

Erik Randerson, VP of Investor Relations

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

Before we get started I'd like to remind our listeners that our prepared remarks and answers to questions will include expectations, predictions, estimates and other information that might be considered to be forward-looking statements, including but not limited to, guidance we are providing and other non-historical statements related to our anticipated financial performance, operating and strategic plans; expectations regarding new initiatives; our relationships and business with Buyers and Sellers using our platform; fees and take rate; capital investment and organizational development; our competitive position; and market conditions and trends and growth expectations, including growth in Orders, Mobile and Video, and in our Buyer Cloud operations. Forward-looking statements involve risks, uncertainties and assumptions and actual results may differ significantly from the results suggested by forward-looking statements for various reasons including, without limitation, if such risks or uncertainties materialize or assumptions prove to be inaccurate.

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

A discussion of these and other risks, uncertainties and assumptions is set forth in the Company's Annual Report on Form 10-K for the year ended December 31, 2014 and our 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.

As a final note, I would like to mention that in the Events and Presentations section of our Investor relations Website, we have included a Q3 Financial Highlights presentation that summarizes our financial and operating results.

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

Frank Addante, CEO, Founder and Chief Product Architect

Thank you, Erik. Q3 represented a record quarter for Rubicon Project. Our results were led by non-GAAP net revenue increasing 80 percent year-over-year and Adjusted EBITDA growing at a much faster rate – up more than 160 percent. In the third quarter, we also achieved the highest quarterly revenue in our Company’s history.

Through our innovations and strategic acquisitions over the past 12 months, Rubicon Project has emerged as a leading independent technology platform capable of automating the buying and selling of digital advertising across every type of inventory, including real time bidding, guaranteed and non-guaranteed orders; across every type of advertising unit, including display, video and native; and across every channel, including mobile web, mobile apps and desktop.

Our end-to-end capabilities, data position and network effects continue to deliver significant value to our customers and are major factors behind our continued growth.

Before I turn the call over to Greg and Todd, I’d like to spend a minute addressing the topic of ad blocking, and the opportunity we see for our industry and, more specifically, for Rubicon Project.

While ad blocking has recently become a hot topic, the concept is not new. However, I do believe it creates a terrific opportunity for us to lead the transformation of the consumer’s relationship with advertising. The current debate confirms the importance of giving consumers transparency and control of their advertising experience.

With that said, it is important to understand why consumers use ad blockers. Our independent research surveying more than 2,000 users found that their primary motivation is to block ads that slow down, or disrupt, their user experience.

Importantly, our engineering team is developing solutions to provide publishers and applications developers with the tools necessary to streamline and speed up the user experience. In tandem, we are also continuing to work on initiatives to provide the consumer with more control and transparency over their advertising experience.

I am confident that these steps, coupled with other industry efforts, will reduce the motivation for ad blocking over time and will provide consumers with a better overall digital experience.

In closing, I would like to thank our more than 700 talented team members for continuing to execute at a high level that truly demonstrates our strong market and strategic position. I am proud that during such an exciting period of growth our team continues to put our strong culture at the center of everything we do.

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

Greg Raifman, President

Thank you, Frank.

As Frank outlined, we had another strong quarter in Q3. I am proud of our team's focus, hard work and execution that further extended our track record of outperformance since the IPO.

Today I would like to take some time to talk about a number of significant advancements we have made in our Mobile, Seller and Buyer Cloud offerings that we believe have strongly positioned Rubicon Project for continued success in the market.

Mobile

First, let's turn to Mobile.

Last quarter, we discussed the success we have experienced in building a world-class Mobile advertising platform that today stands as one of the largest Mobile exchanges in the world.

What has fueled our success in Mobile has been a simple and straightforward strategy: to make buying and selling Mobile advertising as easy as buying and selling desktop advertising in our marketplace.

And in this regard, our results have been impressive to date. In Q3, our Mobile managed revenue grew more than 110% year over year - more than doubling the 54% mobile industry growth rate in the first half of 2015, according to the IAB.

Mobile now accounts for 26% of our managed revenue, up strongly from 22% in the second quarter, and up from single digits a couple of years ago. Given the growth trajectory we are projecting, we are still at the tip of the iceberg of the future potential for our mobile initiative.

The future advertising opportunity in Mobile is best outlined by Kleiner Perkin's Mary Meeker in her annual report on advertising released earlier this year.

Simply put, despite the impressive sector growth to date, while the eyeballs have moved to Mobile, much of the advertising dollars have lagged. According to Meeker, the net result of this "Mobile Divide" is that in the U.S. alone more than \$25 billion in Advertising Spend has yet to shift over to Mobile.

At Rubicon Project, we see the key to unlocking this spend - and increasing our share of the overall Mobile market – as being primarily focused on delivering against three core areas of significant investment that have helped fuel impressive advances in the past quarter.

I will touch on each briefly.

First, a key challenge for unlocking mobile spend relates directly to the current poor state of the Mobile ad experience. As mobile adoption has grown, many brands have attempted to fit the traditional desktop banner advertising model into a device that fits into our pockets. This approach has often led to suboptimal results – a less engaging experience for users and a smaller revenue stream for publishers.

We have worked hard to develop and support better formats and ad experiences in Mobile, focusing our engineering and business development investments on the exciting areas of Mobile Video and Mobile Native.

When you consider that the average user today now spends 40 minutes per day consuming Video on Mobile devices you can begin to see the incredible emerging opportunity Mobile Video presents to both advertisers and to publishers and app developers.

Our technology and business development investments in creating new forms of engaging ad units have already begun to show impressive returns.

In Q3, while still early in market, we generated exceptional growth quarter-over-quarter from Mobile Video formats, including Mobile Pre-Roll, Interstitial, Inline, Expendable and Rewarded.

With Mobile Video, advertisers gain deeper engagement and valuable Brand metrics, such as Brand Recall and Purchase Intent.

Mobile publishers and app developers also enjoy CPMs for Mobile Video that are several times higher than traditional banner ads.

We have also continued to advance the automation of Native advertising. In Q3, we increased the number of DSPs capable of purchasing Native Ads on our Mobile exchange by 50%.

Much as with Mobile Video, Native Ads are an industry trifecta: Better performance for the Advertiser, higher CPMs for the publisher, and a much better user experience for the end consumer.

The second key to unlocking additional Mobile spend is the reality that Mobile Advertising is simply much more difficult to buy than traditional desktop advertising. In our experience, managing Mobile Buyers is several times harder than managing a traditional Desktop DSP. The sheer amount of data that Mobile can provide – while clearly a positive for Buyers – significantly complicates the Buying and Selling of Mobile Advertising.

As an example, Mobile devices contain enhanced device information, location signals, Mobile app identifiers, and associated metadata. Further complicating matters is that this data is different across Mobile platforms, such as iOS and Android, and that Mobile buyers may interpret the data differently.

Importantly, we have spent considerable time and effort working with our Mobile buyers to audit exactly the data they're using to ensure that it is being optimized for increased monetization and that the Mobile real-time bidding standards are functioning well.

As advertisers and publishers grapple with the challenges of the mobile evolution, we are also seeing significant market fragmentation complicating the buying and selling processes in Mobile that makes it hard for Buyers to secure premium Mobile inventory at scale amongst Mobile-only exchanges. Sophisticated programmatic Buyers are expecting to leverage the same tools they have come to know in Desktop, but in Mobile environments.

As a result we've taken our leadership role in Non-Guaranteed Orders directly into Mobile, becoming the standard for Mobile Private Marketplaces.

Our leadership position is helping to unite the fragmented marketplace and drove a 96% surge quarter over quarter in Mobile Orders with CPMs that are significantly higher than standard campaigns.

And we were excited to bring new and updated Video capabilities to Mobile Orders in Q3, which is a huge growth area for us as we move into the holidays.

I am also proud to report that our efforts to increase Mobile demand and simplify the buying and selling ecosystem led to solid double-digit increases in average spend per Mobile Buyer in Q3 compared to the second quarter of 2015.

As we streamline and simplify the process and create better ad units, buyers are increasingly unlocking additional spend as sellers experience greater monetization.

And, finally, we hear consistent feedback that Buyers are looking to consolidate spend across both Desktop and Mobile platforms for cross platform campaigns with a focus on high quality supply.

We are pleased that Rubicon Project was the only platform to be ranked in a top tier position in both Mobile and Desktop inventory quality rankings in the third quarter, ranking #2 on both measures according to Pixalate's latest Seller Trust Index.

Seller Cloud

Turning now to our Seller Cloud offerings, we see many similar trends driving our results and creating new opportunities for growth in the future.

As with Mobile, we have designed our strategic roadmap to grow and evolve our Seller Cloud offerings. Our recent focus has been to deliver against two key strategic objectives – driving monetization for publishers globally and transitioning, or mobilizing, their inventory for the mobile channel.

Let me talk briefly about each objective.

For many of our long standing traditional Sellers of desktop inventory, a key challenge facing their business is the need to both maintain their traditional desktop business while simultaneously mobilizing their ad inventory for the future.

For most of these Sellers, we have played an integral role helping to evolve their traditional advertising-driven business models to leverage and benefit from the user shift to mobile.

As they undertake this journey, Sellers face many inherent and new challenges - how to best monetize their growing Mobile web traffic, how to most effectively leverage the shift to in-App Mobile usage, and how to manage yield across platforms.

The trusted role Rubicon Project has earned in the ecosystem allows us to build deeply-integrated partnerships with the world's most premium publishers, helping to drive their desktop and Mobile strategies. We have benefitted tremendously as we help our Sellers maintain their desktop businesses while simultaneously building out their Mobile offering.

This commitment to monetization and mobilization has enabled our Sellers to optimize their growing audiences across all channels while continuing to grow their CPMs across our platform.

In addition to providing the technology and expertise for future mobilization, we are also creating new monetization opportunities.

As money moves from direct sold campaigns, we are working with our publishers to embrace Orders [both Guaranteed and Non-Guaranteed] which delivers more than three times the CPMs versus traditional real-time bidding auction initiatives.

Today, we have one of the largest Orders platform in the world, with more than 10,000 deals live in the month of September. Importantly, as more publishers shift to embrace Orders, it has enabled significant growth for our business as well, driving more than 120% growth in managed revenue for Orders year-over-year.

Let me briefly put our strategic focus of mobilization and monetization into perspective with a recent case study showcasing the powerful value we bring to publishers today.

Ziff Davis International is a leading digital publisher with well-known properties such as IGN and AskMen.

Working with Rubicon Project's real-time bidding and Orders technology for both mobile and desktop inventory, Ziff Davis International generated a 440% increase year-over-year in total revenue during July of 2015. And, despite enjoying massive growth in automation and private marketplaces, Ziff Davis International reported "no decline in direct sold conversations" since adopting our Orders platform. That is a powerful statement supporting our long-standing view that automation makes direct sales efforts far more efficient without cannibalizing revenue.

In addition to Orders, we are also excited about our recent "Fastlane" product innovation. Fastlane is our second-generation Header Bidder technology that recently went live in Q3. Fastlane enables Rubicon Project to sit much higher in the publisher's ad stack, allowing the strength and scale of our Buyer demand to compete for many more of a Seller's available impressions.

This innovative technology is designed to create much higher demand for impressions, leading to higher CPM prices and increased revenue for our Seller clients and greater impression volumes to Rubicon Project. In fact, positive early results from FastLane demonstrate that Sellers can achieve CPM increases in excess of 50%.

Buyer Cloud

Finally, I would like to close by turning to our Buyer Cloud and sharing with you a number of initiatives that we have put in place to grow demand since integrating our Buyer teams this summer.

A key focus of our company strategy today has been to control supply and to control demand.

We began nearly a decade ago with a mission to automate advertising with a clear focus on helping publishers and app developers embrace technology to grow monetization opportunities for their business. Several years ago we made the strategic move to leverage the network effects inherent in our business of having the most premium supply in the market to build out a robust buyer business.

In Q2 of this year we acquired Chango and integrated that business into a unified buyer cloud, offering many of the tools necessary to control demand.

To accomplish this, we have been focused on three strategic goals:

First, in a familiar theme, unlocking mobile demand targeting solutions has been a high priority for the Buyer Cloud. For the past several months our engineering teams have been working to further advance our Mobile capabilities for our Buyer Cloud offerings, recently developing capabilities such as Mobile in-App and cross-device targeting that are in high demand.

Earlier this month we launched our comprehensive Buyer Cloud Mobile solutions suite that now offer buyers access to Mobile web, Mobile in-App and cross-device targeting. When you consider that Buyer Cloud Mobile Managed Revenue from Mobile web demand alone has already grown 50% from May to September of this year - even before we were in market with our in app and cross-device technology - you can see why we are very bullish on the future demand from these two exciting fast growth segments of the business.

Second, as we have mentioned in prior quarters, we have been working to expand demand for our Guaranteed Orders platform offering that automates the buying and selling of premium digital advertising on a fully-reserved basis. In Q3, we brought on new Buyers to the Guaranteed Orders platform including advertising agencies such as Merkle and Empower Media, and advertiser brands, such as LiveNation. Our growing ecosystem of Buyers and Sellers will help drive higher spending on Guaranteed Orders as the business continues to scale.

We are making an entirely new market in Guaranteed Orders and expect our near-term progress to be measured as Buyers of all kinds become more comfortable integrating automation into their ad campaigns to acquire the most premium inventory.

Third, we continue to leverage our Buyer Cloud to extract even greater scale effects. Most notably, the former Chango sales team of more than 50 knowledgeable deal makers are now in market with our private marketplace Guaranteed and Non-Guaranteed Orders solutions – leveraging our increased technology and infrastructure on the one hand and accessing our expanded Buyer Cloud relationships on the other.

To wrap up, I will comment on a key trend we are seeing in the Buyer Cloud as we have begun to proactively test new pricing models in anticipation of future demand for greater transparency from brand advertisers and agencies.

As a company intent on operating a fully transparent Marketplace, which is rather unique for our industry, we have always been an advocate of transparency. We believe more transparent pricing in Buyer Cloud will give us a competitive advantage, resulting in stronger relationships with our customers, and driving higher spend in the future.

Our intention to offer more transparent pricing will likely result in a greater share of our Buyer Cloud transactions being recorded as net revenue in the future, and we expect will result in lower take rates, but will provide more managed revenue to Rubicon Project.

In summary, I am pleased with our team's strong execution during the third quarter and our record performance as we continue to shape and define the future of the advertising automation market.

Rubicon Project is well positioned for continued success heading into our busiest seasonal period ahead of the holiday season and into the New Year.

And with that, I will turn it over to Todd for a review of the financials.

Here's Todd.

Todd Tappin, Chief Operating Officer and Chief Financial Officer

Thank you, Greg.

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

Revenue

Managed Revenue, which is the advertising spending transacted on our platform, for the third quarter of 2015 was \$244.4M compared to \$168.2M in the third quarter of 2014, an increase of 45% year over year. The increase in managed revenue was primarily driven by an increase in both pricing and bidding activity, led by RTB, which continues to represent the largest portion of our business.

Managed revenue was comprised of 77% RTB, 16% Orders and 7% Static. By channel, managed revenue was comprised of 74% desktop and 26% Mobile.

GAAP revenue was \$64.3M compared to \$32.2M in the same period in 2014, representing a year over year increase of 100% and slightly ahead of expectations.

Non-GAAP net revenue, which is the revenue that we would report if we were to report all of our revenue on a net basis, was \$57.9M compared to \$32.2M, an increase of 80% year over year and ahead of expectations. The non-GAAP net revenue associated with the GAAP revenue guidance that we provided last quarter was \$53.8M, therefore, the attainment of \$57.9M this quarter represents a favorable variance of 8% over expectations.

Key Metrics

Average CPM's continued to increase and were higher year over year. Paid impressions associated with Orders and RTB were higher year over year, while paid impression from Static transactions were lower year on year. The growth in Average CPM was primarily due to algorithm efficiency, Orders, increased buyer spend, buyer cloud initiatives, and a continued shift from static inventory purchases to RTB.

Take rate, which is non-GAAP net revenue, divided by Managed Revenue, increased to 23.7% in the third quarter of 2015 as compared to 19.1% for the same period in 2014. The increase in take rate year-over-year was primarily due to the higher mix of RTB managed revenue and buyer cloud transactions reported on a gross basis and a lower mix of static managed revenue.

Looking ahead we expect take rates to decrease as more buyer cloud transactions are expected to be more enterprise based or be transactions reported on a net basis, which carry lower take rates and we expect Orders to increase as a percentage of overall managed revenue mix. We believe that both buyer cloud transactions and Orders will increase in the future, thereby providing incremental revenue, but at lower take rates than those recently reported.

Operating Expenses

Operating expenses, including cost of revenue, increased to \$69.4M in the third quarter of 2015 from \$37.6M during the same quarter in 2014. The increases in operating expenses were primarily due to prior acquisitions, which includes an increase in payments to sellers of \$6.4M included in cost of revenue, and an increase in non-cash amortization of acquired intangible assets of \$4.8M, in addition to an overall increase in personnel expenses of approximately \$12.7M, of which \$1.6M consisted of an increase in non-cash stock compensation expense. In addition, the increase in operating expenses was due to the expansion of our sales efforts and buyer cloud initiatives.

Net loss was (\$3.0M) in the third quarter of 2015 compared to a net loss of (\$4.6M) for the same period in 2014.

Adjusted EBITDA was \$12.6M in the third quarter of 2015 compared to Adjusted EBITDA of \$4.8M in the third quarter of 2014 and well above expectations. The increase in adjusted EBITDA was primarily due to the revenue performance.

Earnings per Share

GAAP loss per share was (\$0.07) in the third quarter of 2015 compared to a loss of (\$0.14) per share during the third quarter in 2014.

Non-GAAP earnings per share in the third quarter of 2015 was \$0.23 compared to non-GAAP earnings per share of \$0.05 in the same period in 2014. For an explanation of the various share counts that affect these computations, please see the table in the earnings release and the explanation of non-GAAP EPS and non-GAAP weighted-average shares outstanding.

Capital expenditures, excluding capitalized stock compensation, were \$4.5M for the third quarter 2015.

Balance Sheet

We closed Q3 2015 with \$108.1M in liquid assets and no debt. We paid approximately \$20.5M of our payables earlier than normal at the end of the quarter. Thus, on a normalized basis, we generated \$7.6M of free cash flow from what is normally a seasonally low, quarter.

Looking ahead, in response to feedback from analysts and investors, we plan to provide revenue guidance on a Non-GAAP Net Revenue basis going forward. We will also provide revenue guidance on a GAAP basis, in order to comply with reporting guidelines; however, GAAP revenue consists of transactions for which some are reported gross and some are reported net. We expect that there will be a higher mix of net vs. gross transactions in the future, but predicting the mix of such in any given quarter will be challenging, since each transaction must be evaluated on its own characteristics, some of which may not be known at the time we provide guidance. Therefore, we believe that the non-GAAP net revenue guidance may provide a better forecast and representation of future results.

Guidance

Accordingly, in terms of outlook for Q4 2015, we expect the following:

- Non-GAAP Net Revenue to be between \$75.0M and \$80.0M, which is consistent with the prior forecast, understanding that we did not provide non-GAAP net revenue guidance last quarter;
- GAAP revenue to be between \$87.5M and \$98.5M, which is also consistent with the prior forecast, and with a wider range to accommodate for the fluctuating mix between gross and net revenue reporting;
- Adjusted EBITDA to be between \$20M and \$21M, also consistent with the prior forecast; and
- Non-GAAP earnings per share to be between \$0.32 and \$0.34, based on approximately 51M forecasted weighted-average shares.

The outperformance in Q3 and Q4 guidance provided above results in full year 2015 estimates as follows:

- Non-GAAP Net Revenue to be between \$219M and \$224M;
- GAAP revenue to be between \$242M and \$253M;
- Adjusted EBITDA to be between \$43M and \$44M, an increase of 18% compared to the prior guidance; and
- Non-GAAP earnings per share to be between \$0.64 and \$0.66, based on approximately 47M forecasted weighted-average shares;

As a preliminary view toward 2016, we expect continued growth and provide the following estimates:

- Non-GAAP Net Revenue to be between \$270M to \$300M;
- GAAP revenue to be between \$315M and \$355M;
- Adjusted EBITDA to be between \$45M to \$60M; and
- Non-GAAP EPS to be between \$0.65 to \$0.78.

We intend to narrow the 2016 guidance ranges after we report our Q4 results.

As we have previously noted, we believe that we are in the right position to be a leader in this fast-growing and large opportunity. Accordingly, we plan to continue to invest in discretionary innovation and R&D. Other important areas of investment during the remainder of 2015 and through 2016 include buyer cloud initiatives, Orders, international expansion, mobile and video buying and selling.

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

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