

**Prepared Comments from Rubicon Project (NYSE: RUBI)  
Q4 2015 Investor Conference Call Held on February 23, 2016**

**Erik Randerson, VP of Investor Relations**

Good afternoon, everyone, and welcome to Rubicon Project's 2015 fourth quarter earnings conference call. As a reminder this conference call is being recorded. Joining me today are Frank Addante, CEO and Founder; Greg Raifman, President; and Todd Tappin, Chief Operating Officer and Chief Financial Officer.

Before we get started I'd like to remind our listeners that our prepared remarks and answers to questions will include expectations, predictions, estimates and other information that might be considered to be forward-looking statements, including but not limited to, guidance we are providing and other non-historical statements related to our anticipated financial performance, operating and strategic plans; expectations regarding new initiatives; our relationships and business with Buyers and Sellers using our platform; competitive differentiation; fees and take rate; capital investment and organizational development; our competitive position; and market conditions and trends and growth expectations, including growth in Orders, Mobile and Video, and in our Buyer Cloud operations.

Forward-looking statements involve risks, uncertainties and assumptions and actual results may differ significantly from the results suggested by forward-looking statements for various reasons including, without limitation, if such risks or uncertainties materialize or assumptions prove to be inaccurate.

Further, we may adjust our plans and expectations in response to market conditions or other factors. Reported results should not be considered an indication of future performance.

A discussion of these and other risks, uncertainties and assumptions is set forth in the Company's Annual Report on Form 10-K for the year ended December 31, 2014 and our 2015 10-K to be filed shortly, as well as our quarterly reports on Form 10-Q, including under the headings: "Risk Factors" and "Management Discussion and Analysis of Financial Condition and Results of Operations". We undertake no obligation to update forward-looking statements or relevant risks.

Our commentary will include non-GAAP financial measures. Reconciliations between GAAP and non-GAAP metrics for our reported results can be found in our earnings press release, which we have posted to the investor relations website at [investor.rubiconproject.com](http://investor.rubiconproject.com). At times, in response to your questions, we may offer incremental metrics to provide greater insights into the dynamics of our business. Please be advised that this additional detail may be one-time in nature and we may or may not provide an update in the future on these metrics. I encourage you to visit our investor relations website to access our press release, periodic SEC reports, a webcast replay of today's call or to learn more about Rubicon Project.

#### **Q4 2015 Financial Highlights Presentation**

As a final note, I would like to mention that in the Events and Presentations section of our Investor Relations Website, we have included a Q4 2015 Financial Highlights presentation that summarizes our financial and operating results. I would like to suggest that you access this presentation as Greg will speak to one of the slides included in the presentation during his prepared remarks in a few minutes.

With that, let me turn the call over to Frank.

## **Frank Addante, CEO and Founder**

Thank you, Erik, and good afternoon everyone. Q4 was an outstanding quarter for Rubicon Project, highlighted by Non-GAAP Net Revenue doubling year over year and Adjusted EBITDA nearly tripling year-over-year.

And for the full year, we more than tripled our Adjusted EBITDA and we achieved GAAP Net Income profitability – our first year of profitability as a public company. Even more exciting, we surpassed one billion dollars in Managed Revenue in 2015 – achieving an ambitious goal I set for the team 2 years ago at a time when we were generating less than half a billion dollars in Managed Revenue annually.

We also significantly expanded the consumer reach of our platform in 2015 to approximately one billion people worldwide – including our fast growing base of Mobile users.

We achieved these important milestones thanks to the efforts of our exceptionally talented team, who continue to enhance our business and position us as the industry's leading independent and complete solution that enables Buyers and Sellers to automate advertising.

And we are just getting started. There remains an opportunity to bring consumers and brands together in a more meaningful, productive and transparent way. And we are uniquely positioned to continue to drive strong growth for years to come through our product innovations and competitive differentiation.

Our standout success in a competitive and dynamically evolving market truly demonstrates the strength of our culture.

With that, I will let Greg and Todd walk you through a more detailed analysis of our results.

## **Greg Raifman, President**

Thank you, Frank.

To begin, I would like to extend my congratulations to our team for delivering another quarter of outstanding results.

We doubled our Non-GAAP Net Revenue and achieved \$20 million in GAAP Net Income in Q4, leading to our first full year of positive GAAP net income. We also surpassed \$1 billion in total Managed Revenue for the full year and beat expectations consistently across the board. In sum, Q4 capped a stellar year of growth and innovation in 2015, and represented our eighth consecutive quarter of over-performance since the IPO.

Everyone on the call today is aware that our consistent strong performance comes at a time when many companies in our sector have struggled.

Although the well-chronicled challenges in Ad Tech have negatively impacted valuations for public companies in the space, it is important to understand that not all companies are created equal.

### **Differentiation**

This afternoon, I will focus my remarks on the clear differentiation that positions Rubicon Project to deliver greater value for Buyer and Seller clients than any other company in our market space.

What makes us different?

Simply put, we offer the complete solution that allows Buyers and Sellers of advertising to achieve more effective results in an automated environment. This point is significant. Our technology enables the world's most respected publishers and application developers to monetize their business while also empowering Buyers to target the exact audiences they seek through every major form of digital inventory, type of ad unit and channel, and reach an audience of approximately one billion consumers globally.

It is this capability that serves as our core competitive advantage.

We know that advertisers are seeking fewer partners with broader, more innovative capabilities. So although many “fast follower” point solutions with limited capabilities have struggled to differentiate themselves in a competitive market, Rubicon Project has developed a full-stack solution for Buyers and Sellers resulting in our highly differentiated value proposition.

Despite this, we also continue to read in select media and financial reports that Rubicon Project is portrayed as either an SSP or just a display only SSP.

We are not just an SSP, nor are we a display only SSP - and we have not been one for several years.

In fact, today, our mobile exchange is the third largest in the world - surpassing a quarter of a billion dollars in Managed Revenue in 2015, and comprising nearly one third of our total business in Q4.

Furthermore, we also offer a comprehensive solution for the world’s most premium buyers, including brands, agencies, trading desks and DSPs, to access audiences at scale within our ever growing marketplace.

For many years, we have supported the world’s leading buyers in our Marketplace. Earlier this month we expanded our partnerships with two of the largest advertising holding companies in the world - Publicis and IPG. Therefore, anyone who continues to refer to Rubicon Project as just an SSP simply does not understand our company or our key business offerings.

What also separates our business is our execution, as illustrated in our consistently strong financial results, quarter after quarter.

### **Reference to Slide in Q4 2015 Financial Highlights Presentation**

Our Q4 2015 Financial Highlights presentation available on our Investor Relations website includes a slide that clearly depicts the strength of our technology stack as well as our financial performance. I encourage everyone on today’s call to review the earnings presentation while I discuss slide 11 of the presentation.

The top of slide 11 showcases the comparative capabilities of our platform, based upon our assessment of publicly traded companies in the market.

Only Rubicon Project, Google and Facebook offer strong capabilities as leading providers of mobile and desktop inventory. In fact, as I stated earlier, we manage the third largest Mobile exchange in the world. And only Rubicon Project, Google and Facebook can support the buying and selling of every major type of digital ad unit.

Importantly as well, Rubicon Project is also consistently the only company ranked in the top tier of independent third-party quality rankings across International, Mobile, in-app, and desktop inventory. Recently, we were recognized as the #1 marketplace for quality inventory internationally out of more than 100 companies.

So, from a technology perspective, reach, commitment to quality and capability to service all buyers and sellers across every type of inventory, Rubicon Project is strongly positioned for success as the industry accelerates its growth in 2016.

Moving now from technology and innovations to financial reporting, Rubicon Project's performance also shows strong differentiation in the market.

The bottom of slide 11 illustrates the proof points in our financials, resulting directly from the capabilities that I just mentioned.

Rubicon Project is one of only two public companies in Ad Tech that have announced Revenue growth greater than 50% in 2015. And Rubicon Project, Google, Facebook and Criteo are the only public companies in the space that have achieved positive Net Income for 2015, positive Free Cash Flow for 2015, and Adjusted EBITDA margins on Net Revenue greater than 20% for the year.

Our full-stack solution for both Buyers and Sellers is a core contributor to our value proposition and our best-in-class financial results and has established a clear foundation for continued growth in the future.

## **Operating Highlights from Q4 2015 and FY 2015**

Let me take a few minutes now to highlight several of the exceptional results our team delivered in Q4 and for all of 2015.

First, I would like to discuss our truly explosive growth Rubicon Project has experienced this past year in Mobile.

### **Mobile**

In the fourth quarter, Mobile Managed Revenue again more than doubled – growing 144% year-over-year and accelerating from 114% year-over-year growth in the third quarter.

In 2015, Mobile increased from just 20% of our total Managed Revenue in Q1 to being nearly a third of our global Managed Revenue in the seasonally strong fourth quarter.

This sizeable growth has fueled our rise to becoming the third largest mobile exchange in the world and underpins the potential for substantially more growth before the end of 2016.

Insights from the recent Cyber Monday shopping period tell the story behind the value of our full stack offering. Every one of the top 50 buyers in our Marketplace during the biggest day in our company's history purchased both desktop and Mobile inventory to reach their target audiences.

Moreover, a review of the entire fourth quarter further demonstrates the adoption of our complete solution whereby 84% of our top 100 Sellers worked cross-channel with Rubicon Project to monetize both Mobile and Desktop inventory. This is up significantly from the fourth quarter of 2014 when 65% of our top 100 Sellers worked cross-channel.

And, importantly, our clients are working cross-channel at scale. In 2015, the number of Buyers of Mobile app inventory which spent 6 figures or more increased by nearly 140% year-over-year.

## **Mobile Customer Wins**

Our strength in Mobile has also helped to drive important new customer wins. Recently, in January of this year, we partnered with Zynga for an exclusive launch of all of its premium guaranteed and reserved inventory in our Marketplace via programmatic buying. According to comScore, Zynga's mobile applications rank 6th in consumer time spent online per month. Our expanded relationship with Zynga is strategically important because like so many media owners, Zynga has historically held back much of its premium inventory exclusively for its direct salesforce. Therefore, Zynga's decision to now make all of its premium inventory - previously only available through its direct sales channels - now available through Rubicon Project not only demonstrates the value of our Orders Marketplace, it also signals a trend we expect to see much more of in the future -- we have proven we can drive the right demand through Orders as well as Open Auction RTB.

And earlier this month, we announced a highly strategic win with GameLoft, the world's largest digital and social games developer. Rubicon Project will automate mobile advertising across GameLoft's large audience that reaches more than 147 million unique players per month.

## **Orders**

Moving now from Mobile, our Orders platform that I just mentioned is also gaining significant adoption from Buyers and Sellers. In Q4, our managed revenue from Orders grew 125% year over year. Global managed revenue originating from our Orders product increased to 18% overall in Q4, up from just 13% a year ago.

Spotify is an example of a premium Seller that has generated exceptional growth from our Orders platform since launching with Rubicon Project in mid-2015. Spotify now reaches a large audience of 60 million users. And our platform allows Spotify to activate and fully leverage its proprietary first party data, which drives increased value for both Spotify and the Buyers of Spotify's inventory in our marketplace.

In Orders, as in Mobile, our Buyers and Sellers are opting to deepen their relationship with us to work cross-channel, and thus we are seeing the same broader adoption for Orders. In Q4, 94% of our largest 100 Sellers were working with Rubicon Project to drive growth in both our Orders and RTB offerings, up from 83% in Q4 of 2014. Impressively, in Q4, 89% of our top 2,000 Advertisers utilized both our Orders and RTB solutions to reach their audiences at scale.

### **Expanded Relationships with Top Agency Holding Companies**

And we continue to attract increased demand from Buyers for Orders. Most notably, we recently established a global partnership with IPG for our Guaranteed Orders platform. Cadreon, which is the ad tech unit owned by IPG Mediabrands, selected our market leading Guaranteed Orders platform to help power the reservation of the premium and direct inventory that it seeks to acquire for its vast array of Fortune 1000 clients. In addition, within Publicis, we have expanded our relationship with its Vivaki subsidiary to include both our Intent Marketing and Orders capabilities. These wins bring even deeper agency integrations to our Buyer capabilities.

In summary, increased adoption of our complete automation solution helps us to further extend our position of market leadership in Mobile and Orders, as well as in open Auction RTB, and this creates valuable network effects for growing our Buyer and Seller client base.

### **FastLane**

At the same time, we continue to further innovate in our core business and see solid increased demand for our RTB products, which remains a key growth driver for 2016. Our recently-introduced FastLane header bidding feature is particularly relevant to both our RTB Open Auction and Orders offerings. FastLane enables Rubicon Project to sit much higher in the ad stack of the web publisher or mobile app, which allows the strength and scale of our buyer demand to create much greater demand for impressions. This leads to higher CPM prices and increased revenue for our Seller clients, and greater impression volumes to Rubicon Project.

Early results from FastLane adoption are promising with many of our largest Sellers either already onboarded or in the queue for Q1. Sellers such as Tribune Publishing, a long-time partner, which operates prominent outlets such as *The Chicago Tribune* and *The Los Angeles Times*, has been using our Orders platform exclusively. So it was only natural that Tribune turned to our Fastlane innovation to drive a more holistic approach to managing yield on their properties across all types of inventory, including the most premium and highly desirable impressions for which buyers are willing to pay more.

Since deploying FastLane, Tribune Publishing has experienced a significant increase in their CPMs, while delivering better ROI for its advertisers. Based on this success, Tribune is already planning to implement our Fastlane for Mobile Apps feature that we recently announced - the industry's first and only mobile header bidding solution.

Given these results, we plan to have more than 100 additional Sellers live on Fastlane in the first half of the year.

### **Video**

Finally, I would like to spend a moment discussing our focused efforts developing a high quality, premium marketplace for Video. As we have stated before, we continue to focus only on premium, highly desirable video inventory to sell in our marketplace and we will not relent from this position. The market has reacted positively to our commitment to quality and I am pleased with our early successes as our growth in Video shows true promise with an upward trajectory that exceeds our Mobile product at the same early stage of development nearly three years ago.

In the past three quarters, we have increased the number of premium Video Sellers on our platform by nearly 400% while, at the same time, we have increased the number of Video Buyers on our Marketplace more than 60%. And just a couple quarters after launching Mobile Video in our Marketplace, more than 25% of our Mobile Buyers have transacted in Mobile Video.

Video is a premium ad unit. We believe that Video will be bought and sold similar to other premium ad units in our Marketplace – ultimately through Orders. Therefore, we also believe that our future growth opportunity in Video is further enhanced by our strong position in Mobile and Orders, where we believe much of the Video automation will be transacted in future years.

### **Wrap Up**

To wrap up, I am proud to report that in 2015 we delivered on our promise and successfully accomplished our strategic objective of providing a complete automation solution for both Buyers and Sellers of advertising. And our solution will only improve in the coming quarters.

The increased adoption by our Buyers and Sellers of our complete automation solution throughout 2015 – across every major form of digital inventory, type of ad unit, and type of channel – has contributed significantly to our record financial results.

Furthermore, we also delivered solid results against all of our other 2015 objectives as well. We grew Managed Revenue in Mobile and Orders by triple digit growth rates year-over-year; we surpassed one billion dollars in total Managed Revenue; we generated nearly \$50 million in Free Cash Flow; we successfully acquired and integrated Chango in order to significantly expand our buyer capabilities; and we achieved very positive early results in Video that we intend to build upon in 2016.

We believe we are just at the tip of the iceberg with our growth opportunity and that our differentiation will continue to strengthen our foundation for growth in 2016 and beyond.

And with that, I would like to turn it over to Todd to discuss our stellar financial results for the quarter. Here's Todd.

## **Todd Tappin, Chief Operating Officer and Chief Financial Officer**

Thank you, Greg.

Overall, we have continued to experience tremendous growth, led by RTB and Mobile.

### **Revenue Metrics**

Managed Revenue, which is the advertising spending transacted on our platform, for the fourth quarter of 2015 was \$336.0 million compared to \$216.5 million in the fourth quarter of 2014, an increase of 55% year-over-year. The increase in Managed Revenue was primarily driven by an increase in both pricing and bidding activity, led by RTB, which continues to represent the largest portion of our business. Managed Revenue was composed of 77% RTB, 18% Orders and 5% Static and by channel, Managed Revenue was composed of 69% desktop and 31% Mobile for the fourth quarter of 2015. Managed Revenue for the full year 2015 was \$1.0 billion compared to \$667.8 million in the prior year, an increase of 50% year-over-year.

GAAP Revenue for the fourth quarter 2015 was \$94.0 million compared to \$41.8 million in the same period in 2014, representing a year-over-year increase of 125%. For the full year, GAAP Revenue was \$248.5M compared to \$125.3M in 2014, an increase of 98%.

Non-GAAP Net Revenue for the fourth quarter 2015 was \$83.7 million compared to \$41.8 million last year, an increase of 100% year-over-year and, once again, ahead of expectations. For the full year 2015, Non-GAAP Net Revenue was \$227.3 million compared to \$125.3 million in the prior year, an increase of 81%.

### **Operating Metrics**

For the full year, average CPM's increased year-over-year from \$0.67 in 2014 to \$1.09 in 2015. Paid impressions associated with Orders and RTB were higher year-over-year, while paid impressions from static transactions were lower year on year. Total paid impressions in 2015 were 920 billion compared to 999 billion in 2014; however, the fourth quarter paid impressions in 2015 were higher compared to the same period in the prior year.

Take rate, which is Non-GAAP Net Revenue divided by Managed Revenue, increased to 24.9% in the fourth quarter of 2015 compared to 19.3% for the same period in 2014. The increase in take rate year-over-year was primarily due to the higher mix of RTB and buyer cloud transactions, which carry higher take rates, and a lower mix of static transactions. Looking ahead we expect take rates to decrease as buyer cloud pricing may intentionally be lowered to drive more volume. Additionally, if Orders increases as a percentage of overall managed revenue, take rates may decline, since Orders carry a lower take rate, but could yield higher absolute net revenue due to higher CPMs typically associated with Orders transactions.

### **Operating Expenses**

Operating expenses, including cost of revenue, increased to \$75.8 million in the fourth quarter of 2015 from \$41.6 million during the same quarter in 2014. The increases in operating expenses were primarily due to an overall increase in personnel expenses of approximately \$12.8 million, which included the expansion of our sales efforts and buyer cloud initiatives, and the impact of prior acquisitions, which includes an increase in payments to sellers of \$10.3 million included in cost of revenue and an increase in non-cash amortization of acquired intangible assets of \$4.1 million.

For the full year 2015, operating expenses, including cost of revenue, increased to \$254.1 million from \$144.1 million. The increases in operating expenses were primarily due to an overall increase in personnel expenses of approximately \$46.9 million, of which \$6.7 million consisted of an increase in non-cash stock compensation, and the impact of prior acquisitions, which includes an increase in payments to sellers of \$21.2 million included in cost of revenue, and an increase in non-cash amortization of acquired intangible assets of \$14.8 million.

## **Profitability Measures**

Net Income of \$20.4 million in the fourth quarter of 2015 was substantially higher than the Net Income of \$1.4 million reported for the same period in 2014. For the full year 2015, Net Income was \$0.4 million compared to a Net Loss of \$18.7 million in 2014.

Adjusted EBITDA of \$36.0 million in the fourth quarter of 2015 was well above expectations, and well above Adjusted EBITDA of \$13.3 million in the fourth quarter of 2014. Adjusted EBITDA for the full year 2015 was \$59.5 million compared to \$19.1 million in 2014, an increase of 211%. The increase in Adjusted EBITDA was primarily due to the revenue performance coupled with operating efficiencies.

GAAP Earnings Per Share was \$0.43 for the fourth quarter, compared to \$0.04 in the same period in 2014. For the full year 2015, GAAP Earnings Per Share was \$0.01 compared to a Loss Per Share of (\$0.70) in 2014.

Non-GAAP Earnings Per Share in the fourth quarter of 2015 was \$0.72, which was well ahead of expectations and significantly higher than the \$0.25 reported in the same period in 2014. For the full year 2015, Non-GAAP Earnings Per Share was \$1.08 compared to Non-GAAP Earnings Per Share of \$0.20 in 2014.

For an explanation of the various share counts that affect these computations, please see the table in the earnings release and the explanation of Non-GAAP EPS and non-GAAP weighted-average shares outstanding.

## **Cash Flow Measures**

Capital expenditures, excluding capitalized stock compensation, were \$28.4M for the full year 2015.

We closed the year with \$153.2 million in liquid assets and generated full year Free Cash Flow of \$48.4 million.

### **Guidance for Q1 2016**

Looking ahead, we expect the following for the first quarter 2016:

- Non-GAAP Net Revenue to be between \$58 million and \$60 million
- GAAP Revenue to be between \$64 million and \$68 million. As noted in our prior communications, we would guide investors to focus on Non-GAAP Net Revenue, as we believe it is a better measurement of revenue performance;
- Adjusted EBITDA to be between \$4.5 million and \$5.5 million; and
- Non-GAAP Earnings Per Share to be between breakeven and \$0.02, based on approximately 56 million forecasted weighted-average shares.

### **Guidance for Q1 2016**

For the full year, we continue to expect:

- Non-GAAP Net Revenue to be between \$275 million and \$295 million;
- GAAP Revenue to be between \$315 million and \$355 million;
- Adjusted EBITDA to be between \$45 million and \$60 million; and
- Non-GAAP EPS to be between \$0.65 to \$0.78 based on approximately 58 million forecasted weighted-average shares.

As a result of the exceptional Q4 15 performance, we believe that a few additional comments about the full year 2016 guidance might be helpful.

- 1) The Q1 2016 guidance represents a 55%-60% year-over-year growth in Non-GAAP Net Revenue, which includes the impact of prior acquisitions; however, most of the growth is driven by ongoing operations.

2) Our Q4 15 and full year 2015 results exceeded expectations, particularly with respect to Adjusted EBITDA, with 43% and 26% margins, respectively. While these results are strong, it would not be prudent to revise our 2016 guidance based on this one quarter result, which is also a seasonally high period. Q4 2015 is not part of the 2016 fiscal year, and Q4 2016 is too far out to adjust for Q4 2015 results, while we are in only the second month of 2016.

3) With respect to the 2016 Adjusted EBITDA estimates, and related cost structure, we plan to continue to invest in R&D while gaining operating leverage in sales and marketing and G&A. Moreover, the cost structure reflects the full-year effect of the 2015 investments and headcount.

As we have previously noted, we believe that we are in the right position to be a leader in this fast growing and large opportunity. Accordingly, we plan to continue to invest in discretionary innovation and R&D. Other important areas of investment during 2016 include buyer cloud initiatives, Orders, international expansion, Mobile and Video, buying and selling. In addition, we believe that we have demonstrated differentiated results and capabilities compared to others in our sector. To wit and worth repeating, we doubled our Non-GAAP Net Revenue in Q4 2015 and generated our highest GAAP Net Income in the company's history of \$20.4 million. Additionally, we more than tripled our Adjusted EBITDA year-over-year for the full year 2015 and we generated \$48.4 million of Free Cash Flow.

We would now like to open the line for any questions.

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