

**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	
	March 31,	
	2019	2018
Revenue (GAAP)	\$ 234,306	\$ 201,301
Acquisition-related deferred revenue	224	313
Non-GAAP Total Revenue	<u>\$ 234,530</u>	<u>\$ 201,614</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	
	March 31,	
	2019	2018
Gross profit (GAAP)	\$ 134,598	\$ 120,169
Acquisition-related deferred revenue	224	313
Depreciation	3,671	2,934
Amortization of product technologies	9,514	8,295
Stock-based expense	1,331	835
Adjusted Gross Profit	<u>\$ 149,338</u>	<u>\$ 132,546</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	
	March 31,	
	2019	2018
Net income (GAAP)	\$ 11,272	\$ 10,901
Acquisition-related deferred revenue	224	313
Depreciation, asset impairment, and loss on disposal of assets	8,760	7,818
Amortization of product technologies and intangible assets	19,350	16,384
Change in fair value of equity investment	(2,600)	-
Acquisition-related expense	29	1,007
Interest expense, net	8,581	7,721
Income tax expense (benefit)	4,647	(301)
Stock-based expense	14,913	10,318
Adjusted EBITDA	<u>\$ 65,176</u>	<u>\$ 54,161</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	
	March 31,	
	2019	2018
Product development expense (GAAP)	\$ 29,897	\$ 29,040
Less: Stock-based expense	2,480	2,163
Non-GAAP Product Development Expense	<u>\$ 27,417</u>	<u>\$ 26,877</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	
	March 31,	
	2019	2018
Sales and marketing expense (GAAP)	\$ 44,823	\$ 37,680
Less: Stock-based expense	5,350	3,541
Non-GAAP Sales and Marketing Expense	<u>\$ 39,473</u>	<u>\$ 34,139</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	
	March 31,	
	2019	2018
General and administrative expense (GAAP)	\$ 28,143	\$ 27,090
Less: Asset impairment and loss on disposal of assets	286	942
Acquisition-related expense	29	1,007
Stock-based expense	5,752	3,779
Non-GAAP General and Administrative Expense	<u>\$ 22,076</u>	<u>\$ 21,362</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	
	March 31,	
	2019	2018
Operating expense (GAAP)	\$ 112,699	\$ 101,899
Less: Asset impairment and loss on disposal of assets	286	942
Amortization of intangible assets	9,836	8,089
Acquisition-related expense	29	1,007
Stock-based expense	13,582	9,483
Non-GAAP Operating Expense	<u>\$ 88,966</u>	<u>\$ 82,378</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	
	March 31,	
	2019	2018
Operating income (GAAP)	\$ 21,899	\$ 18,270
Acquisition-related deferred revenue	224	313
Asset impairment and loss on disposal of assets	286	942
Amortization of product technologies and intangible assets	19,350	16,384
Acquisition-related expense	29	1,007
Stock-based expense	14,913	10,318
Non-GAAP Operating Income	<u>\$ 56,701</u>	<u>\$ 47,234</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 Non-GAAP Diluted Share." Please reference the "Explanation of Non-GAAP Financial Measures" section.

	Three Months Ended	
	March 31,	
	2019	2018
Net income (GAAP)	\$ 11,272	\$ 10,901
Income tax expense (benefit)	4,647	(301)
Income before income taxes	15,919	10,600
Acquisition-related deferred revenue	224	313
Asset impairment and loss on disposal of assets	286	942
Amortization of product technologies and intangible assets	19,350	16,384
Change in fair value of equity investment	(2,600)	-
Acquisition-related expense	29	1,007
Amortization of convertible note discount	2,676	2,524
Stock-based expense	14,913	10,318
Non-GAAP income before income taxes	50,797	42,088
Assumed rate for income tax expense ⁽¹⁾	26.0 %	26.0 %
Assumed provision for non-GAAP income tax expense	13,207	10,943
Non-GAAP Net Income	<u>\$ 37,590</u>	<u>\$ 31,145</u>
Net income per diluted share	\$ 0.12	\$ 0.13
Non-GAAP net income per diluted share	\$ 0.40	\$ 0.37
Weighted average outstanding shares - basic	91,490	81,166
Non-GAAP adjusted diluted weighted average shares outstanding:		
Weighted average outstanding shares - diluted	95,561	84,817
Dilution offset from convertible note hedge transactions	(2,207)	(1,319)
Non-GAAP diluted weighted average shares outstanding ⁽²⁾	<u>93,354</u>	<u>83,498</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	
	March 31,	
	2019	2018
On demand revenue (GAAP)	\$ 226,519	\$ 193,300
Acquisition-related deferred revenue	224	313
Non-GAAP On Demand Revenue	<u>\$ 226,743</u>	<u>\$ 193,613</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	
	March 31,	
	2019	2018
Ending on demand units	16,401	13,173
Average on demand units	16,310	13,088
ACV	\$ 912,060	\$ 779,446
RPU	\$ 55.61	\$ 59.17

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, 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	
	June 30, 2019		December 31, 2019	
	Low ⁽³⁾	High ⁽³⁾	Low ⁽³⁾	High ⁽³⁾
Revenue (GAAP)	\$ 241,865	\$ 243,865	\$ 981,580	\$ 999,580
Acquisition-related deferred revenue	135	135	420	420
Non-GAAP Total Revenue	\$ 242,000	\$ 244,000	\$ 982,000	\$ 1,000,000

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 June 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	
	June 30, 2019		December 31, 2019	
	Low ⁽³⁾	High ⁽³⁾	Low ⁽³⁾	High ⁽³⁾
Non-GAAP Net Income:				
Net income (GAAP)	\$ 9,385	\$ 11,565	\$ 46,210	\$ 54,370
Income tax expense	3,130	3,850	18,870	22,210
Income before income taxes	12,515	15,415	65,080	76,580
Acquisition-related deferred revenue	135	135	420	420
Asset impairment and loss on disposal of assets	-	-	300	300
Amortization of product technologies and intangible assets	20,150	19,950	79,300	78,700
Change in fair value of equity investment	-	-	(2,600)	(2,600)
Acquisition-related expense	250	150	300	200
Amortization of convertible note discount	2,720	2,720	10,960	10,960
Stock-based expense	17,100	16,900	64,800	64,200
Non-GAAP income before income taxes	52,870	55,270	218,560	228,760
Expected effective tax rate ⁽¹⁾	26.0%	26.0%	26.0%	26.0%
Assumed provision for income tax expense	13,746	14,370	56,826	59,478
Non-GAAP Net Income	\$ 39,124	\$ 40,900	\$ 161,734	\$ 169,282
Net income per diluted share	\$ 0.10	\$ 0.12	\$ 0.48	\$ 0.56
Non-GAAP net income per diluted share	\$ 0.42	\$ 0.44	\$ 1.71	\$ 1.79
Non-GAAP adjusted diluted weighted average shares outstanding:				
Weighted average outstanding shares - diluted	96,495	96,495	97,220	97,220
Dilution offset from convertible note hedge transactions	(2,475)	(2,475)	(2,470)	(2,470)
Non-GAAP diluted weighted average shares outstanding ⁽²⁾	94,020	94,020	94,750	94,750

Adjusted EBITDA Guidance

Set forth below is a presentation of the company's "Adjusted EBITDA" guidance for the three months ending June 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	
	June 30, 2019		December 31, 2019	
	Low ⁽³⁾	High ⁽³⁾	Low ⁽³⁾	High ⁽³⁾
Adjusted EBITDA:				
Net income (GAAP)	\$ 9,385	\$ 11,565	\$ 46,210	\$ 54,370
Acquisition-related deferred revenue	135	135	420	420
Depreciation, asset impairment, and loss on disposal of assets	8,800	8,600	35,600	35,000
Amortization of product technologies and intangible assets	20,150	19,950	79,300	78,700
Change in fair value of equity investment	-	-	(2,600)	(2,600)
Acquisition-related expense	250	150	300	200
Interest expense, net	8,050	7,850	33,100	32,500
Income tax expense	3,130	3,850	18,870	22,210
Stock-based expense	17,100	16,900	64,800	64,200
Adjusted EBITDA	<u>\$ 67,000</u>	<u>\$ 69,000</u>	<u>\$ 276,000</u>	<u>\$ 285,000</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.