



# THE GLOBAL EXCHANGE FOR ADVERTISING

JANUARY 2018

# SAFE HARBOR

## Forward-Looking Statements

This presentation 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 may include, but are not limited to, statements concerning our anticipated financial performance, including, without limitation, revenue, advertising spend, profitability, net income (loss), Adjusted EBITDA, earnings per share, and cash flow; strategic objectives, including focus on header bidding, mobile, video, Orders, and private marketplace opportunities; investments in our business; development of our technology; introduction of new offerings; the impact of our acquisition of nToggle and its traffic shaping technology on our business; scope and duration of client relationships; the fees we may charge in the future; business mix; sales growth; client utilization of our offerings; our competitive differentiation; our leadership position in the industry; our market share, market conditions, trends, and opportunities; user reach; certain statements regarding future operational performance measures including ad requests, fill rate, advertising spend, 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 and to manage any 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 and grow a supply of advertising inventory from sellers; the effect on the advertising market and our business from 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; the increased prevalence of header bidding and its effect on our competitive position; our header bidding solution not resulting in revenue growth and causing infrastructure strain and added cost; uncertainty of our estimates and expectations associated with new offerings, including header bidding, private marketplace, mobile, video, Orders, automated guaranteed, and guaranteed audience solutions, and traffic shaping; declining fees and take rate, including as a result of implementation of alternative pricing models in response to market pressures, including demands for reduction or elimination of buyer fees, and the need to grow through advertising spend and fill rate increases rather than pricing increases; our ability to compensate for declining take rate by increasing the volume of transactions on our platform; our vulnerability to the depletion of our cash resources as revenue declines with the reduction of our take rate and as we incur additional investments in technology required to support the increased volume of transactions on our exchange; our ability to raise additional capital; 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 and formats; 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); the effects, including the loss of market share, of increased competition in our market and increasing concentration of advertising spending, including mobile spending, in a small number of very large competitors; acts of competitors and other third parties that can adversely affect our business; our ability to differentiate our offerings and compete effectively in a market trending increasingly toward commodification, transparency, and disintermediation; requests from buyers and sellers for discounts, fee concessions or revisions, rebates, refunds, 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 the acquisitions and integrate such companies or technologies; and 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. 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," "Management's Discussion and Analysis of Financial Condition and Results of Operations," and elsewhere in filings we have made and will make from time to time with the Securities and Exchange Commission, or SEC, including our Annual Report on Form 10-K for the year ended December 31, 2016 and subsequent Quarterly Reports on Form 10-Q. These forward-looking statements represent our estimates and assumptions only as of the date made. 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 are currently not providing guidance, and any guidance we may provide will generally be given 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 SEC 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.

# Rubicon Project (NYSE: RUBI)

- The independent global exchange for advertising
- Headquartered in Los Angeles
- 500+ employees
- 18 offices worldwide
- Operating in 30+ markets globally



# WHAT'S NEW

- Eliminated buy side fees on Nov 1st
- Leadership position in server side header bidding
- Launching EMR (Estimated Market Rate) – algorithm offered as value added buyer tool
- Video business outpacing industry growth

# TOPICS

**OUR INDUSTRY HAS CHANGED**

**WHO WE ARE NOW**

**OUR STRATEGY**

**FOCUS AREAS**

**REVIEW OF FINANCIALS**

# INDUSTRY STAGES

## PAST

2012 - 2015

- Exclusive supply
- Waterfall / black box
- Few competitors
- Supply driven
- Price stability

## CURRENT

2016 - 2017

- Duplicate supply
- Header bidding
- Fierce competition
- Demand driven
- Price sensitive

## FUTURE

2018 -

- **Efficient supply**
- **Header bidding**
- **Consolidation**
- **Value driven**
- **Rational & transparent**

# OUR BUSINESS: MATCHING BUYERS & SELLERS

## PUBLISHERS & APP DEVELOPERS WANT

To drive revenue for all impressions, by leveraging turnkey access to billions of dollars of demand, and provide a quality experience for those accessing content

## ADVERTISERS WANT

To safely reach high quality audiences at scale, across devices no matter where they engage

**1,300+** MEDIA COMPANIES WITH **>1 MILLION WEBSITES & 60,000 APPS**



**rubicon**  
PROJECT

FASTLANE  
PREBID.JS  
SDK  
xAPI  
TAGS

Helping advertisers efficiently and effectively find consumers wherever and whenever they access technology

We do this through a variety of integrations across any format on any device in an automated fashion to reach  
**~1,000,000,000 consumers**

ORDERS  
RTB  
TAGS

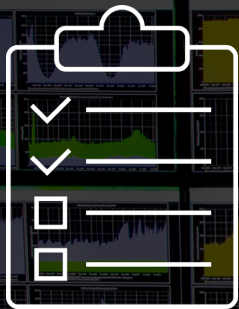


CONNECT WITH **900,000+** BRANDS, AGENCIES & DSPs

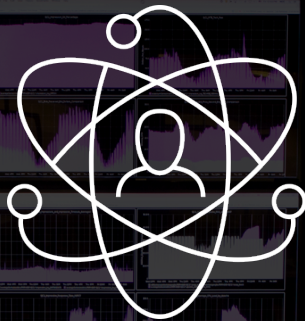


# WHO WE ARE NOW

# OUR ADVANTAGES



Offer Broadest  
Inventory with...



Best Team &  
Best Tech at...

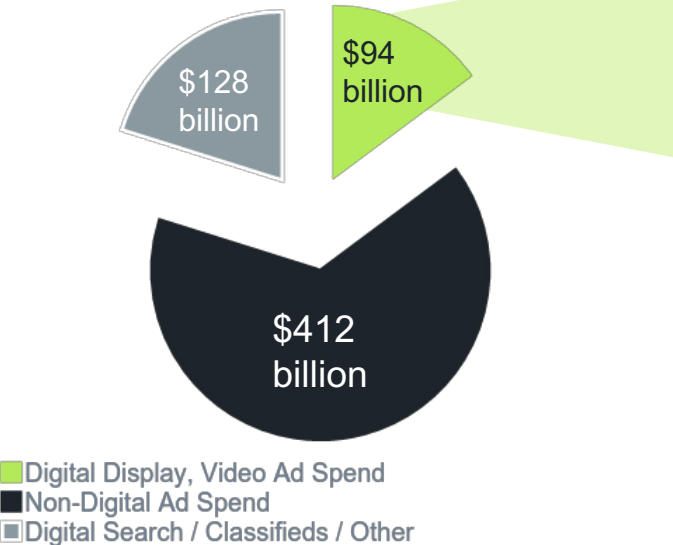


Lowest Overall  
Cost makes...

= **RUBICON PROJECT** *the leading exchange*

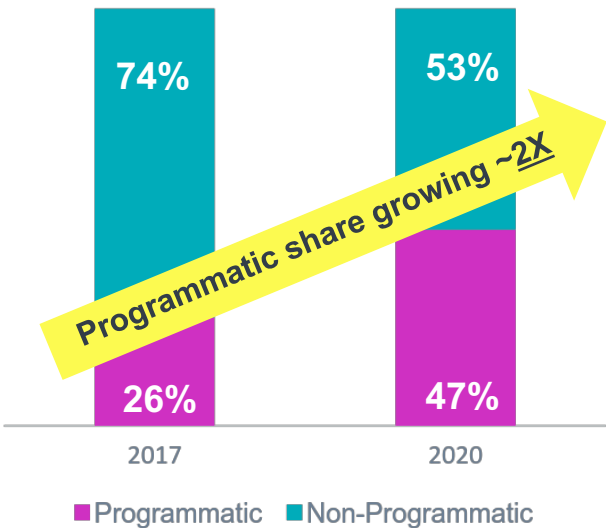
# GROWING AD MARKET

2017 Global Ad Spend (1)



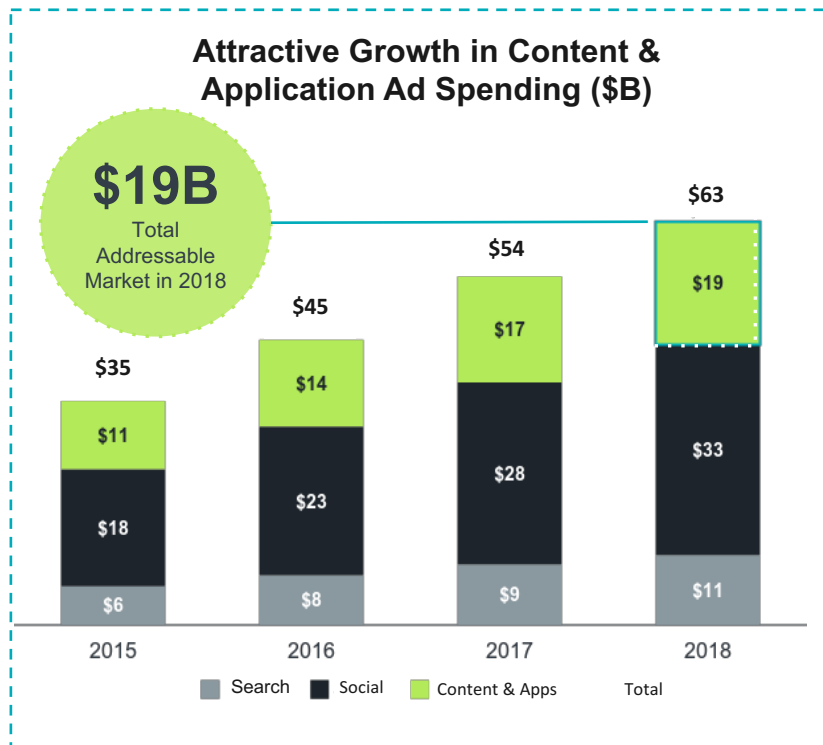
Global Digital Ad Spend – Programmatic vs. Non-Programmatic

(1)

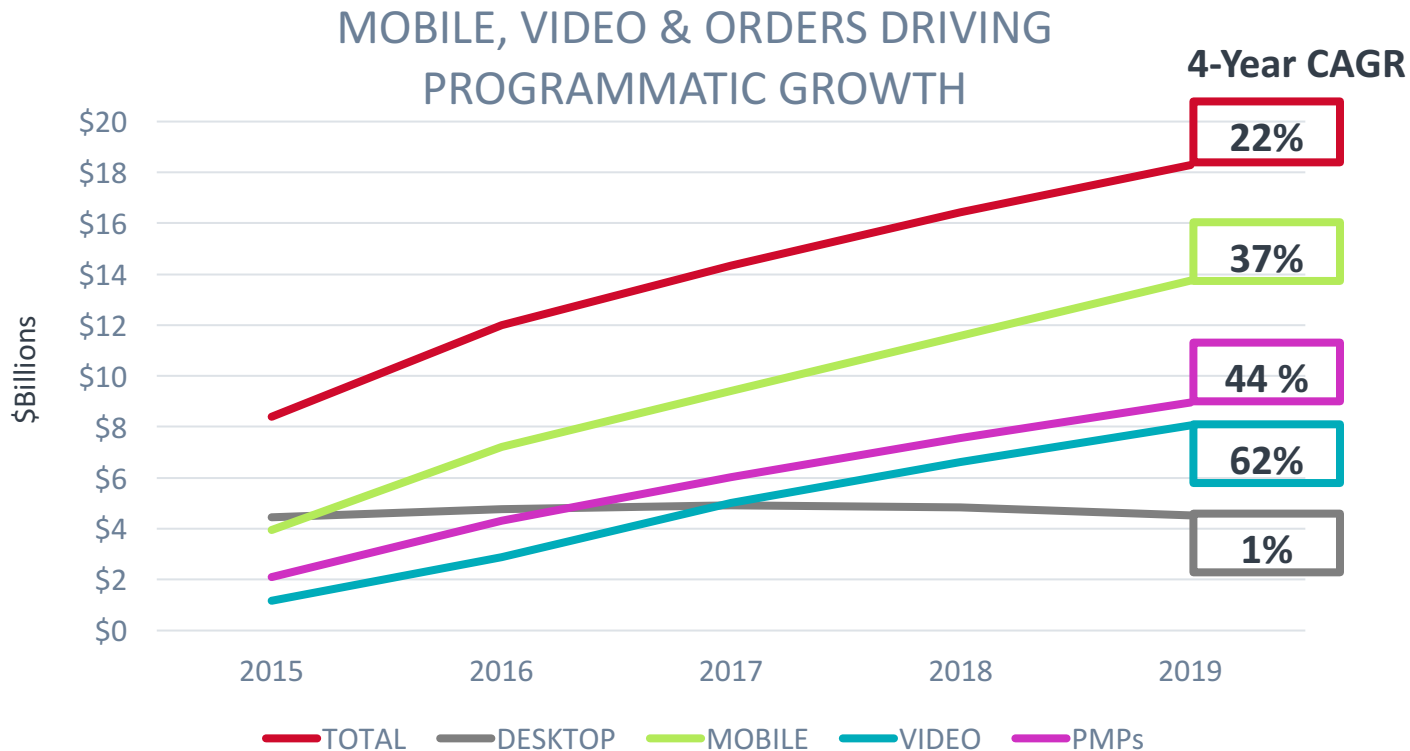


rubicon  
PROJECT  
TAM

# OPPORTUNITY: \$19B ADDRESSABLE MARKET



# WELL POSITIONED IN HIGHEST GROWTH SEGMENTS



# OUR STRATEGY

# OUR STRATEGY

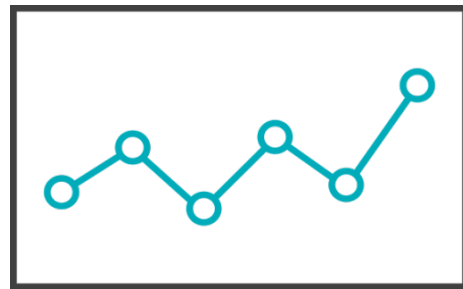
- Committed to Being Low Cost Provider
- Transparency & Choice
- Programmatic Supermarket - Broadest Inventory
- Inventory Quality and Brand Safety

# PLAYING OFFENSE

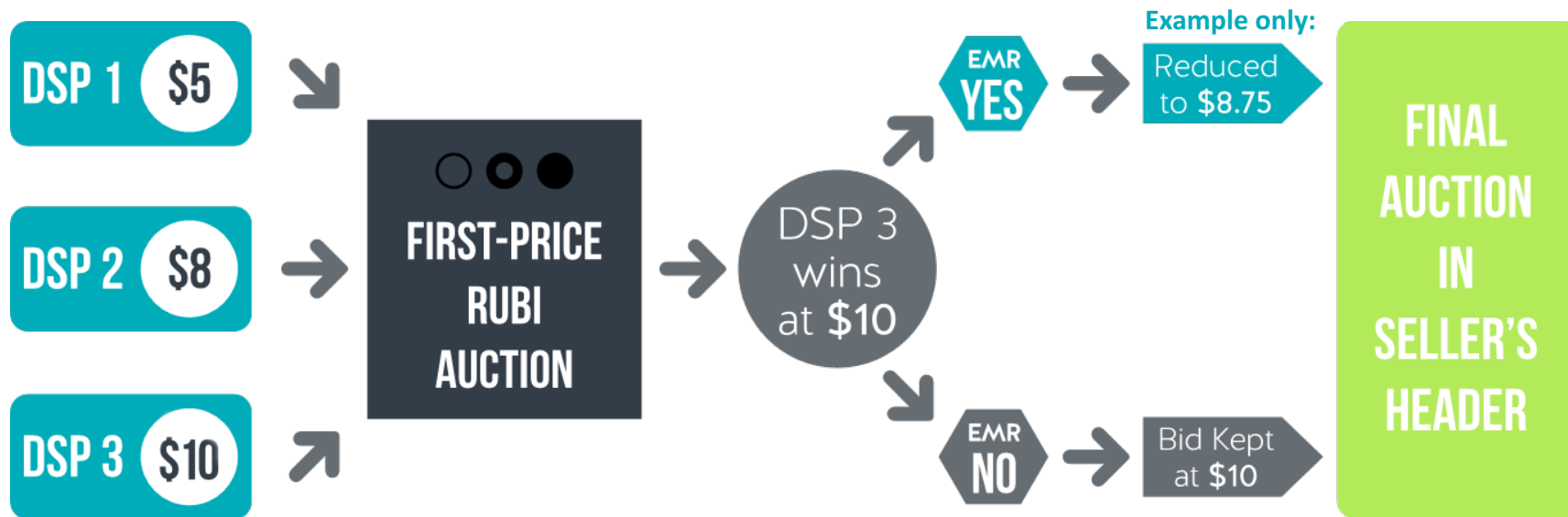
## FOCUS AREAS

# INTRODUCING ESTIMATED MARKET RATE (EMR)

- EMR seeks to reduce first-price bids with minimal adverse win rate impact
- Designed to help buyers compete in a first-price environment
- Preserves budgets and improves liquidity



# EMR IN THE AUCTION



# FOCUS: HEADER BIDDING

## MARKET OPPORTUNITY

More inventory and more scale: We will now have access to large volumes of impressions we never saw in the past

## HERE TO STAY

Header Bidding began in U.S. desktop and moving to mobile and video in 2018

## PROBLEM EXISTING TODAY

Most solutions are proprietary client side wrappers and “black box” server-side solutions



**SOLUTION:**  
**A TRULY UNIFIED  
MARKETPLACE**

**rubicon**  
PROJECT

Fully support industry-wide adoption  
of prebid.js open source wrapper

Committed to bringing open source  
to server-side

Integrate with all players including  
**GOOGLE & AMAZON**

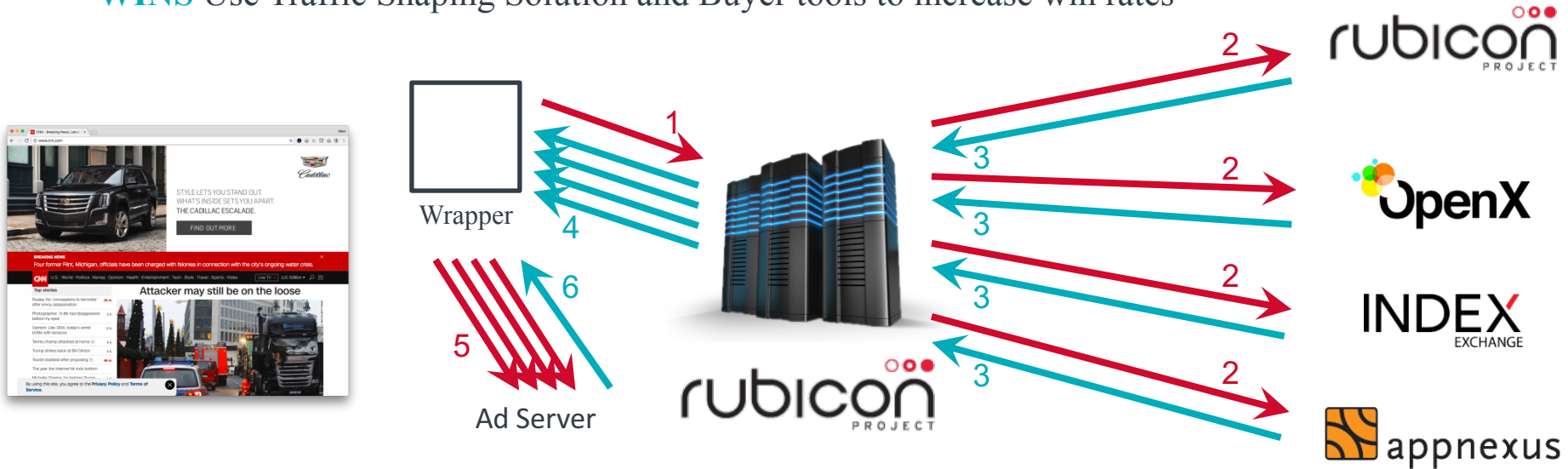
Rubicon Project is committed to fostering  
a fair and transparent marketplace

# SERVER SIDE HEADER BIDDING

**SCALE** Use SSHB to see more Ad Requests and provide buyers with a one-stop shop for broad selection of impressions

**EFFICIENCY** Continue to lead in Efficiency: Low total cost provider wins

**WINS** Use Traffic Shaping Solution and Buyer tools to increase win rates



# FINANCIALS

# HEALTHY BALANCE SHEET

## Cash Flow Highlights (\$MM)

	YTD 9/30/17	YTD 9/30/16
<b>Financial measure:</b>		
Net cash provided by operating activities	\$ 9.2	\$ 48.8
Less capital expenditures	20.7	18.9
Free cash flow	(\$11.5)	\$ 29.9

## Balance sheet Highlights (\$MM)

	September 30, 2017	December 31, 2016
<b>Financial measure:</b>		
Cash & equivalents (1)	\$ 99.5	\$ 149.4
Marketable securities	39.5	40.6
Total cash + liquid assets	\$ 139.0	\$ 190.0
Debt + capital lease obligations	\$ Nil	\$ Nil

(1) Includes \$38.6 million in cash paid for nToggle in July 2017




# INCOME STATEMENT

GAAP Financial Measures <sup>(1)</sup>	Three Months Ended	
	9/30/2017	9/30/2016
GAAP revenue	\$35.2 M	\$65.8 M
Net income (loss) <sup>(2)</sup>	(\$103.6) M	\$3.5 M
Basic and Diluted earnings (loss) per share <sup>(2)</sup>	(\$2.11)	\$0.07

Non-GAAP Financial Measures <sup>(1)</sup>	Three Months Ended	
	9/30/2017	9/30/2016
Non-GAAP net revenue	\$35.2 M	\$60.6 M
Advertising spend <sup>(3)</sup>	\$195.0 M	\$242.8 M
Mobile advertising spend	\$91.7 M	\$83.3 M
Desktop advertising spend	\$103.3 M	\$159.5 M
Adjusted EBITDA	(\$2.3) M	\$15.3 M
Capital expenditures	\$11.5 M	\$9.9 M

- (1) Full reconciliation of GAAP Revenue to non-GAAP Revenue, Net Income (loss) to Adjusted EBITDA, and Advertising Spend to GAAP Revenue can be found in the Q3 2017 investor deck located on the company's Investor Relations page at <http://investor.rubiconproject.com/>
- (2) 2017 net loss and basic loss per share includes \$90.3 million goodwill impairment charge
- (3) Advertising spend represents the buyer spending on advertising transacted on the Company's platform

# SIGNS OF PROGRESS & SIGNS TO WATCH FOR

	TREND	TIMING
Inventory		2Q17
Ad Spend		2018
Take Rate		1Q18*

*Q4 and Q1 Ad Spend will be great progress indicators excluding seasonality*

\* - stabilizing in 1Q18 following buy side fee elimination on 11/1/17

# CONCLUSION

## Strategy

- + Offer the broadest inventory
- + High volume, high win exchange
- + LOWEST TOTAL COST OF SUPPLY – NO BUYER FEES, TRAFFIC SHAPING, WIN RATES

## Executive Changes & Cost Cuts

- + New CEO, CTO & CFO
- + Vigilant on future opex – restructured in late 2016 / early 2017
- + Investing in video and mobile in-app areas

## Executing on Value Proposition

- + Aggressive price investments – Removed all our Buyer Fees
- + Bought nToggle – leading position in AI and machine learning algorithms
- + Strong position in Server-Side Header Bidding
- + Well positioned in mobile, mobile app & video (OTT)

# THANK YOU

# RECONCILIATIONS OF NET INCOME (LOSS) TO ADJUSTED EBITDA & GAAP REVENUE TO ADVERTISING SPEND

Reconciliation of Net Income (Loss) to Adjusted EBITDA (\$MM)	Q3 2017	Q3 2016
Financial Measure: (\$MM)		
Net income (loss)	(\$103.6)	\$3.5
Add back (deduct):		
Depreciation and amortization, excluding acquisition of acquired intangible assets	7.0	5.3
Amortization of acquired intangibles	1.2	5.7
Stock-based compensation expense	4.6	6.5
Impairment of goodwill	90.3	--
Acquisition and related items	0.3	--
Interest income, net	(0.3)	(0.1)
Foreign currency loss, net	0.2	--
Benefit for income taxes	(2.0)	(5.6)
Adjusted EBITDA	(\$2.3)	\$15.3

Reconciliation of GAAP Revenue to Advertising Spend (\$MM)	Q3 2017	Q3 2016
Financial Measure: (\$MM)		
GAAP Revenue	\$35.2	\$65.8
Plus amounts paid to sellers <sup>(1)</sup>	\$159.8	\$177.0
Advertising Spend	\$195.0	\$242.8

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

# RECONCILIATIONS OF GAAP REVENUE TO NON-GAAP NET REVENUE & NET INCOME (LOSS) TO NON-GAAP NET INCOME (LOSS)

Reconciliation of GAAP Revenue to Non-GAAP Net Revenue (\$MM)	Q3 2017	Q3 2016
Financial Measure:		
GAAP revenue	\$35.2	\$65.8
Less amounts paid to sellers reflected in cost of revenue <sup>(1)</sup>	-	\$5.2
Non-GAAP net revenue	\$35.2	\$60.6
Reconciliation of Net Income (Loss) to Non-GAAP Net Income (\$MM, except share figures)	Q3 2017	Q3 2016
Financial Measure:		
Net income (loss)	(\$103.6)	\$3.5
Add back (deduct):		
Stock-based compensation expense	4.6	6.5
Acquisition and related items, including amortization of acquired intangibles	1.5	5.7
Impairment of goodwill	90.3	--
Foreign currency loss, net	0.2	--
Tax effect of non-GAAP adjustments <sup>(2)</sup>	(0.1)	(6.0)
Non-GAAP Net Income (Loss)	(\$7.1)	\$9.7
Non-GAAP earnings (loss) per diluted share	(\$0.14)	\$0.20
Non-GAAP weighted-average shares outstanding (MM)	49.1	48.7

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

(2) Non-GAAP net loss for the third quarter of 2017 includes the estimated tax impact from the expense items reconciling between net loss and non-GAAP net loss. For consistency, 2016 historical non-GAAP net income has been adjusted to reflect the estimated tax impact of those items.

# ADDITIONAL RECONCILIATIONS OF NON-GAAP FINANCIAL MEASURES TO GAAP

Revenue & Advertising Spend Split by Channel	Q3 2017			Q3 2016		
Financial Measure: (\$MM)	Mobile	Desktop	Total	Mobile	Desktop	Total
GAAP Revenue	\$18.3	\$16.9	\$35.2	\$23.1	\$42.7	\$65.8
Plus amounts paid to sellers <sup>(1)</sup>	73.4	86.4	159.8	60.2	116.8	177.0
Advertising Spend	\$91.7	\$103.3	\$195.0	\$83.3	\$159.5	\$242.8
Percentage of total Advertising Spend	47%	53%	100%	34%	66%	100%

Revenue & Advertising Spend Split by Geography	Q3 2017			Q3 2016		
Financial Measure: (\$MM)	Domestic	International	Total	Domestic	International	Total
GAAP Revenue	\$24.0	\$11.2	\$35.2	\$46.3	\$19.5	\$65.8
Plus amounts paid to sellers <sup>(1)</sup>	106.8	53.0	159.8	111.2	65.8	177.0
Advertising Spend	\$130.8	\$64.2	\$195.0	\$157.5	\$85.3	\$242.8
Percentage of total Advertising Spend	67%	33%	100%	65%	35%	100%

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

# REVENUE HIGHLIGHTS

## AS ADJUSTED: EXCLUDING STATIC AND INTENT MARKETING<sup>(1)</sup>

Key Metrics As Adjusted: Excluding Static and Intent Marketing <sup>(1)</sup>	Three Months Ended		
	9/30/2017	9/30/2016	Change
GAAP revenue <sup>(2)</sup>	\$35.2 M	\$55.3 M	(36)%
Non-GAAP net revenue <sup>(2)</sup>	\$35.2 M	\$55.3 M	(36)%
Advertising spend	\$195.0 M	\$227.1 M	(14)%
Take Rate <sup>(3)</sup>	18.1%	24.4%	(630 bps)

(1) Our historical advertising spend and revenue results include results from our static solution, which we exited in the third quarter of 2016, and from our intent marketing solution, which we exited in the first quarter of 2017. To assist understanding our results in the context of our ongoing activities, we are providing “as adjusted” advertising spend, revenue, and take rate metrics on this page, as though the static and intent marketing solutions were discontinued prior to the beginning of calendar year 2016.

(2) GAAP revenue is the same as non-GAAP net revenue in Q3 2017 because Intent Marketing is the only element differentiating the two and we ceased offering that solution in Q1 2017.

(3) Take rate represents non-GAAP net revenue divided by advertising spend.