



Rubicon Project Reports Second Quarter 2016 Results

August 2, 2016

- Q2 GAAP revenue of \$70.5 million, an increase of 33% year-over-year
- Q2 non-GAAP net revenue⁽¹⁾ of \$65.1 million, an increase of 34% year-over-year
- Q2 GAAP net loss of (\$2.7) million, an improvement of 78% year-over-year
- Q2 Adjusted EBITDA⁽¹⁾ of \$18.4 million, an increase of 177% year-over-year, and representing an Adjusted EBITDA margin⁽²⁾ of 28%
- Q2 GAAP diluted loss per share⁽³⁾ of (\$0.06), an improvement of 80% year-over-year
- Q2 non-GAAP earnings per share⁽¹⁾ of \$0.17, an increase of 183% year-over-year

LOS ANGELES--(BUSINESS WIRE)--Aug. 2, 2016-- Rubicon Project (NYSE: RUBI), which operates one of the largest advertising marketplaces in the world, today reported its results of operations for the second quarter ended June 30, 2016.

"Q2 was a solid quarter for Rubicon Project, highlighted by 33% revenue growth year-over-year and very strong growth in our strategic business drivers of Mobile, Video and Orders. Mobile alone accounted for more than \$325 million of advertising spend on our platform in the last 12 months," said Frank Addante, CEO and Founder of Rubicon Project.

"The digital advertising market is undergoing changes that have fueled headwinds that we expect will continue through the remainder of the year—particularly as it relates to desktop advertising in the U.S."

"Nonetheless, Rubicon Project has continued to generate healthy cash flow, which furthers our ability to make continued strategic investments in our long-term growth drivers. This, combined with our exceptional culture, technology, Buyer and Seller integrations, and data and network effects, have positioned Rubicon Project to capitalize on the growth of advertising for years to come."

Second Quarter 2016 Results Summary

(in millions, except per share amounts and percentages)

	Three Months Ended		
	June 30, 2016	June 30, 2015	Change
GAAP revenue	\$70.5	\$53.0	33%
Managed revenue (advertising spending) ⁽¹⁾	\$257.4	\$227.2	13%
Non-GAAP net revenue ⁽¹⁾	\$65.1	\$48.5	34%
Take rate ⁽⁴⁾	25.3%	21.4%	4 ppt
Net loss ⁽³⁾	(\$2.7)	(\$11.9)	(78%)
Adjusted EBITDA ⁽¹⁾	\$18.4	\$6.7	177%
Adjusted EBITDA margin ⁽²⁾	28%	14%	15 ppt
Diluted loss per share ⁽³⁾	(\$0.06)	(\$0.30)	(80%)
Non-GAAP earnings per share ⁽¹⁾	\$0.17	\$0.06	183%

Balance Sheet:

- The Company had cash and liquid assets of \$186.9 million (including cash and cash equivalents of \$147.2 million and marketable securities of \$39.7 million) and was debt free as of June 30, 2016.

Definitions:

Managed revenue (advertising spending), non-GAAP net revenue, Adjusted EBITDA, and non-GAAP earnings per share are non-GAAP financial (1) measures. Please see the discussion in the section called "Non-GAAP Financial Measures" and the reconciliations included at the end of this press release.

Adjusted EBITDA margin is calculated as Adjusted EBITDA divided by non-GAAP net revenue. Reconciliations for both net loss to Adjusted (2) EBITDA and revenue to non-GAAP net revenue are included at the end of this press release. For further discussion, please see "Non-GAAP Financial Measures" at the end of this press release.

Net loss, diluted loss per share, and non-GAAP EPS for the second quarter of 2016 include a tax provision of \$4.9 million. Our outlook does not (3) currently reflect a tax provision or benefit in future periods; however, our actual results may materially differ from these expectations.

Take rate is an operational performance measure calculated as non-GAAP net revenue divided by managed revenue (advertising spending). Reconciliations for revenue to both managed revenue (advertising spending) and non-GAAP net revenue are included at the end of this press release. For further discussion, please see "Non-GAAP Financial Measures" at the end of this press release. We review take rate for internal management purposes to assess the development of our marketplace with buyers and sellers. Our take rate (and our fees, which drive take rate) can be affected by a variety of factors, including the terms of our arrangements with buyers and sellers active on our platform in a particular period, the scale of a buyer's or seller's activity on our platform, mix of inventory types, the implementation of new products, platforms and solution features, auction dynamics, competitive factors, and the overall development of the digital advertising ecosystem.

Q3 and Full Year 2016 Outlook

	Q3 2016	Full Year 2016
GAAP revenue	\$64 - \$70 million	\$275 - \$305 million
Non-GAAP net revenue ⁽⁵⁾	\$60 - \$64 million	\$260 - \$275 million
Adjusted EBITDA ⁽⁶⁾	\$9 - \$11 million	\$60 - \$68 million
Non-GAAP earnings per share ⁽⁶⁾	\$0.07 - \$0.09	\$0.75 - \$0.85

Additional Notes on Q3 and Full Year 2016 Outlook:

- (5) Non-GAAP net revenue is calculated as GAAP revenue less amounts we pay sellers that are included within cost of revenue for the portion of our revenue reported on a gross basis. We do not provide a reconciliation of our non-GAAP financial guidance for Adjusted EBITDA and non-GAAP earnings per share to the corresponding GAAP measures because the amount and timing of many future charges that impact these measures (such as asset impairment, amortization of future acquired intangible assets, acquisition-related charges, foreign exchange (gain) loss, net, stock-based compensation, and provision or benefit for income taxes) are variable, uncertain, or out of our control and therefore cannot be reasonably predicted without unreasonable effort, if at all. In addition, we believe such reconciliations could imply a degree of precision that might be confusing or misleading to investors.
- (6) Non-GAAP net revenue is calculated as GAAP revenue less amounts we pay sellers that are included within cost of revenue for the portion of our revenue reported on a gross basis. We do not provide a reconciliation of our non-GAAP financial guidance for Adjusted EBITDA and non-GAAP earnings per share to the corresponding GAAP measures because the amount and timing of many future charges that impact these measures (such as asset impairment, amortization of future acquired intangible assets, acquisition-related charges, foreign exchange (gain) loss, net, stock-based compensation, and provision or benefit for income taxes) are variable, uncertain, or out of our control and therefore cannot be reasonably predicted without unreasonable effort, if at all. In addition, we believe such reconciliations could imply a degree of precision that might be confusing or misleading to investors.

Second Quarter 2016 Results Conference Call and Webcast:

The Company will host a conference call on August 2, 2016 at 1:30 PM (PT) / 4:30 PM (ET) to discuss the results for its second quarter of 2016.

Live conference call

Toll free number: (844) 875-6911 (for domestic callers)
Direct dial number: (412) 902-6511 (for international callers)
Passcode: Ask to join the Rubicon Project conference call

Simultaneous audio webcast: <http://investor.rubiconproject.com>, under "Events and Presentations"

Conference call replay

Toll free number: (877) 344-7529 (for domestic callers)
Direct dial number: (412) 317-0088 (for international callers)
Passcode: 10088173

Webcast link: <http://investor.rubiconproject.com>, under "Events and Presentations"

About Rubicon Project

Founded in 2007, Rubicon Project's mission is to keep the Internet free and open and fuel its growth by making it easy and safe to buy and sell advertising. Rubicon Project pioneered advertising automation technology to enable the world's leading brands, content creators and application developers to trade and protect trillions of advertising requests each month and to improve the advertising experiences of consumers. Rubicon Project is a publicly traded company (NYSE: RUBI) headquartered in Los Angeles, California.

Note: The Rubicon Project and the Rubicon Project logo are registered service marks of The Rubicon Project, Inc.

Forward-Looking Statements:

This press release and management's prepared remarks during the conference call referred to above include, and management's answers to questions during the conference call may include, forward-looking statements, including statements based upon or relating to our expectations, assumptions, estimates, and projections. In some cases, you can identify forward-looking statements by terms such as "may," "might," "will," "objective," "intend," "should," "could," "can," "would," "expect," "believe," "design," "anticipate," "estimate," "predict," "potential," "plan" or the negative of these terms, and similar expressions. Forward-looking statements include, but are not limited to, our guidance and other statements concerning our anticipated financial performance, including, without limitation, revenue, managed revenue (advertising spending), non-GAAP net revenue, profitability, net income (loss), Adjusted EBITDA, earnings per share, non-GAAP earnings per share, and cash flow; strategic objectives, including focus on mobile, video, and Orders opportunities, expanded header bidding solutions, and implementation of solutions to improve the advertising

experience of consumers; investments in our business; development of our technology; introduction of new offerings; scope and duration of client relationships; the fees we may charge in the future; business mix and expansion of our mobile, video, and Orders offerings; sales growth; client utilization of our offerings; our competitive differentiation; our leadership position in the industry; market conditions, trends, and opportunities; user reach; certain statements regarding future operational performance measures including take rate, paid impressions, and average CPM; and factors that could affect these and other aspects of our business.

These statements are not guarantees of future performance; they reflect our current views with respect to future events and are based on assumptions and estimates and subject to known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from expectations or results projected or implied by forward-looking statements. These risks include, but are not limited to, our ability to grow rapidly and to manage our growth effectively; our ability to develop innovative new technologies and remain a market leader; our ability to attract and retain buyers and sellers and increase our business with them; our vulnerability to loss of, or reduction in spending by, buyers; our ability to maintain a supply of advertising inventory from sellers; the effect on the advertising market and our business of difficult economic conditions; the freedom of buyers and sellers to direct their spending and inventory to competing sources of inventory and demand; our ability to use our solution to purchase and sell higher value advertising and to expand the use of our solution by buyers and sellers utilizing evolving digital media platforms; our ability to introduce new offerings and bring them to market in a timely manner in response to client demands and industry trends, including shifts in digital advertising growth from display to mobile channels; our ability to implement solutions to improve the advertising experience of consumers; the increased prevalence of header bidding and its effect on our competitive position; uncertainty of our estimates and expectations associated with new offerings, including private marketplace, mobile, Orders, automated guaranteed, video, and guaranteed audience solutions; uncertainty of our estimates and assumptions about the mix of gross and net reported transactions; declining fees and take rate and the need to grow through revenue increases rather than fee increases; our limited operating history and history of losses; our ability to continue to expand into new geographic markets; our ability to adapt effectively to shifts in digital advertising to mobile and video channels; increased prevalence of ad blocking technologies; the slowing growth rate of online digital display advertising; the growing percentage of online and mobile advertising spending captured by owned and operated sites (such as Facebook and Google) where we are unable to participate; the effects of increased competition in our market and increasing concentration of advertising spending, including mobile spending, in a small number of very large competitors; our ability to differentiate our offerings, compete effectively and to maintain our pricing and take rate in a market trending increasingly toward commodification, transparency, and disintermediation; requests from buyers and sellers for discounts, fee concessions, or revisions, rebates, and greater levels of pricing transparency and specificity; potential adverse effects of malicious activity such as fraudulent inventory and malware; the effects of seasonal trends on our results of operations; costs associated with defending intellectual property infringement and other claims; our ability to attract and retain qualified employees and key personnel; our ability to identify future acquisitions of or investments in complementary companies or technologies and our ability to consummate and integrate such companies or technologies; our ability to comply with, and the effect on our business of, evolving legal standards and regulations, particularly concerning data protection and consumer privacy and evolving labor standards; and our ability to develop and maintain our corporate infrastructure, including our finance, information technology, and data security systems and controls.

We discuss many of these risks and additional factors that could cause actual results to differ materially from those anticipated by our forward-looking statements under the headings "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our periodic reports filed with the Securities and Exchange Commission, including our Annual Reports on Form 10-K and our Quarterly Reports on Form 10-Q, including for the quarterly period ended June 30, 2016. These forward-looking statements represent our estimates and assumptions only as of the date of this press release. Unless required by federal securities laws, we assume no obligation to update any of these forward-looking statements, or to update the reasons actual results could differ materially from those anticipated, to reflect circumstances or events that occur after the statements are made. Without limiting the foregoing, we generally give guidance only in connection with quarterly and annual earnings announcements, without interim updates, and we may appear at industry conferences or make other public statements without disclosing material nonpublic information in our possession. Given these uncertainties, investors should not place undue reliance on these forward-looking statements. Investors should read this press release and the documents that we reference in this press release and have filed or will file with the Securities and Exchange Commission completely and with the understanding that our actual future results may be materially different from what we expect. We qualify all of our forward-looking statements by these cautionary statements.

Non-GAAP Financial Measures:

This press release includes information relating to managed revenue (advertising spending), non-GAAP net revenue, Adjusted EBITDA, non-GAAP net income, and non-GAAP earnings per share, which are financial measures that have not been prepared in accordance with GAAP. These non-GAAP financial measures are used by our management and board of directors, in addition to our GAAP results, to understand and evaluate our performance and trends, to prepare and approve our annual budget, and to develop short- and long-term plans and performance objectives. Management believes that these non-GAAP financial measures provide useful information about our core results and thus are appropriate to enhance the overall understanding of our past performance and our prospects for the future.

These non-GAAP financial measures are not intended to be considered in isolation from, as substitutes for, or as superior to, the corresponding financial measures prepared in accordance with GAAP. You are encouraged to evaluate these adjustments, and review the reconciliation of these non-GAAP financial measures to their most comparable GAAP measures, and the reasons we consider them appropriate. It is important to note that the particular items we exclude from, or include in, our non-GAAP financial measures may differ from the items excluded from, or included in, similar non-GAAP financial measures used by other companies. See "Reconciliation of revenue to managed revenue (advertising spending) and revenue to non-GAAP net revenue," "Reconciliation of net loss to Adjusted EBITDA," "Reconciliation of net loss to non-GAAP net income" and "Reconciliation of GAAP EPS to non-GAAP EPS" included as part of this press release.

We define managed revenue (advertising spending) as the advertising spending transacted on our platform. Tracking our managed revenue (advertising spending) allows us to compare our results to the results of companies that report all or substantially all spending transacted on their platforms as GAAP revenue on a gross basis. We also use managed revenue (advertising spending) for internal management purposes to assess market share of total advertising spending and scale of our offerings. Our managed revenue (advertising spending) may be influenced by demand for our services, the volume and characteristics of paid impressions, average CPM, and other factors such as changes in the market, our execution of the business, and competition.

We define non-GAAP net revenue as GAAP revenue less amounts we pay sellers that are included within cost of revenue for the portion of our revenue reported on a gross basis. Non-GAAP net revenue would represent our revenue if we were to record all of our revenue on a net basis. Non-GAAP net revenue does not represent revenue reported on a GAAP basis. Non-GAAP net revenue is one useful measure in assessing the

performance of our business because it shows the operating results of our business on a consistent basis without the effect of differing revenue reporting (gross vs. net) that we apply under GAAP across different types of transactions, and facilitates comparison of our results to the results of companies that report all of their revenue on a net basis. A potential limitation of non-GAAP net revenue is that other companies may define non-GAAP net revenue differently, which may make comparisons difficult. Our non-GAAP net revenue may be influenced by demand for our services, the volume and characteristics of managed revenue (advertising spending), and our take rate.

We define Adjusted EBITDA as net income (loss) adjusted to exclude stock-based compensation expense, depreciation and amortization, amortization of acquired intangible assets, interest income or expense, and other cash and non-cash based income or expenses, which mainly consist of foreign exchange gains and losses, acquisition and related items, and provision (benefit) for income taxes. Adjusted EBITDA should not be considered as an alternative to net income (loss), operating income (loss), or any other measure of financial performance calculated and presented in accordance with GAAP. Adjusted EBITDA excludes non-cash and other cash items that we do not consider indicative of our core operating performance. We believe Adjusted EBITDA and the related ratio of Adjusted EBITDA margin are useful to investors in evaluating our performance for the following reasons:

- Adjusted EBITDA is widely used by investors and securities analysts to measure a company's performance without regard to items such as those we exclude in calculating this measure, which can vary substantially from company to company depending upon their financing, capital structures, and the method by which assets were acquired;
- our management uses Adjusted EBITDA in conjunction with GAAP financial measures for planning purposes, including the preparation of our annual operating budget, as a measure of performance and the effectiveness of our business strategies, and in communications with our board of directors concerning our performance, and Adjusted EBITDA is also used as a metric for determining payment of cash incentive compensation; and
- Adjusted EBITDA provides a measure of consistency and comparability with our past performance that many investors find useful, facilitates period-to-period comparisons of operations, and also facilitates comparisons with other peer companies, many of which use similar non-GAAP financial measures to supplement their GAAP results.

Although Adjusted EBITDA is frequently used by investors and securities analysts in their evaluations of companies, Adjusted EBITDA has limitations as an analytical tool, and you should not consider it in isolation or as a substitute for analysis of our results of operations as reported under GAAP. These limitations include:

- stock-based compensation is a non-cash charge and is and will remain an element of our long-term incentive compensation package, although we exclude it as an expense when evaluating our ongoing operating performance for a particular period;
- depreciation and amortization are non-cash charges, and the assets being depreciated or amortized will often have to be replaced in the future, but Adjusted EBITDA does not reflect any cash requirements for these replacements;
- Adjusted EBITDA does not reflect non-cash charges related to acquisition and related items, such as amortization of acquired intangible assets and changes in the fair value of contingent consideration;
- Adjusted EBITDA does not reflect cash and non-cash charges and changes in, or cash requirements for, acquisition and related items, such as certain transaction expenses and expenses associated with earn-out amounts;
- Adjusted EBITDA does not reflect changes in our working capital needs, capital expenditures, or contractual commitments;
- Adjusted EBITDA does not reflect cash requirements for income taxes and the cash impact of other income or expense; and
- other companies may calculate Adjusted EBITDA differently than we do, limiting its usefulness as a comparative measure.

Our Adjusted EBITDA is influenced by fluctuation in our revenue and the timing of our investments in our operations.

Because of these limitations, we also consider other measures, including net income (loss).

We define non-GAAP earnings per share as non-GAAP net income (loss) divided by non-GAAP weighted-average shares outstanding. Non-GAAP net income (loss) is equal to net income (loss) excluding the change in fair value of pre-IPO convertible preferred stock warrant liabilities, cumulative preferred stock dividends, stock-based compensation, cash and non-cash based acquisition and related expenses, including amortization of acquired intangible assets, transaction expenses, expenses associated with earn-out amounts, and foreign currency gains and losses. In periods in which non-GAAP net income (loss) is positive, non-GAAP weighted-average shares outstanding used to calculate non-GAAP earnings per share includes the impact of potentially dilutive shares. Potentially dilutive shares consist of stock options, restricted stock awards, restricted stock units, potential shares issued under the Employee Stock Purchase Plan, each computed using the treasury stock method, shares held in escrow, and potential shares issued as part of contingent consideration as a result of business combinations. We believe non-GAAP earnings per share is useful to investors in evaluating our ongoing operational performance and our trends on a per share basis by taking into consideration all pre-IPO preferred stock ownership on an as-converted basis, and also facilitates comparison of our financial results on a per share basis with other companies, many of which present a similar non-GAAP measure. However, a potential limitation of our use of non-GAAP earnings per share is that other companies may define non-GAAP earnings per share differently, which may make comparison difficult. This measure may also exclude expenses that may have a material impact on our reported financial results. Non-GAAP earnings per share is a performance measure and should not be used as a measure of liquidity. Because of these limitations, we also consider the comparable GAAP measure of net income (loss).

THE RUBICON PROJECT, INC.

CONSOLIDATED CONDENSED BALANCE SHEETS

(In thousands)

June 30, 2016 December 31, 2015

ASSETS

Current assets:

Cash and cash equivalents	\$ 147,188	\$ 116,499
Accounts receivable, net	158,333	218,235
Marketable securities	39,700	23,349
Prepaid expenses and other current assets	7,303	7,624
TOTAL CURRENT ASSETS	352,524	365,707
Property and equipment, net	24,845	25,403
Internal use software development costs, net	15,789	13,929
Goodwill	65,705	65,705
Intangible assets, net	41,923	50,783
Marketable securities and other assets, non-current	1,900	15,209
TOTAL ASSETS	\$ 502,686	\$ 536,736

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:

Accounts payable and accrued expenses	\$ 188,557	\$ 247,967
Other current liabilities	2,556	2,196
TOTAL CURRENT LIABILITIES	191,113	250,163
Deferred tax liability, net	6,774	6,225
Other liabilities, non-current	1,954	2,247
TOTAL LIABILITIES	199,841	258,635

STOCKHOLDERS' EQUITY

Preferred stock	—	—
Common stock	—	—
Additional paid-in capital	383,570	358,406
Accumulated other comprehensive loss	(42)	(15)
Accumulated deficit	(80,683)	(80,290)
TOTAL STOCKHOLDERS' EQUITY	302,845	278,101
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 502,686	\$ 536,736

THE RUBICON PROJECT, INC.**CONSOLIDATED STATEMENTS OF OPERATIONS**

(In thousands, except per share amounts)

	Three Months Ended		Six Months Ended	
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
Revenue	\$ 70,511	\$ 53,046	\$ 139,743	\$ 90,224
Expenses:				
Costs of revenue ⁽¹⁾⁽²⁾	17,540	14,009	34,323	20,570
Sales and marketing ⁽¹⁾⁽²⁾	21,966	22,161	43,244	37,210
Technology and development ⁽¹⁾⁽²⁾	13,294	10,390	25,737	18,804
General and administrative ⁽¹⁾⁽²⁾	16,390	17,984	36,995	32,263
Total expenses	69,190	64,544	140,299	108,847
Income (loss) from operations	1,321	(11,498)	(556)	(18,623)
Other (income) expense				
Interest (income) expense, net	(131)	11	(225)	23
Other income	(197)	—	(197)	—
Foreign exchange (gain) loss, net	(578)	847	(317)	(1,343)
Total other (income) expense, net	(906)	858	(739)	(1,320)
Income (loss) before income taxes	2,227	(12,356)	183	(17,303)
Provision (benefit) for income taxes	4,904	(413)	576	(329)
Net loss	\$ (2,677)	\$ (11,943)	\$ (393)	\$ (16,974)
Net loss per share:				
Basic	\$ (0.06)	\$ (0.30)	\$ (0.01)	\$ (0.45)
Diluted	\$ (0.06)	\$ (0.30)	\$ (0.01)	\$ (0.45)
Weighted-average shares used to compute net loss per share:				
Basic	46,341	39,414	45,502	37,596
Diluted	46,341	39,414	45,502	37,596

(1) Stock-based compensation expense included in our expenses was as follows:

	Three Months Ended		Six Months Ended	
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
Cost of revenue	\$ 108	\$ 70	\$ 170	\$ 112
Sales and marketing	2,543	1,858	4,657	2,983
Technology and development	1,800	1,116	3,174	1,906
General and administrative	2,675	4,695	7,516	8,236
Total stock-based compensation expense	\$ 7,126	\$ 7,739	\$ 15,517	\$ 13,237

(2) Depreciation and amortization expense included in our expenses was as follows:

	Three Months Ended		Six Months Ended	
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
Cost of revenue	\$ 6,720	\$ 5,258	\$ 12,668	\$ 8,729
Sales and marketing	1,970	3,240	3,562	3,745
Technology and development	606	479	1,204	733
General and administrative	486	482	974	642
Total depreciation and amortization expense	\$ 9,782	\$ 9,459	\$ 18,408	\$ 13,849

THE RUBICON PROJECT, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Six Months Ended	
	June 30, 2016	June 30, 2015
OPERATING ACTIVITIES:		
Net loss	\$ (393)	\$ (16,974)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	18,408	13,849
Stock-based compensation	15,517	13,237
Loss on disposal of property and equipment, net	5	29
Change in fair value of contingent consideration	—	3
Unrealized foreign currency (gains) losses, net	(1,179)	508
Deferred income taxes	557	(11)
Changes in operating assets and liabilities, net of effect of business acquisitions:		
Accounts receivable	59,638	(1,007)
Prepaid expenses and other assets	(113)	97
Accounts payable and accrued expenses	(59,252)	19,845
Other liabilities	62	(950)
Net cash provided by operating activities	33,250	28,626
INVESTING ACTIVITIES:		
Purchases of property and equipment, net	(3,933)	(4,246)
Capitalized internal use software development costs	(5,029)	(4,061)
Acquisitions, net of cash acquired	—	(8,647)
Investments in available-for-sale securities	(15,687)	(18,052)
Maturities of available-for-sale securities	12,800	—
Change in restricted cash	256	1,100
Net cash used by investing activities	(11,593)	(33,906)
FINANCING ACTIVITIES:		
Proceeds from exercise of stock options	12,859	6,710
Proceeds from issuance of common stock under employee stock purchase plan	1,137	759

Taxes paid related to net share settlement	(4,886)	—
Repayment of debt and capital lease obligations	—		(105
Net cash provided by financing activities	9,110		7,364
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(78)	(46
CHANGE IN CASH AND CASH EQUIVALENTS	30,689		2,038
CASH AND CASH EQUIVALENTS--Beginning of period	116,499		97,196
CASH AND CASH EQUIVALENTS--End of period	\$ 147,188		\$ 99,234
SUPPLEMENTAL DISCLOSURES OF OTHER CASH FLOW INFORMATION:			
Capitalized assets financed by accounts payable and accrued expenses	\$ 1,698		\$ 1,910
Capitalized stock-based compensation	\$ 537		\$ 360
Common stock and options issued for business acquisitions	\$ —		\$ 76,795

THE RUBICON PROJECT, INC.

RECONCILIATION OF REVENUE TO MANAGED REVENUE (ADVERTISING SPENDING) AND REVENUE TO NON-GAAP NET REVENUE

(In thousands)

(unaudited)

	Three Months Ended		Six Months Ended	
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
Revenue	\$ 70,511	\$ 53,046	\$ 139,743	\$ 90,224
Plus amounts paid to sellers ⁽¹⁾	186,902	174,106	366,167	334,148
Managed revenue (advertising spending)	\$ 257,413	\$ 227,152	\$ 505,910	\$ 424,372

	Three Months Ended		Six Months Ended	
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
Revenue	\$ 70,511	\$ 53,046	\$ 139,743	\$ 90,224
Less amounts paid to sellers reflected in cost of revenue ⁽²⁾	5,403	4,502	11,075	4,502
Non-GAAP net revenue	\$ 65,108	\$ 48,544	\$ 128,668	\$ 85,722

(1) Amounts paid to sellers for the portion of our revenue reported on a net basis for GAAP purposes.

(2) Amounts paid to sellers for the portion of our revenue reported on a gross basis for GAAP purposes. Before our acquisition of Chango in April 2015, we recorded all revenue on a net basis and therefore payments to sellers were not included in cost of revenue prior to April 2015.

THE RUBICON PROJECT, INC.

RECONCILIATION OF NET LOSS TO ADJUSTED EBITDA

(In thousands)

(unaudited)

	Three Months Ended		Six Months Ended	
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
Net loss	\$ (2,677)	\$ (11,943)
Add back (deduct):				
Depreciation and amortization expense, excluding amortization of acquired intangible assets	5,190	4,191	9,759	7,565
Amortization of acquired intangibles	4,592	5,268	8,649	6,284
Stock-based compensation expense	7,126	7,739	15,517	13,237
Acquisition and related items	13	967	331	2,396
Interest (income) expense, net	(131)	11	(225
Foreign currency (gain) loss, net	(578)	847	(317
Provision (benefit) for income taxes	4,904	(413)	576
Adjusted EBITDA	\$ 18,439	\$ 6,667	\$ 33,897	\$ 10,859

THE RUBICON PROJECT, INC.

RECONCILIATION OF NET LOSS TO NON-GAAP NET INCOME

(In thousands)

(unaudited)

	Three Months Ended		Six Months Ended	
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015

Net loss	\$ (2,677)	\$ (11,943)	\$ (393)	\$ (16,974)
Add back (deduct):				
Stock-based compensation expense	7,126	7,739	15,517	13,237
Acquisition and related items, including amortization of acquired intangibles	4,605	6,235	8,980	8,680
Foreign currency (gain) loss, net	(578)	847	(317)	(1,343)
Non-GAAP net income	\$ 8,476	\$ 2,878	\$ 23,787	\$ 3,600

THE RUBICON PROJECT, INC.

RECONCILIATION OF GAAP EPS TO NON-GAAP EPS

(In thousands, except per share amounts)

(unaudited)

	Three Months Ended		Six Months Ended	
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
GAAP net loss per share ⁽¹⁾ :				
Basic	\$ (0.06)	\$ (0.30)	\$ (0.01)	\$ (0.45)
Diluted	\$ (0.06)	\$ (0.30)	\$ (0.01)	\$ (0.45)
Non-GAAP net income ⁽²⁾	\$ 8,476	\$ 2,878	\$ 23,787	\$ 3,600
Reconciliation of weighted-average shares used to compute net loss per share to non-GAAP weighted average shares outstanding:				
Weighted-average shares used to compute diluted loss per share	46,341	39,414	45,502	37,596
Dilutive effect of weighted-average common stock options, RSAs, and RSUs ⁽³⁾	3,003	4,278	3,117	4,111
Dilutive effect of weighted-average acquisition-related contingent shares ⁽³⁾	—	1,552	—	1,110
Dilutive effect of weighted-average acquisition related escrow shares ⁽³⁾	635	638	699	381
Dilutive effect of weighted-average ESPP ⁽³⁾	26	28	22	28
Non-GAAP weighted-average shares outstanding	\$ 50,005	\$ 45,910	\$ 49,340	\$ 43,226
Non-GAAP earnings per diluted share	\$ 0.17	\$ 0.06	\$ 0.48	\$ 0.08

(1) Calculated as net loss divided by basic and diluted weighted-average shares used to compute net loss per share as included in the consolidated statement of operations.

(2) Refer to reconciliation of net loss to non-GAAP net income.

(3) In most periods in which net income (loss) is positive, the weighted-average shares used to compute diluted earnings per share are equal to the weighted-average shares used to compute basic loss per share and already include the dilutive effect of common stock options, RSAs, RSUs, acquisition related contingent and escrow shares, and ESPP using the treasury stock method.

THE RUBICON PROJECT, INC.

MANAGED REVENUE (ADVERTISING SPENDING) BY INVENTORY TYPE AND CHANNEL

(In thousands, except percentages)

(unaudited)

	Three Months Ended		Six Months Ended	
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
	(in thousands)			
Managed revenue (advertising spending) by inventory type:				
Real time bidding (RTB)	\$ 194,528	\$ 170,307	\$ 387,631	\$ 320,004
Orders	53,880	38,948	95,994	68,360
Static bidding	9,005	17,897	22,285	36,008
Total managed revenue (advertising spending)	\$ 257,413	\$ 227,152	\$ 505,910	\$ 424,372
Managed revenue (advertising spending) by channel:				
Desktop	\$ 172,453	\$ 176,574	\$ 347,119	\$ 334,732
Mobile	84,960	50,578	158,791	89,640
Total managed revenue (advertising spending)	\$ 257,413	\$ 227,152	\$ 505,910	\$ 424,372

	Three Months Ended		Six Months Ended		
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015	
Managed revenue (advertising spending) by inventory type:					
RTB	76	% 75	% 77	% 75	%
Orders	21	% 17	% 19	% 16	%
Static bidding	3	% 8	% 4	% 9	%
Total managed revenue (advertising spending)	100	% 100	% 100	% 100	%

Managed revenue (advertising spending) by channel:

Desktop	67	% 78	% 69	% 79	%
Mobile	33	% 22	% 31	% 21	%
Total managed revenue (advertising spending)	100	% 100	% 100	% 100	%

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