

ROCKET FUEL

# Q4 2016 Earnings Call

Supplemental Material as of  
February 21, 2017

 rocketfuel

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## 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 first quarter of 2017 non-GAAP net revenue, media margins and non-GAAP adjusted EBITDA; and our anticipated cash flows.

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 November 8, 2016.

The statements in this presentation are made as of February 21, 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-K, filed on March 14, 2016, and all other documents we file with the SEC, for free at [www.sec.gov](http://www.sec.gov).

## Q4'16 Financial Results Summary

- GAAP Revenue of \$124.8M was up 14% sequentially compared to \$109.7M in Q316, and flat year-over-year compared to \$125.4M in Q415.
- Non-GAAP Net Revenue of \$61.2M was down 2% sequentially compared to \$62.6M in Q316 due to lower margins. Non-GAAP Net Revenue for Q416 was down 18% year-over-year compared to \$74.7M in Q415 due to an 11-point decline in margin as customers continue to transition to fixed margin and Platform Solutions, which typically yield lower margins.
- Non-GAAP Operating Expenses of \$54.7M were down 2% sequentially compared to \$56.0M in Q316, and down 17% year-over-year compared to \$65.8M in Q415, reflecting our continued efforts to improve efficiency and the cost of our operations.
- Non-GAAP Adjusted EBITDA of \$6.5M was flat sequentially compared to \$6.6M in Q316 and down \$2.4M compared to \$8.9M in Q415, due to lower net revenue.
- Non-GAAP Free Cash Flow of \$7.3M was \$9.2M higher compared to (\$1.8)M in Q4'15 due to lower working capital requirements, lower capex and our focus on cash management.
- Achieved full year positive Free Cash Flow goal with \$4.6M of Free Cash Flow for the year. For 2016, FCF was \$24M higher than the full year 2015.

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

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## **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.

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## **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.

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## **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.

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## Summary Financial Metrics

	Q4'16	Q3'16	Q2'16	Q1'16	Q4'15	2016	2015
<b>Revenue</b>	\$ 124.8 M	\$ 109.7 M	\$ 117.0 M	\$ 104.7 M	\$ 125.4 M	\$ 456.3 M	\$ 461.6 M
<b>Non-GAAP Net Revenue</b>	\$ 61.2 M	\$ 62.6 M	\$ 66.0 M	\$ 62.2 M	\$ 74.7 M	\$ 252.1 M	\$ 272.5 M
<b>Non-GAAP Operating Expenses</b>	\$ 54.7 M	\$ 56.0 M	\$ 61.8 M	\$ 64.8 M	\$ 65.8 M	\$ 237.4 M	\$ 272.5 M
<b>Non-GAAP Adjusted EBITDA</b>	\$ 6.5 M	\$ 6.6 M	\$ 4.2 M	\$ (2.6) M	\$ 8.9 M	\$ 14.7 M	\$ 0.1 M
<b>Non-GAAP Adjusted Net Loss</b>	\$ (4.0) M	\$ (3.6) M	\$ (6.7) M	\$ (12.0) M	\$ (1.8) M	\$ (26.3) M	\$ (41.1) 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

	Q4'16	Q3'16	Q2'16	Q1'16	Q4'15	2016	2015
<b>Geography</b>							
North America	82 %	83 %	79 %	81 %	81 %	81 %	83 %
International	18 %	17 %	21 %	19 %	19 %	19 %	17 %
<b>Product</b>							
Media Services	78 %	81 %	82 %	84 %	89 %	81 %	92 %
Platform Solutions (1)	22 %	19 %	18 %	16 %	11 %	19 %	8 %

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



## GAAP Revenue Breakdown

	Q4'16	Q3'16	Q2'16	Q1'16	Q4'15	2016	2015
<b>Product</b>							
<b>Direct Response</b>	91 %	93 %	93 %	92 %	94 %	92 %	94 %
<b>Brand (Video)</b>	9 %	7 %	7 %	8 %	6 %	8 %	6 %
<b>Channel/Direct</b>							
<b>Channel</b>	71 %	73 %	71 %	71 %	73 %	71 %	75 %
<b>Direct</b>	29 %	27 %	29 %	29 %	27 %	29 %	25 %
<b>Customer Spend (1)</b>							
<b>Top 50</b>	59 %	59 %	53 %	52 %	46 %	-	-
<b>Top 250</b>	87 %	86 %	82 %	83 %	79 %		

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 Q1'16 presentation to reflect this change.



## Additional Financial Metrics

	Q4'16	Q3'16	Q2'16	Q1'16	Q4'15
<b>Cash and Cash Equivalents</b>	\$ 84.0 M	\$ 78.7 M	\$ 66.7 M	\$ 67.4 M	\$ 78.6 M
<b>Debt (1)</b>	\$ 86.2 M	\$ 87.8 M	\$ 78.9 M	\$ 80.5 M	\$ 83.8 M
<b>Capital Expenditures</b>	\$ (2.7) M	\$ (4.5) M	\$ (4.3) M	\$ (4.7) M	\$ (3.9) M
<b>Non-GAAP Free Cash Flow</b>	\$ 7.3 M	\$ 3.8 M	\$ 0.9 M	\$ (7.5) M	\$ (1.8) M
<b>DSO</b>	92	94	89	95	91
<b>Employee Headcount</b>	851	858	899	917	954

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.





# Q1 2017 Financial Outlook

Q1 2017

<b>Non-GAAP Net Revenue</b>	\$47 - \$52 million
<b>Media Margins</b>	Flat to ~1 point decline sequentially
<b>Non-GAAP Adjusted EBITDA</b>	\$(7) - \$(2) million

# GAAP Consolidated Statements of Operations

(In thousands, except loss per share data)

	2014		2015				2016			
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
Revenue	\$ 139,504	\$ 104,334	\$ 120,065	\$ 111,836	\$ 125,401	\$ 104,745	\$ 116,968	\$ 109,720	\$ 124,830	
Costs and expenses:										
Media costs	62,834	45,561	49,155	43,673	50,700	42,559	50,922	47,092	63,595	
Other cost of revenue	19,819	19,956	19,826	20,105	19,980	20,085	20,397	22,790	21,848	
Research and development	12,919	11,323	11,791	11,022	10,786	10,639	9,438	7,913	7,364	
Sales and marketing	42,461	42,878	41,750	41,681	39,831	36,840	36,190	29,084	28,985	
General and administrative	18,750	17,574	14,761	12,328	13,691	14,321	12,765	11,912	11,119	
Impairment of goodwill	-	-	-	117,521	-	-	-	-	-	
Restructuring	-	-	6,471	-	922	(199)	1,766	-	6,555	
Total costs and expenses	156,783	137,292	143,754	246,330	135,910	124,245	131,478	118,791	139,466	
Operating loss	(17,279)	(32,958)	(23,689)	(134,494)	(10,509)	(19,500)	(14,510)	(9,071)	(14,636)	
Interest expense	1,007	1,340	1,045	1,087	1,090	1,237	1,032	1,082	1,115	
Other (income) expense, net	2,824	2,208	(696)	797	803	(194)	866	411	1,304	
Loss before income taxes	(21,110)	(36,506)	(24,038)	(136,378)	(12,402)	(20,543)	(16,408)	(10,564)	(17,055)	
Income tax provision (benefit)	(614)	357	372	213	279	230	285	171	438	
Net loss	\$ (20,496)	\$ (36,863)	\$ (24,410)	\$ (136,591)	\$ (12,681)	\$ (20,773)	\$ (16,693)	\$ (10,735)	\$ (17,493)	
Basic and diluted net loss per share attributable to common stockholders	\$ (0.49)	\$ (0.88)	\$ (0.58)	\$ (3.19)	\$ (0.29)	\$ (0.48)	\$ (0.38)	\$ (0.24)	\$ (0.38)	
Basic and diluted weighted-average shares used to compute net loss per share attributable to common stockholders	41,486	41,981	42,296	42,763	43,150	43,601	44,048	44,353	45,808	



# Non-GAAP Consolidated Statements of Operations

(In thousands, except loss per share data)

	2014		2015				2016			
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
Revenue	\$ 139,504	\$ 104,334	\$ 120,065	\$ 111,836	\$ 125,401	\$ 104,745	\$ 116,968	\$ 109,720	\$ 124,830	
Media costs	62,834	45,561	49,155	43,673	50,700	42,559	50,922	47,092	63,595	
Non-GAAP Net Revenue	76,670	58,773	70,911	68,163	74,701	62,186	66,046	62,628	61,235	
Non-GAAP Operating Expenses	73,826	72,399	69,517	64,741	65,802	64,811	61,827	56,041	54,703	
Non-GAAP Adjusted EBITDA	2,844	(13,626)	1,394	3,422	8,899	(2,625)	4,219	6,587	6,532	
Adjustments:										
Depreciation and amortization expense	11,111	11,866	12,158	14,055	12,684	12,264	12,881	12,546	11,428	
Stock-based compensation expense	6,645	7,447	6,434	6,307	5,785	4,810	4,082	3,112	3,185	
Restructuring expense	-	-	6,471	-	922	(199)	1,766	-	6,555	
Acquisition expense	2,240	-	-	-	-	-	-	-	-	
Payroll tax expense related to stock-based compensation	127	19	20	33	17	-	-	-	-	
Impairment of goodwill	-	-	-	117,521	-	-	-	-	-	
Total adjustments	20,123	19,332	25,084	137,916	19,408	16,876	18,729	15,658	21,168	
Operating loss	(17,279)	(32,958)	(23,689)	(134,494)	(10,509)	(19,500)	(14,510)	(9,071)	(14,636)	
Interest expense	1,007	1,340	1,045	1,087	1,090	1,237	1,032	1,082	1,115	
Other (income) expense, net	2,824	2,208	(696)	797	803	(194)	866	411	1,304	
Loss before income taxes	(21,110)	(36,506)	(24,038)	(136,378)	(12,402)	(20,543)	(16,408)	(10,564)	(17,055)	
Income tax provision (benefit)	(614)	357	372	213	279	230	285	171	438	
Net loss	\$ (20,496)	\$ (36,863)	\$ (24,410)	\$ (136,591)	\$ (12,681)	\$ (20,773)	\$ (16,693)	\$ (10,735)	\$ (17,493)	
Basic and diluted net loss per share attributable to common stockholders	\$ (0.49)	\$ (0.88)	\$ (0.58)	\$ (3.19)	\$ (0.29)	\$ (0.48)	\$ (0.38)	\$ (0.24)	\$ (0.38)	
Basic and diluted weighted-average shares used to compute net loss per share attributable to common stockholders	41,486	41,981	42,296	42,763	43,150	43,601	44,048	44,353	45,808	
Media Margin (% of Revenue)	55.0%	56.3%	59.1%	60.9%	59.6%	59.4%	56.5%	57.1%	49.1%	

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			
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4			
<b>Assets</b>												
Current Assets:												
Cash and cash equivalents	\$ 107,056	\$ 92,055	\$ 81,065	\$ 83,083	\$ 78,560	\$ 67,392	\$ 66,664	\$ 78,663	\$ 84,024			
Accounts receivable, net	135,400	112,689	119,423	110,660	124,998	109,821	114,038	113,169	125,755			
Deferred tax assets, net	1,716	1,716	1,716	1,709	-	-	-	-	-			
Prepaid expenses	3,698	4,029	3,167	3,499	3,803	4,474	3,071	2,812	2,598			
Other current assets	12,531	6,915	6,847	1,689	2,081	2,987	3,895	4,034	3,049			
Total current assets	260,401	217,404	212,218	200,640	209,442	184,674	187,668	198,678	215,426			
Property, equipment and software, net	89,441	91,752	86,719	87,647	82,781	75,715	68,524	65,431	49,561			
Restricted cash	2,915	2,188	2,304	2,235	2,141	2,002	1,876	1,839	1,749			
Intangible assets, net	69,299	65,072	60,845	55,046	50,919	46,792	42,665	38,639	34,874			
Goodwill	115,412	115,412	115,412	-	-	-	-	-	-			
Deferred tax assets, net	-	-	-	-	718	722	525	676	574			
Other assets	1,797	1,364	1,620	1,326	1,053	1,059	1,243	640	517			
<b>Total assets</b>	<b>\$ 539,265</b>	<b>\$ 493,192</b>	<b>\$ 479,118</b>	<b>\$ 346,894</b>	<b>\$ 347,054</b>	<b>\$ 310,964</b>	<b>\$ 302,501</b>	<b>\$ 305,903</b>	<b>\$ 302,701</b>			
<b>Liabilities and Stockholders' Equity</b>												
Current Liabilities:												
Accounts payable	\$ 76,085	\$ 63,408	\$ 63,305	\$ 61,414	\$ 71,292	\$ 59,999	\$ 64,059	\$ 64,068	\$ 83,001			
Accrued and other current liabilities	33,258	28,833	32,740	32,484	40,734	34,596	33,745	33,623	33,486			
Deferred revenue	593	3,124	1,931	1,651	2,116	1,642	1,988	3,556	2,856			
Current portion of capital leases	5,482	5,691	6,233	7,421	8,602	8,723	8,737	8,807	8,325			
Current portion of debt	45,705	45,720	45,720	45,720	45,720	61,957	62,035	71,112	71,190			
Total current liabilities	161,123	146,776	149,929	148,690	168,464	166,917	170,564	181,166	198,858			
Debt - Less current portion	23,335	21,907	20,477	19,047	17,617	-	-	-	-			
Capital leases - Less current portion	12,341	11,156	10,649	11,257	11,855	9,793	8,148	7,911	6,721			
Deferred rent - Less current portion	26,818	26,521	25,498	24,955	14,042	14,866	15,897	15,254	9,121			
Deferred tax liabilities	2,068	2,044	1,949	2,061	40	-	-	-	53			
Other liabilities	814	808	1,204	1,171	1,136	1,143	1,311	850	797			
Total liabilities	226,499	209,212	209,706	207,181	213,154	192,719	195,920	205,181	215,550			
Stockholders' Equity:												
Common stock	42	42	43	43	44	44	44	45	46			
Additional paid-in capital	421,630	429,816	439,542	446,410	453,338	458,631	463,959	468,907	473,056			
Accumulated other comprehensive loss	(120)	(229)	(113)	(88)	(151)	(326)	(625)	(698)	(925)			
Accumulated deficit	(108,786)	(145,649)	(170,060)	(306,652)	(319,331)	(340,104)	(356,797)	(367,532)	(385,026)			
Total stockholders' equity	312,766	283,980	269,412	139,713	133,900	118,245	106,581	100,722	87,151			
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$ 539,265</b>	<b>\$ 493,192</b>	<b>\$ 479,118</b>	<b>\$ 346,894</b>	<b>\$ 347,054</b>	<b>\$ 310,964</b>	<b>\$ 302,501</b>	<b>\$ 305,903</b>	<b>\$ 302,701</b>			



# Consolidated Statements of Cash Flows

(In thousands)

	2014				2015				2016			
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4			
<b>OPERATING ACTIVITIES:</b>												
Net Loss	\$ (20,496)	\$ (36,863)	\$ (24,410)	\$ (136,591)	\$ (12,681)	\$ (20,773)	\$ (16,693)	\$ (10,735)	\$ (17,493)			
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:												
Impairment of goodwill	-	-	-	117,521	-	-	-	-	-			
Depreciation and amortization	11,111	11,866	12,157	14,055	12,684	12,264	12,881	12,546	11,428			
Accelerated amortization of leasehold improvements	-	-	-	-	-	3,533	3,526	-	7,889			
Impairment of long-lived assets	-	-	2,704	-	3,929	-	1,225	-	2,970			
Stock-based compensation	6,645	7,447	6,434	6,307	5,785	4,810	4,082	3,112	3,185			
Deferred taxes	(1,618)	285	(305)	20	(379)	-	-	(152)	116			
Excess tax benefit from stock-based activity	(99)	-	-	-	-	-	-	-	-			
Other non-cash adjustments, net	483	509	535	71	384	1,350	450	1,110	1,687			
Changes in operating assets and liabilities, net of effects of acquisition:												
Accounts receivable	(20,072)	22,549	(7,187)	8,771	(14,858)	14,103	(4,001)	(173)	(13,037)			
Prepaid expenses and other assets	3,245	5,379	939	3,574	(764)	(1,796)	(413)	1,109	1,030			
Accounts payable	13,027	(14,812)	3,274	(2,093)	9,616	(10,846)	3,054	857	18,881			
Accrued and other liabilities	484	(4,271)	4,453	(1,671)	1,758	(1,851)	3,727	(539)	1,333			
Deferred rent	3,597	1,184	(294)	(206)	(3,868)	(3,074)	(3,029)	(392)	(7,227)			
Deferred revenue	(657)	2,530	(1,192)	(280)	465	(474)	346	1,568	(700)			
Net cash (used in) provided by operating activities	(4,350)	(4,197)	(2,892)	9,478	2,071	(2,754)	5,155	8,310	10,062			
<b>INVESTING ACTIVITIES:</b>												
Purchases of property, equipment and software	(7,579)	(5,519)	(4,566)	(712)	(715)	(1,787)	(1,268)	(1,977)	(387)			
Business acquisition, net	-	-	-	(367)	-	-	-	-	-			
Capitalized internal use software development costs	(2,141)	(3,076)	(2,972)	(3,159)	(3,195)	(2,924)	(3,000)	(2,496)	(2,348)			
Proceeds from sale of fixed assets	-	-	-	-	-	293	-	92	32			
Change in restricted cash	-	636	-	-	53	39	-	-	-			
Net cash used in investing activities	(9,720)	(7,959)	(7,538)	(4,238)	(3,857)	(4,379)	(4,268)	(4,381)	(2,703)			
<b>FINANCING ACTIVITIES:</b>												
Payment for deferred offering costs	-	-	-	-	-	-	-	-	(96)			
Proceeds from issuance of stock, net of issuance costs	-	-	-	-	-	-	-	1,632	-			
Proceeds from employee stock plans, net	3,712	189	2,950	234	1,146	28	1,052	174	797			
Excess tax benefit from stock-based activity	99	-	-	-	-	-	-	-	-			
Tax withholdings related to net share settlements of restricted stock units	(326)	-	(533)	(441)	(458)	(241)	(368)	(411)	(246)			
Repayment of capital lease obligations	(776)	(1,090)	(1,665)	(1,582)	(1,902)	(2,092)	(2,126)	(2,191)	(2,368)			
Proceeds from debt facilities, net of issuance costs	9,479	(242)	-	-	-	22,350	-	9,000	-			
Repayment of debt facilities	(2,445)	(1,500)	(1,500)	(1,500)	(1,500)	(24,000)	-	-	-			
Net cash (used in) provided by financing activities	9,743	(2,643)	(748)	(3,289)	(2,714)	(3,955)	(1,442)	8,204	(1,913)			
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND EQUIVALENTS	(249)	(202)	188	67	(23)	(80)	(173)	(134)	(85)			
CHANGE IN CASH AND CASH EQUIVALENTS	(4,576)	(15,001)	(10,990)	2,018	(4,523)	(11,168)	(728)	11,999	5,361			
CASH AND CASH EQUIVALENTS—Beginning of period	111,632	107,056	92,055	81,065	83,083	78,560	67,392	66,664	78,663			
CASH AND CASH EQUIVALENTS—End of period	\$ 107,056	\$ 92,055	\$ 81,065	\$ 83,083	\$ 78,560	\$ 67,392	\$ 66,664	\$ 78,663	\$ 84,024			



## 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		Year Ended	
	December 31,		December 31,	
	2016	2015	2016	2015
Revenue	\$ 124,830	\$ 125,401	\$ 456,263	\$ 461,637
Less: Media costs	63,595	50,700	204,168	189,089
Non-GAAP net revenue	<u>\$ 61,235</u>	<u>\$ 74,701</u>	<u>\$ 252,095</u>	<u>\$ 272,548</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		Year Ended	
	December 31,		December 31,	
	2016	2015	2016	2015
Net loss	\$ (17,493)	\$ (12,681)	\$ (65,695)	\$ (210,545)
Adjustments:				
Interest expense	1,115	1,090	4,466	4,563
Income tax provision (benefit)	438	279	1,125	1,221
Amortization of intangibles	3,765	4,127	16,045	18,380
Amortization of capitalized software	2,947	2,152	10,871	7,623
Depreciation	4,716	6,405	22,203	24,759
Stock-based compensation expense	3,185	5,785	15,189	25,974
Other (income) expense, net	1,304	803	2,387	3,112
Restructuring expense	6,555	922	8,122	7,393
Payroll tax expense related to stock-based compensation	—	17	—	88
Impairment of goodwill	—	—	—	117,521
Total adjustments	24,025	21,580	80,408	210,634
Non-GAAP adjusted EBITDA	\$ 6,532	\$ 8,899	\$ 14,713	\$ 89

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		Year Ended	
	December 31,		December 31,	
	2016	2015	2016	2015
Net loss	\$ (17,493)	\$ (12,681)	\$ (65,695)	\$ (210,545)
Stock-based compensation expense	3,185	5,785	15,189	25,974
Amortization of intangible assets	3,765	4,127	16,045	18,380
Restructuring expense	6,555	922	8,122	7,393
Tax impact of the above items	—	—	—	198
Impairment of goodwill	—	—	—	117,521
Non-GAAP adjusted net income (loss)	<u>\$ (3,988)</u>	<u>\$ (1,847)</u>	<u>\$ (26,339)</u>	<u>\$ (41,079)</u>
Basic and diluted net loss per share attributable to common stockholders	<u>\$ (0.38)</u>	<u>\$ (0.29)</u>	<u>\$ (1.47)</u>	<u>\$ (4.95)</u>
Non-GAAP adjusted net income (loss) per diluted share	<u><u>\$ (0.09)</u></u>	<u><u>\$ (0.04)</u></u>	<u><u>\$ (0.59)</u></u>	<u><u>\$ (0.97)</u></u>
Weighted average shares used in computing non-GAAP adjusted net income (loss) per diluted share	<u>45,808</u>	<u>43,150</u>	<u>44,579</u>	<u>42,551</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		Twelve Months Ended	
	December 31,		December 31,	
	2016	2015	2016	2015
Total costs and expenses	\$ 139,466	\$ 135,910	\$ 513,980	\$ 663,286
Less media costs	63,595	50,700	204,168	189,089
Adjustments:				
Amortization of intangibles	3,765	4,127	16,045	18,380
Amortization of capitalized software	2,947	2,152	10,871	7,623
Depreciation	4,716	6,405	22,203	24,759
Stock-based compensation	3,185	5,785	15,189	25,974
Restructuring expense	6,555	922	8,122	7,393
Payroll tax expense related to stock based compensation	—	17	—	88
Impairment of goodwill	—	—	—	117,521
Total adjustments	21,168	19,408	72,430	201,738
Non-GAAP operating expenses	\$ 54,703	\$ 65,802	\$ 237,382	\$ 272,459

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)**

	<b>Three Months Ended</b>		<b>Twelve Months Ended</b>	
	<b>December 31,</b>		<b>December 31,</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
Cash provided by operating activities	10,062	2,071	20,773	4,461
Less: Purchases of property, equipment and software	(387)	(715)	(5,419)	(11,512)
Less: Capitalized internal-use software development costs	(2,348)	(3,195)	(10,768)	(12,402)
Non-GAAP free cash flow	<u>\$ 7,327</u>	<u>\$ (1,839)</u>	<u>\$ 4,586</u>	<u>\$ (19,453)</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.

