

Q2 2019 FINANCIAL RESULTS

AUGUST 2019

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 third quarter ending September 30, 2019 and calendar year ending December 31, 2019, the ability of our strategic platform vision to continue to enable solid financial results, the ability of innovations across our platform to help property owners turn data into action, increase yields and create ancillary revenue streams by more effectively monetizing space, and the investment focus on driving Yes-To-Success improvements, accelerating innovation, and providing our sales teams with the resources to market new innovation more effectively. 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. 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 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 recent or future acquired businesses successfully or to achieve expected synergies, including the recently completed acquisitions of LeaseTerm Solutions, Hipercept and SimpleBills; (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 February 27, 2019 and its Quarterly Report on Form 10-Q previously filed with the SEC on May 8, 2019. 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.

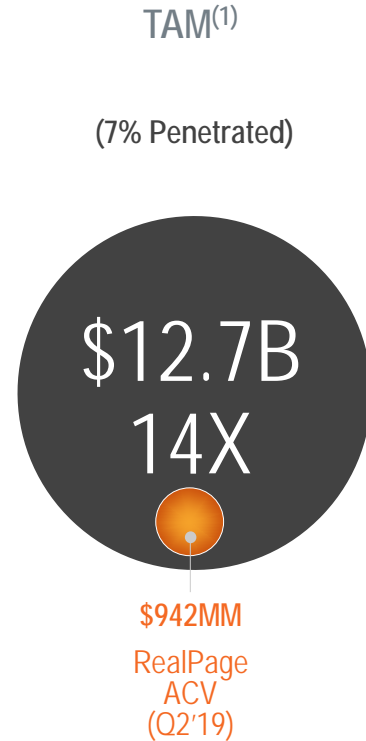
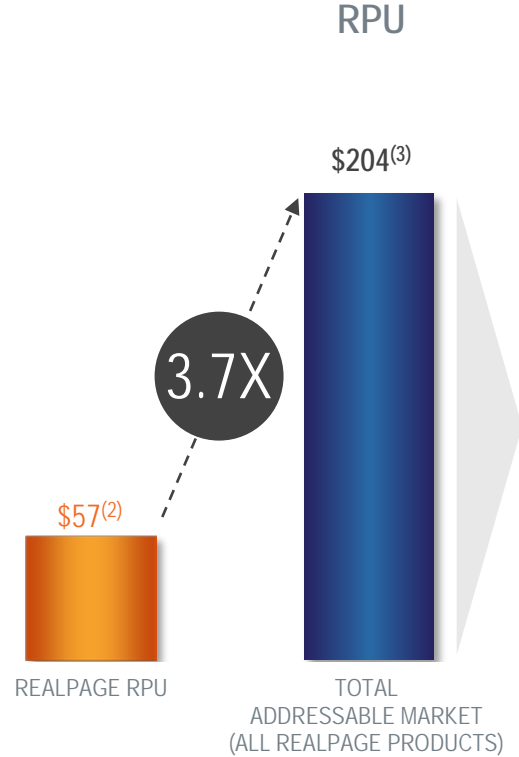
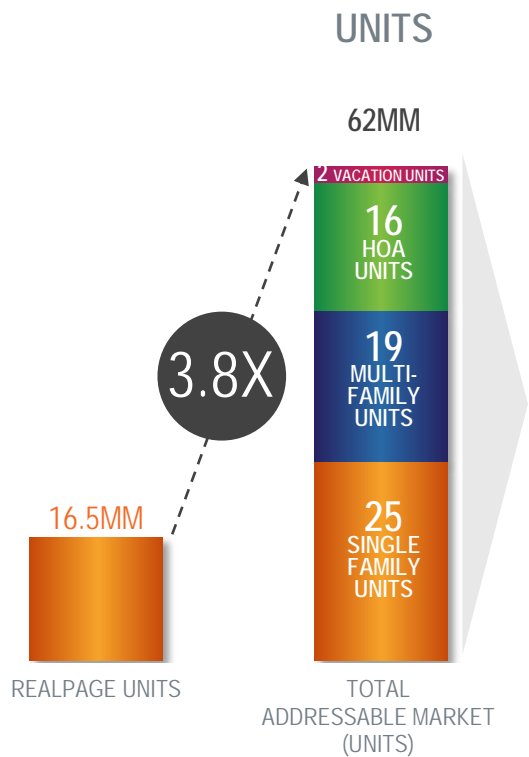
REALPAGE®

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



EXPANDING VISION

Evolving vision to include how renters will experience, utilize and monetize SPACE for working, living and vacationing:

- Rental housing market generates over \$560 billion in revenue annually ~ estimate 1% is spent on technology
- Estimate advanced technology platform can drive incremental yields of 300 to 400 basis points for real estate owners
- Bold goal: deliver platform that can drive incremental yield for real estate owners of \$17 billion to \$22 billion in exchange for increased technology spend

REALPAGE AS A STRATEGIC PLATFORM

Commitment to innovation, efficiency, and building long-term partnerships with clients propels RealPage towards position of a strategic platform

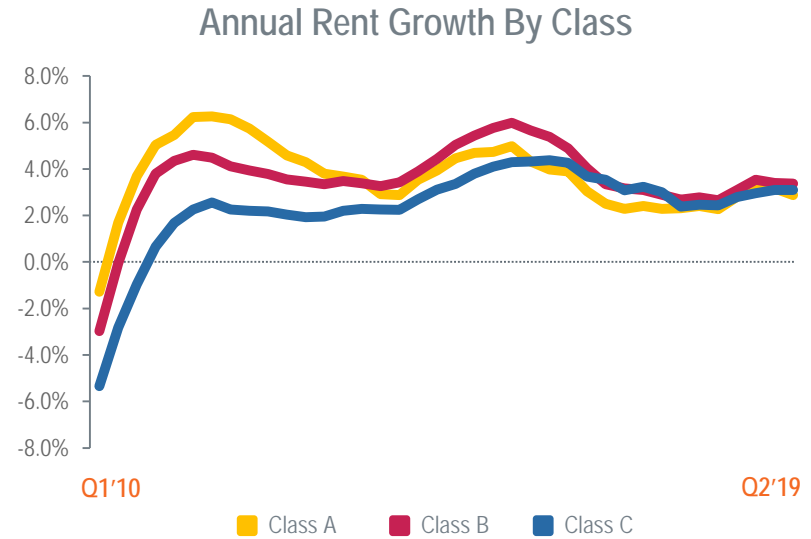
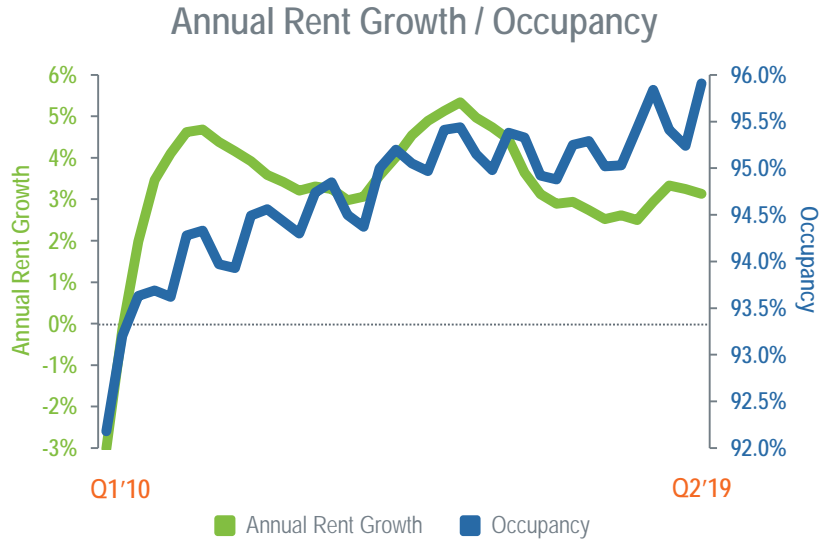
New innovation discussed at RealWorld:

- BI platform ~ STAR reporting
- Market Analytics
- Hipercept ~ Institutional focus
- Portfolio Investment Management (PIM)
- GoDirect Marketing Suite / Renter Engagement platform
- ActiveBuilding
- AI Screening ~ Early adoption is strong

MACROECONOMIC TRENDS: RENTAL HOUSING MARKET STRENGTH

- Rents grew 3.1% in Q2'19, compared to 2.5% in Q2'18

- Occupancy at 95.9% in Q2'19, compared with 95.4% in Q2'18



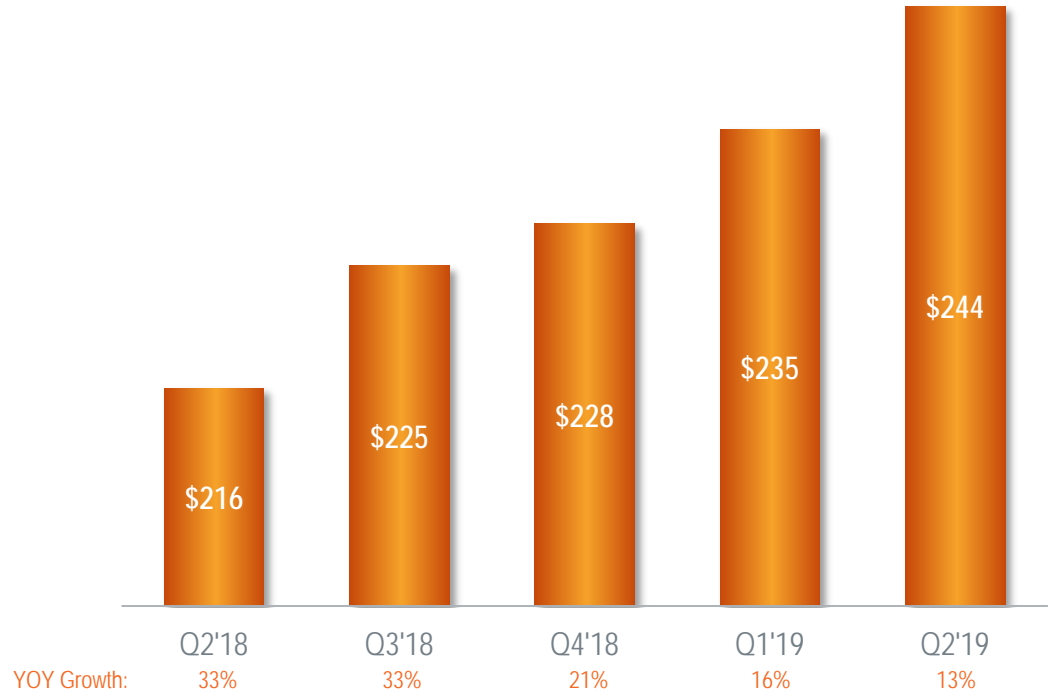
Source: MPF Research and AxioMetrics data.

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Q2'19 FINANCIAL SUMMARY

- Total Non-GAAP revenue growth of 13% YOY
- Adjusted EBITDA growth of 19% YOY
- Multi-product sales strength

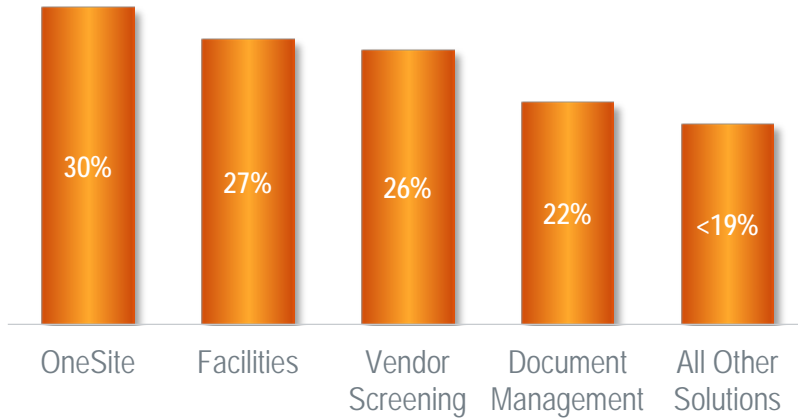
Non-GAAP Total Revenue
(in millions)



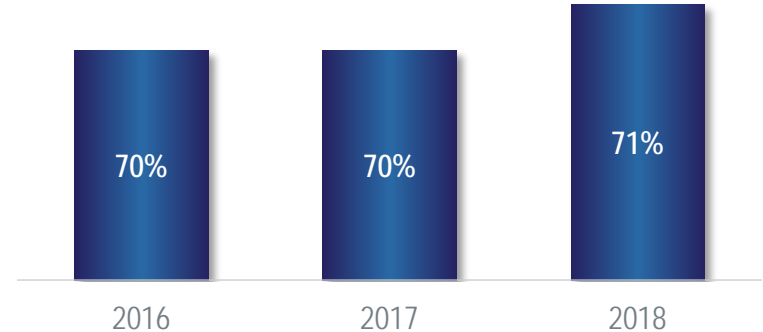
*See the appendix section of this presentation for a reconciliation of GAAP to Non-GAAP measures.

PROPERTY MANAGEMENT

Percent Penetrated Into 14.4MM Rental Units⁽¹⁾



Estimated Relative Gross Margin⁽²⁾

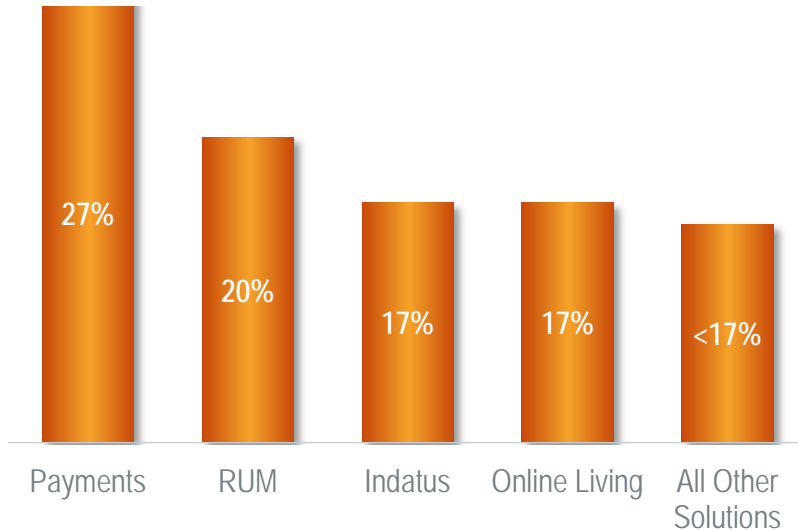


⁽¹⁾ Unit overlap exists across solutions.

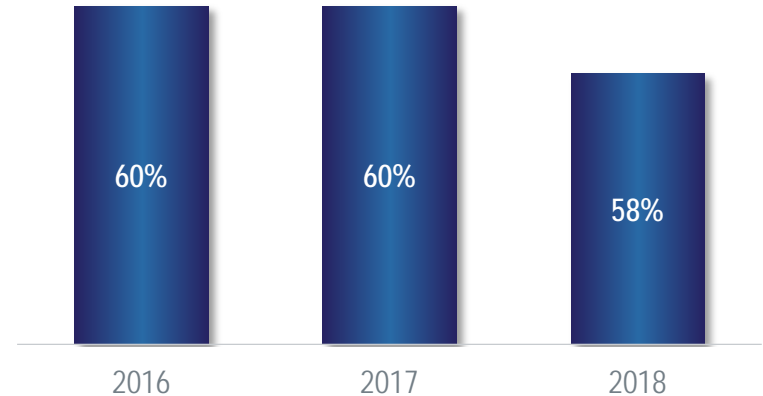
⁽²⁾ Based on Company estimates of certain shared costs allocated to the product category based upon revenue contribution and excludes depreciation, amortization of product technologies, and stock-based expense.

RESIDENT SERVICES

Percent Penetrated Into 14.4MM Rental Units⁽¹⁾



Estimated Relative Gross Margin⁽²⁾

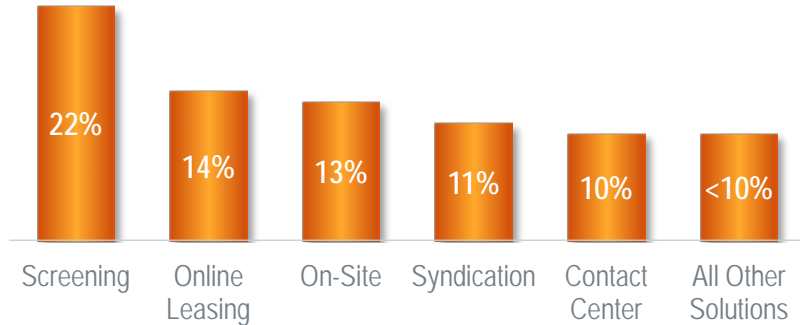


⁽¹⁾ Unit overlap exists across solutions.

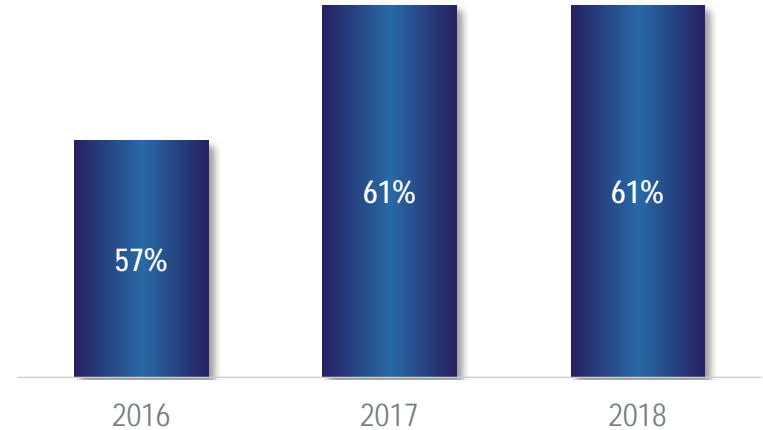
⁽²⁾ Based on Company estimates of certain shared costs allocated to the product category based upon revenue contribution and excludes depreciation, amortization of product technologies, and stock-based expense.

LEASING AND MARKETING

Percent Penetrated Into 14.4MM Rental Units⁽¹⁾



Estimated Relative Gross Margin⁽²⁾

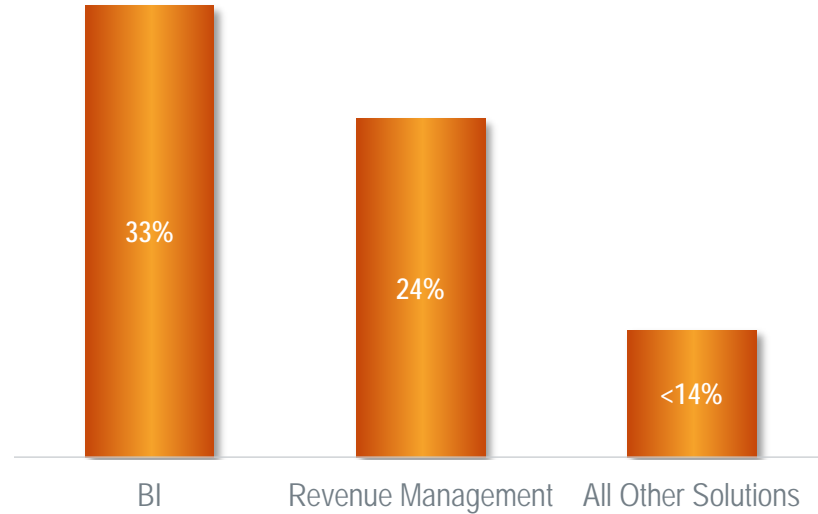


⁽¹⁾ Unit overlap exists across solutions.

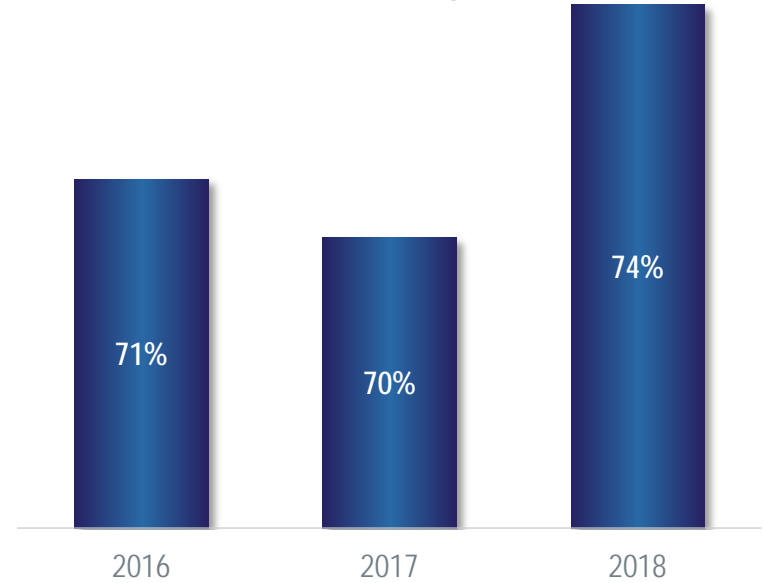
⁽²⁾ Based on Company estimates of certain shared costs allocated to the product category based upon revenue contribution and excludes depreciation, amortization of product technologies, and stock-based expense.

ASSET OPTIMIZATION

Percent Penetrated Into 14.4MM 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

• Q2'19 Non-GAAP on-demand growth of 14% driven by:

- Property Management – 10% YOY growth
- Resident Services – 19% YOY growth
- Leasing & Marketing – 9% YOY growth
- Asset Optimization – 12% YOY growth



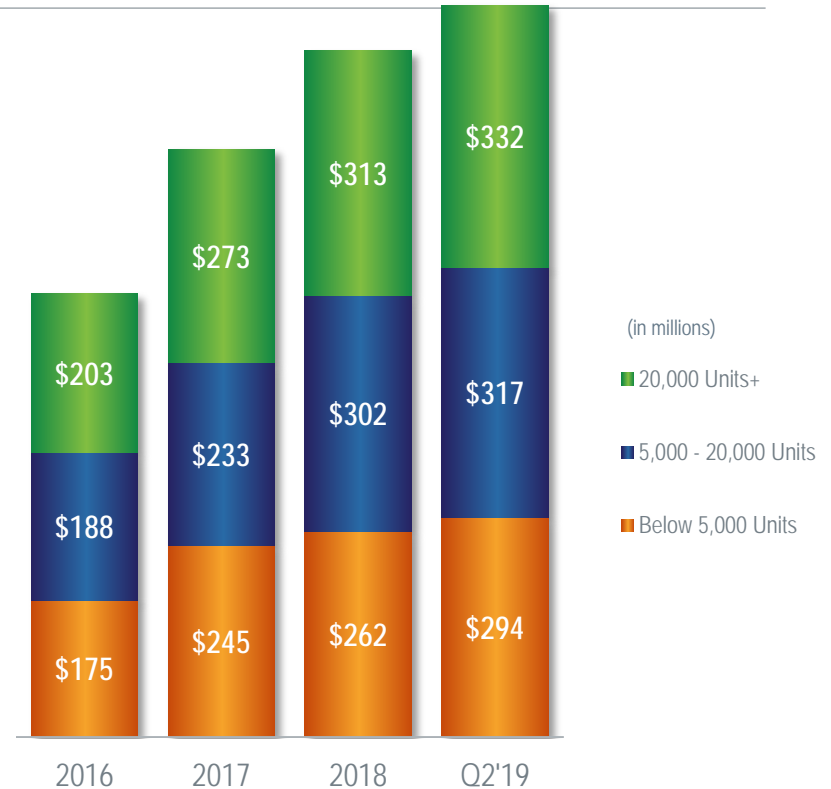
*See the appendix section of this presentation for a reconciliation of GAAP to Non-GAAP measures.

LAND AND EXPAND

- Total ACV of \$942 million – 12% YOY growth
- Top 100 ACV clients average RPU of \$71 or \$95 excluding HOA

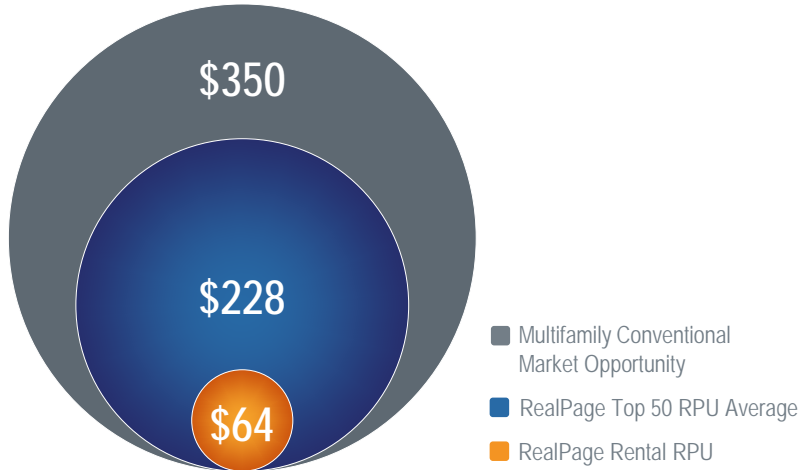
	2016	2017	2018	Q2'19
ACV	\$566.3	\$751.2	\$876.6	\$942.4
UNITS	11.0	13.0	16.2	16.5
RPU	\$51.53	\$57.77	\$54.05	\$57.10

ACV (in millions)



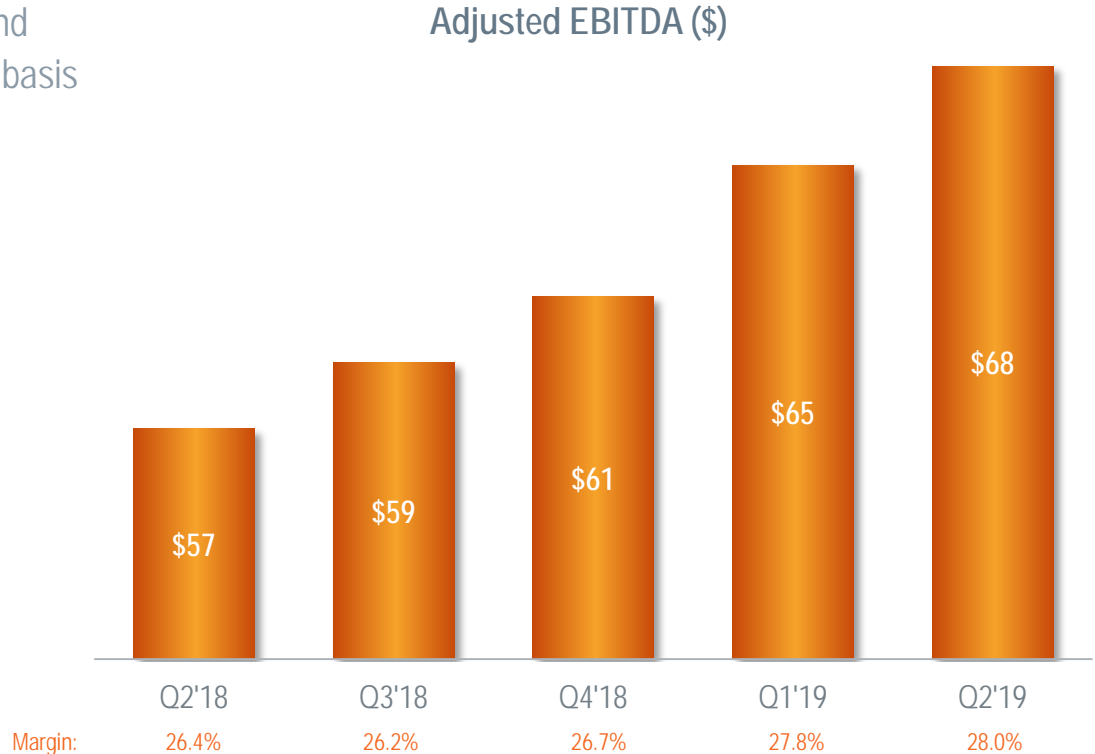
TOP 50 RPU CLIENTS

- Average \$228 in RPU in Q2'19
- Average RPU of \$228 is 4X aggregate RP RPU of \$57



QUARTERLY PROFITABILITY

- Adjusted EBITDA growth of over 19% and margin expansion of approximately 160 basis points YOY
- Margin expansion includes significant innovation, go-to-market investments

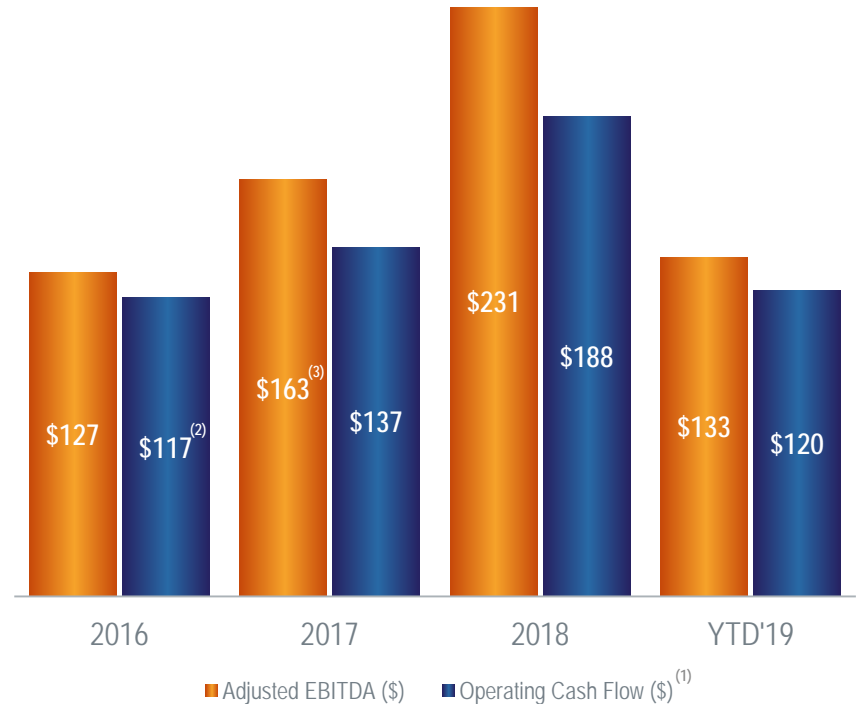


*See the appendix section of this presentation for a reconciliation of GAAP to Non-GAAP measures.

LIQUIDITY AND OPERATING CASH FLOW

- Cash flow from operations was \$65.7⁽¹⁾ million in Q2'19
- Capital expenditures of \$12.6 million for Q2'19, 5.2% of revenue during the period
- Q2'19 proforma leverage reduced to 1.2x

(millions)	Q2 '18	Q2 '19
BALANCE SHEET		
CASH AND CASH EQUIVALENTS	\$373.2	\$261.6
DEBT	\$598.4	\$594.8
CASH FLOW		
OPERATING CASH FLOW ⁽¹⁾	\$42.7	\$65.7
CAPITAL EXPENDITURES	\$9.8	\$12.6
LEVERAGE		
PROFORMA LEVERAGE	1.0x	1.2x



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

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

⁽³⁾ Includes a \$3.4 million impact from the company's renters' insurance solution related to hurricanes Harvey and Irma. 17

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

2019 EXPECTATIONS & FINANCIAL SUMMARY

- Q3'19 Non-GAAP total revenue of \$253 million to \$255 million
- Q3'19 Adjusted EBITDA of \$71 million to \$73 million
- Q3'19 Non-GAAP diluted EPS of \$0.44 to \$0.46
- FY'19 Non-GAAP total revenue of \$987 million to \$995 million
- FY'19 Adjusted EBITDA of \$278 million to \$283 million
- FY'19 Non-GAAP diluted EPS of \$1.73 to \$1.77

*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 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.

	Q1'17	Q2'17	Q3'17	Q4'17	2017	Q1'18	Q2'18	Q3'18	Q4'18	2018	Q1'19	Q2'19
Revenue (GAAP)	\$ 152,919	\$ 161,306	\$ 169,058	\$ 187,680	\$ 670,963	\$ 201,301	\$ 216,252	\$ 224,953	\$ 226,974	\$ 869,480	\$ 234,306	\$ 243,861
Acquisition-related deferred revenue	705	945	698	710	3,058	313	103	418	1,056	1,890	224	157
Non-GAAP Total Revenue	\$ 153,624	\$ 162,251	\$ 169,756	\$ 188,390	\$ 674,021	\$ 201,614	\$ 216,355	\$ 225,371	\$ 228,030	\$ 871,370	\$ 234,530	\$ 244,018

Adjusted EBITDA

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

	Q1'17	Q2'17	Q3'17	Q4'17	2017	Q1'18	Q2'18	Q3'18	Q4'18	2018	Q1'19	Q2'19
Net income (loss) (GAAP)	\$ 8,195	\$ 6,213	\$ 6,834	\$ (20,865)	\$ 377	\$ 10,901	\$ 8,479	\$ 9,073	\$ 6,272	\$ 34,725	\$ 11,272	\$ 15,063
Acquisition-related deferred revenue	705	945	698	710	3,058	313	103	418	1,056	1,890	224	157
Depreciation, asset impairment, and loss on disposal of assets	6,675	6,929	7,331	6,817	27,752	7,818	7,662	9,286	10,445	35,211	8,760	8,697
Amortization of product technologies and intangible assets	7,789	8,227	9,335	14,567	39,918	16,384	17,623	18,684	19,017	71,708	19,350	20,302
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)	1,210	1,354	485	2,508	5,557	1,007	1,168	519	(257)	2,437	29	376
Regulatory and legal matters	481	2,228	5,993	2,310	11,012	—	—	78	—	78	—	352
Interest expense, net	1,120	2,804	4,813	6,335	15,072	7,721	8,584	6,874	6,780	29,959	8,581	8,241
Income tax expense (benefit)	811	(3,132)	(7,273)	24,458	14,864	(301)	(189)	683	(618)	(425)	4,647	(822)
Stock-based expense	10,092	13,876	11,764	10,103	45,835	10,318	13,695	13,479	13,149	50,641	14,913	15,865
Adjusted EBITDA	\$ 37,078	\$ 39,444	\$ 39,980	\$ 46,943	\$ 163,445	\$ 54,161	\$ 57,125	\$ 59,094	\$ 60,796	\$ 231,176	\$ 65,176	\$ 68,231

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.

	Q1'17	Q2'17	Q3'17	Q4'17	2017	Q1'18	Q2'18	Q3'18	Q4'18	2018	Q1'19	Q2'19
Net income (loss) (GAAP)	\$ 8,195	\$ 6,213	\$ 6,834	\$ (20,865)	\$ 377	\$ 10,901	\$ 8,479	\$ 9,073	\$ 6,272	\$ 34,725	\$ 11,272	\$ 15,063
Income tax expense (benefit)	811	(3,132)	(7,273)	24,458	14,864	(301)	(189)	683	(618)	(425)	4,647	(822)
Income (loss) before income taxes	9,006	3,081	(439)	3,593	15,241	10,600	8,290	9,756	5,654	34,300	15,919	14,241
Acquisition-related deferred revenue	705	945	698	710	3,058	313	103	418	1,056	1,890	224	157
Asset impairment and (gain) loss on disposal of assets	24	63	385	52	524	942	156	2,341	3,294	6,733	286	(17)
Amortization of product technologies and intangible assets	7,789	8,227	9,335	14,567	39,918	16,384	17,623	18,684	19,017	71,708	19,350	20,302
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)	1,210	1,354	485	2,508	5,557	1,007	1,168	519	(257)	2,437	29	376
Regulatory and legal matters	481	2,228	5,993	2,310	11,012	—	—	78	—	78	—	352
Amortization of convertible note discount	—	1,052	2,451	2,488	5,991	2,524	2,562	2,599	2,639	10,324	2,676	2,717
Stock-based expense	10,092	13,876	11,764	10,103	45,835	10,318	13,695	13,479	13,149	50,641	14,913	15,865
Non-GAAP income before income taxes	29,307	30,826	30,672	36,331	127,136	42,088	43,597	47,874	49,504	183,063	50,797	53,993
Assumed rate for income tax expense ⁽¹⁾	40.0 %	40.0 %	40.0 %	40.0 %	40.0 %	26.0 %	26.0 %	26.0 %	26.0 %	26.0 %	26.0 %	26.0 %
Assumed provision for non-GAAP income tax expense	11,723	12,330	12,269	14,532	50,854	10,943	11,335	12,447	12,871	47,596	13,207	14,038
Non-GAAP net income	\$ 17,584	\$ 18,496	\$ 18,403	\$ 21,799	\$ 76,282	\$ 31,145	\$ 32,262	\$ 35,427	\$ 36,633	\$ 135,467	\$ 37,590	\$ 39,955
Net income (loss) per diluted share	\$ 0.10	\$ 0.08	\$ 0.08	\$ (0.26)	\$ 0.00	\$ 0.13	\$ 0.09	\$ 0.09	\$ 0.07	\$ 0.38	\$ 0.12	\$ 0.16
Non-GAAP net income per diluted share	\$ 0.22	\$ 0.23	\$ 0.22	\$ 0.26	\$ 0.93	\$ 0.37	\$ 0.37	\$ 0.38	\$ 0.39	\$ 1.51	\$ 0.40	\$ 0.43
Weighted average outstanding shares - basic	78,263	79,018	79,838	80,583	79,433	81,166	85,124	91,222	91,492	87,290	91,490	91,914
Weighted average outstanding shares - diluted	81,386	81,925	82,760	83,464	82,398	84,817	90,005	96,590	95,108	91,531	95,561	96,493
Dilution offset from convertible note hedge transactions	—	—	—	(321)	(81)	(1,319)	(2,116)	(2,440)	(1,621)	(1,876)	(2,207)	(2,528)
Non-GAAP diluted weighted average shares outstanding ⁽²⁾	81,386	81,925	82,760	83,143	82,317	83,498	87,889	94,150	93,487	89,655	93,354	93,965

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.

	Q1'17	Q2'17	Q3'17	Q4'17	2017	Q1'18	Q2'18	Q3'18	Q4'18	2018	Q1'19	Q2'19
On demand revenue (GAAP)	\$ 146,213	\$ 154,727	\$ 161,578	\$ 180,104	\$ 642,622	\$ 193,300	\$ 206,945	\$ 215,413	\$ 218,051	\$ 833,709	\$ 226,519	\$ 235,185
Acquisition-related deferred revenue	705	945	698	710	3,058	313	103	418	1,056	1,890	224	157
Non-GAAP on demand revenue	146,918	155,672	162,276	180,814	645,680	193,613	207,048	215,831	219,107	835,599	226,743	235,342
Ending on demand units	11,112	11,485	12,253	13,003	13,003	13,173	15,531	16,073	16,219	16,219	16,401	16,505
Average on demand units	11,050	11,298	11,869	12,628	11,711	13,088	14,352	15,802	16,146	14,847	16,310	16,453
RPU	\$ 53.65	\$ 56.51	\$ 57.85	\$ 57.77	\$ 57.77	\$ 59.17	\$ 53.95	\$ 55.17	\$ 54.05	\$ 54.05	\$ 55.61	\$ 57.10
ACV	\$ 596,159	\$ 649,017	\$ 708,836	\$ 751,183	\$ 751,183	\$ 779,446	\$ 837,897	\$ 886,747	\$ 876,637	\$ 876,637	\$ 912,060	\$ 942,436

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

	Q1'17	Q2'17	Q3'17	Q4'17	2017	Q1'18	Q2'18	Q3'18	Q4'18	2018	Q1'19	Q2'19
Property Management	\$ 40,341	\$ 41,404	\$ 42,175	\$ 43,082	\$ 167,002	\$ 45,319	\$ 46,522	\$ 47,307	\$ 47,826	\$ 186,974	\$ 49,914	\$ 51,006
Percent of total non-GAAP on demand revenue	27%	26%	26%	24%	26%	24%	22%	22%	22%	22%	22%	22%
Year-over-year growth	11%	8%	8%	10%	9%	12%	12%	12%	11%	12%	10%	10%
Resident Services	\$ 60,968	\$ 64,860	\$ 70,527	\$ 75,822	\$ 272,177	\$ 77,175	\$ 85,329	\$ 94,084	\$ 93,865	\$ 350,453	\$ 96,804	\$ 101,209
Percent of total non-GAAP on demand revenue	42%	42%	43%	42%	42%	40%	41%	44%	43%	42%	43%	43%
Year-over-year growth	35%	19%	21%	26%	25%	27%	32%	33%	24%	29%	25%	19%
Leasing and Marketing	\$ 27,815	\$ 29,324	\$ 29,334	\$ 37,563	\$ 124,036	\$ 39,434	\$ 42,845	\$ 42,198	\$ 42,882	\$ 167,359	\$ 44,401	\$ 46,899
Percent of total non-GAAP on demand revenue	19%	19%	18%	21%	19%	20%	21%	19%	19%	20%	19%	20%
Year-over-year growth	-4%	-1%	0%	36%	7%	42%	46%	44%	14%	35%	13%	9%
Asset Optimization	\$ 17,794	\$ 20,084	\$ 20,240	\$ 24,347	\$ 82,465	\$ 31,685	\$ 32,352	\$ 32,242	\$ 34,534	\$ 130,813	\$ 35,624	\$ 36,228
Percent of total non-GAAP on demand revenue	12%	13%	13%	13%	13%	16%	16%	15%	16%	16%	16%	15%
Year-over-year growth	39%	47%	46%	66%	50%	78%	61%	59%	42%	59%	12%	12%
Subscription	\$ 134,325	\$ 141,459	\$ 152,564	\$ 158,958	\$ 587,306	\$ 169,687	\$ 179,082	\$ 189,458	\$ 196,799	\$ 735,026	\$ 201,943	\$ 207,209
Percent of total non-GAAP on demand revenue	91%	91%	94%	88%	91%	88%	86%	88%	90%	88%	89%	88%
Year-over-year growth	22%	15%	20%	24%	20%	26%	27%	24%	24%	25%	19%	16%
Transactional	\$ 12,593	\$ 14,213	\$ 9,712	\$ 21,856	\$ 58,374	\$ 23,926	\$ 27,966	\$ 26,373	\$ 22,308	\$ 100,573	\$ 24,800	\$ 28,133
Percent of total non-GAAP on demand revenue	9%	9%	6%	12%	9%	12%	14%	12%	10%	12%	11%	12%
Year-over-year growth	0%	10%	-28%	68%	12%	90%	97%	172%	2%	72%	4%	1%

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 September 30, 2019, and the twelve months ending December 31, 2019. Please reference the "Explanation of Non-GAAP Financial Measures" section.

	Guidance Range for the Three Months Ending September 30, 2019		Guidance Range for the Twelve Months Ending December 31, 2019	
	Low ⁽³⁾	High ⁽³⁾	Low ⁽³⁾	High ⁽³⁾
Revenue (GAAP)	\$ 252,955	\$ 254,955	\$ 986,560	\$ 994,560
Acquisition-related deferred revenue	45	45	440	440
Non-GAAP total revenue	<u>\$ 253,000</u>	<u>\$ 255,000</u>	<u>\$ 987,000</u>	<u>\$ 995,000</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 September 30, 2019, and the twelve months ending December 31, 2019. Please reference the "Explanation of Non-GAAP Financial Measures" section.

	Guidance Range for the Three Months Ending September 30, 2019		Guidance Range for the Twelve Months Ending December 31, 2019	
	Low ⁽³⁾	High ⁽³⁾	Low ⁽³⁾	High ⁽³⁾
Net income (GAAP)	\$ 10,945	\$ 13,015	\$ 52,355	\$ 57,235
Income tax expense	<u>2,820</u>	<u>3,550</u>	<u>10,925</u>	<u>12,645</u>
Income before income taxes	13,765	16,565	63,280	69,880
Acquisition-related deferred revenue	45	45	440	440
Asset impairment and loss on disposal of assets	—	—	270	270
Change in fair value of equity investment	—	—	(2,600)	(2,600)
Amortization of product technologies and intangible assets	21,350	21,150	81,350	80,950
Acquisition-related expense	1,090	1,090	1,650	1,650
Amortization of convertible note discount	2,760	2,760	10,950	10,950
Regulatory and legal matters	—	—	360	360
Stock-based expense	<u>17,200</u>	<u>17,000</u>	<u>64,300</u>	<u>63,900</u>
Non-GAAP income before income taxes	56,210	58,610	220,000	225,800
Assumed rate for income tax expense ⁽¹⁾	26.0%	26.0%	26.0%	26.0%
Assumed provision for non-GAAP income tax expense	<u>14,615</u>	<u>15,239</u>	<u>57,200</u>	<u>58,708</u>
Non-GAAP net income	<u>\$ 41,595</u>	<u>\$ 43,371</u>	<u>\$ 162,800</u>	<u>\$ 167,092</u>
Net income per diluted share	\$ 0.11	\$ 0.13	\$ 0.54	\$ 0.59
Non-GAAP net income per diluted share	\$ 0.44	\$ 0.46	\$ 1.73	\$ 1.77
Weighted average outstanding shares - diluted	97,440	97,440	96,960	96,960
Dilution offset from convertible note hedge transactions	<u>(2,790)</u>	<u>(2,790)</u>	<u>(2,610)</u>	<u>(2,610)</u>
Non-GAAP diluted weighted average shares outstanding ⁽²⁾	94,650	94,650	94,350	94,350

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 September 30, 2019, and the twelve months ending December 31, 2019. Please reference the "Explanation of Non-GAAP Financial Measures" section.

	Guidance Range for the Three Months Ending September 30, 2019		Guidance Range for the Twelve Months Ending December 31, 2019	
	Low ⁽³⁾	High ⁽³⁾	Low ⁽³⁾	High ⁽³⁾
Net income (GAAP)	\$ 10,945	\$ 13,015	\$ 52,355	\$ 57,235
Acquisition-related deferred revenue	45	45	440	440
Depreciation, asset impairment, and loss on disposal of assets	8,900	8,700	35,370	34,970
Amortization of product technologies and intangible assets	21,350	21,150	81,350	80,950
Change in fair value of equity investment	—	—	(2,600)	(2,600)
Acquisition-related expense	1,090	1,090	1,650	1,650
Interest expense, net	8,450	8,250	33,850	33,450
Income tax expense	2,820	3,550	10,925	12,645
Regulatory and legal matters	—	—	360	360
Stock-based expense	17,200	17,000	64,300	63,900
Adjusted EBITDA	<u>\$ 70,800</u>	<u>\$ 72,800</u>	<u>\$ 278,000</u>	<u>\$ 283,000</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

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 deferred revenue. 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 EBITDA" as net income (loss), plus (1) acquisition-related deferred revenue, (2) depreciation, asset impairment, and the loss on disposal of assets, (3) amortization of product technologies and intangible assets, (4) changes in the fair value of our equity investment, (5) loss due to cyber incident, net of recoveries, (6) acquisition-related expense (income), (7) regulatory and legal matters, (8) interest expense, net, (9) income tax (benefit) expense, (10) 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 (benefit) expense, (2) acquisition-related deferred revenue, (3) asset impairment and loss on disposal of assets, (4) amortization of product technologies and intangible assets, (5) changes in the fair value of our equity investment, (6) loss due to cyber incident, net of recoveries, (7) acquisition-related expense (income), (8) regulatory and legal matters, (9) amortization of convertible note discount, and (10) 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.

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 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.

EXPLANATION OF NON-GAAP FINANCIAL MEASURES

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 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 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 "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. In addition, the company may refer to derivatives of RPU (i.e., Top 50) that highlight product penetration trends for its clients that have adopted the most software solutions.

The company defines "ACV," or on demand 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 our clients to manage their rental housing units. The company may also refer to derivatives of ACV (i.e., Top 100) that also highlight the company's success in increasing the number of on demand units, and the amount of software solution utilized by its top 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:

Non-GAAP tax rate – Prior to 2018, 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. In 2018 and for 2019 guidance purposes, the company uses a Non-GAAP tax rate of 26% 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.

EXPLANATION OF NON-GAAP FINANCIAL MEASURES

Acquisition-related deferred revenue – These items are included to reflect deferred revenue written down for GAAP purposes under purchase accounting rules in order to appropriately measure the underlying performance of our business operations in the period of activity and associated expense.

Asset impairment and loss on disposal of assets – These items comprise gains and/or losses on the disposal and impairment of long-lived assets and impairment of indefinite-lived intangible 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 it is 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.

Change in fair value of equity investment – This 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 items 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 is useful as it allows investors and financial analysts to evaluate our performance for different periods on a more comparable basis.

Acquisition-related expense (income) – 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.

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 items 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 items facilitates a more accurate comparison of the company's results of operations between periods.

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.