



Rubicon Project

**Analyst Call on Plan to Provide Incremental
Metrics Disclosure for Q2 2015 Results**

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C O R P O R A T E P A R T I C I P A N T S

Erik Randerson, *Vice President, Investor Relations*

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

Brian Copple, *General Counsel*

C O N F E R E N C E C A L L P A R T I C I P A N T S

Speaker Name, *Company*

P R E S E N T A T I O N

Erik Randerson

It's time to get started. If I can also ask everyone to please mute their lines, this is an open line, so that'd be great. Just mute your lines for the prepared remarks please..

Again, I'm Erik Randerson, Rubicon Project VP of Investor Relations. Thanks everybody for joining the call today, particularly during such a busy time. With me today is Todd Tappin, COO and CFO, and also available on today's call in case we may need him is our General Counsel Brian Copple. The format for the call today is that Todd will make some brief prepared remarks and then we'll answer any questions you might have about Todd's commentary.

One last housekeeping item before we get started: we will be recording today's call and we plan to make a transcript of the call available on our Investor Relations website as soon as practical after we complete the call, and as I mentioned earlier, this is an open line so if you'd please mute your phones now and then open them up as we get into the question and answer session, and then we'll go from there.,

With that, I'll turn it over to Todd.

Todd Tappin:

Thank you for joining us today. As a result of the complexities associated with our revenue reporting and the combination of Rubicon Project's Buyer Cloud and Chango operations, we recognize that some disclosures in the forthcoming earnings call may be difficult to interpret. Since we provide Analysts the opportunity to ask questions following our prepared remarks during the earnings call, we're hosting today's call in order to provide assistance to Analysts and Investors to ensure that the questions that may arise during the earnings call may focus on the business and performance rather than explanations of definitions and reconciliations, and therefore we wanted to provide definitions and reconciliations in advance of the call next week. The information provided herein will not preview results or provide material non-public information.

First, I'd like to outline the situation and why we have certain complexities; secondly, provide our intended disclosure resolutions to these matters, and finally, open the line for questions.

First, the situation and related complexities. Number one, as a result of our revenue recognition analysis associated with the Chango acquisition and subsequent work with the SEC on this matter, it was determined that certain transactions within our Buyer Cloud are to be reported net and some gross, and all of our transactions prior to the acquisition were reported net. The challenge is that we recognize that Analysts and Investors would prefer to see comparative results to assess the Company's performance.

Number two, we have completely consolidated the operations of Chango and the Buyer Cloud, thereby creating a situation whereby accurately distinguishing between Rubicon Project and Chango as entities is not practical. The challenge again is that we recognize that Investors and Analysts would like to understand results for Rubicon Project's ongoing operations for this quarter.

So next resolutions. Starting with the revenue recognition and providing comparative data, we plan to present the following metrics for Q2. Managed revenue, representing all transactions as if reported as gross revenue; GAAP revenue, which beginning in Q2 2015 includes both gross and net revenue reporting; non-GAAP net revenue representing all transactions as if reported net. We will also translate our Q2 revenue guidance to reflect the GAAP reporting since we previously provided the forecast as if all transactions were reported net.

With respect to the consolidation of Chango and Rubicon Project operations, if we separate those transactions for which we report revenue net only and not all transactions for Q2, this would be a reasonable approximation of our business as it existed before Q2.

Allow me to repeat the distinction between non-GAAP net revenue for all transactions versus non-GAAP net revenue associated only for those transactions for which we report revenue on a net basis, meaning that this is a subset of all transactions. We intend to provide non-GAAP net revenue associated only for those transactions for which report revenue on a net basis for Q2 and the translated guidance so that a close comparative to ongoing Rubicon Project's operations may be made. This is in addition to providing non-GAAP net revenue representing all transactions as if reported net.

So in summary, Analysts and Investors should receive a comparative to guidance and Q2 2014 for the full company on a GAAP basis; the full company as if all transactions were reported net; and non-GAAP net revenue associated only for those transactions for we report revenue on a net basis, representing a close comparison to our business as it existed before Q2. As always, we will also provide a Q2 2105 financial highlights presentation on our Investor Relations website that will include the above disclosures. Our intention is to provide the information that Analysts and Investors prefer and hope that Analysts and Investors find the format and information outlined beneficial.

I'll now open the line for questions.

Analyst:

Two questions. First, as it relates to the translated second quarter guidance, will you be providing that ahead of earnings or in the earnings release? Then second, just curious and it might be a little tangential, but are you thinking about breaking out any of the other parts of the business or just kind of reporting one revenue segment?

Todd Tappin:

We will provide the translated guidance during the earnings call. As for breaking out components of the managed revenue, as in the past we will break out mobile; we will also break out Orders.

Analyst 1:

Great. Thanks.

Todd Tappin:

Sure.

Analyst 2:

A couple of questions. What percentage of the revenue that came from Chango is were you are on a principal basis versus were you to recognize it on a net basis?

Todd Tappin:

You know, we're going to hold those sort of qualitative type questions and quantitative type questions for the earnings call.

Analyst 2:

Got it.

Todd Tappin:

Feel free to ask it then, by the way.

Analyst 2:

Okay, I will. In terms of the Chango growth rate, I don't know if you ever provided—and I should have looked at my notes—but any sort of growth rate on a pro forma basis between '14 and '15 for Chango?

Todd Tappin:

We've not. There is an 8-K that was filed with regard to the Chango acquisition.

Analyst 2:

That just has one year's worth of information, so. Okay, got it. I guess—okay. Thank you.

Todd Tappin:

Thank you.

Analyst 3:

I was just going to—any thoughts about giving any additional information on the call as it relates to number of clients or some other ways where people can kind of size the business and how you're making progress?

Todd Tappin:

We will provide business updates as usual during our call. One of the challenges that we face with respect to counting sellers, by example, is you start getting into a methodology question. Do you count them by entity? Do you count them by division? Do you count them by website? Then when you start getting into the world of apps, it becomes even more complicated. So an exact number and count becomes a little challenging but we will certainly try to provide some directional clarity.

Analyst 4:

Just so that I got this right, so the new non-GAAP net revenue is the apples-to-apples comparison to your Q1 numbers, is that correct? And there is another—did you mention that there was another line between GAAP revenue which is Chango gross, your Rubicon Buyer gross a little bit and your Rubicon net as before, and was there another line between your GAAP revenue which is new and your old non-GAAP net revenue? Is there another line in between that?

Todd Tappin:

Let me try to repeat what I was—what we're going to disclose. So in order to provide a comparative against the guidance provided, which was on a net basis, we will provide what we are calling non-GAAP net revenue for all transactions and that will provide a comparative to the guidance we provided. In addition to that, because we have combined Chango and Rubicon Project operations, specifically the Buyer Cloud, we can't distinguish or it's impractical to distinguish the results for the various entities. So what we're trying to do then is look at it on a transaction basis. So if we take transactions that are reported on a net basis only for Q2 and Q2 only, we provide an approximate for what our operations look like on an ongoing basis prior to Q2. So we will provide both. We will provide a non-GAAP net revenue for all transactions and we will provide a net revenue non-GAAP for those transactions reported net only and we will translate the associated guidance with each.

Analyst 4:

Okay. Got it. Would there be any noise, just so that—would there be any kind of—when you say approximation, would there be any grey zone in terms of determining the true growth rate of old Rubicon?

Todd Tappin:

Well we think that providing non-GAAP net revenue for net transactions only will provide a very close comparison to assess the growth rate for Rubicon Project

Analyst 4:

Okay. Okay. Got it

Analyst 5:

Just on that point Todd. Is that because there was relatively little Buyer revenue prior to Q2?

Todd Tappin:

We had a combination of the two operations such that dividing the business by entities is not practical but being able to divide the business by the revenue recognition by which each transaction is associated, is something that we can do. Obviously. So since we know that Rubicon Project prior to the acquisition, all transactions were reported net, then by providing the comparison of a translated guidance of what we provided for only those transactions which were to be reported net to the same and actual results basis, we think it's a very close, very close approximation of what our ongoing Rubicon Project Operations would look like.

Analyst 5:

Then you're essentially going to be reporting three revenue figures. One would be kind of your GAAP revenue number which includes gross for the Buy side and then the two others that you mentioned here which are really net. While net on the gross, so the net revenue on the gross revenue and then the net revenue or for net transactions only then. So you're going to be reporting three different kind of revenue comparisons. Is that right?

Todd Tappin:

Right. You have GAAP and we'll translate the guidance so you have a good comparison there. We will have all transactions on a non-GAAP net revenue basis and we'll translate the guidance for that and we will have a non-GAAP net revenue for net transactions only and also we'll translate guidance for that.

Analyst 5:

Okay, so you're not going to use the terminology gross revenue really at all because there was no gross revenue, it was all net revenue last year. So for the year-over-year comparisons, it's just going to be kind of the GAAP revenue, I guess.

Todd Tappin:

Year-over-year would be a comparison on either GAAP or non-GAAP net revenue for all transactions.

Analyst 5:

Okay. Thanks

Analyst 4:

One quick clarification. So the guidance \$41.5 to \$42.5 million that you had for Q2. So you would have another in your Press Release. I would expect, a lower number than that which will be an apples-to-apples comparison for your non-GAAP net revenue guidance. Is that correct?

Todd Tappin:

The guidance we provided was all on a net basis for all transactions.

Analyst 4:

I see.

Todd Tappin:

So what we will provide, is in addition to that, a translation to what it would be for the revenue recognition according to GAAP. We will also translate it to that which pertains to transactions that are reported net only and then that would provide the comparisons to same, on an actual results basis, to give you a clearer or what we think is a very close approximation view to ongoing operations.

Analyst 4:

Got it.

Analyst 4:

So again, I think—this is a summary to that. Again, we are trying to provide a comprehensive view of each of the types of comparisons that one would want to make. If you want to look at it on a GAAP basis year-on-year versus guidance, we'll provide that. If you want to look at it as a net revenue basis year-on-year against guidance, we'll provide that. If you want to see what the close approximation over ongoing operations only on a GAAP versus prior year, we'll provide that. So we're trying to provide you with what we think is a hundred percent of what Investors and Analysts would want to see.

Analyst 2:

I have another question. In light of the changes that the SEC recommended. Have you looked at your existing—your legacy Rubicon business and maybe some of those would also need to be converted to gross revenue (inaudible)?

Todd Tappin:

Yes, very good question. Thank you for asking that. All of our revenue recognition that we've made to date has been inline and in accordance with all of the correspondence analysis and recommendation that we've had with the SEC. So there were no changes to anything we've done historically.

Analyst 2:

Can you give us a little more information on the nature of the business which acquired this gross recognition? Was it they were entered with media arbitrage—can you give us more details on that?

Todd Tappin:

Sure. Another very good question. Thanks for asking. Revenues reported gross for those arrangements for which the Company manages advertising campaigns on behalf of Buyers by acting as the primary obligor in the purchase of ad inventory, exercising discretion, establishing prices and selecting and purchasing inventory from the seller. Revenues reported net for transactions in which Buyers and Sellers of advertising use the Company's solution to execute or facilitate their purchase and sale of advertising.

Analyst 2:

Got it. Thank you.

Todd Tappin:

Thank you.

Erik Randerson

I think we're going to wrap up as there are no more questions.

Todd Tappin:

Thank you all for joining us today. Appreciate it and we'll talk to you on Tuesday.