

Rambus Fourth Quarter and Full Year 2015 Financial Results



January 25, 2016

Rambus

Safe Harbor Provision

This presentation will contain forward-looking statements regarding our financial guidance prospects, product strategies, timing of expected product launches, demand for our existing and newly-acquired technologies, the potential benefits of the acquisition and the growth opportunities of the various markets we serve, 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.

Highlights



Announced today:

- Extended license agreement with AMD
- Acquired secure mobile payment & ticketing solutions to complement CryptoManager platform

Q4 and 2015 highlights:

- Q4 2015 revenue of **\$76.8 million** and 2015 revenue of **\$296.3 million**
- Q4 2015 non-GAAP diluted net income per share of **\$0.18** and 2015 non-GAAP diluted net income per share of **\$0.60**
- Announced R+ DDR4 server memory chip for RDIMMs and LRDIMMs
- Signed and renewed key license agreements with IBM, Renesas, SK hynix and Toshiba
- Revealed Smart Data Acceleration research program to improve data center performance
- Initiated \$100 million Accelerated Share Repurchase Program

What Are We Announcing Today?

- Rambus has acquired Smart Card Software Ltd for £ 64.7m, or ~\$93m
- Smart Card Software is comprised of two companies:
 -  , a leader in mobile payment
 -  , a leader in smart ticketing
- The deal was signed and closed on 25 January 2016
- The businesses will report in to our Cryptography Research Division, led by Dr. Martin Scott
- We forecast the business to be accretive this year

The New CRD Additions



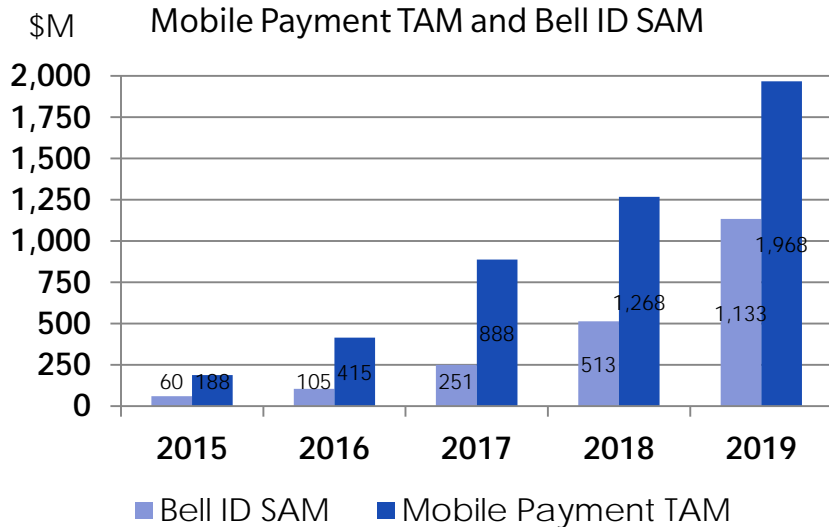
- Leader in cloud-based mobile payments
- Simplifying adoption of mobile payments for banks and card issuers
- Support for all mobile payment platforms
- Pioneer in HCE (Host Card Emulation)
 - With a secure element in the cloud
 - Incorporates tokenization



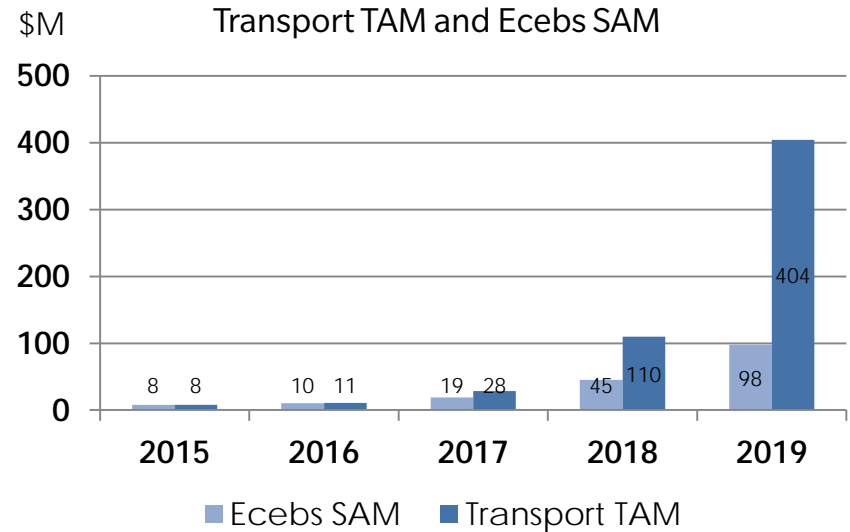
- Leading supplier of Smart Ticketing systems
- Infrastructure for ticket vending, validation, and reconciliation
- Leader in ITSO, the world's leading open smart ticketing standard
- Modernizing and mobilizing ticketing



New Market Opportunity



TAM: Includes worldwide card issuers and retailers -Source: Rambus estimates



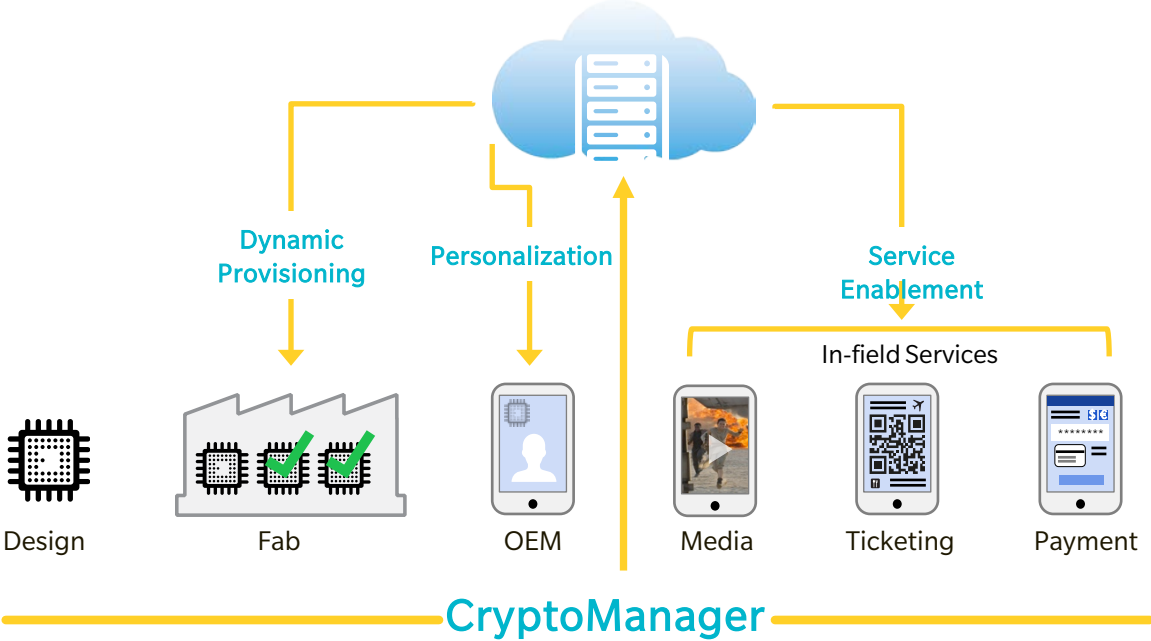
TAM: Includes worldwide passenger journeys on open ticketing platforms – Source: New York MTA, APTA, UIC

Strategic Rationale

- Leaders in their respective fields of mobile payment and smart ticketing.
- Profitable businesses in their own right.
- Key verticals for mobile.
- Synergistic with CryptoManager™.
- New market segments and growth vectors.
- Opportunity to differentiate solutions with optimum security.

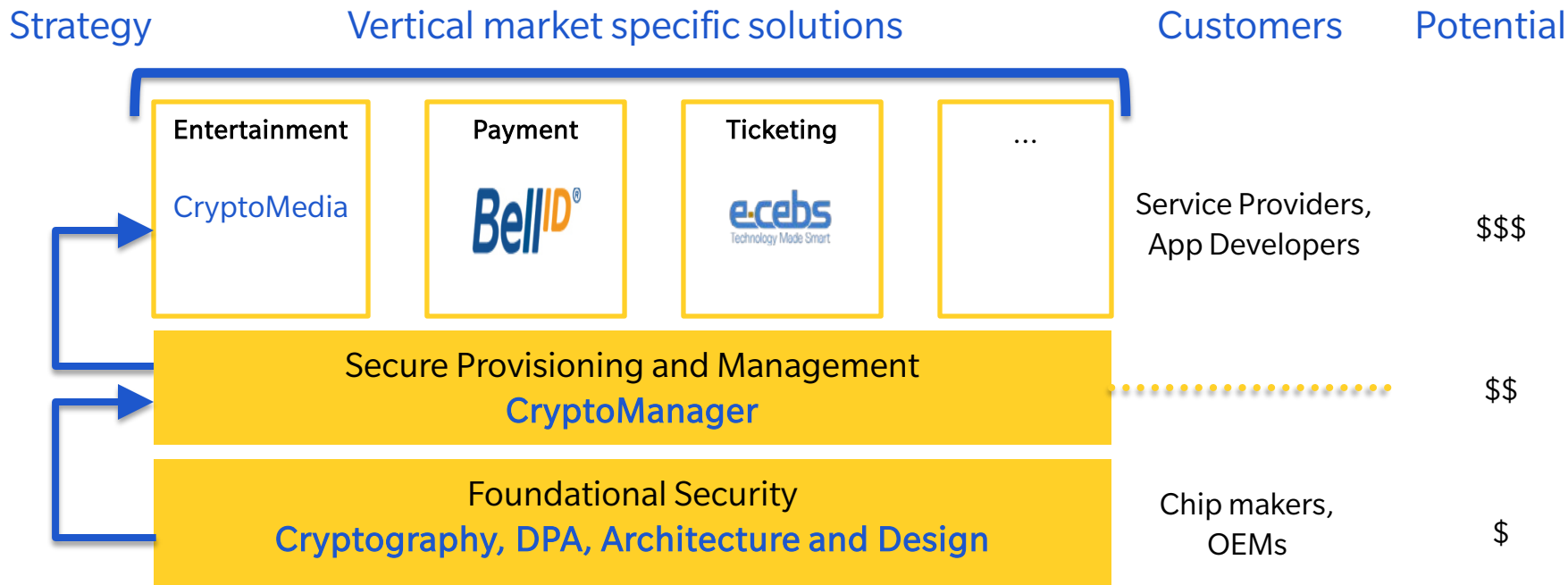
See our integrated demos at Mobile World Congress in Barcelona

From Chip to Cloud to Client Device



Cryptography Research Growth Strategy

Leverage Foundational Technology to Enable Value-Added Solutions



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Q4 and 2015 highlights:

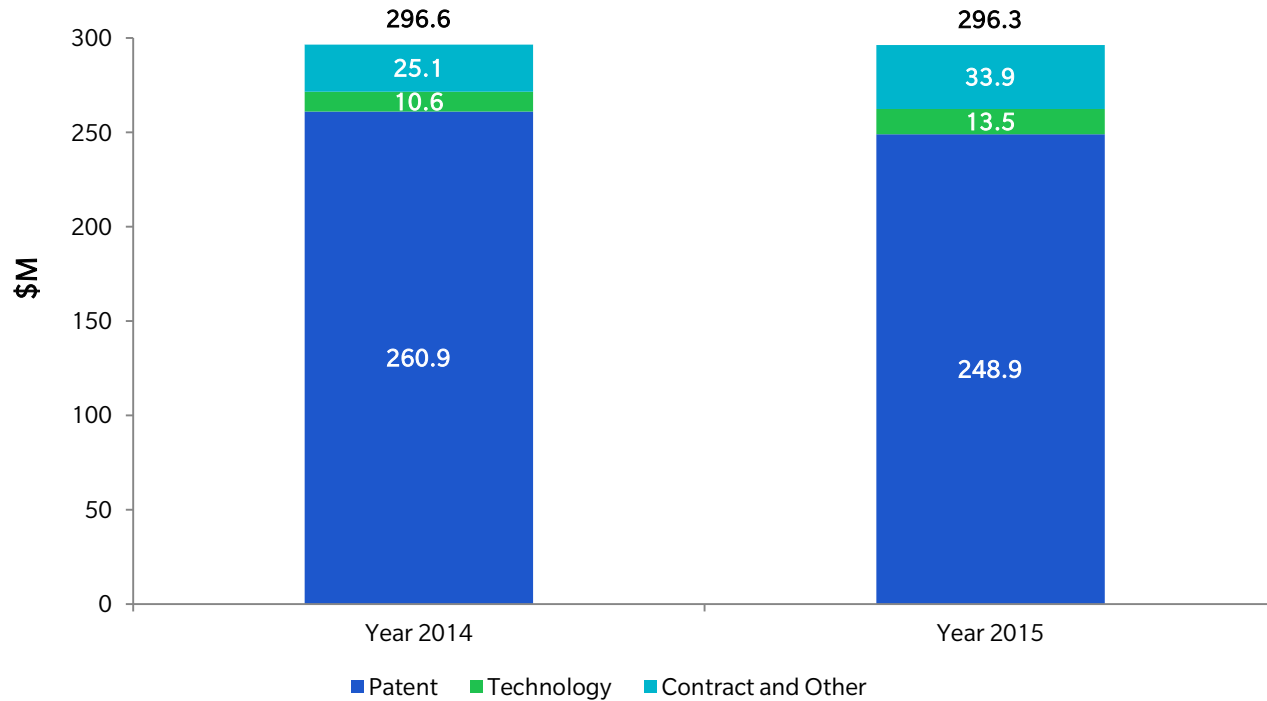
- Q4 2015 revenue of **\$76.8 million** and 2015 revenue of **\$296.3 million**
- Q4 2015 non-GAAP diluted net income per share of **\$0.18** and 2015 non-GAAP diluted net income per share of **\$0.60**
- Announced R+ DDR4 server memory chip for RDIMMs and LRDIMMs
- Signed and renewed key license agreements with IBM, Renesas, SK hynix and Toshiba
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Q4'15 Actual Results Versus Guidance

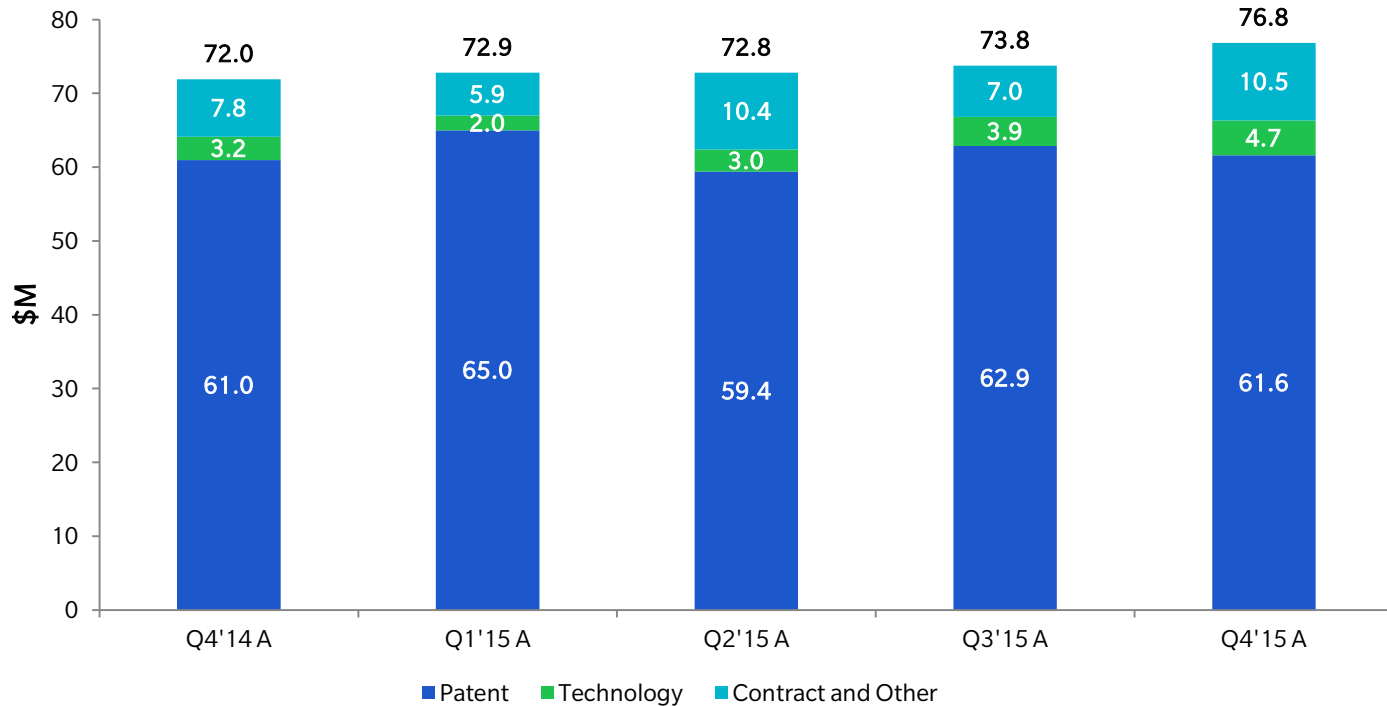
\$M	Actual Q4'15	Q4'15 Guidance		
Revenue	76.8	71	-	77
Pro forma operating costs and expenses	43.4	45	-	42
Pro forma net income	20.7	16	-	22

- At high end of revenue and net income guidance

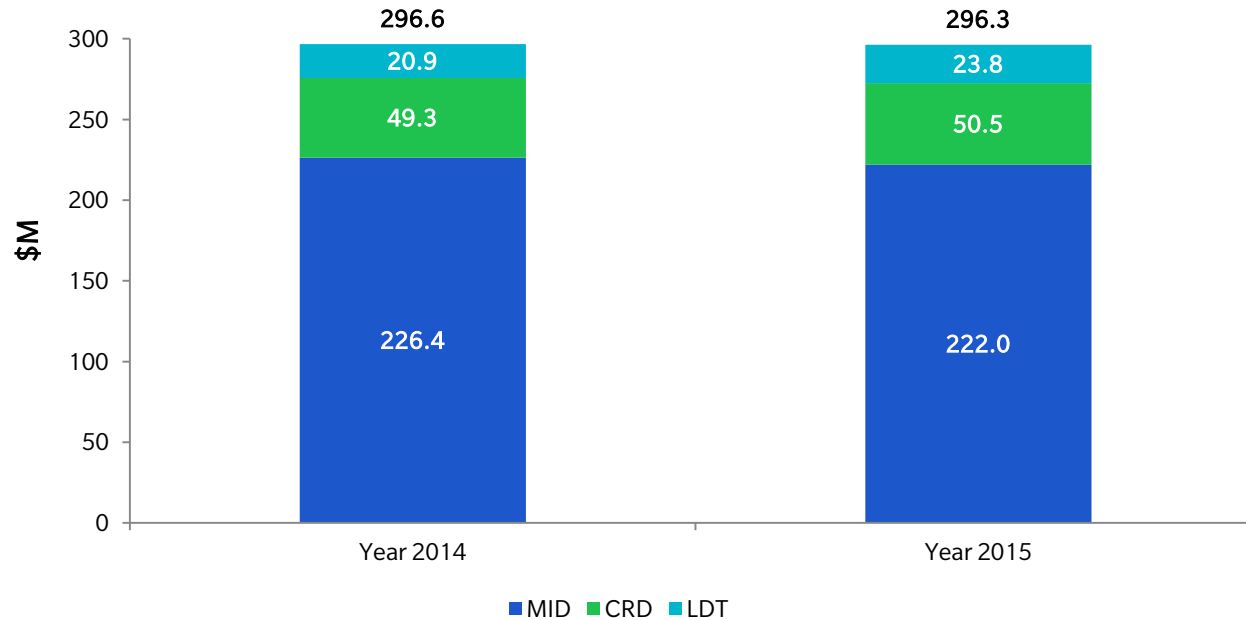
Annual Revenue



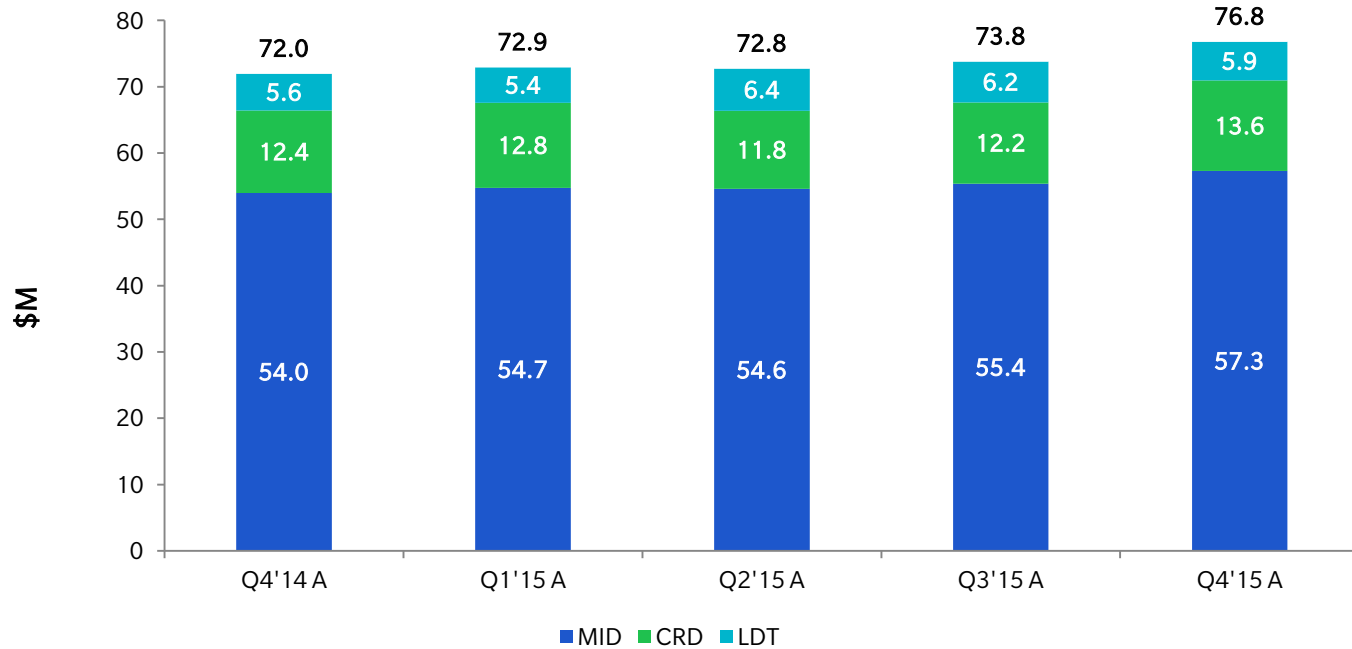
Quarterly Revenue



Annual Revenue by Business Units



Quarterly Revenue by Business Units



Pro Forma Operating Costs and Expenses

\$M	Actual Q4'15	Actual Q3'15	Variance QoQ	Actual Q4'14	Variance YoY
Cost of revenue (GAAP)	11.4	11.1	0.3	10.7	0.6
Research and development (GAAP)	25.6	27.8	(2.2)	28.4	(2.9)
Stock-based compensation	(1.5)	(1.6)	0.1	(1.7)	0.2
Acquisition-related transaction costs and retention bonus	0.0	0.0	0.0	(0.0)	0.0
Amortization	(5.5)	(5.7)	0.1	(5.7)	0.2
Pro forma Engineering costs and expenses	29.9	31.7	(1.7)	31.8	(1.9)
Sales, general and administrative(SG&A) (GAAP)	16.9	17.9	(1.0)	19.1	(2.3)
Stock-based compensation	(1.9)	(2.0)	0.1	(1.9)	0.0
Acquisition-related transaction costs and retention bonus	0.0	0.0	0.0	0.0	0.0
Amortization	(0.6)	(0.6)	0.0	(0.6)	0.0
Pro forma SG&A costs and expenses	14.4	15.3	(0.9)	16.6	(2.3)
Gain from sale of intellectual property	(0.4)	(0.1)	(0.3)	(3.4)	2.9
Gain from settlement	(0.5)	(0.5)	0.0	(0.5)	0.0
Pro forma operating costs and expenses	43.4	46.3	(2.9)	44.6	(1.2)

Pro Forma Operating Costs and Expenses

\$M	Actual 2015	Actual 2014	Variance YoY
Cost of revenue (GAAP)	45.4	41.9	3.4
Research and development (GAAP)	111.1	110.0	1.1
Stock-based compensation	(6.9)	(7.3)	0.4
Acquisition-related transaction costs and retention bonus	(0.0)	(1.5)	1.5
Amortization	(22.6)	(24.3)	1.7
Pro forma Engineering costs and expenses	127.0	118.9	8.1
Sales, general and administrative (SG&A) (GAAP)	70.6	74.8	(4.2)
Stock-based compensation	(8.2)	(7.5)	(0.7)
Acquisition-related transaction costs and retention bonus	0.0	(1.0)	1.0
Amortization	(2.5)	(2.3)	(0.2)
Pro forma SG&A costs and expenses	59.9	64.0	(4.1)
Gain from sale of intellectual property	(3.7)	(3.5)	(0.2)
Gain from settlement	(2.0)	(2.0)	0.0
Pro forma operating costs and expenses	181.1	177.4	3.8

Operating and EBITDA Margins

\$M	GAAP	Pro Forma	GAAP	Pro Forma	GAAP	Pro Forma
	Actual	Actual	Actual	Actual	Actual	Actual
	Q4'15	Q4'15	Q3'15	Q3'15	Q4'14	Q4'14
Revenue	76.8	76.8	73.8	73.8	72.0	72.0
Total operating costs and expenses	56.4	43.4	56.1	46.3	54.5	44.6
Operating income	20.3	33.4	17.6	27.5	17.6	27.4
Operating margin %	26%	44%	24%	37%	24%	38%
Add Back:						
Depreciation	3.0	3.0	3.1	3.1	3.3	3.3
Amortization	6.2	-	6.3	-	6.3	-
EBITDA	29.5	36.4	27.0	30.6	27.2	30.7
EBITDA %	38%	47%	37%	41%	38%	43%

Operating and EBITDA Margins

\$M	GAAP Actual 2015	Pro Forma Actual 2015	GAAP Actual 2014	Pro Forma Actual 2014
Revenue	296.3	296.3	296.6	296.6
Total operating costs and expenses	224.9	181.1	221.2	177.4
Operating income	71.4	115.2	75.3	119.2
Operating margin %	24%	39%	25%	40%
Add Back:				
Depreciation	12.4	12.4	13.6	13.6
Amortization	25.1	-	26.6	-
EBITDA	108.9	127.5	115.6	132.8
EBITDA %	37%	43%	39%	45%

Pro Forma Provision for Income Taxes

\$M	Actual Q4'15	Actual Q3'15	Variance QoQ	Actual Q4'14	Variance YoY
Provision for (benefit from) income taxes (GAAP)	4.6	(167.0)		6.8	
Adjustment to GAAP provision for income taxes	7.0	176.5		2.6	
Pro forma provision for income taxes	11.6	9.5	2.1	9.4	2.2

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

\$M	Actual Q4'15	Actual Q3'15	Variance QoQ	Actual Q4'14	Variance YoY
GAAP effective tax rate	26%	-1109%		47%	
Adjustment to GAAP effective tax rate	10%	1145%		-11%	
Pro forma effective tax rate	36%	36%	0.0	36%	0.0

(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.

Pro Forma Provision for Income Taxes

\$M	Actual Year 2015	Actual Year 2014	Variance YoY
Provision for income taxes (GAAP)	(151.2)	24.0	
Adjustment to GAAP provision for income taxes	190.9	15.4	
Pro forma provision for income taxes	39.7	39.4	0.3

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

\$M	Actual Year 2015	Actual Year 2014	Variance YoY
GAAP effective tax rate	-251%	48%	
Adjustment to GAAP effective tax rate	287%	-12%	
Pro forma effective tax rate	36%	36%	0%

(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.

Pro Forma Net Income

\$M	Actual Q4'15	Actual Q3'15	Variance QoQ	Actual Q4'14	Variance YoY
Revenue	76.8	73.8	3.0	72.0	4.7
Pro forma operating costs and expenses	43.4	46.3	(2.9)	44.6	(1.2)
Pro forma operating income	33.4	27.5	5.9	27.4	6.0
Pro forma Interest and other income (expenses), net	(1.1)	(1.0)	(0.2)	(1.4)	0.2
Pro forma income before income taxes	32.3	26.5	5.8	26.1	6.2
Pro forma income tax provision (at 36%)	11.6	9.5	2.1	9.4	2.2
Pro forma net income	20.7	17.0	3.7	16.7	4.0
Pro forma Basic EPS	\$0.19	\$0.15		\$0.15	
Pro forma Diluted EPS	\$0.18	\$0.14		\$0.14	

Pro Forma Net Income

\$M	Actual 2015	Actual 2014	Variance YoY
Revenue	296.3	296.6	(0.3)
Pro forma operating costs and expenses	181.1	177.4	3.8
Pro forma operating income	115.2	119.2	(4.0)
Pro forma Interest and other income (expenses), net	(4.8)	(9.7)	4.9
Pro forma income before income taxes	110.4	109.5	0.9
Pro forma income tax provision (at 36%)	39.7	39.4	0.3
Pro forma net income	70.6	70.1	0.6

Pro forma Basic EPS

\$0.62

\$0.61

Pro forma Diluted EPS

\$0.60

\$0.60

Cash & Marketable Securities

\$M	Actual Q4'15	Actual Q3'15	Actual Q4'14	Actual 2015	Actual 2014
Cash & marketable securities - beginning	363	348	271	300	388
Cash generated/(used) from operations	23	15	27	77	77
Cash generated/(used) from investing & financing	(98)	(0)	2	(87)	(165)
Cash & marketable securities - ending	288	363	300	288	300

Q1'16 Guidance

\$M	Q1'16 Guidance		
	Low		High
Revenue	71	-	75
Pro forma operating costs and expenses	55	-	51
Pro forma operating income	16	-	24
Pro forma interest and other income (expense), net	(1)	-	(1)
Pro forma income before income taxes	15	-	23
Pro forma tax provision @ 35%	5	-	8
Pro forma net income	10	-	15

2016 Guidance

\$M	2016 Guidance		
	Low		High
Revenue	310	-	325
Pro forma operating costs and expenses	210	-	202
Pro forma net income	62	-	77

Thank you



Rambus

Appendix

Pro Forma Operating Costs and Expenses

\$M	Actual Q4'15	Actual Q3'15	Variance QoQ	Actual Q4'14	Variance YoY
GAAP operating costs and expenses	56.4	56.1	0.3	54.5	2.0
<u>Adjustments</u>					
Stock based compensation	(3.3)	(3.6)	0.2	(3.5)	0.2
Acquisition-related transaction costs and retention bonus	0.0	0.0	0.0	(0.0)	0.0
Amortization	(6.2)	(6.3)	0.1	(6.3)	0.2
Restructuring charges	(3.6)	0.0	(3.6)	0.0	(3.6)
Pro Forma operating costs and expenses	43.4	46.3	(2.9)	44.6	(1.2)

Pro Forma Operating Costs and Expenses

\$M	Actual 2015	Actual 2014	Variance YoY
GAAP operating costs and expenses	224.9	221.2	3.6
<u>Adjustments</u>			
Stock based compensation	(15.1)	(14.7)	(0.4)
Acquisition-related transaction costs and retention bonus	(0.0)	(2.5)	2.5
Amortization	(25.1)	(26.6)	1.5
Restructuring charges	(3.6)	(0.0)	(3.5)
Pro Forma operating costs and expenses	181.1	177.4	3.7

GAAP and Pro Forma P&L

\$M	GAAP Actual Q4'15	Pro Forma Actual Q4'15	Delta to GAAP
Revenue	76.8	76.8	-
Cost of revenue	11.4	5.8	(5.6)
Research and development	25.6	24.1	(1.5)
Sales, general and administrative	16.9	14.4	(2.5)
Restructuring charges	3.6		(3.6)
Gain from sale of intellectual property	(0.4)	(0.4)	-
Gain from settlement	(0.5)	(0.5)	-
Total operating costs and expenses	56.4	43.4	(13.1)
Operating Income	20.3	33.4	13.1
Interest and other income (expense), net	(2.8)	(1.1)	1.6
Income before income taxes	17.6	32.3	14.7
Income tax provision (benefit)	4.6	11.6	7.0
Net Income	13.0	20.7	7.7

GAAP and Pro Forma P&L

\$M	GAAP Actual 2015	Pro Forma Actual 2015	Delta to GAAP
Revenue	296.3	296.3	0.0
Cost of revenue	45.4	22.7	(22.7)
Research and development	111.1	104.3	(6.8)
Sales, general and administrative	70.6	59.9	(10.7)
Restructuring charges	3.6		(3.6)
Gain from sale of intellectual property	(3.7)	(3.7)	0.0
Gain from settlement	(2.0)	(2.0)	0.0
Total operating costs and expenses	224.9	181.1	(43.7)
Operating Income	71.4	115.2	43.7
Interest and other income (expense), net	(11.2)	(4.8)	6.4
Income before income taxes	60.2	110.4	50.1
Income tax provision (benefit)	(151.2)	39.7	190.9
Net Income	211.4	70.6	(140.8)