

# Rambus

## Second Quarter 2016 Financial Results



July 18, 2016

**Rambus**

# 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 which exclude 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. In the case of any forward-looking projections or estimates containing non-GAAP information discussed on this call, reconciliation may not be available due to the unreasonable effort to make such a determination or provide such information as more fully described on our website.

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

# Quarterly Highlights

- Q2 2016 revenue of **\$76.5 million**; non-GAAP diluted net income per share of **\$0.15**



## Memory + Interfaces

- Signed agreement to acquire Snowbush IP assets to bolster position in SerDes IP and product offerings
- Signed agreement to acquire Inphi Memory Interconnect Business to create instant position in memory chipset market



## Security

- Showcased in-field capabilities of CryptoManager for automotive
- Signed DPA Countermeasures agreement with Boeing
- Signed agreement with Dish TV India to protect Pay TV content for leading provider



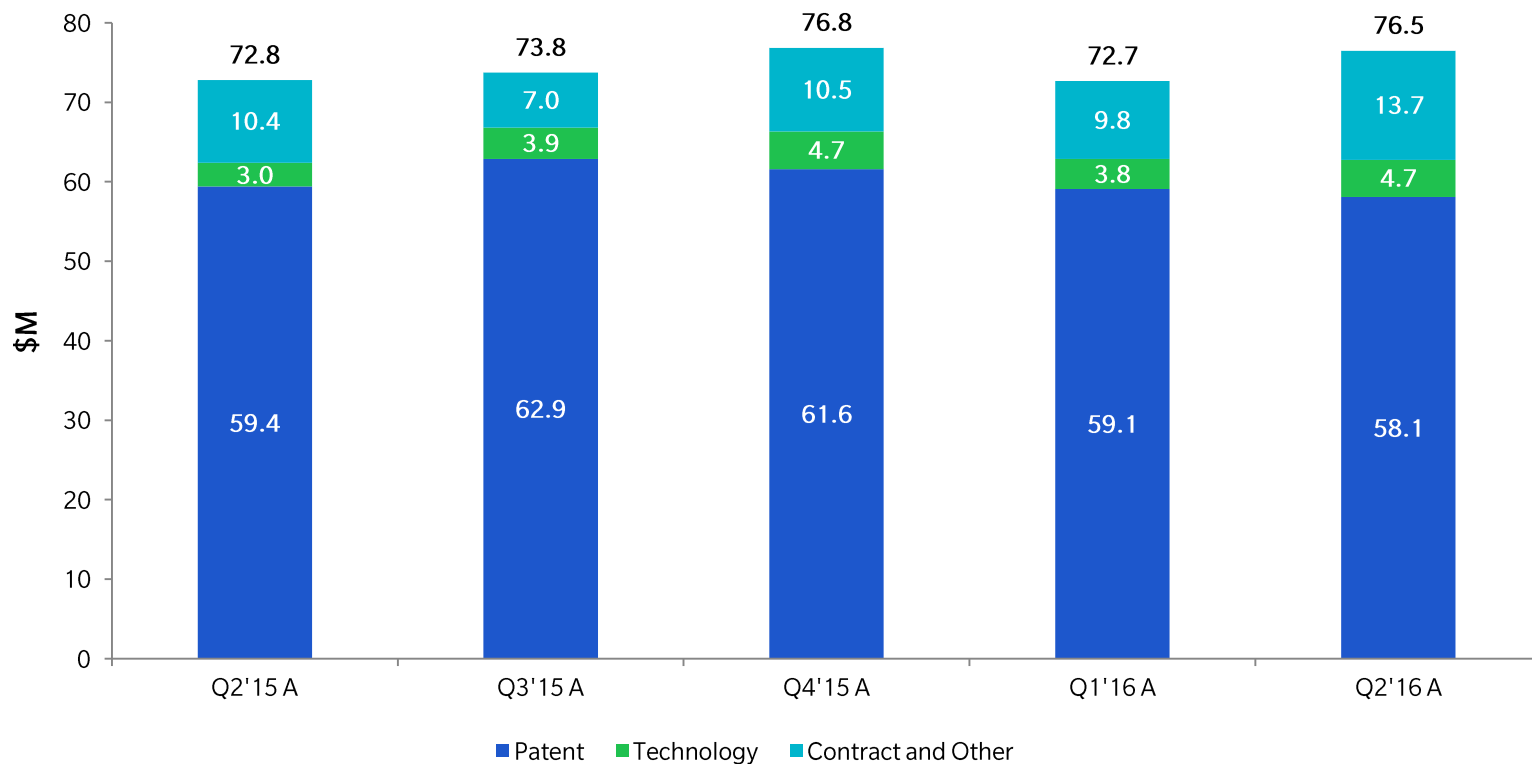
## Emerging Solutions

- Smart Data Acceleration demos at Computex
- Shipping lensless smart sensor POD 2.0 kits

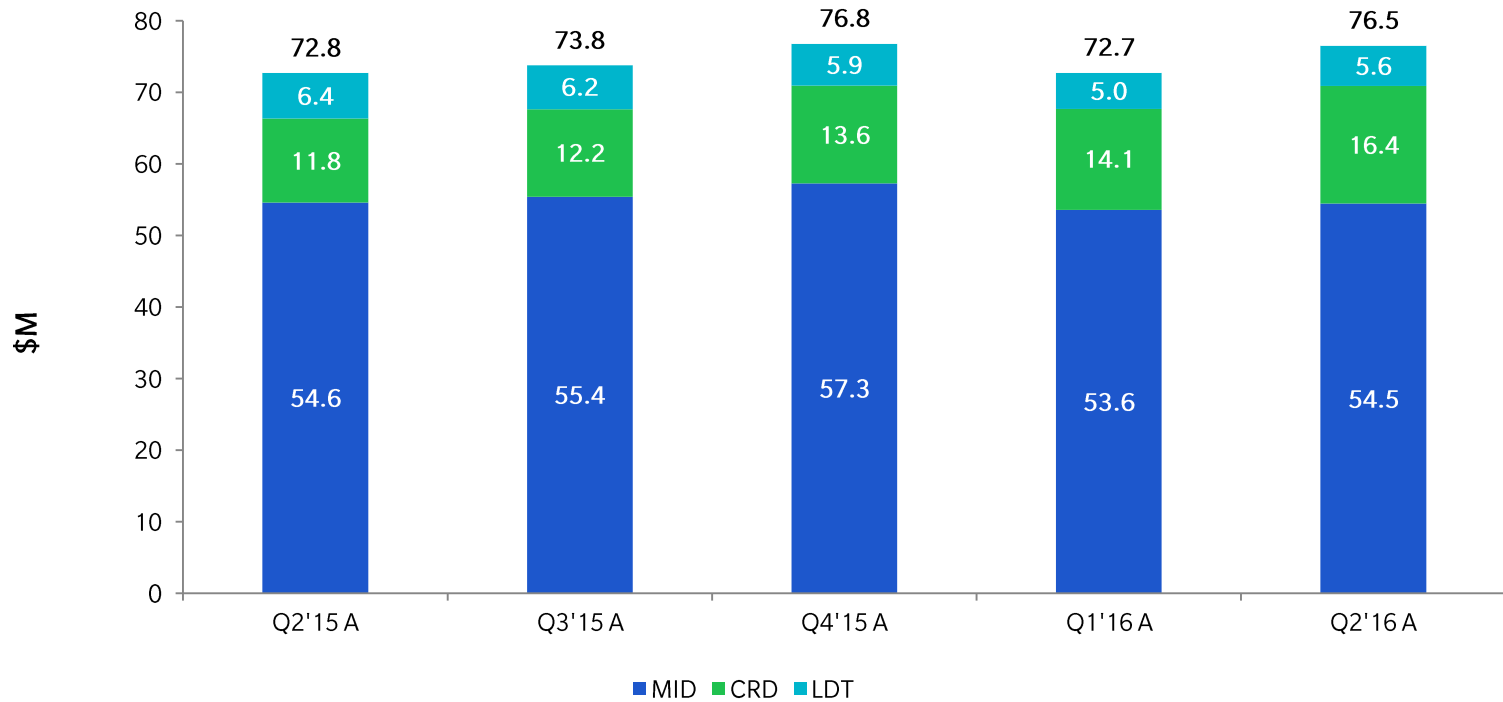
# Q2'16 Actual Results Versus Guidance

\$M	Actual Q2'16	Q2'16 Guidance		
Revenue	76.5	72	-	77
Pro forma operating costs and expenses	50.5	52	-	49
Pro forma net income	16.7	12	-	18

# Quarterly Revenue



# Quarterly Revenue by Business Units



# Pro Forma Operating Costs and Expenses

\$M	Actual Q2'16	Actual Q1'16	Variance QoQ	Actual Q2'15	Variance YoY
Cost of revenue (GAAP)	14.1	12.2	1.9	12.1	2.0
Research and development (GAAP)	28.8	28.5	0.2	29.2	(0.4)
Stock-based compensation	(2.1)	(2.1)	(0.0)	(2.1)	(0.1)
Acquisition-related transaction costs and retention bonus	0.0	0.0	0.0	0.0	0.0
Amortization	(6.4)	(6.4)	(0.1)	(5.7)	(0.7)
<b>Pro forma Engineering costs and expenses</b>	<b>34.3</b>	<b>32.2</b>	<b>2.1</b>	<b>33.6</b>	<b>0.8</b>
Sales, general and administrative(SG&A) (GAAP)	21.8	23.1	(1.3)	17.3	4.5
Stock-based compensation	(2.9)	(2.8)	(0.2)	(2.4)	(0.6)
Acquisition-related transaction costs and retention bonus	(0.8)	(1.8)	1.0	0.0	(0.8)
Amortization	(1.7)	(1.3)	(0.4)	(0.6)	(1.1)
<b>Pro forma SG&amp;A costs and expenses</b>	<b>16.3</b>	<b>17.2</b>	<b>(0.9)</b>	<b>14.4</b>	<b>2.0</b>
Gain from sale of intellectual property	0.0	0.0	0.0	(0.9)	0.9
Gain from settlement	(0.1)	(0.4)	0.3	(0.5)	0.4
<b>Pro forma operating costs and expenses</b>	<b>50.5</b>	<b>49.0</b>	<b>1.6</b>	<b>46.5</b>	<b>4.0</b>

# Operating and EBITDA Margins

\$M	GAAP	Pro Forma	GAAP	Pro Forma	GAAP	Pro Forma
	Actual	Actual	Actual	Actual	Actual	Actual
	Q2'16	Q2'16	Q1'16	Q1'16	Q2'15	Q2'15
Revenue	76.5	76.5	72.7	72.7	72.8	72.8
Total operating costs and expenses	64.5	50.5	63.4	49.0	57.3	46.5
Operating income	12.0	26.0	9.3	23.7	15.6	26.3
Operating margin %	16%	34%	13%	33%	21%	36%
Add Back:						
Depreciation	3.0	3.0	3.0	3.0	3.1	3.1
Amortization	8.2	-	7.7	-	6.3	-
EBITDA	23.2	29.0	20.0	26.7	24.9	29.4
EBITDA %	30%	38%	27%	37%	34%	40%



# Pro Forma Provision for Income Taxes

\$M	Actual Q2'16	Actual Q1'16	Variance QoQ	Actual Q2'15	Variance YoY
Provision for (benefit from) income taxes (GAAP)	6.1	4.5		5.8	
Adjustment to GAAP provision for income taxes	2.9	3.4		3.2	
<b>Pro forma provision for income taxes</b>	<b>9.0</b>	<b>7.9</b>	<b>1.1</b>	<b>9.0</b>	<b>(0.0)</b>

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

\$M	Actual Q2'16	Actual Q1'16	Variance QoQ	Actual Q2'15	Variance YoY
GAAP effective tax rate	61%	71%		46%	
Adjustment to GAAP effective tax rate	-26%	-36%		-10%	
<b>Pro forma effective tax rate</b>	<b>35%</b>	<b>35%</b>	<b>0.0</b>	<b>36%</b>	<b>(0.0)</b>

(1) For purposes of internal forecasting, planning and analyzing future periods that assume net income from operations, the Company estimates a fixed, long-term projected tax rate of approximately 35 percent for periods in 2016 and 36 percent for periods in 2015, 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, deferred tax asset valuation allowance and the release of any deferred tax asset valuation allowance. Accordingly, the Company has applied these tax rates to its non-GAAP financial results for all periods in the relevant year to assist the Company's planning for future periods.



# Cash & Marketable Securities

\$M	Actual Q2'16	Actual Q1'16	Actual Q2'15
Cash & marketable securities - beginning	226	288	318
Cash generated/(used) from operations	33	16	24
Cash generated/(used) from investing & financing	0	(78)	6
Cash & marketable securities - ending	259	226	348

# Q3'16 Guidance

\$M	Q3'16 Guidance		
	Low		High
Revenue	75	-	80
Pro forma operating costs and expenses	53	-	50
Pro forma operating income	22	-	30
Pro forma interest and other income (expense), net	(1)	-	(1)
Pro forma income before income taxes	21	-	29
Pro forma tax provision @ 35%	7	-	10
Pro forma net income	14	-	19

Thank you



*Rambus*

# Appendix



# Pro Forma Operating Costs and Expenses

\$M	Actual Q2'16	Actual Q1'16	Variance QoQ	Actual Q2'15	Variance YoY
GAAP operating costs and expenses	64.5	63.4	1.1	57.3	7.2
<u>Adjustments</u>					
Stock based compensation	(5.0)	(4.9)	(0.2)	(4.4)	(0.6)
Acquisition-related transaction costs and retention bonus	(0.8)	(1.8)	1.0	0.0	(0.8)
Amortization	(8.2)	(7.7)	(0.4)	(6.3)	(1.8)
Restructuring charges	0.0	0.0	0.0	0.0	0.0
Pro Forma operating costs and expenses	50.5	49.0	1.5	46.5	4.0

# GAAP and Pro Forma P&L

\$M	GAAP Actual Q2'16	Pro Forma Actual Q2'16	Delta to GAAP
Revenue	76.5	76.5	-
Cost of revenue	14.1	7.7	(6.4)
Research and development	28.8	26.6	(2.1)
Sales, general and administrative	21.8	16.3	(5.4)
Gain from settlement	(0.1)	(0.1)	-
Total operating costs and expenses	64.5	50.5	(14.0)
Operating Income	12.0	26.0	14.0
Interest and other income (expense), net	(2.0)	(0.3)	1.7
Income before income taxes	10.0	25.6	15.7
Income tax provision (benefit)	6.1	9.0	2.9
Net Income	3.9	16.7	12.8