

**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		Six Months Ended	
	June 30,		June 30,	
	2019	2018	2019	2018
Revenue (GAAP)	\$ 243,861	\$ 216,252	\$ 478,167	\$ 417,553
Acquisition-related deferred revenue	157	103	381	416
Non-GAAP Total Revenue	<u>\$ 244,018</u>	<u>\$ 216,355</u>	<u>\$ 478,548</u>	<u>\$ 417,969</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		Six Months Ended	
	June 30,		June 30,	
	2019	2018	2019	2018
Gross profit (GAAP)	\$ 138,253	\$ 125,183	\$ 272,851	\$ 245,352
Acquisition-related deferred revenue	157	103	381	416
Depreciation	4,017	3,099	7,688	6,033
Amortization of product technologies	9,900	9,127	19,414	17,422
Stock-based expense	1,447	1,168	2,778	2,003
Adjusted Gross Profit	<u>\$ 153,774</u>	<u>\$ 138,680</u>	<u>\$ 303,112</u>	<u>\$ 271,226</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		Six Months Ended	
	June 30,		June 30,	
	2019	2018	2019	2018
Net income (GAAP)	\$ 15,063	\$ 8,479	\$ 26,335	\$ 19,380
Acquisition-related deferred revenue	157	103	381	416
Depreciation, asset impairment, and loss on disposal of assets	8,697	7,662	17,457	15,480
Amortization of product technologies and intangible assets	20,302	17,623	39,652	34,007
Change in fair value of equity investment	-	-	(2,600)	-
Acquisition-related expense	376	1,168	405	2,175
Interest expense, net	8,241	8,584	16,822	16,305
Income tax (benefit) expense	(822)	(189)	3,825	(490)
Regulatory and legal matters	352	-	352	-
Stock-based expense	15,865	13,695	30,778	24,013
Adjusted EBITDA	<u>\$ 68,231</u>	<u>\$ 57,125</u>	<u>\$ 133,407</u>	<u>\$ 111,286</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		Six Months Ended	
	June 30,		June 30,	
	2019	2018	2019	2018
Product development expense (GAAP)	\$ 28,151	\$ 30,771	\$ 58,048	\$ 59,811
Less: Stock-based expense	2,016	2,645	4,496	4,808
Non-GAAP Product Development Expense	<u>\$ 26,135</u>	<u>\$ 28,126</u>	<u>\$ 53,552</u>	<u>\$ 55,003</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		Six Months Ended	
	June 30,		June 30,	
	2019	2018	2019	2018
Sales and marketing expense (GAAP)	\$ 49,120	\$ 40,664	\$ 93,943	\$ 78,344
Less: Stock-based expense	6,383	4,470	11,733	8,011
Non-GAAP Sales and Marketing Expense	<u>\$ 42,737</u>	<u>\$ 36,194</u>	<u>\$ 82,210</u>	<u>\$ 70,333</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		Six Months Ended	
	June 30,		June 30,	
	2019	2018	2019	2018
General and administrative expense (GAAP)	\$ 28,310	\$ 28,444	\$ 56,453	\$ 55,534
Less: Asset impairment and (gain) loss on disposal of assets	(17)	156	269	1,098
Acquisition-related expense	376	1,168	405	2,175
Regulatory and legal matters	352	-	352	-
Stock-based expense	6,019	5,412	11,771	9,191
Non-GAAP General and Administrative Expense	<u>\$ 21,580</u>	<u>\$ 21,708</u>	<u>\$ 43,656</u>	<u>\$ 43,070</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		Six Months Ended	
	June 30,		June 30,	
	2019	2018	2019	2018
Operating expense (GAAP)	\$ 115,983	\$ 108,375	\$ 228,682	\$ 210,274
Less: Asset impairment and (gain) loss on disposal of assets	(17)	156	269	1,098
Amortization of intangible assets	10,402	8,496	20,238	16,585
Acquisition-related expense	376	1,168	405	2,175
Regulatory and legal matters	352	-	352	-
Stock-based expense	14,418	12,527	28,000	22,010
Non-GAAP Operating Expense	<u>\$ 90,452</u>	<u>\$ 86,028</u>	<u>\$ 179,418</u>	<u>\$ 168,406</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		Six Months Ended	
	June 30,		June 30,	
	2019	2018	2019	2018
Operating income (GAAP)	\$ 22,270	\$ 16,808	\$ 44,169	\$ 35,078
Acquisition-related deferred revenue	157	103	381	416
Asset impairment and (gain) loss on disposal of assets	(17)	156	269	1,098
Amortization of product technologies and intangible assets	20,302	17,623	39,652	34,007
Acquisition-related expense	376	1,168	405	2,175
Regulatory and legal matters	352	-	352	-
Stock-based expense	15,865	13,695	30,778	24,013
Non-GAAP Operating Income	<u>\$ 59,305</u>	<u>\$ 49,553</u>	<u>\$ 116,006</u>	<u>\$ 96,787</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		Six Months Ended	
	June 30,		June 30,	
	2019	2018	2019	2018
Net income (GAAP)	\$ 15,063	\$ 8,479	\$ 26,335	\$ 19,380
Income tax (benefit) expense	(822)	(189)	3,825	(490)
Income before income taxes	14,241	8,290	30,160	18,890
Acquisition-related deferred revenue	157	103	381	416
Asset impairment and (gain) loss on disposal of assets	(17)	156	269	1,098
Amortization of product technologies and intangible assets	20,302	17,623	39,652	34,007
Change in fair value of equity investment	-	-	(2,600)	-
Acquisition-related expense	376	1,168	405	2,175
Amortization of convertible note discount	2,717	2,562	5,393	5,086
Regulatory and legal matters	352	-	352	-
Stock-based expense	15,865	13,695	30,778	24,013
Non-GAAP income before income taxes	53,993	43,597	104,790	85,685
Assumed rate for income tax expense ⁽¹⁾	26.0 %	26.0 %	26.0 %	26.0 %
Assumed provision for non-GAAP income tax expense	14,038	11,335	27,245	22,278
Non-GAAP Net Income	<u>\$ 39,955</u>	<u>\$ 32,262</u>	<u>\$ 77,545</u>	<u>\$ 63,407</u>
Net income per diluted share	\$ 0.16	\$ 0.09	\$ 0.27	\$ 0.22
Non-GAAP Net Income per Diluted Share	\$ 0.43	\$ 0.37	\$ 0.83	\$ 0.74
Weighted average outstanding shares - basic	91,914	85,124	91,703	83,156
Non-GAAP adjusted diluted weighted average shares outstanding:				
Weighted average outstanding shares - diluted	96,493	90,005	96,036	87,332
Dilution offset from convertible note hedge transactions	(2,528)	(2,116)	(2,368)	(1,720)
Non-GAAP diluted weighted average shares outstanding ⁽²⁾	<u>93,965</u>	<u>87,889</u>	<u>93,668</u>	<u>85,612</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		Six Months Ended	
	June 30,		June 30,	
	2019	2018	2019	2018
On demand revenue (GAAP)	\$ 235,185	\$ 206,945	\$ 461,704	\$ 400,245
Acquisition-related deferred revenue	157	103	381	416
Non-GAAP On Demand Revenue	<u>\$ 235,342</u>	<u>\$ 207,048</u>	<u>\$ 462,085</u>	<u>\$ 400,661</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		Six Months Ended	
	June 30,		June 30,	
	2019	2018	2019	2018
Ending on demand units	16,505	15,531	16,505	15,531
Average on demand units	16,453	14,352	16,382	13,720
ACV	\$ 942,436	\$ 837,897		
RPU	\$ 57.10	\$ 53.95		

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		Guidance Range for the Twelve Months Ending	
	September 30, 2019		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	\$ 253,000	\$ 255,000	\$ 987,000	\$ 995,000

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 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		Guidance Range for the Twelve Months Ending	
	September 30, 2019		December 31, 2019	
	Low ⁽³⁾	High ⁽³⁾	Low ⁽³⁾	High ⁽³⁾
Non-GAAP Net Income:				
Net income (GAAP)	\$ 10,945	\$ 13,015	\$ 52,355	\$ 57,235
Income tax expense	2,820	3,550	10,925	12,645
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
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
Amortization of convertible note discount	2,760	2,760	10,950	10,950
Regulatory and legal matters	-	-	360	360
Stock-based expense	17,200	17,000	64,300	63,900
Non-GAAP income before income taxes	56,210	58,610	220,000	225,800
Expected effective tax rate ⁽¹⁾	26.0%	26.0%	26.0%	26.0%
Assumed provision for income tax expense	14,615	15,239	57,200	58,708
Non-GAAP Net Income	\$ 41,595	\$ 43,371	\$ 162,800	\$ 167,092
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
Non-GAAP adjusted diluted weighted average shares outstanding:				
Weighted average outstanding shares - diluted	97,440	97,440	96,960	96,960
Dilution offset from convertible note hedge transactions	(2,790)	(2,790)	(2,610)	(2,610)
Non-GAAP diluted weighted average shares outstanding ⁽²⁾	94,650	94,650	94,350	94,350

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⁾
Adjusted EBITDA:				
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.