

# Rambus Second Quarter 2014 Financial Results

July 21, 2014

***Rambus***

A decorative graphic consisting of numerous thin, light gray lines that originate from a single point on the left side of the slide and fan out towards the right. The lines are arranged in a series of parallel, slightly overlapping paths, creating a sense of depth and movement. The lines are most dense on the left and become more sparse as they extend towards the right, where they terminate near the Rambus logo.

# Safe Harbor Provision

This presentation will contain forward-looking statements regarding our financial prospects, demand for our products, and product development, among other things. Such forward looking statements are based on current expectations, estimates and projections about the Company's industry, and management's beliefs and assumptions. These statements are subject to risks and uncertainties, which are more fully described in the documents that we file with the SEC, including our 10-Ks, 10-Qs and 8-Ks, and these statements may differ materially from our actual results.

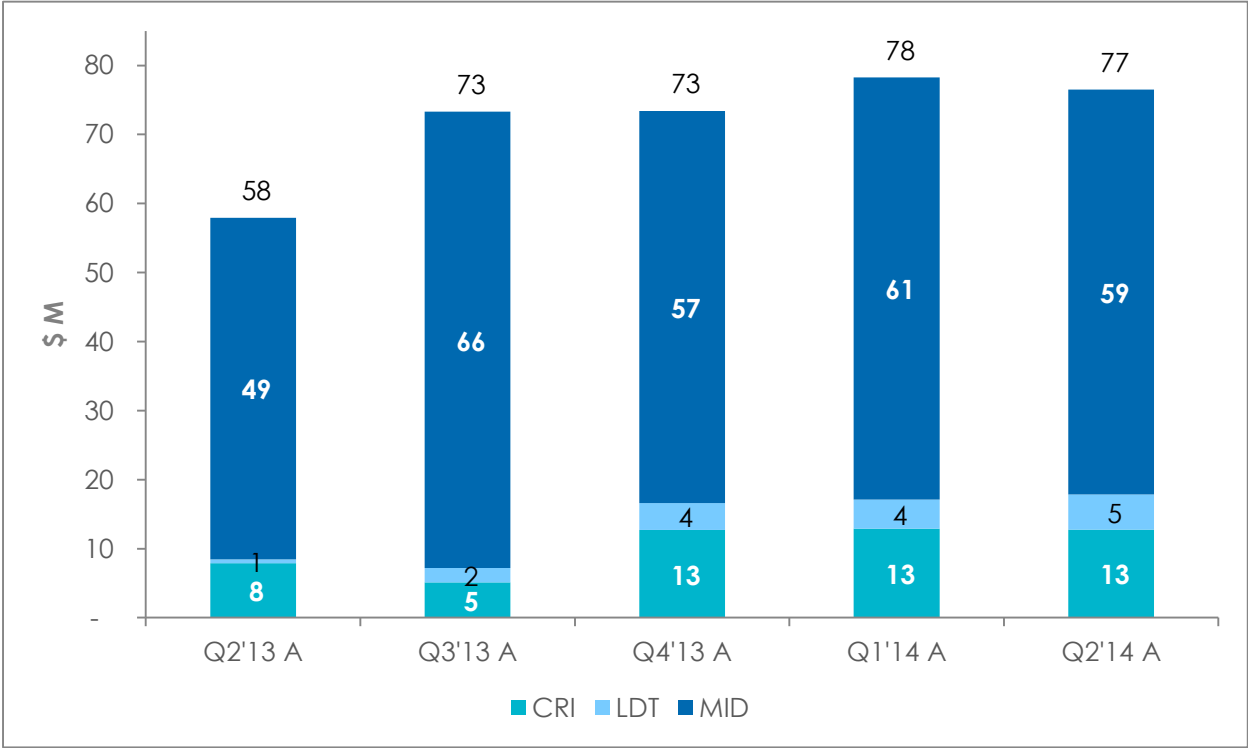
This presentation contains non-GAAP financial measures of stock-based compensation, retention bonus, amortization, and other one-time events. We believe the presentation of pro forma operating costs and expenses provides management and investors with meaningful information to understand and analyze our guidance. However, this presentation should not be considered in isolation or as a substitute for the comparable GAAP measurement, when available. As a reminder, we use non-GAAP or Pro forma numbers, which we believe are indicative of company performance, as they include certain cash events and exclude certain non-cash and discrete events, such as impairment charges, and restructuring charges, which are not indicative of our long-term performance.

Certain amounts may be off by \$0.1M due to rounding

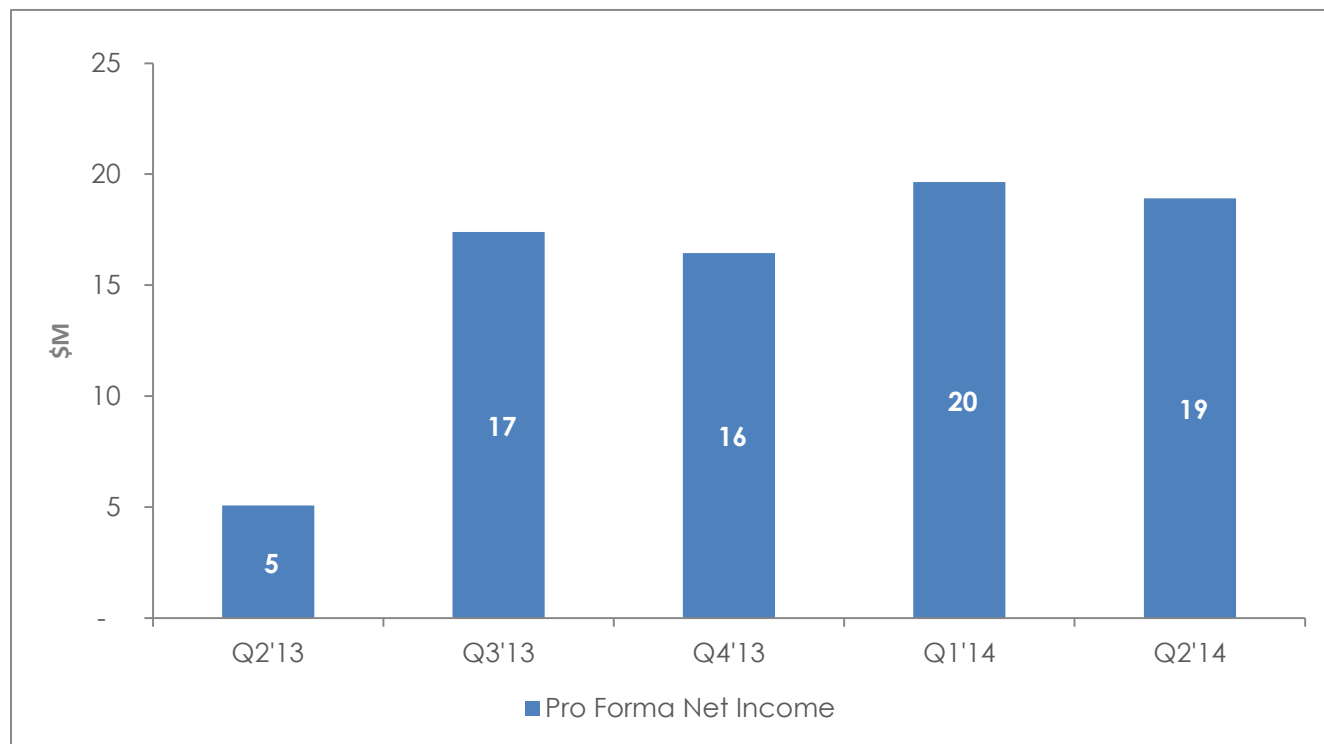
# Highlights

- Q2 2014 revenue of **\$76.5 million**; down **2%** quarter-over-quarter and up **32%** year-over-year
- Q2 2014 non-GAAP net income of **\$18.9 million**; down from **\$19.6 million** in Q1 2014 and up from **\$5.1 million** in Q2 2013
- Q2 2014 non-GAAP diluted net income per share of **\$0.16**; down from **\$0.17** in Q1 2014 and up from **\$0.04** in Q2 2013
- **Remained GAAP profitable**
- **Signed Qualcomm** to a long term patent license agreement, in addition to an agreement to adopt the CryptoManager platform
- **Paid upon maturity \$172.5 million** of the 5% convertible senior notes in June 2014

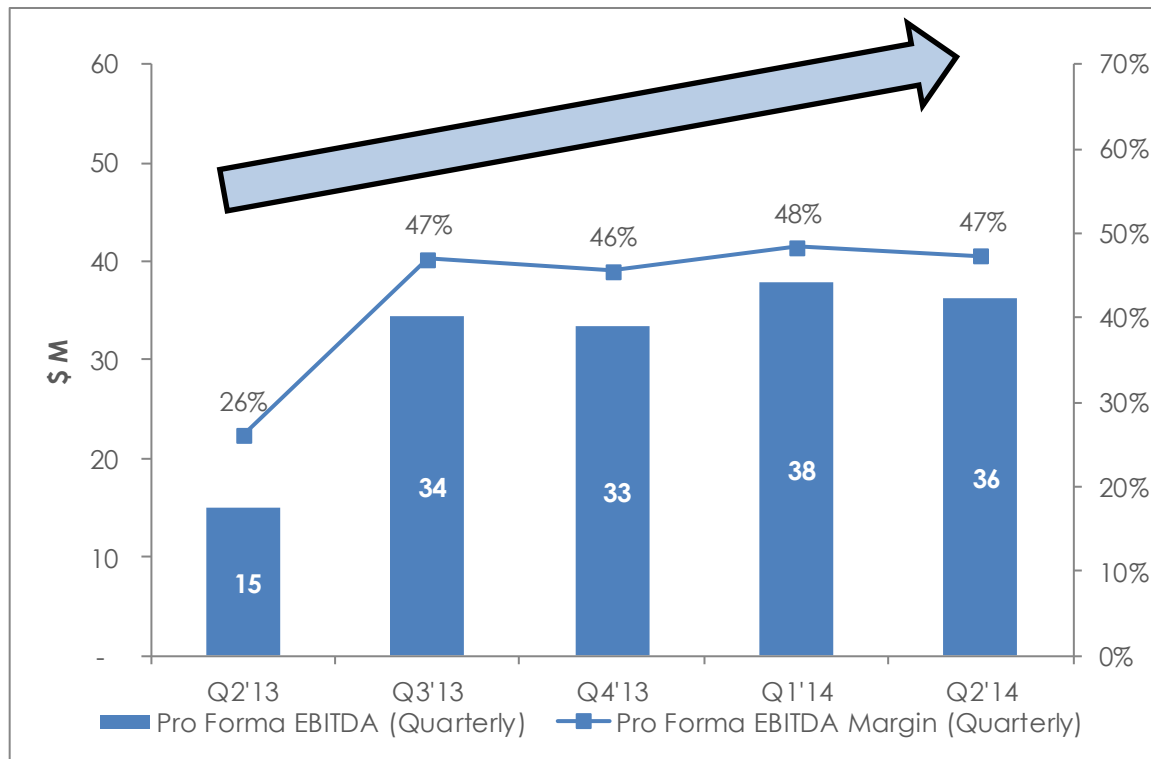
# Quarterly Revenue



# Quarterly Pro Forma Net Income



# Quarterly Pro Forma EBITDA and Margins



# Q2'14 Actual Results Versus Guidance

\$M

Revenue

Pro forma operating costs and expenses

Pro forma net income

Actual Q2'14	Q2'14 Guidance*		
\$ 76.5	\$ 69	-	\$ 74
\$ 43.8	\$ 47	-	\$ 44
\$ 18.9	\$ 12	-	\$ 17

\* Original guidance

# Q2'14 Pro Forma Engineering and MG&A Costs and Expenses

\$M

Cost of revenue (GAAP)

Less: MG&A portion of cost of revenue (GAAP)

R&D portion of gain from sale of IP (GAAP)

Research and development (GAAP)

    Stock-based compensation

    Acquisition-related transaction costs and retention bonuses

    Amortization

**Pro forma engineering costs and expenses**

Marketing, general and administrative (GAAP)

MG&A portion of cost of revenue (GAAP)

MG&A portion of gain from sale of IP (GAAP)

Gain from settlement (GAAP)

    Stock-based compensation

    Acquisition-related transaction costs and retention bonuses

    Amortization

    Reversal of one-time litigation costs

**Pro forma MG&A costs and expenses \***

**Pro forma operating costs and expenses**

	Actual Q2'14	Actual Q1'14	Variance QoQ	Actual Q2'13	Variance YoY
Cost of revenue (GAAP)	\$ 10.6	\$ 10.0		\$ 7.3	
Less: MG&A portion of cost of revenue (GAAP)	\$ (0.2)	\$ -		\$ -	
R&D portion of gain from sale of IP (GAAP)	\$ -	\$ (0.1)		\$ (0.1)	
Research and development (GAAP)	\$ 27.7	\$ 26.9		\$ 30.9	
Stock-based compensation	\$ (2.6)	\$ (1.3)		\$ (1.7)	
Acquisition-related transaction costs and retention bonuses	\$ (0.9)	\$ (1.2)		\$ (2.6)	
Amortization	\$ (6.1)	\$ (6.2)		\$ (6.4)	
<b>Pro forma engineering costs and expenses</b>	<b>\$ 28.4</b>	<b>\$ 28.1</b>	<b>\$ 0.4</b>	<b>\$ 27.4</b>	<b>\$ 1.0</b>
Marketing, general and administrative (GAAP)	\$ 18.6	\$ 18.8		\$ 14.1	
MG&A portion of cost of revenue (GAAP)	\$ 0.2	\$ -		\$ -	
MG&A portion of gain from sale of IP (GAAP)	\$ -	\$ (0.1)		\$ -	
Gain from settlement (GAAP)	\$ (0.5)	\$ (0.5)		\$ -	
Stock-based compensation	\$ (2.2)	\$ (1.6)		\$ (1.9)	
Acquisition-related transaction costs and retention bonuses	\$ (0.2)	\$ (0.2)		\$ (0.8)	
Amortization	\$ (0.6)	\$ (0.6)		\$ (0.6)	
Reversal of one-time litigation costs	\$ -	\$ -		\$ 8.5	
<b>Pro forma MG&amp;A costs and expenses *</b>	<b>\$ 15.3</b>	<b>\$ 15.8</b>	<b>\$ (0.5)</b>	<b>\$ 19.3</b>	<b>\$ (3.9)</b>
<b>Pro forma operating costs and expenses</b>	<b>\$ 43.8</b>	<b>\$ 43.9</b>	<b>\$ (0.1)</b>	<b>\$ 46.7</b>	<b>\$ (2.9)</b>



# Q2'14 Pro Forma Operating Costs and Expenses

\$M	Actual Q2'14	Actual Q1'14	Variance QoQ	Actual Q2'13	Variance YoY
GAAP operating costs and expenses	\$ 56.4	\$ 55.1		\$ 52.2	
Adjustments:					
Stock-based compensation	\$ (4.9)	\$ (2.9)		\$ (3.6)	
Acquisition-related transaction costs and retention bonuses	\$ (1.0)	\$ (1.4)		\$ (3.4)	
Amortization	\$ (6.8)	\$ (6.8)		\$ (7.0)	
Reversal of one-time litigation costs	\$ -	\$ -		\$ 8.5	
Restructuring charges	\$ -	\$ (0.0)		\$ -	
Costs of restatement and related legal activities	\$ -	\$ -		\$ -	
<b>Pro forma operating costs and expenses</b>	<b>\$ 43.8</b>	<b>\$ 43.9</b>	<b>\$ (0.2)</b>	<b>\$ 46.7</b>	<b>\$ (2.9)</b>

# Q2'14 Pro Forma Provision for Income Taxes

\$M

Provision for income taxes (GAAP)

Adjustment to GAAP provision for income taxes

**Pro forma provision for income taxes**

	Actual Q2'14	Actual Q1'14	Variance QoQ	Actual Q2'13	Variance YoY
\$	6.4	\$ 5.5		\$ 4.7	
\$	4.2	\$ 5.6		\$ (1.9)	
<b>\$</b>	<b>10.6</b>	<b>\$ 11.0</b>	<b>\$ (0.4)</b>	<b>\$ 2.9</b>	<b>\$ 7.8</b>

## Supplemental Reconciliation of GAAP to Non-GAAP Effective Tax Rate (1)

GAAP effective tax rate

Adjustment to GAAP effective tax rate

**Non-GAAP effective tax rate**

	Actual Q2'14	Actual Q1'14	Variance QoQ	Actual Q2'13	Variance YoY
	56%	41%		153%	
	-20%	-5%		-117%	
<b></b>	<b>36%</b>	<b>36%</b>	<b>0%</b>	<b>36%</b>	<b>0%</b>

(1) For purposes of internal forecasting, planning and analyzing future periods that assumes net income from operations, the Company estimates a fixed, long-term projected tax rate of approximately 36 percent, which consists of estimated U.S. federal and state tax rates, and excludes tax rates associated with certain items such as withholding tax, tax credits and deferred tax asset valuation allowance. Accordingly, the Company has applied the 36 percent tax rate to its non-GAAP financial results for all periods to assist the Company's planning for future periods.

# Q2'14 Pro Forma Net Income

\$M

**Revenue**

**Pro forma operating costs and expenses**

Pro forma operating income

Pro forma interest and other income (expense), net

Pro forma income before income taxes

Pro forma income tax provision (at 36%)

**Pro forma net income**

Pro forma Basic EPS

Pro forma Diluted EPS

	Actual Q2'14	Actual Q1'14	Variance QoQ	Actual Q2'13	Variance YoY
Revenue	\$ 76.5	\$ 78.3		\$ 57.9	
Pro forma operating costs and expenses	\$ 43.8	\$ 43.9		\$ 46.7	
Pro forma operating income	\$ 32.7	\$ 34.4		\$ 11.2	
Pro forma interest and other income (expense), net	\$ (3.2)	\$ (3.7)		\$ (3.3)	
Pro forma income before income taxes	\$ 29.5	\$ 30.7		\$ 7.9	
Pro forma income tax provision (at 36%)	\$ 10.6	\$ 11.0		\$ 2.9	
<b>Pro forma net income</b>	<b>\$ 18.9</b>	<b>\$ 19.6</b>	<b>\$ (0.7)</b>	<b>\$ 5.1</b>	<b>\$ 13.8</b>
Pro forma Basic EPS	\$ 0.17	\$ 0.17		\$ 0.05	
Pro forma Diluted EPS	\$ 0.16	\$ 0.17		\$ 0.04	

# Cash & Marketable Securities

\$M	Actual Q2'14	Actual Q1'14	Actual Q2'13
Cash & marketable securities - beginning	\$ 403	\$ 388	\$ 215
Cash generated/(used) from operations	\$ 10	\$ 16	\$ (10)
Cash generated/(used) from investing & financing	\$ (167)	\$ (1)	\$ 1
Cash & marketable securities - ending	\$ 246	\$ 403	\$ 206

# Q2'14 GAAP & Pro Forma P&L

\$M	GAAP Q2'14	Pro Forma Q2'14	Variance to GAAP
<b>Revenue</b>	\$ 76.5	\$ 76.5	
Cost of revenue	\$ 10.5	\$ 4.8	\$ (5.7)
Research and development	\$ 27.7	\$ 23.8	\$ (3.9)
Marketing, general and administrative	\$ 18.6	\$ 15.6	\$ (3.0)
Restructuring charges	\$ -	\$ -	\$ -
Impairment of goodwill and long-lived assets	\$ -	\$ -	\$ -
Gain from settlement	\$ (0.5)	\$ (0.5)	\$ -
<b>Total operating costs and expenses</b>	\$ 56.4	\$ 43.8	\$ (12.6)
<b>Operating income</b>	\$ 20.1	\$ 32.7	\$ 12.6
Interest and other expense, net	\$ 8.7	\$ 3.2	\$ (5.5)
<b>Income (loss) before income taxes</b>	\$ 11.4	\$ 29.5	\$ 18.1
Provision for income taxes	\$ 6.4	\$ 10.6	\$ 4.2
<b>Net income (loss)</b>	\$ 5.0	\$ 18.9	\$ 13.9

# Operating and EBITDA Margins

\$M	GAAP Q2'14	Pro Forma Q2'14	GAAP Q1'14	Pro Forma Q1'14	GAAP Q2'13	Pro Forma Q2'13
Revenue	\$ 76.5	\$ 76.5	\$ 78.3	\$ 78.3	\$ 57.9	\$ 57.9
Total operating costs and expenses	\$ 56.4	\$ 43.8	\$ 55.1	\$ 43.9	\$ 52.2	\$ 46.7
<b>Operating income</b>	<b>\$ 20.1</b>	<b>\$ 32.7</b>	<b>\$ 23.2</b>	<b>\$ 34.4</b>	<b>\$ 5.7</b>	<b>\$ 11.2</b>
<b>Operating Margin %</b>	<b>26%</b>	<b>43%</b>	<b>30%</b>	<b>44%</b>	<b>10%</b>	<b>19%</b>
<b>Add back:</b>						
Depreciation	\$ 3.5	\$ 3.5	\$ 3.5	\$ 3.5	\$ 3.9	\$ 3.9
Amortization	\$ 6.8		\$ 6.8		\$ 7.0	
<b>EBITDA</b>	<b>\$ 30.4</b>	<b>\$ 36.2</b>	<b>\$ 33.5</b>	<b>\$ 37.8</b>	<b>\$ 16.6</b>	<b>\$ 15.1</b>
<b>EBITDA%</b>	<b>40%</b>	<b>47%</b>	<b>43%</b>	<b>48%</b>	<b>29%</b>	<b>26%</b>

# Q3'14 Guidance

	Q3'14 Guidance		
Revenue	\$ 68	-	\$ 73
Pro forma operating costs and expenses	\$ 47	-	\$ 44
<b>Pro forma operating income</b>	<b>\$ 21</b>	<b>-</b>	<b>\$ 29</b>
Pro forma interest and other income (expense), net	\$ (2)	-	\$ (1)
<b>Pro forma income before income taxes</b>	<b>\$ 19</b>	<b>-</b>	<b>\$ 28</b>
Proforma tax provision @ 36%	\$ 7	-	\$ 10
<b>Pro forma net income</b>	<b>\$ 12</b>	<b>-</b>	<b>\$ 18</b>

# 2014 Guidance

Revenue

Pro forma operating costs and expenses

Pro forma net income

2014 Guidance		
\$ 295	-	\$ 305
\$ 185	-	\$ 180
\$ 64	-	\$ 74



Thank you



**Rambus**