

# Q2 2017 FINANCIAL RESULTS

AUGUST 2017

# FORWARD LOOKING STATEMENTS

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This presentation contains “forward-looking” statements relating to RealPage, Inc.’s strategy and focus, expected, possible or assumed future results including its financial outlook for the third quarter and calendar year ending December 31, 2017, expected timing and results of our pending acquisitions, expected financial results of On-Site and RealPage’s long-term revenue and adjusted EBITDA margin goals. 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. Those 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. 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 acquired businesses and any recent or future acquisitions successfully or to achieve expected synergies, including the timing and completion of the pending acquisitions of LRO and On-Site; (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; and (j) 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 1, 2017 and its Quarterly Report on Form 10-Q filed on May 8, 2017. 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.

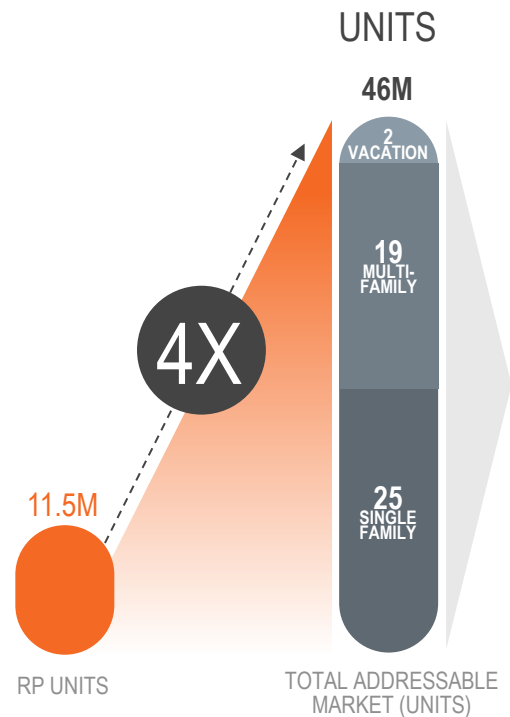
# REALPAGE®

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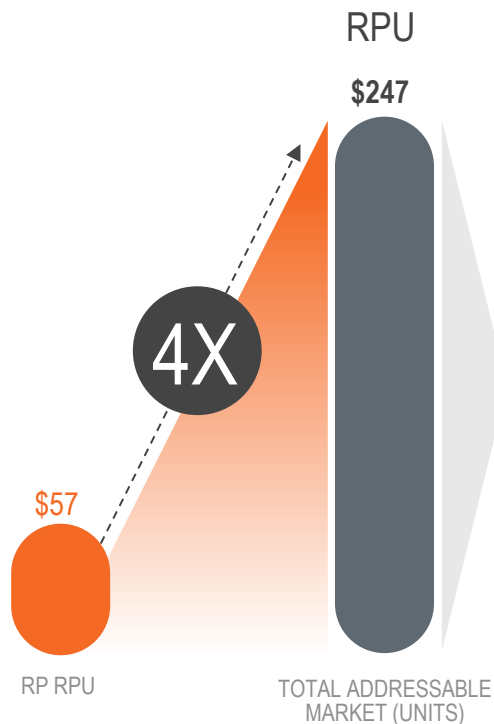
A global software and data analytics company that improves the operational and transactional performance of real estate assets.



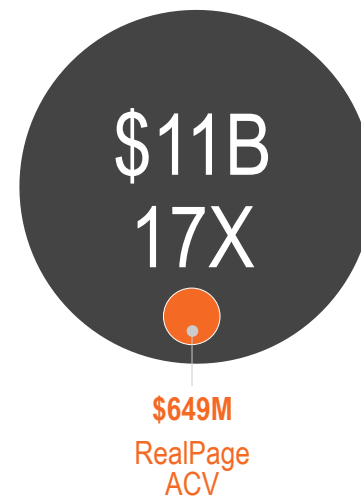
## SELL MORE NEW UNITS



## CROSS-SELL HIGHER RPU



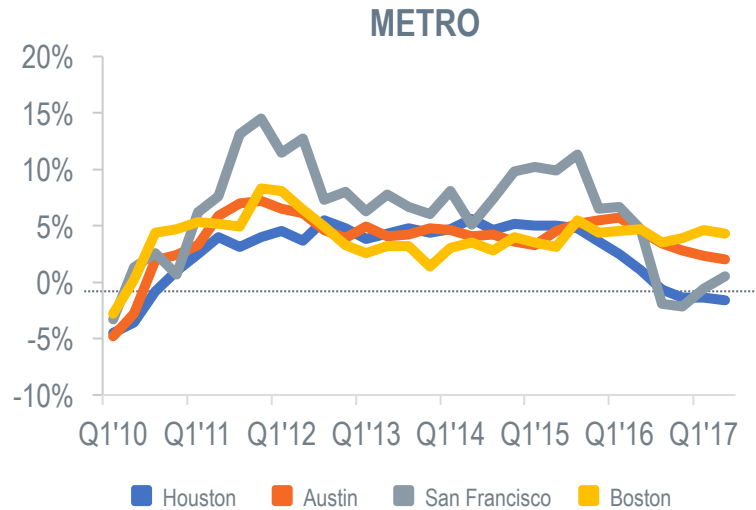
TAM  
(6% Penetrated)



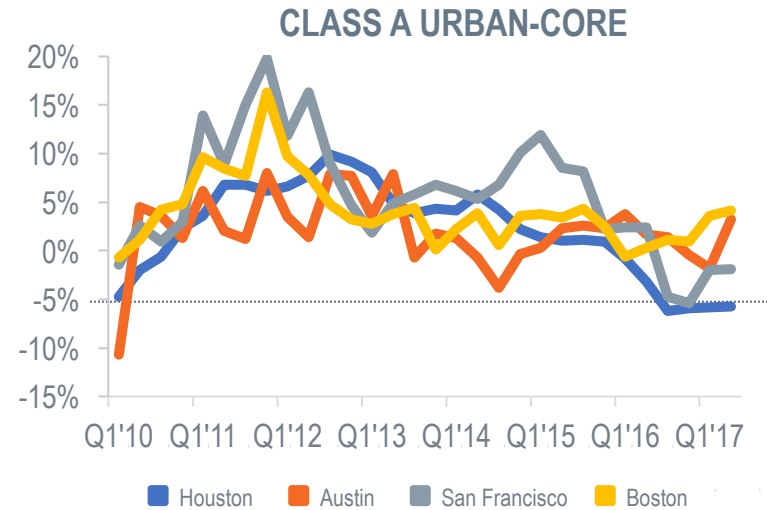
# MACROECONOMIC TRENDS:

## RENTAL APARTMENT HOUSING MARKET STABILIZING

- Rents grew 3.6% in Q2'17, down from 5% in 2015
- Construction still heavy by historical standards
- Market essentially full 95% occupancy
- Apartment demand strong



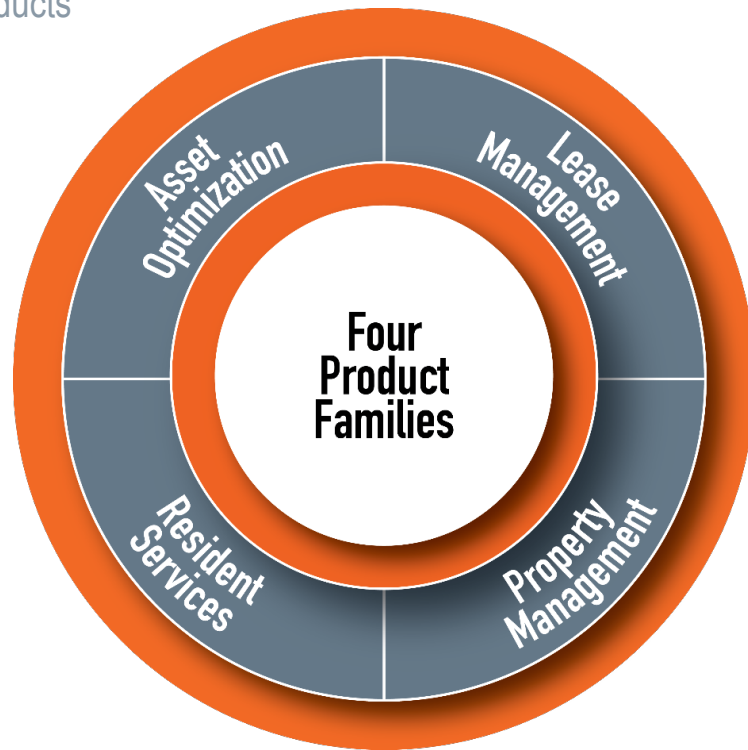
Source: MPF Research and AxioMetrics data.



Source: MPF Research and AxioMetrics data.

# SUITE SALES TRACTION

- Migrating sales approach to RP platform, away from point products
- CAPREIT ~ 12,000 unit portfolio
  - Implementing broad RP suite – surprised to see so much functionality with ONE, INTEGRATED platform
- Barker Management ~ 10,000 unit affordable portfolio
  - Implementing broad RP suite – driving results-oriented culture



# ACQUISITIONS

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- AXIOMetrics integration ahead of plan
- AUM bolsters RUM platform, adds energy & water consumption data
- LRO acquisition pending regulatory review
- Pending acquisition of On-Site extends Leasing & Marketing
  - Enhances integration into competitive property management systems
  - Extends screening footprint
  - Adds consumer credit, demographic and sociographic data
  - Adds 700,000 new units – offers significant synergy opportunities
  - Expect to enhance Leasing & Marketing platform

**AXIOMETRICS®**

**aum**

 rainmaker

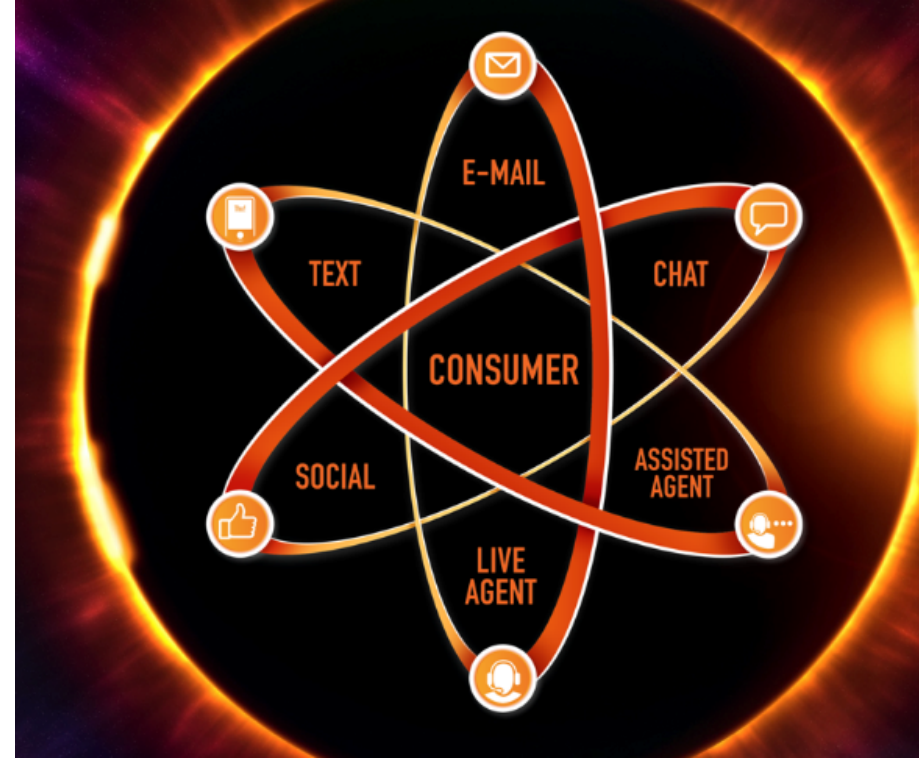
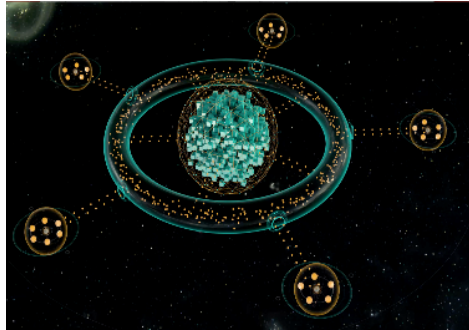
**LRO**  
LEASE RENT  
OPTIONS

  
**On-Site**



# INVESTING IN THE FUTURE

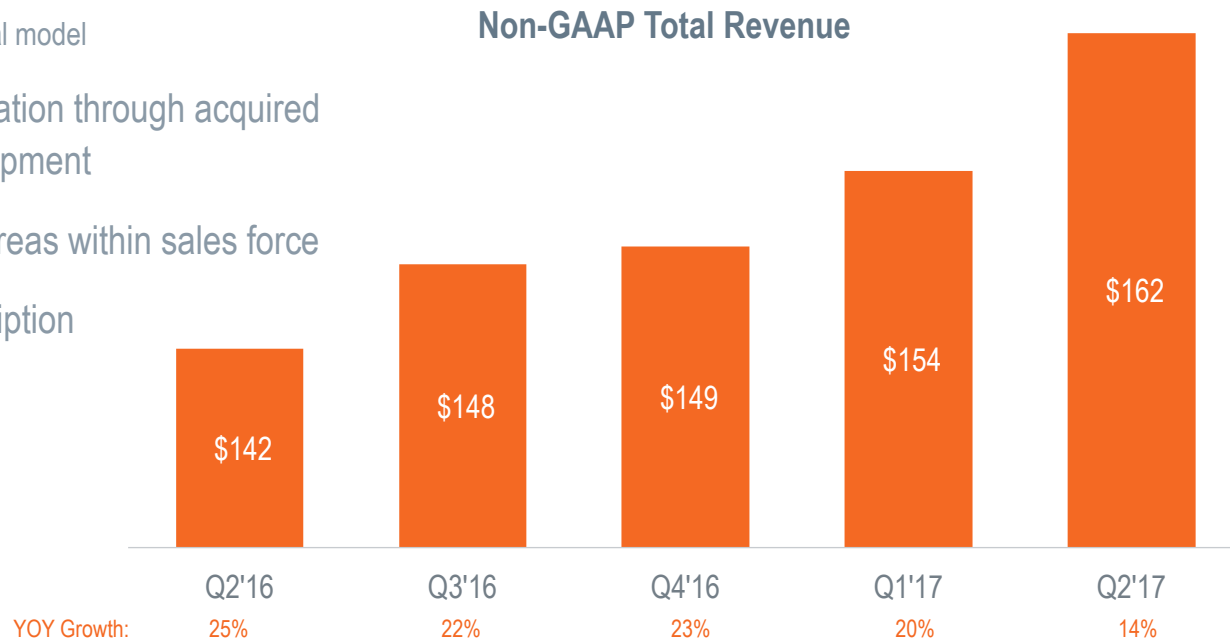
- Unity platform releasing in stages
- New Leasing & Marketing functionality
- New Data Analytics functionality
- Expect organic investments to continue
- Committed to 200 basis points of adjusted EBITDA margin expansion per year





# QUARTERLY FINANCIAL HIGHLIGHTS

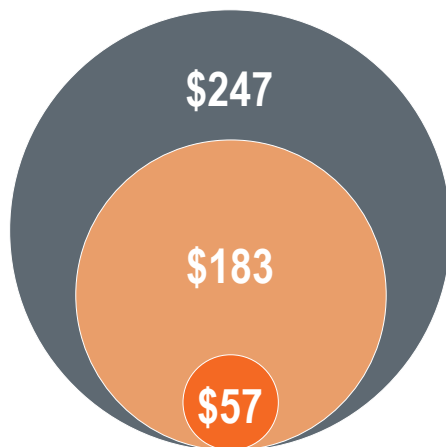
- Strong Q2'17 financial performance
  - Steady progress towards 2020 objectives
  - Results highlight compelling financial model
- Will continue to invest in innovation through acquired technology and internal development
- Investing modestly in certain areas within sales force
- Non-GAAP on demand subscription revenue grew 15% YOY



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

# TOP 50 RPU CLIENTS

- Average \$183 in RPU in Q2'17
- Average RPU of \$183 is 3.2X aggregate RP RPU of \$57



RealPage Aggregate RPU

RealPage Top 50 RPU Average

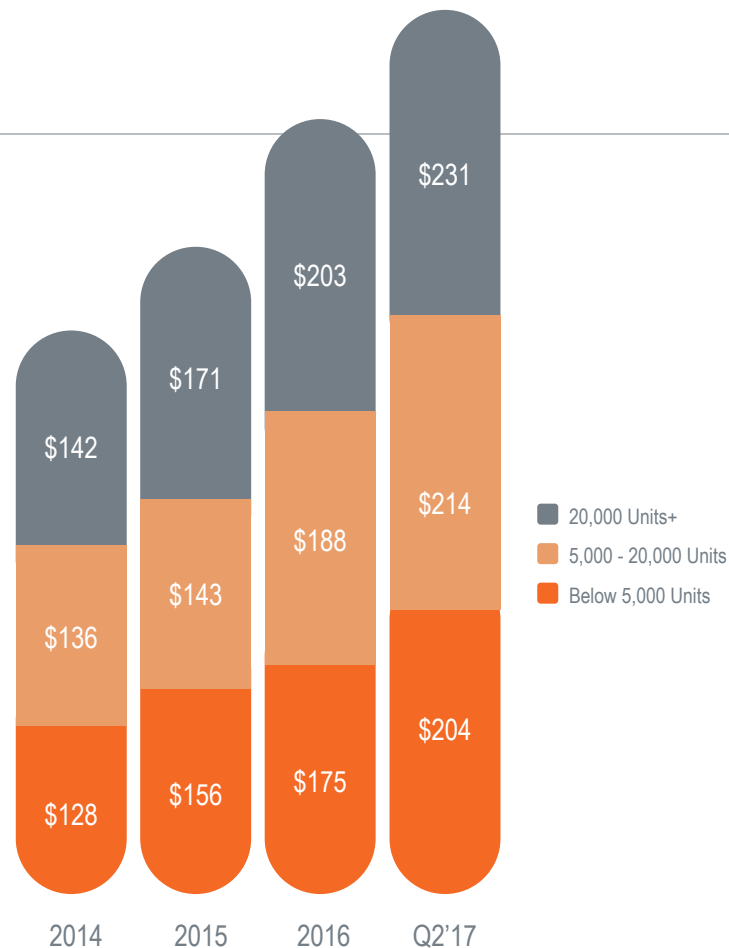
Market Opportunity



# LAND AND EXPAND

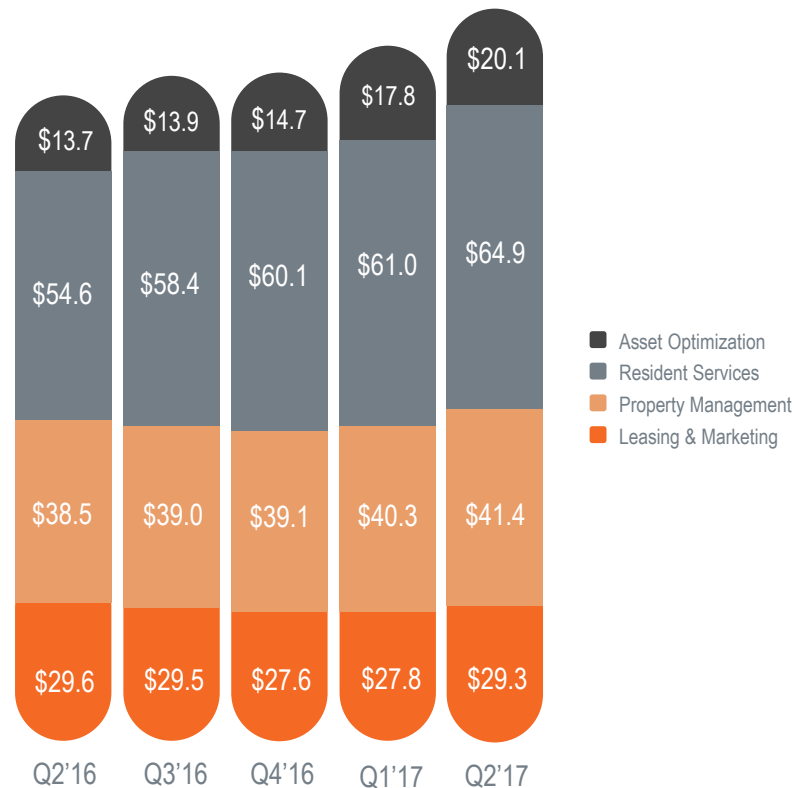
- Total ACV of \$649 million – 18% YOY growth
- Top 100 ACV clients average RPU of \$85
- Consistent growth across all client segments

	2014	2015	2016	Q2'17
ACV	\$405.2	\$469.7	\$566.3	\$649.0
UNITS	9.6	10.6	11.0	11.5
RPU	\$42.39	\$44.45	\$51.53	\$56.51



# PRODUCT FAMILY QUARTERLY FINANCIAL HIGHLIGHTS

- Q2'17 Non-GAAP total revenue and on-demand subscription growth of 14% and 15%, respectively, driven by:
  - Resident Services – 19% YOY growth
  - Property Management – 8% YOY growth
  - Asset Optimization – 47% YOY growth
  - Leasing & Marketing – 1%\* YOY growth

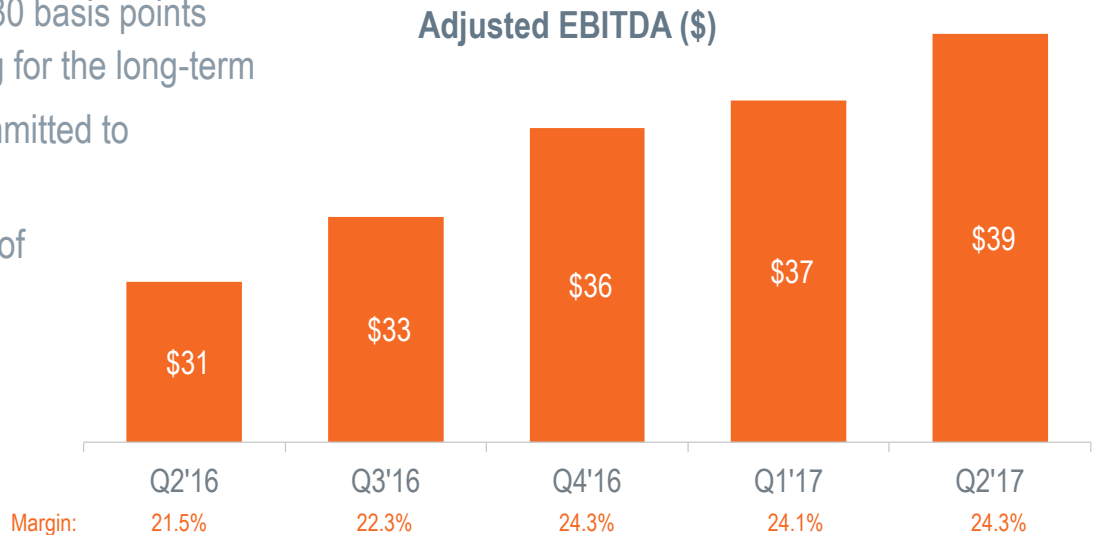


\* Excludes the sale of the senior referral business in 2016.

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

# QUARTERLY PROFITABILITY

- Efficiency gains across business
- Non-GAAP operating expense improved to one of lowest levels in history
- Adjusted EBITDA margin expansion of 280 basis points  
YOY ~ achieving leverage while investing for the long-term
- Expect to ramp internal investments, committed to 200 basis points per year
- Non-GAAP net income per diluted share of \$0.23 ~YOY growth 28%



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

# LIQUIDITY AND OPERATING CASH FLOW

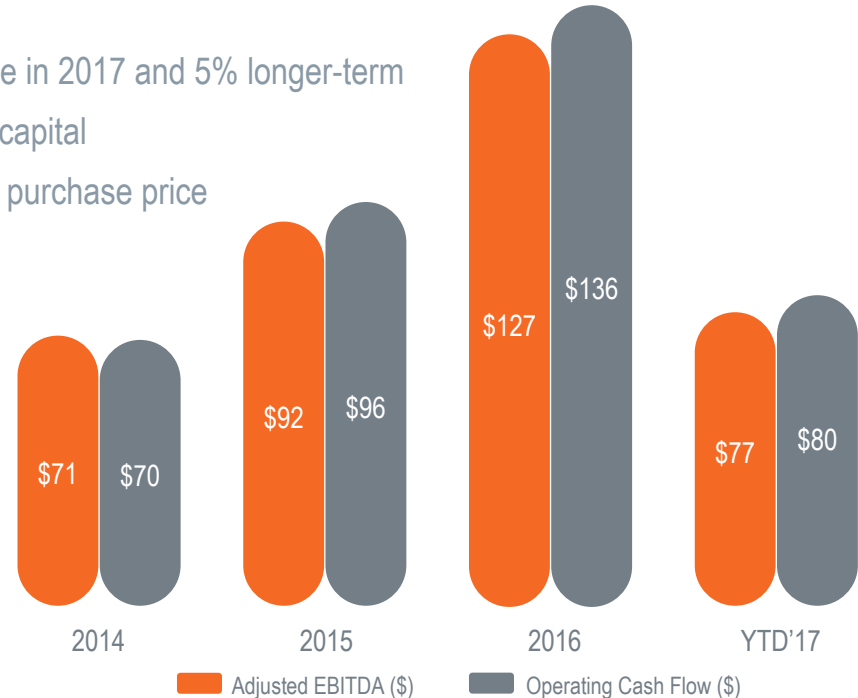
- Cash flow from operations grew 46% YOY, excluding \$2.4 million benefit related to tenant improvement reimbursements in Q2'16
- Capital expenditures of over \$17 million, target 8% of revenue in 2017 and 5% longer-term
- Strengthened capital structure with cost-effective sources of capital
- Nearly \$700<sup>(1)</sup> million of capital deployed – expect aggregate purchase price valuation of 10X adjusted EBITDA exiting 2018

(millions)	Q4 2016	Q2 2017
<b>BALANCE SHEET</b>		
<b>CASH AND CASH EQUIVALENTS</b>	\$104.9	\$324.6
<b>DEBT</b>	\$122.1	\$395.6
<b>CASH FLOW</b>		
<b>OPERATING CASH FLOW<sup>(2)</sup></b>	\$31.1	\$46.3
<b>CAPITAL EXPENDITURES</b>	\$14.2	\$17.2

<sup>(1)</sup> Includes the pending acquisition of LRO and the pending acquisition of On-Site.

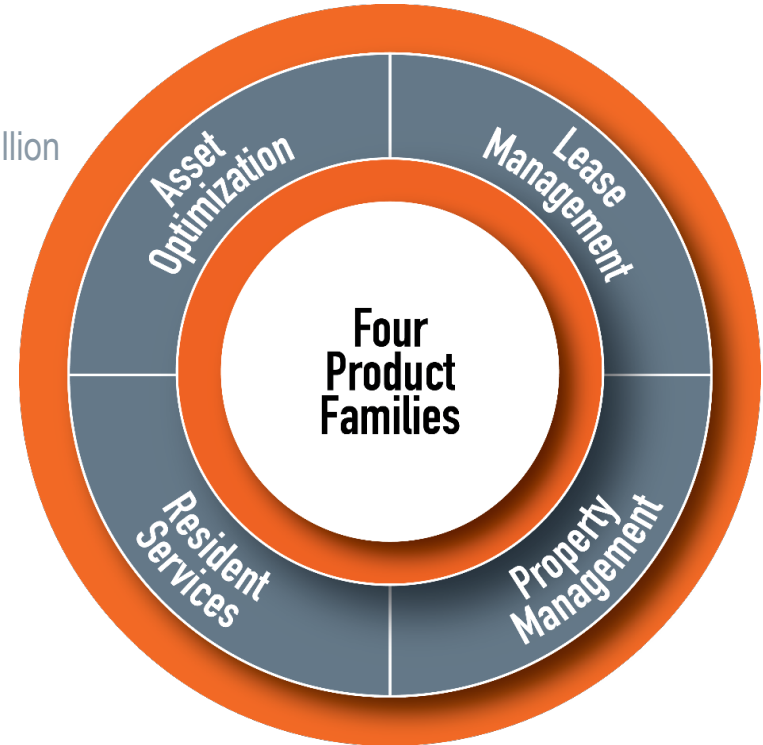
<sup>(2)</sup> Excludes the accounting treatment of tenant reimbursements related to headquarters move.

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



# 2017 EXPECTATIONS & FINANCIAL SUMMARY

- Q3'17 Non-GAAP total revenue of \$172.0 million to \$174.0 million
- Q3'17 Adjusted EBITDA of \$40.7 million to \$42.2 million
- Q3'17 Non-GAAP diluted EPS of \$0.23 to \$0.24
- FY'17 Non-GAAP total revenue of \$661.0 million to \$667.0 million
- FY'17 Adjusted EBITDA of \$159.0 million to \$163.0 million
- FY'17 Non-GAAP diluted EPS of \$0.89 to \$0.93
- Ahead of 2020 objectives



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



# APPENDIX

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# 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 amounts)

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, or 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.

	2012	2013	2014	2015	Q1'16	Q2'16	Q3'16	Q4'16	2016	Q1'17	Q2'17	YTD'17
Revenue (GAAP)	\$ 322,172	\$ 377,022	\$ 404,551	\$ 468,520	\$ 128,383	\$ 142,719	\$ 147,955	\$ 149,071	\$ 568,128	\$ 152,919	\$ 161,306	\$ 314,225
Acquisition-related and other deferred revenue	89	2,717	435	(2,157)	(343)	(258)	(161)	(187)	(949)	705	945	1,650
Non-GAAP Total Revenue	\$ 322,261	\$ 379,739	\$ 404,986	\$ 466,363	\$ 128,040	\$ 142,461	\$ 147,794	\$ 148,884	\$ 567,179	\$ 153,624	\$ 162,251	\$ 315,875

### Adjusted EBITDA

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

	2012	2013	2014	2015	Q1'16	Q2'16	Q3'16	Q4'16	2016	Q1'17	Q2'17	YTD'17
Net income (loss) (GAAP)	\$ 5,183	\$ 20,692	\$ (10,274)	\$ (9,218)	\$ 2,996	\$ 2,083	\$ 4,210	\$ 7,361	\$ 16,650	\$ 8,195	\$ 6,213	\$ 14,408
Acquisition-related and other deferred revenue	89	2,717	435	(2,157)	(343)	(258)	(161)	(187)	(949)	705	945	1,650
Depreciation, asset impairment, and loss on disposal of assets	13,539	14,411	19,288	44,385	5,496	6,563	7,119	6,635	25,813	6,675	6,929	13,604
Amortization of intangible assets	19,498	17,648	22,404	25,377	7,111	7,737	7,847	7,573	30,268	7,789	8,227	16,016
Acquisition-related (income) expense	(350)	3,269	1,987	(1,841)	(57)	(9)	(266)	695	363	1,210	1,354	2,564
Costs related to the Hart-Scott-Rodino review process	—	—	—	—	—	—	—	—	—	481	2,228	2,709
Interest expense, net	2,160	1,427	1,117	1,367	719	1,090	1,079	937	3,825	1,120	2,804	3,924
Income tax expense (benefit)	4,219	(210)	(6,333)	(3,846)	2,114	1,545	3,540	3,637	10,836	811	(3,132)	(2,321)
Litigation-related expense	10,158	661	4,915	2	—	—	—	—	—	—	—	—
Headquarters relocation costs	—	—	—	—	1,025	1,174	1,353	—	3,552	—	—	—
Stock-based expense	18,178	29,697	37,050	38,122	8,391	10,737	8,255	9,469	36,852	10,092	13,876	23,968
Stock registration costs	675	—	—	—	—	—	—	—	—	—	—	—
Adjusted EBITDA	\$ 73,349	\$ 90,312	\$ 70,589	\$ 92,191	\$ 27,452	\$ 30,662	\$ 32,976	\$ 36,120	\$ 127,210	\$ 37,078	\$ 39,444	\$ 76,522

# 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.

	2012	2013	2014	2015	Q1'16	Q2'16	Q3'16	Q4'16	2016	Q1'17	Q2'17	YTD'17
Net income (loss) (GAAP)	\$ 5,183	\$ 20,692	\$ (10,274)	\$ (9,218)	\$ 2,996	\$ 2,083	\$ 4,210	\$ 7,361	\$ 16,650	\$ 8,195	\$ 6,213	\$ 14,408
Income tax expense (benefit)	4,219	(210)	(6,333)	(3,846)	2,114	1,545	3,540	3,637	10,836	811	(3,132)	(2,321)
Income (loss) before income taxes	9,402	20,482	(16,607)	(13,064)	5,110	3,628	7,750	10,998	27,486	9,006	3,081	12,087
Acquisition-related and other deferred revenue	89	2,717	435	(2,157)	(343)	(258)	(161)	(187)	(949)	705	945	1,650
Asset impairment and loss on disposal of assets	568	314	386	23,871	-	85	914	248	1,247	24	63	87
Amortization of intangible assets	19,498	17,648	22,404	25,377	7,111	7,737	7,847	7,573	30,268	7,789	8,227	16,016
Acquisition-related (income) expense	(350)	3,269	1,987	(1,841)	(57)	(9)	(266)	695	363	1,210	1,354	2,564
Costs related to the Hart-Scott-Rodino review process	-	-	-	-	-	-	-	-	-	481	2,228	2,709
Litigation-related expense	10,158	661	4,915	2	-	-	-	-	-	-	-	-
Headquarters relocation costs	-	-	-	-	1,025	1,174	1,353	-	3,552	-	-	-
Stock registration costs	675	-	-	-	-	-	-	-	-	-	-	-
Amortization of convertible note discount	-	-	-	-	-	-	-	-	-	-	1,052	1,052
Stock-based expense	18,178	29,697	37,050	38,122	8,391	10,737	8,255	9,469	36,852	10,092	13,876	23,968
Non-GAAP income before income taxes	58,218	74,788	50,570	70,310	21,237	23,094	25,692	28,796	98,819	29,307	30,826	60,133
Assumed rate for income tax expense <sup>(1)</sup>	40.0 %	40.0 %	40.0 %	40.0 %	40.0 %	40.0 %	40.0 %	40.0 %	40.0 %	40.0 %	40.0 %	40.0 %
Assumed provision for income tax expense	23,287	29,915	20,228	28,124	8,495	9,238	10,277	11,518	39,528	11,723	12,330	24,053
Non-GAAP net income	\$ 34,931	\$ 44,873	\$ 30,342	\$ 42,186	\$ 12,742	\$ 13,856	\$ 15,415	\$ 17,278	\$ 59,291	\$ 17,584	\$ 18,496	\$ 36,080
Net income (loss) per share - diluted	\$ 0.07	\$ 0.27	\$ (0.13)	\$ (0.12)	\$ 0.04	\$ 0.03	\$ 0.05	\$ 0.09	\$ 0.21	\$ 0.10	\$ 0.08	\$ 0.18
Non-GAAP net income per diluted share	\$ 0.47	\$ 0.59	\$ 0.39	\$ 0.55	\$ 0.17	\$ 0.18	\$ 0.20	\$ 0.22	\$ 0.76	\$ 0.22	\$ 0.23	\$ 0.44
Weighted average outstanding shares - basic <sup>(1)</sup>	71,838	74,962	76,991	76,689	76,656	76,363	76,823	77,566	76,854	78,263	79,018	78,642
Weighted average outstanding shares - diluted <sup>(1)</sup>	74,002	76,187	76,991	76,689	77,147	77,161	78,124	79,116	77,843	81,386	81,925	81,644

## Non-GAAP On Demand Revenue, Ending 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," "RPU," and "ACV." Please reference the "Explanation of Non-GAAP Financial Measures" section.

	Q1'16	Q2'16	Q3'16	Q4'16	Q1'17	Q2'17	YTD'17
On demand revenue (GAAP)	\$ 123,411	\$ 136,610	\$ 140,883	\$ 141,627	\$ 146,213	\$ 154,727	\$ 300,940
Acquisition-related and other deferred revenue	(343)	(258)	(161)	(187)	705	945	1,650
Non-GAAP On Demand Revenue	123,068	136,352	140,722	141,440	146,918	155,672	302,590
Ending On Demand Units	10,999	11,141	11,251	10,989	11,112	11,485	11,485
Average on demand units	10,783	11,070	11,196	11,120	11,050	11,298	11,174
RPU	\$ 48.10	\$ 49.27	\$ 50.28	\$ 51.53	\$ 53.65	\$ 56.51	
ACV	\$ 529,052	\$ 548,917	\$ 565,700	\$ 566,263	\$ 596,159	\$ 649,017	

# RECONCILIATION OF NON-GAAP FINANCIAL MEASURES TO COMPARABLE GAAP MEASURES

	2014	2015	Q1'16	Q2'16	Q3'16	Q4'16	2016	Q1'17	Q2'17	YTD'17
Property Management	\$ 121,433	\$ 137,239	\$ 36,282	\$ 38,467	\$ 39,023	\$ 39,118	\$ 152,890	\$ 40,341	\$ 41,404	\$ 81,745
% of Total	31%	31%	29%	28%	28%	28%	28%	27%	26%	27%
Y-O-Y growth	12%	13%	11%	14%	11%	10%	11%	11%	8%	9%
Resident Services	\$ 110,106	\$ 146,138	\$ 45,071	\$ 54,613	\$ 58,351	\$ 60,062	\$ 218,097	\$ 60,968	\$ 64,860	\$ 125,828
% of Total	28%	33%	37%	40%	41%	42%	40%	42%	42%	42%
Y-O-Y growth	15%	33%	36%	60%	50%	49%	49%	35%	19%	26%
Leasing and Marketing	\$ 118,183	\$ 118,697	\$ 28,925	\$ 29,618	\$ 29,451	\$ 27,562	\$ 115,556	\$ 27,815	\$ 29,324	\$ 57,139
% of Total	30%	26%	24%	22%	21%	20%	22%	19%	19%	19%
Y-O-Y growth	-5%	0%	-2%	-3%	-2%	-3%	-3%	-4%	-1%	-2%
Asset Optimization	\$ 41,335	\$ 46,731	\$ 12,790	\$ 13,654	\$ 13,897	\$ 14,698	\$ 55,039	\$ 17,794	\$ 20,084	\$ 37,878
% of Total	11%	10%	10%	10%	10%	10%	10%	12%	13%	12%
Y-O-Y growth	13%	13%	18%	17%	15%	20%	18%	39%	47%	43%
Subscription	\$ 343,884	\$ 399,211	\$ 110,464	\$ 123,404	\$ 127,155	\$ 128,455	\$ 489,478	\$ 134,325	\$ 141,459	\$ 275,784
% of Total	88%	89%	90%	91%	90%	91%	90%	91%	91%	91%
Y-O-Y growth	15%	16%	18%	27%	24%	22%	23%	22%	15%	18%
Transactional	\$ 47,173	\$ 49,594	\$ 12,604	\$ 12,948	\$ 13,567	\$ 12,985	\$ 52,104	\$ 12,593	\$ 14,213	\$ 26,806
% of Total	12%	11%	10%	9%	10%	9%	10%	9%	9%	9%
Y-O-Y growth	-29%	5%	5%	1%	3%	13%	5%	0%	10%	5%

## Non-GAAP Total Revenue guidance

Set forth below is a presentation of the company's "Non-GAAP total revenue" guidance for the third quarter ended September 30, 2017 and the twelve months ended December 31, 2017. Please reference the "Explanation of Non-GAAP Financial Measures" section.

	Guidance Range for the Three Months Ending September 30, 2017		Guidance Range for the Twelve Months Ending December 31, 2017	
	Low <sup>(2)</sup>	High <sup>(2)</sup>	Low <sup>(2)</sup>	High <sup>(2)</sup>
Revenue (GAAP)	\$ 171,300	\$ 173,300	\$ 658,195	\$ 664,195
Acquisition-related and other deferred revenue	700	700	2,805	2,805
Non-GAAP total revenue	\$ 172,000	\$ 174,000	\$ 661,000	\$ 667,000

# 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 third quarter ended September 30, 2017 and the twelve months ended December 31, 2017. Please reference the "Explanation of Non-GAAP Financial Measures" section.

	Guidance Range for the Three Months Ending September 30, 2017		Guidance Range for the Twelve Months Ending December 31, 2017	
	Low <sup>(2)</sup>	High <sup>(2)</sup>	Low <sup>(2)</sup>	High <sup>(2)</sup>
Net income (GAAP)	\$ 3,930	\$ 5,220	\$ 25,315	\$ 28,555
Income tax expense	(3,210)	(2,350)	(5,120)	(2,960)
Income before income taxes	720	2,870	20,195	25,595
Acquisition-related and other deferred revenue	700	700	2,805	2,805
Asset impairment and loss on disposal of assets	-	-	90	90
Amortization of intangible assets	9,550	9,450	35,300	35,100
Acquisition-related (income) expense	500	500	3,180	3,080
Costs related to the Hart-Scott-Rodino review process	4,480	4,380	7,720	7,520
Amortization of convertible note discount	2,450	2,450	6,000	6,000
Stock-based expense	12,650	12,400	47,500	47,000
Non-GAAP income before income taxes	31,050	32,750	122,790	127,190
Assumed rate for income tax expense <sup>(1)</sup>	40.0%	40.0%	40.0%	40.0%
Assumed provision for non-GAAP income tax expense	12,420	13,100	49,116	50,876
Non-GAAP Net Income	\$ 18,630	\$ 19,650	\$ 73,674	\$ 76,314
Net income per diluted share	\$ 0.05	\$ 0.06	\$ 0.31	\$ 0.35
Non-GAAP net income per diluted share	\$ 0.23	\$ 0.24	\$ 0.89	\$ 0.93
Weighted average outstanding shares - basic <sup>(3)</sup>	82,700	82,700	82,350	82,350
Weighted average outstanding shares - diluted <sup>(3)</sup>	82,700	82,700	82,350	82,350

# 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 third quarter ended September 30, 2017 and the twelve months ended December 31, 2017. 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, 2017		December 31, 2017	
	Low <sup>(1)</sup>	High <sup>(2)</sup>	Low <sup>(2)</sup>	High <sup>(2)</sup>
Net income (GAAP)	\$ 3,930	\$ 5,220	\$ 25,315	\$ 28,555
Acquisition-related and other deferred revenue	700	700	2,805	2,805
Depreciation, asset impairment, and loss on disposal of assets	7,500	7,400	29,000	28,800
Amortization of intangible assets	9,550	9,450	35,300	35,100
Acquisition-related income	500	500	3,180	3,080
	4,480	4,380	7,720	7,520
Interest expense, net	4,600	4,500	13,300	13,100
Income tax expense	(3,210)	(2,350)	(5,120)	(2,960)
Stock-based expense	12,650	12,400	47,500	47,000
Adjusted EBITDA	\$ 40,700	\$ 42,200	\$ 159,000	\$ 163,000

<sup>(1)</sup> We use a non-GAAP tax rate of 40.0% in order to approximate the Company's long-term effective corporate tax rate. Please reference the "Explanation of Non-GAAP Financial Measures" section.

<sup>(2)</sup> 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."

<sup>(3)</sup> For periods with GAAP net losses and non-GAAP net income, the weighted-average outstanding shares used to calculate non-GAAP net income per share includes potentially dilutive securities that were excluded from the calculation of GAAP net income per share as the effect was anti-dilutive.



# RECONCILIATION OF NON-GAAP FINANCIAL MEASURES TO COMPARABLE GAAP MEASURES

## 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 and other deferred revenue adjustments. 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 and other deferred revenue adjustments, (2) depreciation, asset impairment, and the loss on disposal of assets, (3) amortization of intangible assets, (4) acquisition-related expense (income), (5) interest expense, net, (6) income tax expense (benefit), (7) litigation-related expense, (8) headquarters relocation costs, and (9) stock-based expense; and the company defines "Adjusted EBITDA Margin" as Adjusted EBITDA as a percentage Non-GAAP Total Revenue. 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 expense, (2) acquisition-related and other deferred revenue, (3) asset impairment and loss on disposal of assets, (4) amortization of intangible assets, (5) acquisition-related expense (income), (6) litigation-related expense, (7) headquarters relocation costs, (8) stock-based expense, and (9) provision for income tax expense based on an assumed rate in order to approximate the company's long-term effective corporate tax rate; and the company defines "Non-GAAP Net Income per Diluted Share" as Non-GAAP Net Income divided by 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.

The company defines "Non-GAAP On Demand Revenue" as total on demand revenue plus acquisition-related and other deferred revenue adjustments. 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 customers 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 customers' properties is updated or supplemented, which could result in adjustments to the number of units previously reported.



# RECONCILIATION OF NON-GAAP FINANCIAL MEASURES TO COMPARABLE GAAP MEASURES

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 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 Annual Client Value, as management’s estimate of the annual value of the company’s on demand revenue contracts. 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 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* – We assume 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 including, but 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; 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. We believe excluding these items assists investors and analysts in understanding the tax provision and the effective tax rate related to ongoing operations.

*Acquisition-related and other deferred revenue* – These items are included to reflect 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.

*Asset impairment and loss on disposal of assets* – These items comprise gains (losses) on the disposal and impairment of long-lived 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.

*Amortization of intangible assets* – These items are amortized over their estimated useful lives and generally cannot be changed or influenced by the company after acquisition. 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.

*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.

*Costs related to the Hart-Scott-Rodino review process* – This item relates to the company’s ongoing Hart-Scott-Rodino Antitrust Improvements Act review process related to its proposed acquisition of LRO. The company believes that these significant, non-recurring legal costs are not reflective of its ongoing operations.

*Headquarters relocation costs* – These items consist of duplicative rent and other expenses related to the relocation of our corporate headquarters and data center. These costs are not reflective of the company’s ongoing operations due to their non-recurring nature.

*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.

*Litigation-related expense* – This item relates to the company’s litigation with Yardi Systems, Inc., including related insurance litigation and settlement costs. This significant and non-recurring litigation and related ancillary matters were resolved in the second quarter of 2014. The company believes that the costs incurred related to this litigation are not reflective of its ongoing operations.

*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.