

ROCKET FUEL

Q2 2017 Earnings Release

Supplemental Material as of
August 9, 2017



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 second quarter of 2017 non-GAAP net revenue, media margins and non-GAAP adjusted EBITDA.

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; changes in customers; our history of losses; our ability to realize the expected benefits of our operating 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.; risks associated with margin shifts in the industry; 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 Quarterly Report on Form 10-Q filed with the SEC on August 9, 2017.

The statements in this presentation are made as of August 9, 2017, 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-Q, filed on August 9, 2017, and all other documents we file with the SEC, for free at www.sec.gov.

Q2'17 Financial Results Summary

- *As a result of the announcement on July 18, 2017, regarding Rocket Fuel's entry into a definitive agreement to be acquired by Sizmek Inc., Rocket Fuel will not be hosting a conference call to discuss its second quarter 2017 financial results.*
- Non-GAAP Spend of \$95.8M declined 3% sequentially compared to \$99.1M in Q117, and declined 19% year-over-year compared to \$118.4M in Q216.
- GAAP Revenue of \$90.7M declined 5% sequentially compared to \$95.2M in Q117, and declined 22% year-over-year compared to \$117.0M in Q216.
- Non-GAAP Net Revenue of \$42.5M was down 10% sequentially compared to \$47.4M in Q117 and down 36% year-over-year compared to \$66.0M in Q216.
- Non-GAAP Operating Expenses of \$45.0M were down 10% sequentially compared to \$50.0M in Q117, and down 27% year-over-year compared to \$61.8M in Q216.
- Non-GAAP Adjusted EBITDA of \$(2.5)M was up sequentially compared to \$(2.6)M in Q117 and down year-over-year compared to \$4.2M in Q216.
- Non-GAAP Free Cash Flow of \$3.4M was \$2.6M higher compared to \$0.9M in Q2'16 due to lower working capital requirements, lower capex and our focus on cash management.

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

Non-GAAP Spend

We define non-GAAP spend as GAAP revenue plus platform media costs for a portion of our sales arrangements (customers with revenue recognized on a net basis per GAAP). Media costs consist of costs for advertising impressions we purchase from advertising exchanges or other third parties.

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. 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

	Q2'17	Q1'17	Q4'16	Q3'16	Q2'16
Non-GAAP Spend	\$ 95.8 M	\$ 99.1 M	\$ 128.0 M	\$ 112.3 M	\$ 118.4 M
Revenue	\$ 90.7 M	\$ 95.2 M	\$ 124.8 M	\$ 109.7 M	\$ 117.0 M
Non-GAAP Net Revenue	\$ 42.5 M	\$ 47.4 M	\$ 61.2 M	\$ 62.6 M	\$ 66.0 M
Non-GAAP Operating Expenses	\$ 45.0 M	\$ 50.0 M	\$ 54.7 M	\$ 56.0 M	\$ 61.8 M
Non-GAAP Adjusted EBITDA	\$ (2.5) M	\$ (2.6) M	\$ 6.5 M	\$ 6.6 M	\$ 4.2 M
Non-GAAP Adjusted Net Loss	\$ (9.9) M	\$ (12.1) M	\$ (4.0) M	\$ (3.6) M	\$ (6.7) 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.



Non-GAAP Spend Breakdown

	Q2'17	Q1'17	Q4'16	Q3'16	Q2'16
Geography					
North America	77 %	78 %	81 %	82 %	78 %
International	23 %	22 %	19 %	18 %	22 %
Product					
Media Services	59 %	68 %	75 %	79 %	81 %
Platform Solutions (1)	41 %	32 %	25 %	21 %	19 %

Note: Breakouts based on Total Non-GAAP Spend vs earlier presentations which were based on GAAP Revenue. A reconciliation of GAAP to Non-GAAP Financial Measures is provided in the appendix to this presentation.

(1) Includes DSP Self-Serve, DMP and Professional Services revenues from supporting self-serve clients.



Non-GAAP Spend Breakdown

	Q2'17	Q1'17	Q4'16	Q3'16	Q2'16
Product					
Direct Response	88 %	93 %	91 %	94 %	93 %
Brand (Video)	12 %	7 %	9 %	6 %	7 %
Channel/Direct					
Channel	72 %	73 %	72 %	73 %	72 %
Direct	28 %	27 %	28 %	27 %	28 %
Customer Spend (1)					
Top 50	67 %	69 %	60 %	60 %	54 %
Top 250	93 %	93 %	87 %	87 %	83 %

Note: Breakouts based on Total Non-GAAP Spend vs earlier presentations which were based on GAAP Revenue. A reconciliation of GAAP to Non-GAAP Financial Measures is provided in the appendix to this presentation.

(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 Q1'16 presentation to reflect this change.



Additional Financial Metrics

	Q2'17	Q1'17	Q4'16	Q3'16	Q2'16
Cash and Cash Equivalents	\$ 62.4 M	\$ 62.8 M	\$ 84.0 M	\$ 78.7 M	\$ 66.7 M
Debt (1)	\$ 83.0 M	\$ 86.0 M	\$ 86.2 M	\$ 87.8 M	\$ 78.9 M
Capital Expenditures	\$ (2.5) M	\$ (3.8) M	\$ (2.7) M	\$ (4.5) M	\$ (4.3) M
Non-GAAP Free Cash Flow	\$ 3.4 M	\$ (18.6) M	\$ 7.3 M	\$ 3.8 M	\$ 0.9 M
DSO (2)	102	105	89	92	88
Employee Headcount	726	751	851	858	899

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. (2) Based on spend.



Q3 2017 Financial Outlook

Q3 2017

Non-GAAP Net Revenue	\$35 - \$40 million
Media Margins	~1% to 2% point decline sequentially
Non-GAAP Adjusted EBITDA	Negative \$10 to Negative \$5 million

Reconciliation of GAAP to Non-GAAP Financial Measures

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Revenue	\$ 90,747	\$ 116,968	\$ 185,919	\$ 221,713
Add: Media costs reduced by net basis accounting	5,025	1,433	8,920	2,956
Non-GAAP spend	<u>\$ 95,772</u>	<u>\$ 118,401</u>	<u>\$ 194,839</u>	<u>\$ 224,669</u>

Note: Non-GAAP spend is defined as GAAP revenue plus platform media costs for a portion of our sales arrangements (customers with revenue recognized on a net basis per GAAP).



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 June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Revenue	\$ 90,747	\$ 116,968	\$ 185,919	\$ 221,713
Less: Media costs	48,239	50,922	95,995	93,481
Non-GAAP net revenue	<u>\$ 42,508</u>	<u>\$ 66,046</u>	<u>\$ 89,924</u>	<u>\$ 128,232</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)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Net loss	\$ (18,197)	\$ (16,693)	\$ (40,666)	\$ (37,466)
Adjustments:				
Interest expense	1,231	1,032	2,368	2,269
Income tax provision (benefit)	216	285	374	515
Amortization of intangibles	3,764	4,127	7,529	8,254
Amortization of capitalized software	3,023	2,743	6,028	5,033
Depreciation	4,053	6,011	9,827	11,858
Stock-based compensation expense	2,588	4,082	5,436	8,892
Other (income) expense, net	(1,136)	866	(1,688)	672
Restructuring expense	986	1,766	4,754	1,567
Acquisition expense	984	—	984	—
Total adjustments	15,709	20,912	35,612	39,060
Non-GAAP adjusted EBITDA	\$ (2,488)	\$ 4,219	\$ (5,054)	\$ 1,594

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 June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Net loss	\$ (18,197)	\$ (16,693)	\$ (40,666)	\$ (37,466)
Stock-based compensation expense	2,588	4,082	5,436	8,892
Amortization of intangible assets	3,764	4,127	7,529	8,254
Restructuring expense	986	1,766	4,754	1,567
Acquisition expense	984	—	984	—
Non-GAAP adjusted net income (loss)	<u>\$ (9,875)</u>	<u>\$ (6,718)</u>	<u>\$ (21,963)</u>	<u>\$ (18,753)</u>
Basic and diluted net loss per share attributable to common stockholders	<u>\$ (0.39)</u>	<u>\$ (0.38)</u>	<u>\$ (0.88)</u>	<u>\$ (0.85)</u>
Non-GAAP adjusted net income (loss) per diluted share	<u>\$ (0.21)</u>	<u>\$ (0.15)</u>	<u>\$ (0.47)</u>	<u>\$ (0.43)</u>
Weighted average shares used in computing non-GAAP adjusted net income (loss) per diluted share	<u>46,638</u>	<u>44,056</u>	<u>46,451</u>	<u>43,828</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 June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Total costs and expenses	\$ 108,633	\$ 131,478	\$ 225,531	\$ 255,723
Less media costs	48,239	50,922	95,995	93,481
Adjustments:				
Amortization of intangibles	3,764	4,127	7,529	8,254
Amortization of capitalized software	3,023	2,743	6,028	5,033
Depreciation	4,053	6,011	9,827	11,858
Stock-based compensation expense	2,588	4,082	5,436	8,892
Restructuring expense	986	1,766	4,754	1,567
Acquisition expense	984	—	984	—
Total adjustments	15,398	18,729	34,558	35,604
Non-GAAP operating expenses	\$ 44,996	\$ 61,827	\$ 94,978	\$ 126,638

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 June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Net cash provided by (used in) operating activities	5,974	5,155	(8,819)	2,401
Less: Purchases of property, equipment and software	(240)	(1,268)	(1,504)	(3,055)
Less: Capitalized internal-use software development costs	(2,293)	(3,000)	(4,798)	(5,924)
Non-GAAP free cash flow	\$ 3,441	\$ 887	\$ (15,121)	\$ (6,578)
Net cash used in investing activities	(2,525)	(4,268)	\$ (6,178)	\$ (8,647)
Net cash used in financing activities	(3,997)	(1,442)	\$ (6,841)	\$ (5,397)

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.



Reconciliation of GAAP to Non-GAAP Financial Measures

<u>Geography</u>	Q217	Q117	Q416	Q316	Q216
North America GAAP Revenue	77%	79%	82%	83%	79%
Add: Platform media costs offset against revenue	0%	(1)%	(1)%	(1)%	(1)%
North America Non-GAAP Spend	77%	78%	81%	82%	78%
International GAAP Revenue	23%	21%	18%	17%	21%
Add: Platform media costs offset against revenue	0%	1%	1%	1%	1%
International Non-GAAP Spend	23%	22%	19%	18%	22%

Media Services/Platform Solutions

Media Services GAAP Revenue	62%	71%	78%	81%	82%
Add: Platform media costs offset against revenue	(3)%	(3)%	(3)%	(2)%	(1)%
Media Services Non-GAAP Spend	59%	68%	75%	79%	81%
Platform Solutions GAAP Revenue	38%	29%	22%	19%	18%
Add: Platform media costs offset against revenue	3%	3%	3%	2%	1%
Platform Solutions Non-GAAP Spend	41%	32%	25%	21%	19%

<u>Direct Response/Brand</u>	Q217	Q117	Q416	Q316	Q216
Direct Response GAAP Revenue	88%	93%	91%	93%	93%
Add: Platform media costs offset against revenue	0%	0%	0%	1%	0%
Direct Response Non-GAAP Spend	88%	93%	91%	94%	93%
Brand (Video) GAAP Revenue	12%	7%	9%	7%	7%
Add: Platform media costs offset against revenue	0%	0%	0%	(1)%	0%
Brand (Video) Non-GAAP Spend	12%	7%	9%	6%	7%

Channel/Direct

Channel GAAP Revenue	71%	72%	71%	73%	71%
Add: Platform media costs offset against revenue	1%	1%	1%	0%	1%
Channel Non-GAAP Spend	72%	73%	72%	73%	72%
Direct GAAP Revenue	29%	28%	29%	27%	29%
Add: Platform media costs offset against revenue	(1)%	(1)%	(1)%	0%	(1)%
Direct Non-GAAP Spend	28%	27%	28%	27%	28%

Top 50/250

Top 50 GAAP Revenue	66%	68%	59%	59%	53%
Add: Platform media costs offset against revenue	1%	1%	1%	1%	1%
Top 50 Non-GAAP Spend	67%	69%	60%	60%	54%
Top 250 GAAP Revenue	92%	93%	87%	86%	82%
Add: Platform media costs offset against revenue	1%	0%	0%	1%	1%
Top 250 Non-GAAP Spend	93%	93%	87%	87%	83%

Note: The difference between GAAP revenue and Non-GAAP spend represents platform media costs for a portion of our sales arrangements where revenue is recognized on a net basis per GAAP.

