

# Rambus First Quarter 2014 Financial Results

April 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.

# Non-GAAP Financial Measures

This presentation contains non-GAAP financial measures.

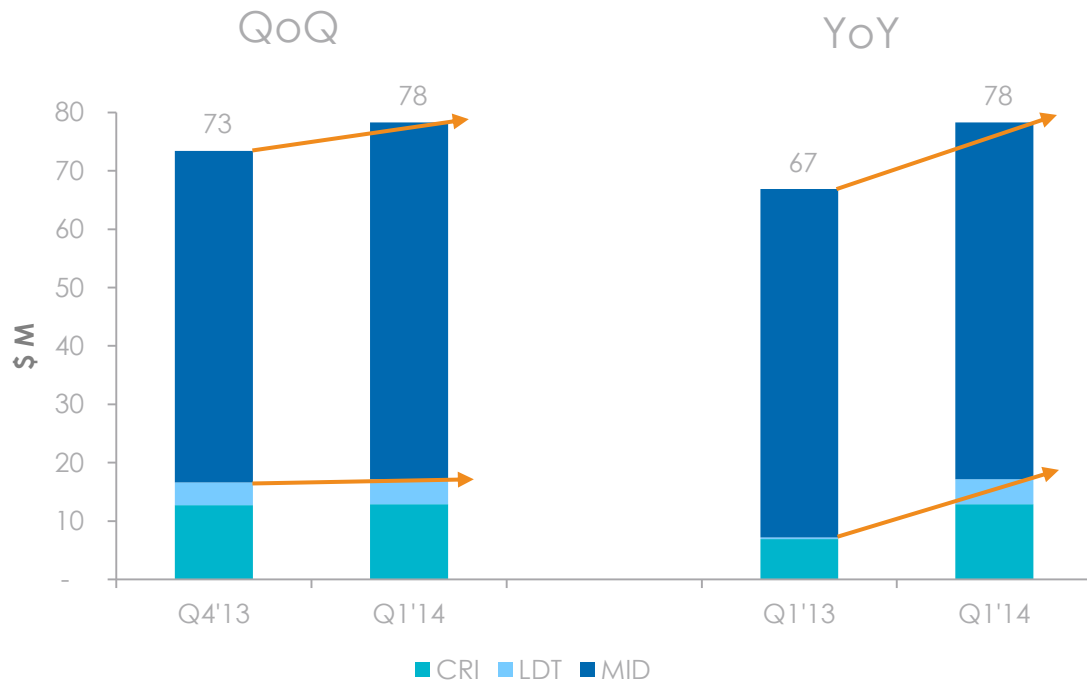
As a reminder, we use non-GAAP or Pro forma numbers, which we believe are indicative of company performance, as they include certain cash events and exclude certain non-cash and discrete events, such as impairment charges, and restructuring charges, which are not indicative of our long-term performance.

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

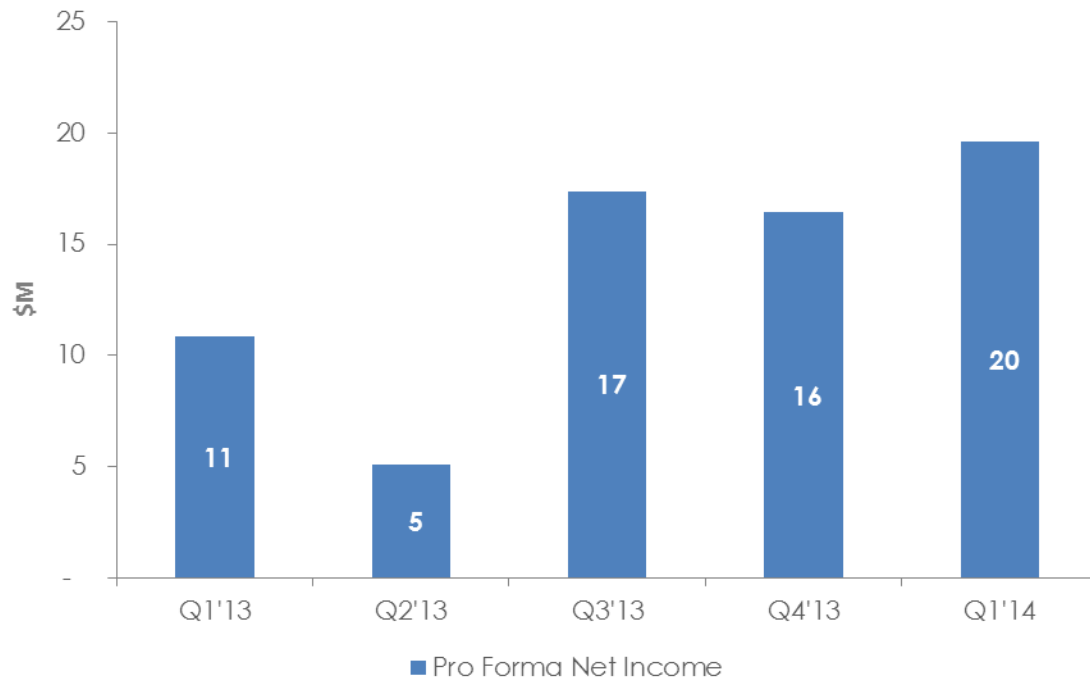
# Highlights

- Q1 2014 revenue of **\$78.3 million**; up **7%** quarter-over-quarter and up **17%** year-over-year
- First quarter non-GAAP diluted net income per share of **\$0.17**; up **21%** quarter-over-quarter and up **89%** year-over-year
- **GAAP profitable** — first time in nine quarters
- Signed broad **five-year agreement** with **Nanya Technology Corporation**, resolving all outstanding disputes
- **Lensless Smart Sensor** technology highlighted as one of the best technologies at Mobile World Congress 2014

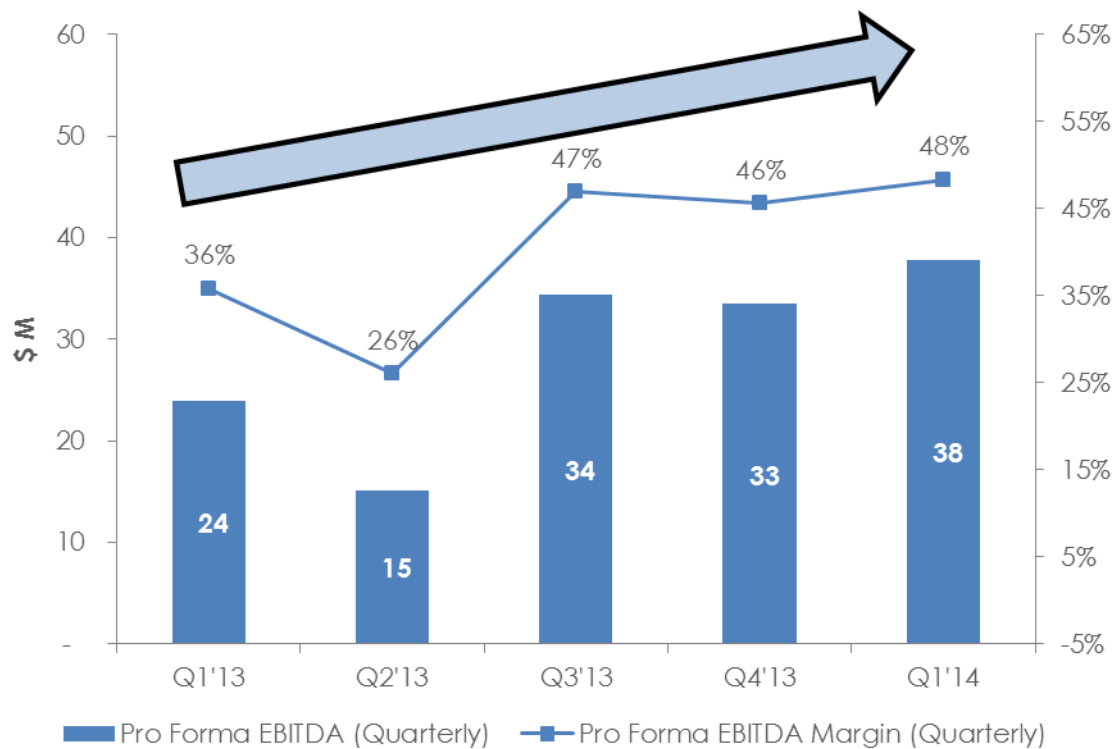
# Quarterly Revenue



# Quarterly Pro Forma Net Income



# Quarterly Pro Forma EBITDA and Margins



# Q1'14 Actual Results Versus Guidance

\$M	Actual Q1'14	Q1'14 Guidance		
Revenue	\$ 78.3	\$ 70	-	\$ 75
Pro forma operating costs and expenses	\$ 43.9	\$ 48	-	\$ 45
Pro forma net income	\$ 19.6	\$ 12	-	\$ 17



# Q1 '14 Pro Forma Engineering and MG&A Costs and Expenses

\$M

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 (including COGS)**

Marketing, general and administrative (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

    Severance costs

    Reversal of one-time litigation costs

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

**Pro forma operating costs and expenses**

	Actual Q1'14	Actual Q4'13	Variance QoQ	Actual Q1'13	Variance YoY
Cost of revenue (GAAP)	\$ 10.0	\$ 10.4		\$ 5.2	
R&D portion of gain from sale of IP (GAAP)	\$ (0.1)	\$ -		\$ (1.3)	
Research and development (GAAP)	\$ 26.9	\$ 26.8		\$ 34.1	
Stock-based compensation	\$ (1.3)	\$ (1.4)		\$ (1.9)	
Acquisition-related transaction costs and retention bonuses	\$ (1.2)	\$ (1.3)		\$ (3.5)	
Amortization	\$ (6.2)	\$ (6.8)		\$ (6.4)	
<b>Pro forma engineering costs and expenses (including COGS)</b>	<b>\$ 28.1</b>	<b>\$ 27.6</b>	<b>\$ 0.5</b>	<b>\$ 26.4</b>	<b>\$ 1.7</b>
Marketing, general and administrative (GAAP)	\$ 18.8	\$ 18.5		\$ 25.1	
MG&A portion of gain from sale of IP (GAAP)	\$ (0.1)	\$ -		\$ -	
Gain from settlement (GAAP)	\$ (0.5)	\$ (0.4)		\$ -	
Stock-based compensation	\$ (1.6)	\$ (1.7)		\$ (3.1)	
Acquisition-related transaction costs and retention bonuses	\$ (0.2)	\$ (0.2)		\$ (0.6)	
Amortization	\$ (0.6)	\$ (0.6)		\$ (0.6)	
Severance costs	\$ -	\$ -		\$ (0.5)	
Reversal of one-time litigation costs	\$ -	\$ 0.6		\$ -	
<b>Pro forma MG&amp;A costs and expenses</b>	<b>\$ 15.8</b>	<b>\$ 16.2</b>	<b>\$ (0.4)</b>	<b>\$ 20.3</b>	<b>\$ (4.5)</b>
<b>Pro forma operating costs and expenses</b>	<b>\$ 43.9</b>	<b>\$ 43.8</b>	<b>\$ 0.1</b>	<b>\$ 46.7</b>	<b>\$ (2.8)</b>

# Q1'14 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

Severance costs

Costs of restatement and related legal activities

**Pro forma operating costs and expenses**

	Actual Q1'14	Actual Q4'13	Variance QoQ	Actual Q1'13	Variance YoY
GAAP operating costs and expenses	\$ 55.1	\$ 67.2		\$ 65.4	
Adjustments:					
Stock-based compensation	\$ (2.9)	\$ (3.1)		\$ (4.9)	
Acquisition-related transaction costs and retention bonuses	\$ (1.4)	\$ (1.5)		\$ (4.0)	
Amortization	\$ (6.8)	\$ (7.5)		\$ (7.0)	
Reversal of one-time litigation costs	\$ -	\$ 0.6		\$ -	
Restructuring charges	\$ (0.0)	\$ (2.2)		\$ (2.2)	
Impairment of goodwill & long-lived assets	\$ -	\$ (9.7)		\$ -	
Severance costs	\$ -	\$ -		\$ (0.5)	
Costs of restatement and related legal activities	\$ -	\$ -		\$ -	
<b>Pro forma operating costs and expenses</b>	<b>\$ 43.9</b>	<b>\$ 43.8</b>	<b>\$ 0.1</b>	<b>\$ 46.7</b>	<b>\$ (2.8)</b>

# Q1'14 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 Q1'14	Actual Q4'13	Variance QoQ	Actual Q1'13	Variance YoY
Revenue	\$ 78.3	\$ 73.4		\$ 66.9	
Pro forma operating costs and expenses	\$ 43.9	\$ 43.8		\$ 46.7	
Pro forma operating income	\$ 34.4	\$ 29.6		\$ 20.2	
Pro forma interest and other income (expense), net	\$ (3.7)	\$ (3.9)		\$ (3.2)	
Pro forma income before income taxes	\$ 30.7	\$ 25.7		\$ 16.9	
Pro forma income tax provision (at 36%)	\$ 11.0	\$ 9.3		\$ 6.1	
<b>Pro forma net income</b>	<b>\$ 19.6</b>	<b>\$ 16.4</b>	<b>\$ 3.2</b>	<b>\$ 10.8</b>	<b>\$ 8.8</b>
Pro forma Basic EPS	\$ 0.17	\$ 0.15		\$ 0.10	
Pro forma Diluted EPS	\$ 0.17	\$ 0.14		\$ 0.09	

# Cash & Marketable Securities

\$M	Actual Q1'14	Actual Q4'13	Actual Q1'13
Cash & marketable securities - beginning	\$ 388	\$ 366	\$ 203
Cash generated/(used) from operations	\$ 16	\$ 21	\$ 15
Cash generated/(used) from investing & financing	\$ (1)	\$ 1	\$ (4)
Cash & marketable securities - ending	\$ 403	\$ 388	\$ 215

# Q1'14 GAAP & Pro Forma P&L

\$M	GAAP Q1'14	Pro Forma Q1'14	Variance to GAAP
<b>Revenue</b>	\$ 78.3	\$ 78.3	
Cost of revenue	\$ 9.8	\$ 4.1	\$ (5.7)
Research and development	\$ 26.9	\$ 23.9	\$ (3.0)
Marketing, general and administrative	\$ 18.8	\$ 16.4	\$ (2.4)
Restructuring charges	\$ 0.1	\$ -	\$ (0.1)
Impairment of goodwill and long-lived assets	\$ -	\$ -	\$ -
Gain from settlement	\$ (0.5)	\$ (0.5)	\$ -
<b>Total operating costs and expenses</b>	\$ 55.1	\$ 43.9	\$ (11.2)
<b>Operating income</b>	\$ 23.2	\$ 34.4	\$ 11.2
Interest and other expense, net	\$ 9.9	\$ 3.7	\$ (6.2)
<b>Income (loss) before income taxes</b>	\$ 13.3	\$ 30.7	\$ 17.4
Provision for income taxes	\$ 5.5	\$ 11.1	\$ 5.6
<b>Net income (loss)</b>	\$ 7.8	\$ 19.6	\$ 11.8

# Operating and EBITDA Margins

\$M	GAAP Q1'14		Pro Forma Q1'14		GAAP Q4'13		Pro Forma Q4'13		GAAP Q1'13		Pro Forma Q1'13	
	Revenue	\$	78.3	\$	78.3	\$	73.4	\$	73.4	\$	66.9	\$
Total operating costs and expenses	\$	55.1	\$	43.9	\$	67.2	\$	43.8	\$	65.4	\$	46.7
<b>Operating income</b>	\$	23.2	\$	34.4	\$	6.2	\$	29.6	\$	1.5	\$	20.2
<b>Operating Margin %</b>		30%		44%		8%		40%		2%		30%
<b>Add back:</b>												
Depreciation	\$	3.5	\$	3.5	\$	3.9	\$	3.9	\$	3.8	\$	3.8
Amortization	\$	6.8			\$	7.5			\$	7.0		
<b>EBITDA</b>	\$	33.5	\$	37.9	\$	17.6	\$	33.5	\$	12.3	\$	24.0
<b>EBITDA%</b>		43%		48%		24%		46%		18%		36%

# Q2'14 Guidance

	Q2'14 Guidance		
Revenue	\$ 69	-	\$ 74
Pro forma operating costs and expenses	\$ 47	-	\$ 44
<b>Pro forma operating income</b>	<b>\$ 22</b>	<b>-</b>	<b>\$ 30</b>
Pro forma interest and other income (expense), net	\$ (4)	-	\$ (3)
<b>Pro forma income before income taxes</b>	<b>\$ 18</b>	<b>-</b>	<b>\$ 27</b>
Proforma tax provision @ 36%	\$ 6	-	\$ 10
<b>Pro forma net income</b>	<b>\$ 12</b>	<b>-</b>	<b>\$ 17</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**