

# Rambus Fourth Quarter and Full Year 2013 Financial Results

January 27, 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.

# Non-GAAP Financial Measures

This presentation contains non-GAAP financial measures.

As a reminder, we use non-GAAP or Pro forma numbers, which we believe are indicative of company performance, as they include the 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. Additionally, the Company has not reconciled customer licensing income guidance to revenue guidance because it does not provide guidance for patent royalties received but not recognized as revenue, which is a reconciling items between revenue and customer licensing income. As items that impact revenue are out of the Company's control and/or cannot be reasonably predicted, the Company is unable to provide such guidance. Accordingly, a reconciliation to revenue is not available without unreasonable effort.

Customer licensing income includes the Company's measure of the total cash royalties received from its customers under its licensing agreements with them and any product sales. In 2013, the Company bifurcated royalty payments that it received

# Non-GAAP Financial Measures (continued)

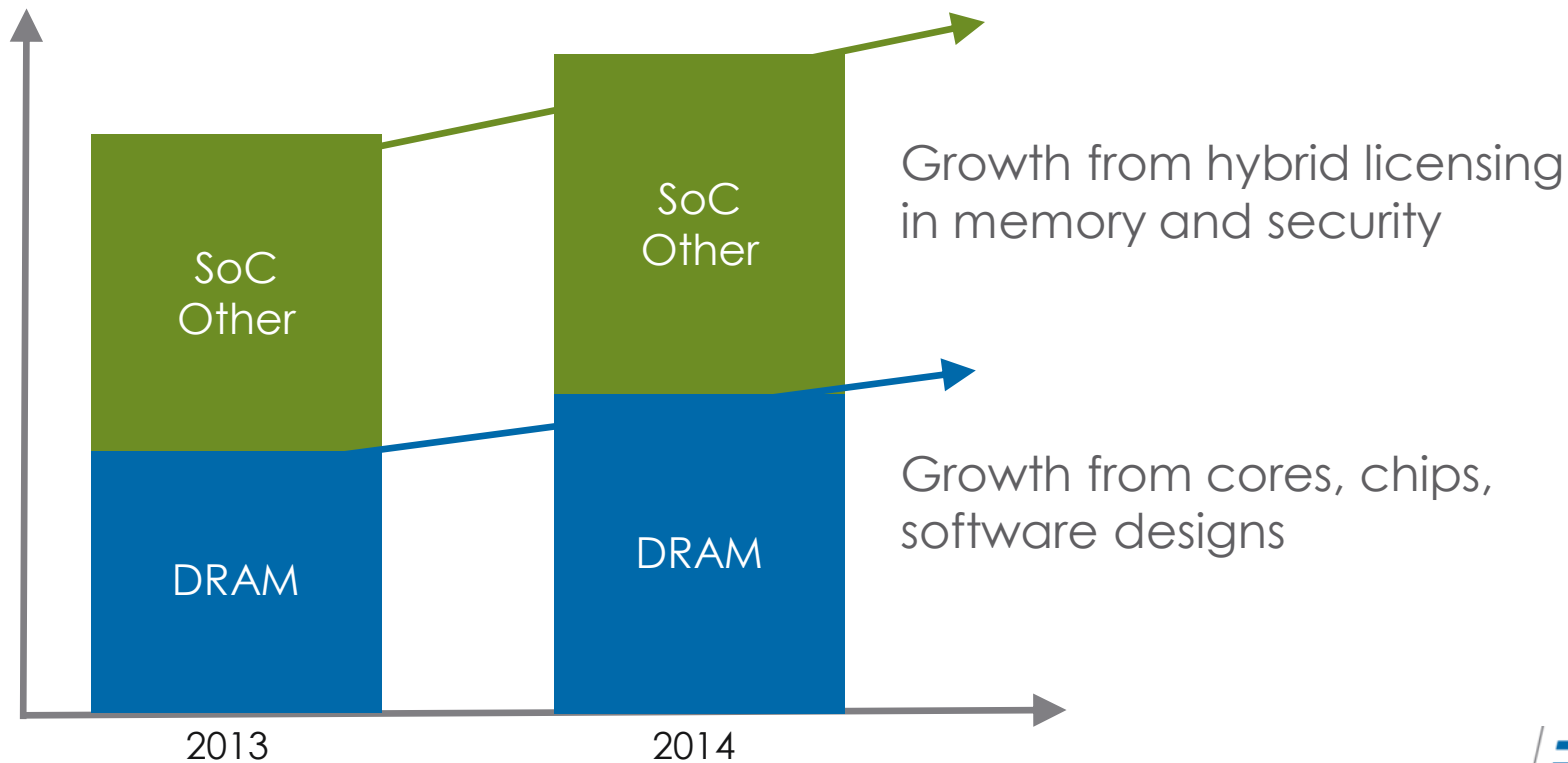
from SK Hynix and Micron Technology between revenue and gain from settlement, which was reflected as reducing operating expenses. The Company has combined revenue from its customers, including SK Hynix and Micron Technology, and the gain from the SK Hynix and Micron Technology settlement as customer licensing income to reflect the total amounts received from all of its customers for the periods presented. In addition, customer licensing income includes other patent royalties received but not recognized as revenue and proceeds from sale of intellectual property. In certain periods presented, certain patent royalties received from a customer were not recognized as revenue as not all revenue recognition criteria were met. In 2011, the Company received patent royalty payments from certain patent license agreements assumed in the acquisition of CRI which were treated as favorable contracts. Cash received from these acquired favorable contracts reduced the favorable contract intangible asset on the Company's balance sheet. The Company has combined these cash royalty payments as customer licensing income to reflect the total amounts received from its customers.

Certain amounts may be off by \$.1M due to rounding

# Highlights

- Q4 2013 revenue of **\$73.4 million** and CLI of **\$73.9 million**
- 2013 revenue of **\$271.5 million** and CLI of **\$281.6 million**
- **Settled** long-standing legal disputes and **re-signed Samsung** to a comprehensive, ten-year agreement
  - Opens up **opportunities** for technology engagements
- **Signed** series of licensing deals totaling **\$1.2 billion** over the life of the agreements
- Poised for **growth** in both **memory** and **security** space
- Evolving strategy to provide **hybrid license** models spanning divisions

# Growth Drivers



# Q4'13 Actual Results Versus Guidance

\$M	Actual Q4'13	Q4'13 Guidance	
<b>Revenue</b>	\$ 73.4		
Other patent royalties received	\$ 0.5		
<b>Total customer licensing income</b>	\$ 73.9	\$ 70	\$ 75
<b>Pro forma operating costs and expenses *</b>	\$ 44.2	\$ 48	\$ 45
<b>Pro forma net income</b>	\$ 16.5	\$ 12	\$ 17
<b>* Litigation (included above)</b>	\$ 1.4	\$ 2	\$ 1

# Q4'13 Customer Licensing Income

\$M	Actual Q4'13	Actual Q3'13	Variance QoQ	Actual Q4'12	Variance YoY
<b>Revenue</b>	\$ 73.4	\$ 73.3		\$ 57.4	
Adjustments:					
Other patent royalties received	\$ 0.5	\$ 1.0		\$ 4.2	
<b>Total customer licensing income</b>	\$ 73.9	\$ 74.3	\$ (0.4)	\$ 61.6	\$ 12.3



# 2013 Customer Licensing Income

\$M	Actual 2013	Actual 2012	Variance 2013 vs. 2012
<b>Revenue</b>	\$ 271.5	\$ 234.1	
Adjustments:			
Other patent royalties received	\$ 9.6	\$ 12.6	
Gain from settlement	\$ 0.5	\$ -	
<b>Total customer licensing income</b>	<b>\$ 281.6</b>	<b>\$ 246.7</b>	<b>\$ 34.9</b>

# Q4'13 Pro Forma Engineering and MG&A Costs and Expenses

\$M

Cost of revenue (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)

    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**

**\* Litigation (included above)**

	Actual Q4'13	Actual Q3'13	Variance QoQ	Actual Q4'12	Variance YoY
	\$ 10.4	\$ 8.9		\$ 6.3	
	\$ 26.8	\$ 27.5		\$ 33.1	
	\$ (1.4)	\$ (1.6)		\$ (2.0)	
	\$ (1.3)	\$ (1.2)		\$ (3.6)	
	\$ (6.9)	\$ (6.8)		\$ (6.2)	
<b>Pro forma engineering costs and expenses</b>	<b>\$ 27.6</b>	<b>\$ 26.8</b>	<b>\$ 0.8</b>	<b>\$ 27.6</b>	<b>\$ -</b>
	\$ 18.5	\$ 18.7		\$ 21.3	
	\$ (1.7)	\$ (1.7)		\$ (2.5)	
	\$ (0.2)	\$ (0.3)		\$ (0.6)	
	\$ (0.6)	\$ (0.6)		\$ (0.6)	
	\$ 0.6	\$ -		\$ -	
<b>Pro forma MG&amp;A costs and expenses *</b>	<b>\$ 16.6</b>	<b>\$ 16.1</b>	<b>\$ 0.5</b>	<b>\$ 17.6</b>	<b>\$ (1.0)</b>
<b>Pro forma operating costs and expenses</b>	<b>\$ 44.2</b>	<b>\$ 42.9</b>	<b>\$ 1.3</b>	<b>\$ 45.2</b>	<b>\$ (1.0)</b>
<b>* Litigation (included above)</b>	<b>\$ 1.4</b>	<b>\$ 0.7</b>	<b>\$ 0.7</b>	<b>\$ 2.1</b>	<b>\$ (0.7)</b>



# 2013 Pro Forma Engineering & MG&A Costs and Expenses

\$M

Cost of revenue

Research and development

    Other patent royalties received

    Stock-based compensation

    Acquisition related transaction costs and retention bonuses

    Amortization

**Pro forma engineering costs and expenses**

Marketing, general and administrative (MG&A) \*

    Stock-based compensation

    Acquisition related transaction costs and retention bonuses

    Amortization

    Severance costs & one time events

    Reversal of one-time litigation costs

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

	Actual 2013	Actual 2012	Variance 2013 vs. 2012
Cost of revenue	\$ 33.2	\$ 28.4	
Research and development	\$ 118.0	\$ 140.5	
Other patent royalties received	\$ 0.9	\$ -	
Stock-based compensation	\$ (6.6)	\$ (9.6)	
Acquisition related transaction costs and retention bonuses	\$ (8.8)	\$ (20.6)	
Amortization	\$ (26.4)	\$ (27.8)	
<b>Pro forma engineering costs and expenses</b>	<b>\$ 110.3</b>	<b>\$ 110.9</b>	<b>\$ (0.6)</b>
Marketing, general and administrative (MG&A) *	\$ 76.4	\$ 112.6	
Stock-based compensation	\$ (8.4)	\$ (12.9)	
Acquisition related transaction costs and retention bonuses	\$ (1.6)	\$ (5.1)	
Amortization	\$ (2.5)	\$ (2.6)	
Severance costs & one time events	\$ (0.5)	\$ -	
Reversal of one-time litigation costs	\$ 9.1	\$ -	
<b>Pro forma MG&amp;A costs and expenses *</b>	<b>\$ 72.5</b>	<b>\$ 92.0</b>	<b>\$ (19.5)</b>

# Q4'13 Pro Forma Operating Costs and Expenses

\$M

GAAP operating costs and expenses

Adjustments:

Stock-based compensation

Acquisition-related transaction costs and retention bonuses

Amortization

Reversal of one-time litigation costs

Restructuring charges

Impairment of goodwill & long-lived assets

Gain from settlement

Costs of restatement and related legal activities

**Pro forma operating costs and expenses \***

**\* Litigation (included above)**

	Actual Q4'13	Actual Q3'13	Variance QoQ	Actual Q4'12	Variance YoY
GAAP operating costs and expenses	\$ 67.2	\$ 64.2		\$ 61.5	
Adjustments:					
Stock-based compensation	\$ (3.1)	\$ (3.3)		\$ (4.5)	
Acquisition-related transaction costs and retention bonuses	\$ (1.5)	\$ (1.5)		\$ (4.2)	
Amortization	\$ (7.5)	\$ (7.4)		\$ (6.8)	
Reversal of one-time litigation costs	\$ 0.6	\$ -		\$ -	
Restructuring charges	\$ (2.2)	\$ (1.1)		\$ (0.7)	
Impairment of goodwill & long-lived assets	\$ (9.7)	\$ (8.1)		\$ -	
Gain from settlement	\$ 0.4	\$ 0.1		\$ -	
Costs of restatement and related legal activities	\$ -	\$ -		\$ (0.1)	
<b>Pro forma operating costs and expenses *</b>	<b>\$ 44.2</b>	<b>\$ 42.9</b>	<b>\$ 1.3</b>	<b>\$ 45.2</b>	<b>\$ (1.0)</b>
<b>* Litigation (included above)</b>	<b>\$ 1.4</b>	<b>\$ 0.7</b>	<b>\$ 0.7</b>	<b>\$ 2.1</b>	<b>\$ (0.7)</b>

# 2013 Pro Forma Operating Costs and Expenses

\$M

GAAP operating costs and expenses

Adjustments:

Other patent royalties received

Stock-based compensation

Acquisition-related transaction costs and retention bonuses

Amortization

Reversal of one-time litigation costs

Restructuring charges

Impairment of goodwill & long-lived assets

Severance costs

Gain from settlement

Costs of restatement and related legal activities

**Pro forma operating costs and expenses\***

**\* Litigation (included above)**

	Actual 2013	Actual 2012	Variance 2013 vs. 2012
GAAP operating costs and expenses	\$ 249.0	\$ 324.5	\$ (75.5)
Adjustments:			
Other patent royalties received	\$ 2.3	-	
Stock-based compensation	\$ (15.0)	\$ (22.5)	
Acquisition-related transaction costs and retention bonuses	\$ (10.4)	\$ (25.7)	
Amortization	\$ (28.9)	\$ (30.4)	
Reversal of one-time litigation costs	\$ 9.1	\$ -	
Restructuring charges	\$ (5.5)	\$ (7.3)	
Impairment of goodwill & long-lived assets	\$ (17.8)	\$ (35.5)	
Severance costs	\$ (0.5)	\$ -	
Gain from settlement	\$ 0.5	\$ -	
Costs of restatement and related legal activities	\$ -	\$ (0.2)	
<b>Pro forma operating costs and expenses*</b>	<b>\$ 182.8</b>	<b>\$ 202.9</b>	<b>\$ (20.1)</b>

**\$ 6.4 \$ 13.2 (6.8)**



# Q4'13 Pro Forma Net Income

\$M

**Total customer licensing income**

**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

**\* Litigation (included above)**

	Actual Q4'13	Actual Q3'13	Variance QoQ	Actual Q4'12	Variance YoY
<b>Total customer licensing income</b>	\$ 73.9	\$ 74.3		\$ 61.6	
<b>Pro forma operating costs and expenses *</b>	\$ 44.2	\$ 42.9		\$ 45.2	
Pro forma operating income	\$ 29.7	\$ 31.4		\$ 16.4	
Pro forma interest and other income (expense), net	\$ (3.9)	\$ (3.4)		\$ (3.4)	
Pro forma income before income taxes	\$ 25.8	\$ 28.0		\$ 13.0	
Pro forma income tax provision (at 36%)	\$ 9.3	\$ 10.1		\$ 4.7	
<b>Pro forma net income</b>	<b>\$ 16.5</b>	<b>\$ 17.9</b>	<b>\$ (1.4)</b>	<b>\$ 8.3</b>	<b>\$ 8.2</b>
Pro forma Basic EPS	\$ 0.15	\$ 0.16		\$ 0.07	
Pro forma Diluted EPS	\$ 0.14	\$ 0.15		\$ 0.07	
<b>* Litigation (included above)</b>	<b>\$ 1.4</b>	<b>\$ 0.7</b>	<b>\$ 0.7</b>	<b>\$ 2.1</b>	<b>\$ (0.7)</b>

# 2013 Pro Forma Net Income

\$M	Actual 2013	Actual 2012	Variance 2013 vs. 2012
<b>Total customer licensing income</b>	\$ 281.6	\$ 246.7	
<b>Pro forma operating costs and expenses*</b>	\$ 182.8	\$ 202.9	
Pro forma operating income	\$ 98.8	\$ 43.8	
Pro forma interest and other income (expense), net	\$ (13.8)	\$ (12.7)	
Pro forma income before income taxes	\$ 85.0	\$ 31.1	
Pro forma income tax provision (at 36%)	\$ 30.6	\$ 11.2	
<b>Pro forma net income</b>	<b>\$ 54.4</b>	<b>\$ 19.9</b>	<b>\$ 34.5</b>
Pro forma Basic EPS	\$ 0.48	\$ 0.18	
Pro forma Diluted EPS	\$ 0.47	\$ 0.17	
<b>* Litigation (included above)</b>	<b>\$ 6.4</b>	<b>\$ 13.2</b>	<b>\$ (6.8)</b>

# Cash & Marketable Securities

\$M

Cash & marketable securities - beginning

Actual Q4'13	Actual Q3'13	Actual Q4'12
\$ 366	\$ 206	\$ 207

Cash generated/(used) from operations

\$ 21	\$ 26	\$ 2
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Cash generated/(used) from investing & financing

\$ 1	\$ 134	\$ (6)
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Cash & marketable securities - ending

\$ 388	\$ 366	\$ 203
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# Cash & Marketable Securities

\$M	Actual 2013	Actual 2012
Cash & marketable securities - beginning	\$ 203	\$ 289
Cash flow from operations	\$ 51	\$ (18)
Cash generated/(used) from investing & financing	\$ 134	\$ (68)
Cash & marketable securities - ending	\$ 388	\$ 203

# Q4'13 GAAP & Pro Forma P&L

\$M	GAAP Actual Q4'13	Pro Forma Actual Q4'13	Delta to GAAP
<b>Total customer licensing income</b>		\$ 73.9	
<b>Revenue</b>	\$ 73.4		
Cost of revenue	\$ 10.4	\$ 3.9	\$ (6.5)
Research and development	\$ 26.8	\$ 23.7	\$ (3.1)
Marketing, general and administrative	\$ 18.5	\$ 16.6	\$ (1.9)
Restructuring charges	\$ 2.2	\$ -	\$ (2.2)
Impairment of goodwill and long-lived assets	\$ 9.7	\$ -	\$ (9.7)
Gain from settlement	\$ (0.4)	\$ -	\$ 0.4
<b>Total operating costs and expenses</b>	\$ 67.2	\$ 44.2	\$ (23.0)
<b>Operating income</b>	\$ 6.2	\$ 29.7	\$ 23.5
Interest and other expense, net	\$ 9.8	\$ 3.9	\$ (5.9)
<b>Income (loss) before income taxes</b>	\$ (3.6)	\$ 25.8	\$ 29.4
Provision for income taxes	\$ 6.2	\$ 9.3	\$ 3.1
<b>Net income (loss)</b>	\$ (9.8)	\$ 16.5	\$ 26.3

# 2013 GAAP & Pro Forma P&L

\$M	GAAP Actual FY13	Pro Forma Actual FY13	Delta to GAAP
<b>CLI</b>		\$ 281.6	
<b>Revenue</b>	\$ 271.5		
Cost of revenue	\$ 33.2	\$ 8.0	\$ (25.2)
Research and development	\$ 118.0	\$ 102.3	\$ (15.7)
Marketing, general and administrative	\$ 76.4	\$ 72.5	\$ (3.9)
Restructuring charges	\$ 5.5	\$ -	\$ (5.5)
Impairment of goodwill and long-lived assets	\$ 17.8	\$ -	\$ (17.8)
Gain on sale of intellectual property	\$ (1.4)	\$ -	\$ 1.4
Gain from settlement	\$ (0.5)	\$ -	\$ 0.5
Cost of restatement and related legal activities	\$ 0.0	\$ -	\$ (0.0)
<b>Total operating costs and expenses</b>	\$ 249.0	\$ 182.8	\$ (66.2)
<b>Operating income</b>	\$ 22.5	\$ 98.8	\$ 76.3
Interest and other expense, net	\$ (34.5)	\$ (13.8)	\$ 20.7
<b>Income (loss) before income taxes</b>	\$ (12.0)	\$ 85.0	\$ 97.0
Provision for income taxes	\$ 21.7	\$ 30.6	\$ 8.9
<b>Net income (loss)</b>	\$ (33.7)	\$ 54.4	\$ 88.1

# Operating and EBITDA Margins

\$M	GAAP Actual FY12	Pro Forma Actual FY12	GAAP Actual FY13	Pro Forma Actual FY13
CLI		\$ 246.7		\$ 281.6
Revenue	\$ 234.1		\$ 271.5	
Total operating costs and expenses	\$ 324.5	\$ 202.9	\$ 249.0	\$ 182.8
<b>Operating income</b>	<b>\$ (90.4)</b>	<b>\$ 43.8</b>	<b>\$ 22.5</b>	<b>\$ 98.8</b>
<i>Operating Margin %</i>	<i>-39%</i>	<i>18%</i>	<i>8%</i>	<i>35%</i>
<b>Add back:</b>				
Depreciation	\$ 13.2	\$ 13.2	\$ 15.5	\$ 15.5
Amortization	\$ 30.4		\$ 28.9	
<b>EBITDA</b>	<b>\$ (46.8)</b>	<b>\$ 57.0</b>	<b>\$ 66.9</b>	<b>\$ 114.4</b>
<i>EBITDA%</i>	<i>-20%</i>	<i>23%</i>	<i>25%</i>	<i>41%</i>

# Q1'14 Guidance

	Q1'14 Guidance			
<b>\$M</b>				
<b>Total customer licensing income</b>	\$	70	-	\$ 75
<b>Pro forma operating costs and expenses*</b>	\$	48	-	\$ 45
<b>Pro forma operating income</b>	\$	22	-	\$ 30
Pro forma interest and other income (expense), net	\$	(4)	-	\$ (3)
<b>Pro forma income before income taxes</b>	\$	18	-	\$ 27
Proforma tax provision @ 36%	\$	6	-	\$ 10
<b>Pro forma net income</b>	\$	12	-	\$ 17
<b>* Litigation (included above)</b>	\$	1	-	\$ 1

# 2014 Guidance

\$M

Total customer licensing income

Pro forma operating costs and expenses

Pro forma net income

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

Thank you



**Rambus**