisition-related deferred revenue – This item is included to reflect deferred revenue written down for GAAP purposes under purchase accounting rules 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 (gain) loss on disposal of assets – This item comprises gains and/or losses on the disposal and impairment of long-lived assets and impairment of intangible assets, which are not reflective of the company's ongoing operations. We believe exclusion of this item 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 is therefore not considered by management in making operating decisions.

Amortization of product technologies and intangible assets – Intangible assets are amortized over their estimated useful lives and generally cannot be changed or influenced by the company after initial capitalization. Accordingly, this item is 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.

Change in fair value of equity investment – This item represents changes in fair value of our equity investment based on observable price changes in orderly transactions for an identical or similar investment of the same issuer. We believe exclusion of these costs facilitates a more accurate comparison of our results of operations between periods as these items are not reflective of our ongoing operations.

Loss due to cyber incident, net of recoveries – This item relates to losses, net of recoveries, associated with the targeted email phishing campaign which led to a diversion of funds intended for disbursement to three clients in the second quarter of 2018. The company believes this loss is not reflective of its ongoing operations and its exclusion is useful as it allows investors and financial analysts to evaluate our performance for different periods on a more comparable basis.

EXPLANATION OF NON-GAAP FINANCIAL MEASURES

Acquisition-related expense (income) – This item consists of direct costs incurred in our business acquisition transactions and expenses related to integration activities, and the impact of changes in the fair value of acquisition-related contingent consideration obligations. Examples of these direct costs include transaction fees, due diligence costs, acquisition retention bonuses and severance, and third-party consultants to assist with integration. We believe exclusion of these costs 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.

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.

Organizational realignment – These items consist of direct costs associated with the alignment of our business strategies. In connection with these actions, we recognize costs related to termination benefits, exit costs associated with closure of facilities, certain asset impairments, cancellation of certain contracts, and other professional and consulting fees associated with these initiatives. We believe exclusion of these items facilitate a more accurate comparison of our ongoing results of operations between periods.

Regulatory and legal matters – This item is comprised of certain regulatory and similar costs and certain legal settlement costs, such as costs related to the company's Hart-Scott-Rodino Antitrust Improvements Act review process incurred in connection with our acquisitions or the settlement of certain legal matters. These costs are excluded as they are irregular in timing and scope, and may not be indicative of our past and future performance. We believe exclusion of these costs facilitates a more accurate comparison of the company's results of operations between periods.

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.