

**Prepared Comments from Rubicon Project (NYSE: RUBI)
Q2 2016 Investor Conference Call Held on August 2, 2016**

Erik Randerson, VP of Investor Relations

Good afternoon, everyone, and welcome to Rubicon Project's 2016 second 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 David Day, our Interim 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.

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, 2015, 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. 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.

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

Frank Addante, CEO and Founder

Thank you, Erik, and good afternoon everyone.

Q2 2016 Results Summary

Q2 was a solid quarter for Rubicon Project, highlighted by strong contributions from our key strategic growth drivers of Mobile, Video and Orders.

GAAP revenue was \$70.5 million, an increase of 33% year-over-year.

Non-GAAP net revenue was \$65.1 million, an increase of 34% year-over-year.

GAAP net loss was \$2.7 million a significant improvement from a GAAP net loss of \$11.9 million in the second quarter of 2015.

And Adjusted EBITDA was \$18.4 million, nearly tripling year over year.

Finally, our business continued to generate healthy cash flow, further strengthening our balance sheet. Rubicon Project's ability to generate cash flow is a major differentiator in our industry that helps to position us to capitalize on future growth opportunities.

Outlook and Industry Market Dynamics

While we are reporting solid second quarter results in spite of some rapidly changing market dynamics, we are lowering our full year revenue guidance to reflect changes we are seeing in the marketplace. Given the leverage in our business, despite the lower revenue guidance, we are increasing our guidance for Adjusted EBITDA for the full year 2016.

From a macro perspective, the digital advertising market has experienced significant changes. Rubicon Project has benefitted from a lot of these changes given our scale and our early market innovations. In Mobile, for example, we continued on a rapid growth trajectory that has outpaced the industry's growth rate for Mobile advertising. In Q2, we achieved 68% growth year-over-year in Mobile managed revenue, or advertising spend in our Marketplace, further securing our position as a top three Mobile exchange globally. And Video is rapidly emerging and becoming a meaningful contributor to our results this year. Greg will discuss our plans to increase our Video investment to further accelerate our growth potential.

Advertising budgets continue to gradually shift to emerging areas such as mobile and video, to capitalize on the proliferation of mobile technology and the demand for video content. Desktop advertising spend on our Marketplace is being impacted by the accelerated adoption of header bidding.

Header Bidding and FastLane Solution

We initially thought that header bidding was a solution that would have a short existence based on historical trends we witnessed in the early years of the business. This was a misread of the market on our part.

In response to the adoption of header bidding, we launched FastLane, our own header bidding solution in December 2015, which at the time was the first and only header bidding solution capable of monetizing both desktop and mobile app inventory. However, we would have pursued FastLane more vigorously if we had foreseen the impact of header bidding at that time.

We have recognized some leakage of impressions and a resulting deceleration in managed revenue, which we now attribute to competitive header bidding solutions that filled premium impressions before they ever made it to our exchange. However, we did not lose any customers, and our strategic position, technological integrations and relationships with our customers have helped us to get FastLane implemented quickly – which gives me confidence in our ability to compete and win.

In the past, we have chosen a path to be best to market vs. first to market, and that strategy has served us well with keeping a balance between our long term strategy and shorter term market dynamics.

With FastLane, we are also positioned to become a leader in the important header bidding markets in mobile apps and in the international markets that are in very early stages of development. Our global footprint and publisher and application developer integrations provide a significant leg up on smaller competitors that have had to focus their efforts primarily on one vertical and one geographic market.

Growth Drivers of Mobile, Video and Orders

Looking ahead, we are focused on our faster growing business segments - Mobile and Video - and newer growth opportunities that I will discuss with you in a minute. And, based on the strong growth we experienced in the first half, we are very optimistic about their future.

While we have historically relied primarily upon traditional desktop advertising, today Mobile, Video and Orders – on a combined basis – will account for more than half of our total managed revenue, or advertising spend, exiting 2016. And advertising spend on our Marketplace from Mobile, Video and Orders is growing at a substantially faster rate than our overall total managed revenue. For instance, Mobile alone has grown to become more than \$325 million of advertising spend on our platform over the last 12 months. Simply put, our investments in our new strategic growth areas of the market gives us a growth foundation that will begin to pay dividends in 2017 and beyond.

Our commitment to continuous re-invention is a core cultural value of our company that positions us for success in pursuing these attractive growth markets. Our ability to leverage our Buyer and Seller integrations and leading engineering and technology capabilities positions Rubicon Project to continue to disrupt and capture market share.

Vision for the Consumer

That re-invention also includes our vision for the consumer. Over the next few quarters we are moving to make it an important component of our growth strategy. We believe that involving and enabling the “end user” of advertising – the consumer -- to have meaningful and material choice in their advertising experience is great for our existing customers, great for consumers, and a solid mechanism of value creation for shareholders.

Our data in support of this comes from a number of sources. We see the gradual but steady rise in concern about privacy and the use of ad blocking technologies as the early signs that consumers will demand to be involved in their advertising experience. Instead of seeing these trends as hindrances, we see ad blocking as evidence for an appetite – an opportunity for Rubicon Project to move our consumer vision forward, and faster because it has now become an important topic for the customers of our marketplace.

We will be unveiling a number of products and services in the next few quarters designed to tap into this emerging market dynamic.

Rubicon Project sits in a very unique and highly strategic position. We reach more than 1 billion consumers across more than 50% of the top websites and applications. This position enables us to address trends at a scale that is on par with the largest consumer tech companies in the world. While most of those consumers today are not familiar with our brand, we believe that there is an opportunity to make those consumers active participants in our marketplace. Very few companies in the world have this kind of reach, scale and technological capacity to create such a meaningful difference in the future of advertising for businesses and consumers. We're excited about this direction and the experiences we'll be bringing to market to play a significant role in this transformation.

Wrap Up

With our culture, technology, strong capital position, Buyer and Seller relationships and technical integrations driving network effects, and our continued focus on innovating the consumer's digital experience, Rubicon Project is well positioned to capitalize on the growth of advertising for years to come.

I remain extremely confident in our business and the steps we are taking to reaccelerate growth.

With that, I will now turn the call over to Greg.

Greg Raifman, President

Thank you, Frank.

I would like to take some time this afternoon to expand on several topline themes that Frank mentioned as well as discuss a few trends that we are seeing throughout the market, that will continue to have wide ranging implications for the advertising industry.

Advertising Market Trends

Clearly, from a high level perspective, there are reasons to be optimistic about the overall health of advertising - and digital advertising in particular. Global advertising is expected to grow between 3 to 5% annually for the next five years surpassing \$600 billion globally this year.

Digital is the main driver of ad spend growth, and is expected to grow at more than three times the global average rate this year.

And, digging into the core drivers even more deeply, mobile will easily surpass the entire sector growing 3 times faster than the overall digital market - tripling in size over the next four years, and thus surpassing \$100 billion.

This reality, the dramatic shift to mobile, has so totally reshaped the entire industry that every business model has been compelled to adapt, or risk obsolescence. Even Facebook, which now drives more than 80% of its total revenue from mobile ad spend, needed to begin its own multi-year transition from a nearly nonexistent mobile business in 2012.

We have embraced the customer's accelerated expansion into mobile with no less conviction. Over the past 18 months we have seen Mobile grow to 1/3 of the total advertising spend in our Marketplace. Importantly, we expect that Mobile alone will generate the majority of our advertising spend by the end of 2017.

These kinds of business evolutions are never easy and they always involve trade-offs between short lived immediate gain, and longer term positioning for sustained growth.

Review of Market Dynamics and Strategy

We also recognize that many of our investors want to better understand the short term headwinds that Frank highlighted, as well as the strategy we put in place to return to stronger top line growth in the next 12 months.

Therefore, I will take a few extra minutes to detail our short, mid and longer term business strategies given the broader market dynamics we are now seeing.

The roadmap we established back in 2015 to evolve our business from one dominated by legacy desktop advertising to one offering a comprehensive market solution presented us with clear choices that had to be made about where and when to invest our resources to maximize growth.

Specifically, we made the strategic decision in 2015 to invest heavily into Mobile and Orders.

We believed then, as we do now, that the market would follow the consumer and that any business not fully invested in rapid mobile acceleration and innovation would simply be incapable of succeeding in a mobile first world, which we are now entering.

We also believed that the rapid nature of the shift to mobile and our own scaling efforts for Video and Orders would sustain our short term growth trajectory. And, we believed that our desktop business would essentially follow patterns we had previously experienced and continue to perform in predictable ways without significant increases in investment.

There can be no doubt that our focus on investing in mobile was the right decision for our business.

Our growth in Mobile has continued to outperform industry rates and has placed us in a very solid competitive position relative to our principal competitors.

It is also clear, however, that the mobile expansion in which we anticipated and invested, has not been sufficient yet to offset the unexpected slowing in desktop spending in our Marketplace, which was further amplified by the rapid adoption of header bidding.

A Look Back at First Half of 2016

When we look back on the first half of 2016, we see two fundamental, sea change events in our industry, and particularly for our own business, that occurred faster than anticipated: First, the deceleration of growth in traditional desktop display advertising and, secondly, the dramatic shift by desktop publishers to header bidding to garner every possible ad dollar - thereby increasing competition for available desktop inventory.

Initially, we believed that the combination of our rapid growth in mobile and the pace of implementations of our own header bidding solution, FastLane, which we introduced in Q4 of 2015, would provide adequate runway to support our transition efforts in 2016.

However, our recent experience and an extensive strategic review that we have just completed show that these assumptions were inaccurate. Desktop spending is not behaving as we had anticipated, and external pressures on publishers to drive incremental revenue accelerated the adoption of desktop header bidding faster than we expected.

This created an opening for smaller players with more established header bidding solutions. It is important to note that while we have experienced some “leakage” of available impressions – especially in Sellers where we have not yet launched FastLane - we have not experienced any customer losses due to header bidding.

The combination of both a macro slowdown in overall desktop advertising growth, which we anticipated but not as rapidly as it has unfolded, and the accelerated adoption of header bidding which we did not anticipate, proved too great a headwind during a transitional year and directly contributed to the slowdown in desktop managed revenue that we experienced in Q2 and that we expect to see continue to impact our business through the end of the year. In response to these unanticipated market conditions, we pivoted resources in the second quarter of 2016 to advance adoption of our own header bidding solution to ensure that we maintained our leadership position in desktop while expanding more deeply into mobile.

Update on Progress with FastLane Header Bidding Offering

Let me provide a little color on our overall success with header bidding before turning to the longer term growth drivers of Mobile, Video and Orders that we have focused the bulk of our efforts on this year.

Earlier this year, we shared with you that we would reach 100 installations of FastLane by the end of Q2. I am pleased to report that we have surpassed that goal by approximately 30%. We are now live with more than 130 premium Sellers which have deployed FastLane across more than 750 websites globally.

Furthermore, we are seeing growth of FastLane accelerating month over month. At the beginning of this year, header bidding was responsible for less than 1% of the total ad spend in our Marketplace. As of the end of Q2, it had grown to 10% and is currently on a trajectory to more than double by the end of the year to over 20% of our total ad spend. As a reference point, FastLane represented 13% in June of 2016. We have also become far more efficient at onboarding publishers, accelerating integration time by 22% from Q1 to Q2.

Our reason for optimism in header bidding comes not only from the pace of industry adoption and the success we have had onboarding clients to date, but also from our robust pipeline - we have more than two dozen additional premium publishers already in the queue for integration - and from the incredible feedback we are receiving as well from some of our biggest customers that have gone live with FastLane to date.

Gannett (Parent Company of USA TODAY) Commentary on FastLane

Ross Geier, Programmatic Director at Gannett, the parent company of USA TODAY which sees over 1.8 billion monthly user minutes across its sites, had this to say about their experience with FastLane: "Since going live with header bidding, Gannett has seen average daily private marketplace revenue increase 64% and eCPMs increase 54% utilizing Rubicon Project's FastLane feature. FastLane is the solution we expect to rely on as we continue to grow and scale our programmatic advertising offering."

Companies like Gannett also reflect our strategic approach to implementations. While many smaller players focused on rapid scale of the mid tail, we have always focused, and will continue to focus, first on the biggest Sellers in the business.

With FastLane, we are also positioned to become a leader in the important header bidding markets internationally that are in the very early stages of development. Our global footprint provides a significant leg up on smaller competitors that have had to focus their efforts primarily on one vertical and one geographic market.

Bauer Media Group Commentary on FastLane

Bauer Media Group, Europe's largest magazine publisher with more than 100 leading brands had this to say about their experience with FastLane: "After implementing FastLane, we found that on most days, private marketplace eCPMs were higher than brand direct... even more impressively, our Average Daily Revenue increased by 4X."

Clearly, header bidding will continue to be a hot topic for the industry in the short term and we believe we have the right plan in place to meet our customers' needs.

Intent Marketing Landscape

Shifting from the Seller side to the Buyer side, we are also addressing another market shift that is occurring which impeded our business in Q2: Buyers are now choosing to spend via self-service programmatic methods versus the managed service method they deployed beforehand.

Agencies and brands are looking to add value more directly by utilizing self-service "hands on keyboard" capabilities. At the same time, they are seeking greater transparency in the ad market -- at a time when there is increased competition from agency-owned technology. These factors have combined to adversely impact our Intent Marketing opportunity.

We have concluded that this market shift toward self-service models will also directly impact the future growth potential for our Intent Marketing offering. We have therefore begun a process of transitioning away from the managed service model to one where today's Buyers are spending more - namely guaranteed audiences.

We believe that this shift in spend directly contributed to softness in demand during Q2 for our Intent Marketing capabilities – which is primarily a domestic desktop offering-- and has contributed to our lower second half revenue outlook.

Not surprisingly, a major focus of our product roadmap for the second half of 2016 will involve developing new Buyer capabilities that address the industry's move toward guaranteed audiences.

After making these changes, we feel confident about 2017 because we have made similarly successful transitions in the past at Rubicon Project - such as our evolution from static bidding, or ad tag injection buying, to automated RTB open auctions.

Each time we have emerged as a stronger player in the industry with a better or more leveraged position in the ad ecosystem, and each time we have made the tough decisions necessary to succeed in a rapidly changing environment.

Key Growth Drivers of Mobile, Video and Orders

With that, I would like to turn the remainder of my remarks to the successes we have seen setting the strong foundation for long term growth I referenced earlier. To begin with, let me discuss our continued successes in building a world class mobile first offering.

Mobile

Mobile advertising spending in our Marketplace grew 68% year-over-year, increasing to 33% of our total managed revenue from just 22% a year ago.

The future growth of our Mobile platform is underpinned by several core initiatives that will establish a strong foundation for our entire business for years to come.

First, adding new Exchange API partners. We have a large pipeline of potential Exchange API partners that should allow us to scale further our Mobile supply. We have proven the success of Exchange API by scaling relationships with mobile advertising platforms such as InMobi, Tapjoy and xAd and mobile app developers like Gameloft, while significantly increasing the supply of inventory available through Rubicon Project.

Second, we intend to leverage our early lead in header bidding for mobile apps as a strategy to further expand our direct Mobile relationships. By way of background, we are seeing healthy demand for our FastLane for Apps offering, which requires mobile applications to deploy our software development kit, or SDK.

Installation of our SDKs by mobile apps is strategic and beneficial for Rubicon Project because it also allows us to grow significantly our direct access to in-App inventory.

Our cross-channel initiatives continue to deliver for our clients, both Buyers and Sellers. In fact, 99% of our top 2,000 advertisers purchased both mobile and desktop inventory in our marketplace in Q2. And for Sellers, 90% of our top 100 Sellers worked cross-channel with us to monetize both mobile and desktop inventory. With Mobile now driving one third of our business, we remain very optimistic about our growth opportunities in this fast moving part of the market.

Orders

Moving from Mobile, our Orders marketplace continues to gain momentum as advertising spend increased 38% year over year, and now represents 21% of total managed revenue, up from 17% a year ago.

In Orders, we continue to entertain a host of opportunities to expand our reach globally. For example, just in time for the Summer Games, we partnered with dozens of premium Sellers from around the world like Conde Nast and USA Today to launch a special Sports Advertising Marketplace leveraging our Orders platform featuring inventory packages targeting users interested in the Summer Games.

Expansion of Orders into Entirely New Markets for Rubicon Project

We also continue to expand our Orders platform into entirely new markets for Rubicon Project. In late July, we announced an exciting new partnership with Spotify expanding our business into digital programmatic audio.

Les Hollander, Head of Global Audio Monetization for Spotify had this to say about our work together: "Our continued partnership with Rubicon Project allows us to sell audio programmatically with Deal IDs in private marketplaces. Combined with Spotify's first party data, this new market opportunity allows Buyers to purchase Spotify audio, display and video impressions programmatically. Our combined goals align to build out the audio ad stack behind display and video giving buyers the opportunity to purchase in a more frictionless process."

We also announced a partnership with Screenvision, a national cinema advertising company that is making its inventory available to programmatic Buyers for the first time through our Orders platform.

These are just two of the many examples we have seen this year of how Orders expands the playing field for Rubicon Project as we move to automate the entire advertising market.

Our Orders platform has now demonstrated support for a wide range of non-traditional ad units, including digital billboards, elevator screens, in-mall displays and linear television. In the coming months we will be announcing our first over-the-top television integration for digital television, further proving the value that automation can deliver to literally every format of advertising globally.

Orders is clearly a long term play for our company and with each passing month we are seeing it open bigger brands, new formats and entirely new markets to our business.

Video

Turning now to Video. We have told you for some time that we have taken a measured approach to including video inventory into our premium marketplace, notwithstanding that other companies in ad tech have sought short term gains from video even if the video quality was substandard. But after years of work focusing on delivering premium video ad units, we are now very excited about our Video business.

We are delivering rapid growth in Video, driven by deeper engagement with a growing number of high quality Buyers and Sellers.

On the Seller front, in Q2 we added three new Exchange API partners that collectively add a considerable amount of coveted supply to our Video Marketplace. Adding further to our premium video supply is our recent win with Nucleus Marketing Solutions, which has selected Rubicon Project to automate its video ad units. Nucleus is an affiliation of elite news media brands such as Hearst, Gannett and McClatchy reaching more than 185 million users each month.

In fact, in Q2, 45% of our top 100 Sellers worked with us in Video, up from just 17% of the top 100 Sellers a year ago. And from the demand side, we increased the number of Buyers of Mobile Video by 20% in Q2. We believe our Video managed revenue is now on track to accelerate to well over \$100 million in 2017.

Summary

To sum up, I would like to leave you with this last data point that more than anything highlights the urgency with which we have worked to establish a strong growth foundation.

We are now on a track for Mobile, Video and Orders to account for more than 50% of the total advertising spend in our Marketplace by the end of the year.

This is exactly the business transition we set out to deliver over a year ago – moving our business to where the consumer was spending the vast majority of his or her time – on mobile and consuming video – and to the future platform of choice for Buyers and Sellers of every format of advertising – Orders.

We will continue to balance driving growth and managing expenses and are confident the investments we are making in these key growth drivers position us well for 2017 and beyond.

With that, I will turn it over to David Day to review the financials. Here's David.

David Day, Interim Chief Financial Officer

Thank you, Greg.

Now to recap our results, starting with Revenue.

Revenue, Managed Revenue (Non-GAAP) and Non-GAAP Net Revenue

GAAP revenue for the second quarter of 2016 was \$70.5 million compared to \$53.0 million in the second quarter of 2015, representing a year-over-year increase of 33%.

Managed revenue, which is the advertising spend transacted on our platform, for the second quarter of 2016 was \$257.4 million compared to \$227.2 million in the second quarter of 2015, an increase of 13% year-over-year.

Non-GAAP net revenue for the second quarter of 2016 was \$65.1 million compared to \$48.5 million in the second quarter of 2015, an increase of 34% year-over-year.

The deceleration of our year-over-year growth rate in managed revenue in the second quarter was primarily due to the desktop advertising trends discussed earlier, and to a lesser extent, softness in demand for our Intent Marketing offering as Greg discussed.

Managed Revenue by Channel and Inventory Type

In the second quarter, managed revenue from Mobile increased by 68% year-over-year, while Desktop declined 2% year over year

Managed revenue was composed of 33% Mobile and 67% Desktop for the second quarter of 2016, compared to just 22% Mobile and 78% Desktop a year ago.

In addition, managed revenue by inventory type was composed of 76% Real-Time Bidding, or RTB, 21% Orders, and 3% Static during the second quarter of 2016, compared to 75% RTB, 17% Orders, and 8% Static in the second quarter of 2015.

Going forward, we continue to expect Orders to grow as a percentage of total managed revenue. As for static, today we announced our plans to sunset the Static Bidding offering. As many of you know, Static Bidding, which pre dates RTB, was our original offering for ad networks. In the past five years, Static has decreased from nearly 100% of managed revenue to about 3% of managed revenue – as ad spending has migrated to real-time bidding. Our decision to end this legacy platform frees up important resources that will be refocused on our growth initiatives in Mobile, Video, and Orders.

Take Rate

Take rate, which is non-GAAP net revenue divided by total managed revenue, moderated slightly on a sequential quarter basis to 25.3% in the second quarter of 2016 from 25.6% in the first quarter of 2016, a decrease of 30 basis points.

In the second quarter of 2015, take rate was 21.4%. The higher take rate in the second quarter of 2016 on a year-over-year basis largely explains why the year-over-year growth rate in our GAAP revenue and Non-GAAP net revenue is much greater than the year-over-year growth in managed revenue.

Operating Expenses

Operating expenses, including cost of revenue, increased by \$4.6 million, or 7%, to \$69.2 million in the second quarter of 2016 from \$64.5 million in the second quarter of 2015. Operating expenses were lower than we had implied in our outlook due primarily to lower than estimated average headcount and other delayed spending.

Acceleration of Amortization for Certain Acquired Intangible Assets

Continuing on the topic of operating expenses, we will accelerate the non-cash amortization expense for certain acquired technologies and customer relationships associated with the acquisition of Chango. The accelerated amortization schedule was triggered by reductions in the estimated useful lives of these intangible assets. This change does not impact Adjusted EBITDA, Non-GAAP EPS or Free Cash Flow. The accelerated amortization resulted in approximately \$500,000 in additional non-cash amortization expense in the second quarter, and will result in approximately \$1.6 million in additional amortization expense on a quarterly basis going forward through the respective amortization periods. An updated amortization schedule is included in the Q2 2016 Financial Highlights presentation available on our Investor Relations website.

Profitability Measures

Net loss was \$(2.7) million in the second quarter of 2016 compared to a net loss of \$(11.9) million in the second quarter of 2015. Net loss in the second quarter of 2016 included a tax provision of \$4.9 million, whereas our guidance did not include an estimate for a tax provision or a tax benefit because inclusion of an estimated tax provision at this stage in the company's development would not be meaningful for investors. Excluding the tax impacts, our pretax income improved by more than \$14 million year-over-year.

Adjusted EBITDA was \$18.4 million in the second quarter of 2016, compared to \$6.7 million in the second quarter of 2015, an increase of 177%. The outperformance in adjusted EBITDA relative to our guidance reflects revenue coming in slightly higher than our guidance, as well as the lower than expected operating expenses I referenced earlier.

Earnings Per Share

GAAP loss per share was \$(0.06) for the second quarter of 2016, which includes the tax provision of \$4.9 million, compared to GAAP loss per share of (\$0.30) in the same period in 2015.

Non-GAAP earnings per share in the second quarter of 2016 was \$0.17, also including the tax provision of \$4.9 million, compared to \$0.06 reported in the same period in 2015.

Cash Flow and Balance Sheet

Capital expenditures were \$5.2 million for the second quarter of 2016.

We closed the period with \$186.9 million in cash and marketable securities, up \$20 million from \$166.9 million at March 31, 2016, and we generated free cash flow of \$17.4 million during the second quarter of 2016.

We calculate free cash flow as net cash provided by operating activities less capital expenditures.

Guidance

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

- GAAP revenue to be between \$64.0 million and \$70.0 million;
- Non-GAAP net revenue to be between \$60.0 million and \$64.0 million;
- Adjusted EBITDA to be between \$9.0 million and \$11.0 million; and
- Non-GAAP earnings per share to be between \$0.07 and \$0.09, based on approximately 50.0 million forecasted weighted-average shares.

For the full year, we expect the following:

- GAAP revenue to be between \$275.0 million and \$305.0 million;
- Non-GAAP Net Revenue to be between \$260.0 million and \$275.0 million;
- Adjusted EBITDA to be between \$60.0 million and \$68.0 million; and
- Non-GAAP EPS to be between \$0.75 to \$0.85, based on approximately 50.0 million forecasted weighted-average shares.

Additional Guidance Commentary

We would like to provide a few comments regarding the guidance:

1. Although we don't provide explicit guidance on Managed Revenue, directionally speaking we expect Managed Revenue growth on a year-over-year basis to decelerate further in the second half of the year.
2. The lower GAAP and non-GAAP revenue outlook for the full year compared to our prior guidance ranges primarily reflects the Desktop advertising and Intent Marketing headwinds that Greg discussed.
3. Furthermore, we expect our take rate in both the third quarter and the fourth quarter to decline on a sequential quarter basis by a greater amount than the second quarter's sequential decrease of 30 basis points. A couple of factors are driving this. One, in certain instances, we are evaluating or already providing pricing strategies that involve lower fees. Another is product mix. For example, an increase in Orders as a percentage of our managed revenue will drive a lower take rate since Orders carries a lower take rate.

4. Additionally, to reiterate my earlier commentary, the shifting of some hiring and spending from the second quarter to the third quarter explains the sequential decrease from Q2 to Q3 in Adjusted EBITDA and non-GAAP EPS. It's worth mentioning that we have further increased our Adjusted EBITDA guidance for the full year by \$4 million, despite the decrease in our full year revenue outlook for 2016 versus our prior guidance range. This increase in Adjusted EBITDA guidance reflects overall reductions in anticipated spending compared to our prior guidance. For the full year 2016, we have now increased our Adjusted EBITDA guidance by 22% from the midpoint of our initial 2016 guidance range provided in October 2015.

5. Lastly, as previously discussed, please note that our non-GAAP EPS guidance for Q3 and Q4 does not include an estimate for any tax expense or tax benefit.

Summary

In summary, while we have some near term challenges, I am confident that the investments we are making in our key growth drivers in the second half of the year position us well for longer term success.

That concludes our prepared remarks.

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

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