



# Financial Outlook

Dr. Ron Black  
Chief Executive Officer

# Last Twelve Months

- Continued high profitability and cash generation
- Executed accelerated share repurchase of \$100M
- Completed acquisitions of new businesses totaling \$215.5M
  - Bell ID Mobile Payment
  - Ecebs Smart Ticketing
  - Inphi Memory Interconnect Business
  - Snowbush IP Assets
- Growth initiatives fueled through ~\$103M investment in R&D

# 3Q16 Guidance Update

\$M	3Q16 Guidance	
	July 2016	Today
Revenue	75-80	84-89
Pro forma operating costs and expenses (1)	53-50	65-62
Pro forma operating income	22-30	19-27

- Previous guidance excluded Inphi and Snowbush acquisitions, which closed mid-quarter
- Q3 includes approximately \$3M of one-time integration costs, as well as additional consolidation expenses which will continue through Q4
- We will update these expenses and provide 4Q16 guidance at our next earnings call

(1) Excludes stock-based compensation expense (\$5.2M), amortization expense (\$10.2M), acquisition-related transaction costs (\$0.8M).

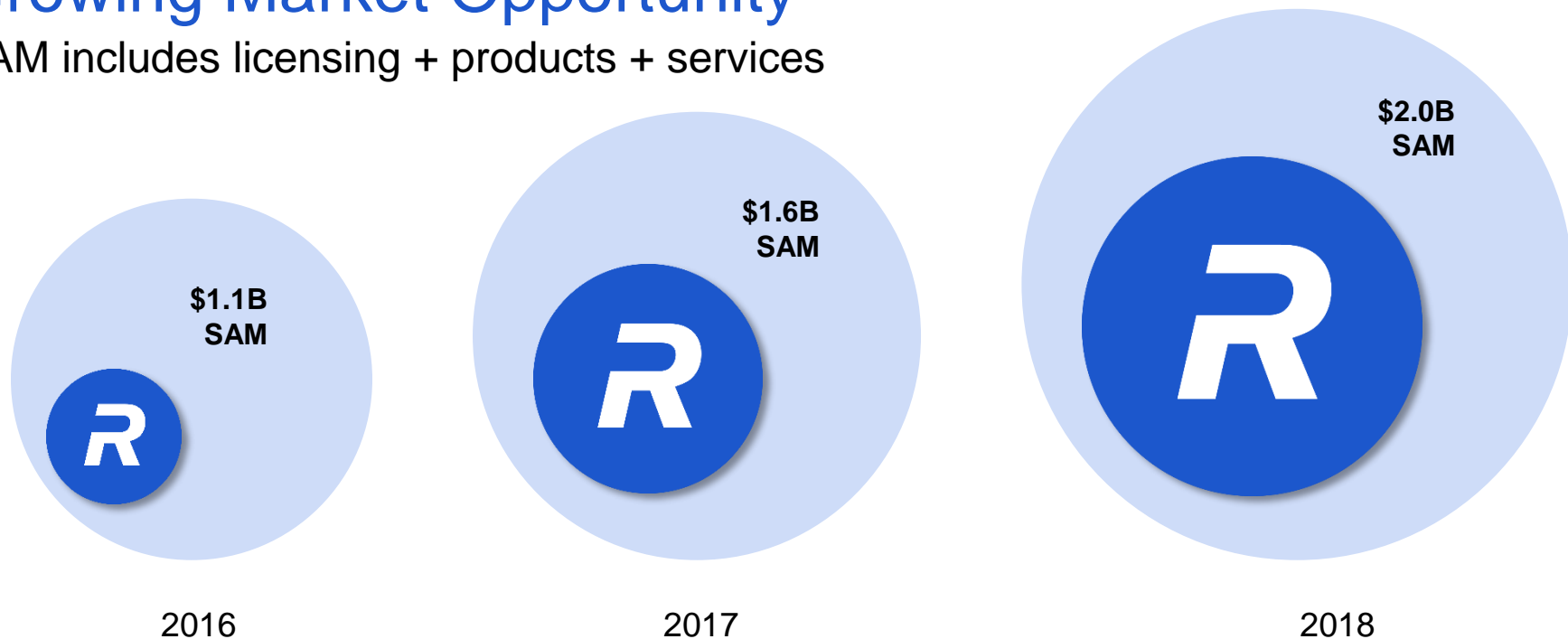
# Long Term Operating Model Update

	Previous	Revised
Revenue	12-18% Growth	12-15% Growth
Pro Forma Operating Margin	40-45%	37-40%
Pro Forma EBITDA Margin	44-45%	40-43%

- Slightly lower top-end growth due to a higher revenue base through acquisitions
- Lower margin on product mix between historic business and recent acquisitions

# Growing Market Opportunity

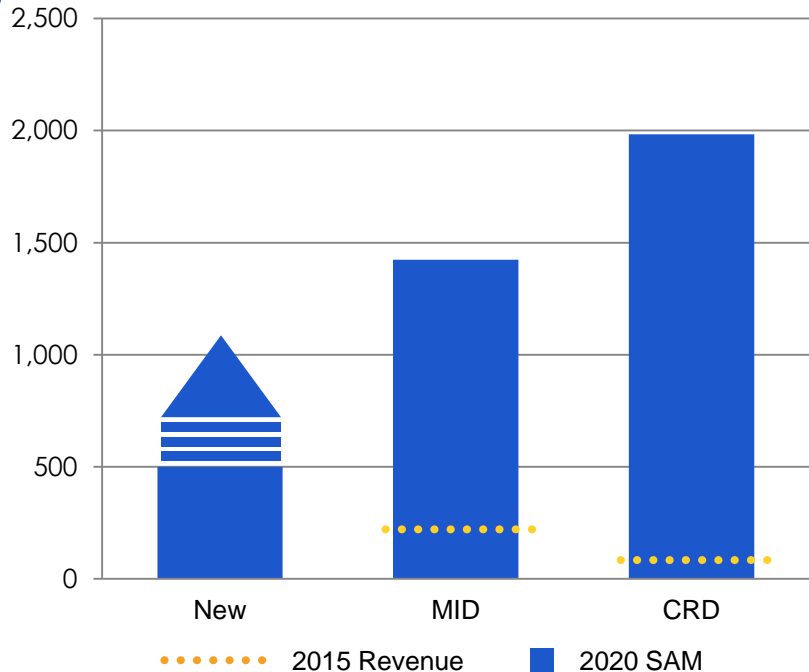
SAM includes licensing + products + services



Growth markets = market share growth

Source: 3<sup>rd</sup> party analyst reports and Rambus estimates

# Substantial Overall Growth Opportunity



- MID expected to grow through Buffer and Networking Chips and SoC engagements
- Security expected to grow through proliferation of CryptoManager and in-field services
- Evolving strategic investments could become additional businesses

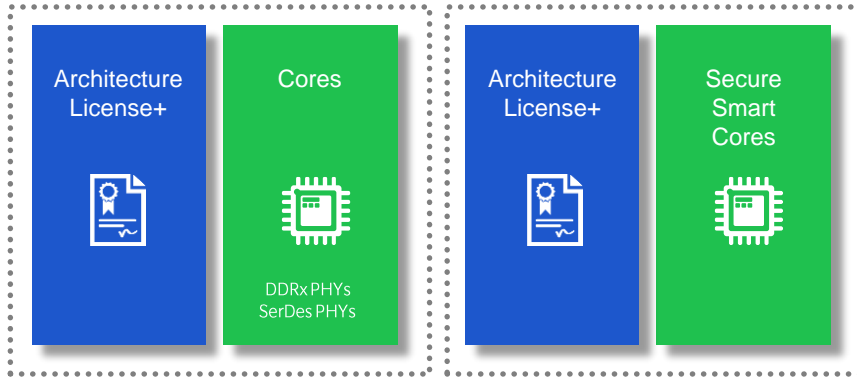
Source: 3<sup>rd</sup> party analyst reports and Rambus estimates

# Directional View of Portfolio Valuation

## Historic Business

Data Center

Mobile Edge

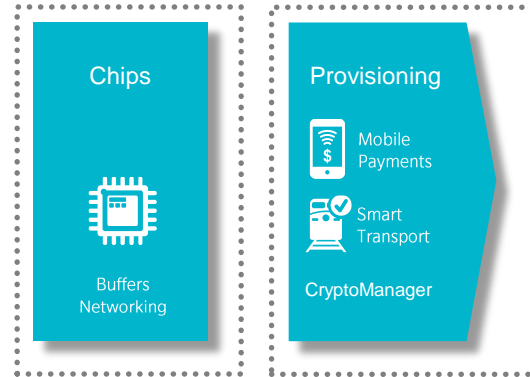


High Margin Existing Business

## Near-term Growth

Data Center

Mobile Edge

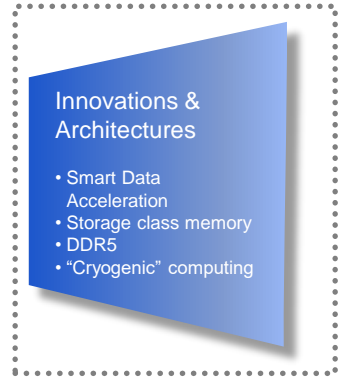


- ~\$600M SAM
- Target 40-60% share
- Model a 33% Share
- ~27% EBITDA<sup>1</sup>
- ~17x EBITDA multiple<sup>1</sup>

- ~\$800M SAM
- Target 40-60% share
- Model a 25% Share
- ~11% EBITDA<sup>2</sup>
- ~29x EBITDA multiple<sup>2</sup>

## Long-term Growth

Data Center + Mobile Edge



- Rigorous capital budgeting process
- Option value may be significant

Source: 3<sup>rd</sup> party estimates and Rambus

<sup>1</sup>Based on publicly-traded comparable SoC companies with gross margins of ~50% - 60%

<sup>2</sup>Based on profitable publicly-traded comparable Systems Software companies, <\$350M LTM rev.

# Value Creation Drivers

- Smart investment in historic business, expanding where possible
- Get the chips right
- Get provisioning and in-field applications right
- High-integrity capital budgeting for disruptive option value



# Key Take-Aways from Today

- We are and will remain **very profitable** with ongoing licensing programs
- We are focused on and relevant in key technology areas of the **Data Center** and the **Mobile Edge**
- We are aggressively pursuing **profitable growth**, both organically and inorganically
- We are **accelerating** our growth through strategic acquisitions and execution of key programs
- We believe the solid core business and near-term growth opportunities are not yet factored into the stock price, making us **undervalued**

*Rambus*



makers of better

# Reconciliation of non-GAAP Financial Measures

<b>Net Income</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
GAAP Net Income (Loss)	(34)	26	211
Adjustments:			
Stock-based compensation	15	15	15
Acquisition-related transaction costs & retention bonus	10	2	-
Amortization	29	27	25
Restructuring	-	-	4
Other one-time events	16	1	-
Non-cash interest expense	19	15	6
Provision for (benefit from) income taxes	(6)	(15)	(191)
<b>Pro Forma Net Income</b>	<b>50</b>	<b>70</b>	<b>71</b>
<b>EBITDA</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
GAAP Operating Income	22	75	71
Adjustments:			
Stock-based compensation	15	15	15
Acquisition-related transaction costs & retention bonus	10	2	-
Amortization	29	27	25
Restructuring	-	-	4
Other one-time events	15	-	-
<b>Pro Forma Operating Income</b>	<b>92</b>	<b>119</b>	<b>115</b>
Depreciation	15	14	12
<b>Pro Forma EBITDA</b>	<b>107</b>	<b>133</b>	<b>127</b>

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