

ROCKET FUEL

Q2 2016 Earnings Call

Supplemental Material as of
August 2, 2016



CAUTIONS REGARDING FORWARD LOOKING STATEMENTS

This presentation contains “forward-looking” statements regarding future events and financial performance, including but not limited to our expectations for third quarter non-GAAP net revenue and non-GAAP adjusted EBITDA; our expected media margins; and our anticipated facilities-related capital expenditures.

These forward-looking statements are subject to risks and uncertainties that may cause actual results to differ materially from the results anticipated by such statements, including our limited operating history, particularly as a relatively new public company; fluctuations in our operating results, including but not limited to fluctuations due to seasonality; our history of losses; our ability to realize the expected benefits of our efficiency improvement plans; risks due to employee attrition and integration of new leadership and employees; risks associated with our growth, including growth outside of the U.S.; our ability to adequately address competition, particularly from agency trading desks; our ability to serve the needs of agencies and agency holding companies and make the right investment decisions with regard to new products, technology and sales strategies; risks associated with maintaining or increasing sales to new and existing customers and maintaining customer satisfaction. Additional factors that could cause actual results to differ materially from those anticipated by our forward-looking statements are under the caption “Risk Factors” in our Annual Report on Form 10-K filed with the SEC on March 14, 2016.

The statements in this presentation are made as of August 2, 2016, and we expressly disclaim any obligation to update any information contained in these forward-looking statements for any reason, except to the extent required by applicable law.

We encourage investors to consider all of our publicly filed materials before making an investment decision. Investors may get our most recent Form 10-K, filed on March 14, 2016, and all other documents we file with the SEC, for free at www.sec.gov.

Rocket Fuel is a registered trademark of Rocket Fuel Inc.

Q216 Financial Results Summary

- GAAP Revenue of \$117.0M was up 12% sequentially compared to \$104.7M in Q116, but down 3% year-over-year compared to \$120.1M in Q215 due to continuing North American holding company headwinds.
- Non-GAAP Net Revenue of \$66.0M was up 6% sequentially compared to \$62.2M in Q116, but down 7% year-over-year compared to \$70.9M in Q215 due to lower margins in the current period as we continue our transition to a higher percentage of Platform Solutions revenues.
- Non-GAAP Operating Expenses of \$61.8M were down 5% sequentially compared to \$64.8M in Q116, and down 11% year-over-year compared to \$69.5M in Q215, reflecting our continued efforts to increase the efficiency of our operations.
- Non-GAAP Adjusted EBITDA of \$4.2M was up \$6.8M sequentially compared to \$(2.6)M in Q116, and up \$2.8M compared to \$1.4M in Q215, in both cases due to improvements in our cost structure.
- Non-GAAP Free Cash Flow of \$0.9M primarily due to higher Adjusted EBITDA.
- GAAP Revenue from Top 50 and Top 250 customers increased to 53% and 82% of total GAAP revenue, up compared to 47% and 78% in Q215.

Note: Non-GAAP measures are in addition to, not a substitute for or superior to, financial measures prepared in accordance with GAAP. A reconciliation of GAAP to Non-GAAP Financial Measures is provided in the appendix to this presentation.



Definitions

Media Services and Platform Solutions

Media Services is our managed service offering where we execute Insertion Orders on behalf of agencies for their clients, and on behalf of direct clients. Platform Solutions include (i) what we have recently referred to as our self-serve DSP, (ii) our DMP technologies and (iii) professional services we provide to customers to help them implement and operate our platforms.

Channel and Direct

Channel is principally agencies. We are seeking to expand into other channel opportunities such as systems integrators, marketing services firms and resellers. Direct is when a customer purchases our solution from us directly.

Brand and Direct Response

Brand comprises video, including pTV. Previously, we defined Brand as campaigns geared towards lifting brand metrics, generally defined as cost-per-click and brand survey goals. Going forward, we are categorizing all non-video revenues into Direct Response. As we supplement our Brand offerings over time, we will disclose those additional offerings to the extent included in Brand revenue.

Summary Financial Metrics

	Q2'16	Q1'16	Q4'15	Q3'15	Q2'15
Revenue	\$ 117.0 M	\$ 104.7 M	\$ 125.4 M	\$ 111.8 M	\$ 120.1 M
Non-GAAP Net Revenue	\$ 66.0 M	\$ 62.2 M	\$ 74.7 M	\$ 68.2 M	\$ 70.9 M
Non-GAAP Operating Expenses	\$ 61.8 M	\$ 64.8 M	\$ 65.8 M	\$ 64.7 M	\$ 69.5 M
Non-GAAP Adjusted EBITDA	\$ 4.2 M	\$ (2.6) M	\$ 8.9 M	\$ 3.4 M	\$ 1.4 M
Non-GAAP Adjusted Net Loss	\$ (6.7) M	\$ (12.0) M	\$ (1.8) M	\$ (7.0) M	\$ (7.2) M

Note: Non-GAAP measures are in addition to, not a substitute for or superior to, financial measures prepared in accordance with GAAP. A reconciliation of GAAP to Non-GAAP Financial Measures is provided in the appendix to this presentation.



GAAP Revenue Breakdown

	Q2'16	Q1'16	Q4'15	Q3'15	Q2'15
Geography					
North America	79 %	81 %	81 %	84 %	85 %
International	21 %	19 %	19 %	16 %	15 %
Product					
Media Services	82 %	84 %	89 %	92 %	94 %
Platform Solutions (1)	18 %	16 %	11 %	8 %	6 %

Note: Breakouts based on Total GAAP Revenue.
 (1) Includes DSP Self-Serve, DMP and Professional Services revenues from supporting self-serve clients.



GAAP Revenue Breakdown

	Q2'16	Q1'16	Q4'15	Q3'15	Q2'15
Product					
Direct Response	93 %	92 %	94 %	94 %	94 %
Brand (Video)	7 %	8 %	6 %	6 %	6 %
Channel/Direct					
Channel	71 %	71 %	73 %	75 %	76 %
Direct	29 %	29 %	27 %	25 %	24 %
Customer Spend (1)					
Top 50	53 %	52 %	46 %	49 %	47 %
Top 250	82 %	83 %	79 %	80 %	78 %

Note: Breakouts based on Total GAAP Revenue.

(1) Platform customers and their advertisers are now treated as a single customer. Previously, advertisers of platform customers were considered separately. Percentages have been revised versus our Q116 presentation to reflect this change.



Additional Financial Metrics

	Q2'16	Q1'16	Q4'15	Q3'15	Q2'15
Cash and Cash Equivalents	\$ 66.7 M	\$ 67.4 M	\$ 78.6 M	\$ 83.1 M	\$ 81.1 M
Debt (1)	\$ 78.9 M	\$ 80.5 M	\$ 83.8 M	\$ 83.4 M	\$ 83.1 M
Capital Expenditures	\$ (4.3) M	\$ (4.7) M	\$ (3.9) M	\$ (3.9) M	\$ (7.5) M
Non-GAAP Free Cash Flow	\$ 0.9 M	\$ (7.5) M	\$ (1.8) M	\$ 5.6 M	\$ (10.4) M
DSO	89	95	91	90	90
Employee Headcount	899	917	954	962	1,008

Note: Non-GAAP measures are in addition to, not a substitute for or superior to, financial measures prepared in accordance with GAAP. A reconciliation of GAAP to Non-GAAP Financial Measures is provided in the appendix to this presentation.

(1) Includes capital lease obligations.



Q3 2016 Financial Outlook

Q3 2016

Non-GAAP Net Revenue	\$63 - \$66 million
Media Margins	Flat to Down approximately 1% sequentially
Non-GAAP Adjusted EBITDA	\$4 - \$7 million
Facilities-related Capital Expenditures	~ \$2 million

Consolidated Statements of Operations

(In thousands, except loss per share data)

	2014			2015				2016	
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Revenue	\$ 92,642	\$ 102,098	\$ 139,504	\$ 104,334	\$ 120,065	\$ 111,836	\$ 125,401	\$ 104,745	\$ 116,968
Costs and expenses:									
Media costs	37,930	43,006	62,834	45,561	49,155	43,673	50,700	42,559	50,922
Other cost of revenue	8,993	11,946	19,819	19,956	19,826	20,105	19,980	20,085	20,397
Research and development	8,434	11,200	12,919	11,323	11,791	11,022	10,786	10,639	9,438
Sales and marketing	33,789	40,421	42,461	42,878	41,750	41,681	39,831	36,840	36,190
General and administrative	12,135	19,320	18,750	17,574	14,761	12,328	13,691	14,321	12,765
Impairment of goodwill	-	-	-	-	-	117,521	-	-	-
Restructuring	-	-	-	-	6,471	-	922	(199)	1,766
Total costs and expenses	101,281	125,893	156,783	137,292	143,754	246,330	135,910	124,245	131,478
Operating loss	(8,639)	(23,795)	(17,279)	(32,958)	(23,689)	(134,494)	(10,509)	(19,500)	(14,510)
Interest expense	514	1,157	1,007	1,340	1,045	1,087	1,090	1,237	1,032
Other (income) expense, net	425	1,999	2,824	2,208	(696)	797	803	(194)	866
Loss before income taxes	(9,578)	(26,951)	(21,110)	(36,506)	(24,038)	(136,378)	(12,402)	(20,543)	(16,408)
Income tax provision (benefit)	181	(4,120)	(614)	357	372	213	279	230	285
Net loss	\$ (9,759)	\$ (22,831)	\$ (20,496)	\$ (36,863)	\$ (24,410)	\$ (136,591)	\$ (12,681)	\$ (20,773)	\$ (16,693)
Basic and diluted net loss per share attributable to common stockholders	\$ (0.28)	\$ (0.61)	\$ (0.49)	\$ (0.88)	\$ (0.58)	\$ (3.19)	\$ (0.29)	\$ (0.48)	\$ (0.38)
Basic and diluted weighted-average shares used to compute net loss per share attributable to common stockholders	35,172	37,230	41,486	41,981	42,296	42,763	43,150	43,601	44,048
Media Margin (% of Revenue)	59.1%	57.9%	55.0%	56.3%	59.1%	60.9%	59.6%	59.4%	56.5%



Non-GAAP Consolidated Statements of Operations

(In thousands, except loss per share data)

	2014			2015				2016	
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Revenue	\$ 92,642	\$ 102,098	\$ 139,504	\$ 104,334	\$ 120,065	\$ 111,836	\$ 125,401	\$ 104,745	\$ 116,968
Media costs	37,930	43,006	62,834	45,561	49,155	43,673	50,700	42,559	50,922
Non-GAAP Net Revenue	54,712	59,092	76,670	58,773	70,911	68,163	74,701	62,186	66,046
Non-GAAP Operating Expenses	53,177	62,046	73,826	72,399	69,517	64,741	65,802	64,811	61,827
Non-GAAP Adjusted EBITDA	1,535	(2,954)	2,844	(13,626)	1,394	3,422	8,899	(2,625)	4,219
Adjustments:									
Depreciation and amortization expense	3,890	5,749	11,111	11,866	12,158	14,055	12,684	12,264	12,881
Stock-based compensation expense	5,999	5,929	6,645	7,447	6,434	6,307	5,785	4,810	4,082
Restructuring expense	-	-	-	-	6,471	-	922	(199)	1,766
Acquisition expense	100	9,136	2,240	-	-	-	-	-	-
Payroll tax expense related to stock-based compensation	185	27	127	19	20	33	17	-	-
Impairment of goodwill	-	-	-	-	-	117,521	-	-	-
Total adjustments	10,174	20,842	20,123	19,332	25,084	137,916	19,408	16,876	18,729
Operating loss	(8,639)	(23,795)	(17,279)	(32,958)	(23,689)	(134,494)	(10,509)	(19,500)	(14,510)
Interest expense	514	1,157	1,007	1,340	1,045	1,087	1,090	1,237	1,032
Other (income) expense, net	425	1,999	2,824	2,208	(696)	797	803	(194)	866
Loss before income taxes	(9,578)	(26,951)	(21,110)	(36,506)	(24,038)	(136,378)	(12,402)	(20,543)	(16,408)
Income tax provision (benefit)	181	(4,120)	(614)	357	372	213	279	230	285
Net loss	\$ (9,759)	\$ (22,831)	\$ (20,496)	\$ (36,863)	\$ (24,410)	\$ (136,591)	\$ (12,681)	\$ (20,773)	\$ (16,693)
Basic and diluted net loss per share attributable to common stockholders	\$ (0.28)	\$ (0.61)	\$ (0.49)	\$ (0.88)	\$ (0.58)	\$ (3.19)	\$ (0.29)	\$ (0.48)	\$ (0.38)
Basic and diluted weighted-average shares used to compute net loss per share attributable to common stockholders	35,172	37,230	41,486	41,981	42,296	42,763	43,150	43,601	44,048
Media Margin (% of Revenue)	59.1%	57.9%	55.0%	56.3%	59.1%	60.9%	59.6%	59.4%	56.5%

Note: A reconciliation of GAAP to Non-GAAP Financial Measures is provided in the appendix to this presentation.



Consolidated Balance Sheets

(In thousands)

	2014			2015				2016	
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Assets									
Current Assets:									
Cash and cash equivalents	\$ 203,540	\$ 111,632	\$ 107,056	\$ 92,055	\$ 81,065	\$ 83,083	\$ 78,560	\$ 67,392	\$ 66,664
Accounts receivable, net	93,941	116,229	135,400	112,689	119,423	110,660	124,998	109,821	114,038
Deferred tax assets, net	207	1,154	1,716	1,716	1,716	1,709	-	-	-
Prepaid expenses	2,526	3,974	3,698	4,029	3,167	3,499	3,803	4,474	3,071
Other current assets	17,797	15,331	12,531	6,915	6,847	1,689	2,081	2,987	3,895
Total current assets	<u>318,011</u>	<u>248,320</u>	<u>260,401</u>	<u>217,404</u>	<u>212,218</u>	<u>200,640</u>	<u>209,442</u>	<u>184,674</u>	<u>187,668</u>
Property, equipment and software, net	56,234	78,217	89,441	91,752	86,719	87,647	82,781	75,715	68,524
Restricted cash	2,227	3,010	2,915	2,188	2,304	2,235	2,141	2,002	1,876
Intangible assets, net	-	73,525	69,299	65,072	60,845	55,046	50,919	46,792	42,665
Goodwill	-	114,871	115,412	115,412	115,412	-	-	-	-
Deferred tax assets, net	-	-	-	-	-	-	718	722	525
Other assets	1,315	1,198	1,797	1,364	1,620	1,326	1,053	1,059	1,243
Total assets	\$ 377,787	\$ 519,141	\$ 539,265	\$ 493,192	\$ 479,118	\$ 346,894	\$ 347,054	\$ 310,964	\$ 302,501
Liabilities and Stockholders' Equity									
Current Liabilities:									
Accounts payable	\$ 42,976	\$ 65,284	\$ 76,085	\$ 63,408	\$ 63,305	\$ 61,414	\$ 71,292	\$ 59,999	\$ 64,059
Accrued and other current liabilities	22,891	33,268	33,258	28,833	32,740	32,484	40,734	34,596	33,745
Deferred revenue	1,375	1,251	593	3,124	1,931	1,651	2,116	1,642	1,988
Current portion of capital leases	2,566	2,695	5,482	5,691	6,233	7,421	8,602	8,723	8,737
Current portion of debt	9,743	45,990	45,705	45,720	45,720	45,720	45,720	61,957	62,035
Total current liabilities	<u>79,551</u>	<u>148,488</u>	<u>161,123</u>	<u>146,776</u>	<u>149,929</u>	<u>148,690</u>	<u>168,464</u>	<u>166,917</u>	<u>170,564</u>
Debt - Less current portion	17,168	15,965	23,335	21,907	20,477	19,047	17,617	-	-
Capital leases - Less current portion	4,744	5,024	12,341	11,156	10,649	11,257	11,855	9,793	8,148
Deferred rent - Less current portion	19,629	24,260	26,818	26,521	25,498	24,955	14,042	14,866	15,897
Deferred tax liabilities	207	2,231	2,068	2,044	1,949	2,061	39	-	-
Other liabilities	499	543	814	808	1,204	1,171	1,137	1,143	1,311
Total liabilities	<u>121,798</u>	<u>196,511</u>	<u>226,499</u>	<u>209,212</u>	<u>209,706</u>	<u>207,181</u>	<u>213,154</u>	<u>192,719</u>	<u>195,920</u>
Stockholders' Equity:									
Common stock	36	41	42	42	43	43	44	44	44
Additional paid-in capital	321,403	410,923	421,630	429,816	439,542	446,410	453,338	458,631	463,959
Accumulated other comprehensive loss	10	(44)	(120)	(229)	(113)	(88)	(151)	(326)	(625)
Accumulated deficit	(65,460)	(88,290)	(108,786)	(145,649)	(170,060)	(306,652)	(319,331)	(340,104)	(356,797)
Total stockholders' equity	<u>255,989</u>	<u>322,630</u>	<u>312,766</u>	<u>283,980</u>	<u>269,412</u>	<u>139,713</u>	<u>133,900</u>	<u>118,245</u>	<u>106,581</u>
Total Liabilities and Stockholders' Equity	\$ 377,787	\$ 519,141	\$ 539,265	\$ 493,192	\$ 479,118	\$ 346,894	\$ 347,054	\$ 310,964	\$ 302,501



Consolidated Statements of Cash Flows

(In thousands)

	2014			2015			2016		
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
OPERATING ACTIVITIES:									
Net Loss	\$ (9,760)	\$ (22,831)	\$ (20,496)	\$ (36,863)	\$ (24,410)	\$ (136,591)	\$ (12,681)	\$ (20,773)	\$ (16,693)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:									
Impairment of goodwill	-	-	-	-	-	117,521	-	-	-
Depreciation and amortization	4,020	5,749	11,111	11,866	12,157	14,055	12,684	12,264	12,881
Impairment of leasehold improvements	-	-	-	-	2,704	-	3,929	3,533	4,751
Stock-based compensation	6,116	5,952	6,645	7,447	6,434	6,307	5,785	4,810	4,082
Deferred taxes	112	-	(1,618)	285	(305)	20	(379)	-	-
Excess tax benefit from stock-based activity	(16)	(16)	(99)	-	-	-	-	-	-
Other non-cash adjustments, net	(15)	189	483	509	535	71	384	1,350	450
Changes in operating assets and liabilities, net of effects of acquisition:									
Accounts receivable	(10,354)	(1,883)	(20,072)	22,549	(7,187)	8,771	(14,858)	14,103	(4,001)
Prepaid expenses and other assets	(11,055)	2,216	3,245	5,379	939	3,574	(764)	(1,796)	(413)
Accounts payable	4,756	14,173	13,027	(14,812)	3,274	(2,093)	9,616	(10,846)	3,054
Accrued and other liabilities	(1,201)	(4,180)	484	(4,271)	4,453	(1,671)	1,758	(1,851)	3,727
Deferred rent	12,179	4,722	3,597	1,184	(294)	(206)	(3,868)	(3,074)	(3,029)
Deferred revenue	497	(134)	(657)	2,530	(1,192)	(280)	465	(474)	346
Net cash (used in) provided by operating activities	(4,721)	3,957	(4,350)	(4,197)	(2,892)	9,478	2,071	(2,754)	5,155
INVESTING ACTIVITIES:									
Purchases of property, equipment and software	(11,964)	(21,145)	(7,579)	(5,519)	(4,566)	(712)	(715)	(1,787)	(1,268)
Business acquisition, net	-	(97,444)	-	-	-	(367)	-	-	-
Capitalized internal use software development costs	(1,798)	(1,904)	(2,141)	(3,076)	(2,972)	(3,159)	(3,195)	(2,924)	(3,000)
Proceeds from sale of fixed assets	-	-	-	-	-	-	-	293	-
Change in restricted cash	78	-	-	636	-	-	53	39	-
Net cash used in investing activities	(13,684)	(120,493)	(9,720)	(7,959)	(7,538)	(4,238)	(3,857)	(4,379)	(4,268)
FINANCING ACTIVITIES:									
Proceeds from the issuance of common stock in public offering, net of underwriting discounts and commission and issuance costs	(395)	273	-	-	-	-	-	-	1,052
Proceeds from employee stock plans, net	4,612	796	3,712	189	2,950	234	1,146	28	-
Excess tax benefit from stock-based activity	16	16	99	-	-	-	-	-	-
Tax withholdings related to net share settlements of restricted stock units	(53)	(188)	(326)	-	(533)	(441)	(458)	(241)	(368)
Repayment of capital lease obligations	(392)	(129)	(776)	(1,090)	(1,665)	(1,582)	(1,902)	(2,092)	(2,126)
Proceeds from debt facilities, net of issuance costs	-	35,000	9,479	(242)	-	-	-	22,350	-
Repayment of debt facilities	-	(11,133)	(2,445)	(1,500)	(1,500)	(1,500)	(1,500)	(24,000)	-
Net cash (used in) provided by financing activities	3,788	24,635	9,743	(2,643)	(748)	(3,289)	(2,714)	(3,955)	(1,442)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND EQUIVALENTS	(17)	(7)	(249)	(202)	188	67	(23)	(80)	(173)
CHANGE IN CASH AND CASH EQUIVALENTS	(14,634)	(91,908)	(4,576)	(15,001)	(10,990)	2,018	(4,523)	(11,168)	(728)
CASH AND CASH EQUIVALENTS—Beginning of period	218,174	203,540	111,632	107,056	92,055	81,065	83,083	78,560	67,392
CASH AND CASH EQUIVALENTS—End of period	\$ 203,540	\$ 111,632	\$ 107,056	\$ 92,055	\$ 81,065	\$ 83,083	\$ 78,560	\$ 67,392	\$ 66,664

Reconciliation of GAAP to Non-GAAP Financial Measures

Rocket Fuel Inc.
UNAUDITED RECONCILIATION FROM GAAP REVENUE TO NON-GAAP NET REVENUE
(In thousands)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2016	2015	2016	2015
Revenue	\$ 116,968	\$ 120,065	\$ 221,713	\$ 224,399
Less: Media costs	50,922	49,155	93,481	94,716
Non-GAAP net revenue	<u>\$ 66,046</u>	<u>\$ 70,910</u>	<u>\$ 128,232</u>	<u>\$ 129,683</u>

Note: Non-GAAP net revenue is defined as GAAP revenue less media costs. Media costs consist of costs for advertising impressions we purchase from real-time advertising exchanges or other third parties.



Reconciliation of GAAP to Non-GAAP Financial Measures

Rocket Fuel Inc.
UNAUDITED RECONCILIATION FROM GAAP NET LOSS TO NON-GAAP ADJUSTED EBITDA
(In thousands)

	<u>Three Months Ended</u>		<u>Six Months Ended</u>	
	<u>June 30,</u>		<u>June 30,</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Net loss	\$ (16,693)	\$ (24,410)	\$ (37,466)	\$ (61,273)
Adjustments:				
Interest expense	1,032	1,045	2,269	2,385
Income tax provision (benefit)	285	372	515	729
Amortization of intangibles	4,127	4,227	8,254	8,454
Amortization of capitalized software	2,743	1,807	5,033	3,444
Depreciation	6,011	6,124	11,858	12,126
Stock-based compensation expense	4,082	6,434	8,892	13,881
Other (income) expense, net	866	(696)	672	1,512
Restructuring expense (credit), net	1,766	6,471	1,567	6,471
Payroll tax expense related to stock-based compensation	—	20	—	39
Total adjustments	<u>20,912</u>	<u>25,804</u>	<u>39,060</u>	<u>49,041</u>
Non-GAAP adjusted EBITDA	<u>\$ 4,219</u>	<u>\$ 1,394</u>	<u>\$ 1,594</u>	<u>\$ (12,232)</u>

Note: Non-GAAP adjusted EBITDA is defined as GAAP net income (loss) before interest expense, other income (expense), net, income tax provision (benefit), depreciation and amortization expense (including amortization of capitalized software development expenses), stock-based compensation expense and related payroll taxes, acquisition and restructuring related expenses, and impairment charges.

Reconciliation of GAAP to Non-GAAP Financial Measures

Rocket Fuel Inc.
**UNAUDITED RECONCILIATION FROM GAAP NET LOSS TO NON-GAAP ADJUSTED NET
 INCOME (LOSS)**
(In thousands, except per share data)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2016	2015	2016	2015
Net loss	\$ (16,693)	\$ (24,410)	\$ (37,466)	\$ (61,273)
Stock-based compensation expense	4,082	6,434	8,892	13,881
Amortization of intangible assets	4,127	4,227	8,254	8,454
Restructuring expense (credit), net	1,766	6,471	1,567	6,471
Tax impact of the above items	—	101	—	191
Non-GAAP adjusted net income (loss)	<u>\$ (6,718)</u>	<u>\$ (7,177)</u>	<u>\$ (18,753)</u>	<u>\$ (32,276)</u>
Basic and diluted net income (loss) per share attributable to common stockholders	<u>\$ (0.38)</u>	<u>\$ (0.58)</u>	<u>\$ (0.85)</u>	<u>\$ (1.45)</u>
Non-GAAP adjusted net income (loss) per diluted share	<u>\$ (0.15)</u>	<u>\$ (0.17)</u>	<u>\$ (0.43)</u>	<u>\$ (0.77)</u>
Weighted average shares used in computing non-GAAP adjusted net income (loss) per diluted share	<u>44,048</u>	<u>42,296</u>	<u>43,825</u>	<u>42,140</u>

Note: Non-GAAP adjusted net income (loss) is defined as GAAP net income (loss) excluding stock-based compensation expense, amortization of intangible assets, impairment charges, acquisition and restructuring related expenses and the estimated tax impact of the foregoing items.

Reconciliation of GAAP to Non-GAAP Financial Measures

Rocket Fuel Inc.

UNAUDITED RECONCILIATION FROM GAAP TOTAL COSTS AND EXPENSES TO NON-GAAP OPERATING EXPENSES (In thousands)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2016	2015	2016	2015
Total costs and expenses	\$ 131,478	\$ 143,754	\$ 255,723	\$ 281,046
Less media costs	50,922	49,155	93,481	94,716
Adjustments:				
Amortization of intangibles	4,127	4,227	8,254	8,454
Amortization of capitalized software	2,743	1,807	5,033	3,444
Depreciation	6,011	6,124	11,858	12,126
Stock-based compensation	4,082	6,434	8,892	13,881
Restructuring expense (credit), net	1,766	6,471	1,567	6,471
Payroll tax expense related to stock based compensation	—	20	—	39
Total adjustments	18,729	25,083	35,604	44,415
Non-GAAP operating expenses	\$ 61,827	\$ 69,516	\$ 126,638	\$ 141,915

Note: Non-GAAP operating expenses is defined as GAAP total costs and expenses less media costs, depreciation and amortization expense (including amortization of capitalized software development costs), impairment charges, stock-based compensation expense and related payroll taxes, and acquisition and restructuring related expense.



Reconciliation of GAAP to Non-GAAP Financial Measures

Rocket Fuel Inc.
UNAUDITED RECONCILIATION FROM CASH PROVIDED BY (USED IN) OPERATING
ACTIVITIES TO NON-GAAP FREE CASH FLOW
(In thousands)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2016	2015	2016	2015
Cash provided by (used in) operating activities	5,155	(2,892)	2,401	(7,089)
Less: Purchases of property, equipment and software	(1,268)	(4,566)	(3,055)	(10,085)
Less: Capitalized internal-use software development costs	(3,000)	(2,972)	(5,924)	(6,048)
Non-GAAP free cash flow	<u>\$ 887</u>	<u>\$ (10,430)</u>	<u>\$ (6,578)</u>	<u>\$ (23,222)</u>

Note: Non-GAAP free cash flow is defined as net cash provided by (or used in) operating activities less the cash used for purchases of property, equipment and software and for capitalized internal-use software development costs.



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