UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 OR 15(d) of the Securities Exchange Act of 1934

August 1, 2017
Date of Report (Date of earliest event reported)

THE RUBICON PROJECT, INC.
(Exact name of registrant as specified in its charter)

Delaware	**001-36384**	**20-8881738**
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

12181 Bluff Creek Drive, 4th Floor
Los Angeles, CA 90094
(Address of principal executive offices, including zip code)

(310) 207-0272
(Registrant's telephone number, including area code)

Not applicable
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 2.02. Results of Operations and Financial Condition.

On August 1, 2017, The Rubicon Project, Inc., or the Company, issued a press release announcing financial results for its fiscal quarter ended June 30, 2017. The full text of the press release issued in connection with the announcement is furnished as Exhibit 99.1 to this Current Report on Form 8-K.

The information in this Form 8-K (including Exhibit 99.1) shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as expressly set forth by specific reference in such a filing.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits

The following exhibit relating to Item 2.02 shall be deemed to be furnished, and not filed:

Exhibit Number	Description
99.1	Press release dated August 1, 2017

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

THE RUBICON PROJECT, INC.

Date:	August 1, 2017	By:	/s/ David Day
			David Day
			Chief Financial Officer and Chief Accounting Officer

EXHIBIT INDEX

Exhibit Number	Description
99.1	Press release dated August 1, 2017

Exhibit 99.1

Rubicon Project Reports Second Quarter 2017 Results

LOS ANGELES, California – August 1, 2017 – Rubicon Project (NYSE: RUBI), the global exchange for advertising, today reported its results of operations for the second quarter of 2017.

Second Quarter Highlights

- Acquired nToggle for $38.5 million in cash to help DSPs identify and target key audiences more effectively, win more auctions, and spend more with our publisher and app clients.
- Completed integration of Amazon Publisher Services' Transparent Ad Marketplace header bidding solution.
- Selected by British Telecom (BT) to expand digital presence with enhanced programmatic offering.
- Revenue was $42.9 million, compared to $70.5 million for the second quarter of 2016; Non-GAAP net revenue(1) was $42.9 million, compared to $65.1 million for the second quarter of 2016.
- Net loss(2) was $11.6 million, or loss per share(2) of $0.24, compared to net loss of $2.7 million, or loss per share of $0.06 for the second quarter of 2016. The net loss for the second quarter of 2017 included restructuring and other exits costs of $1.6 million.
- Adjusted EBITDA(1) was $3.0 million, compared to Adjusted EBITDA of $18.4 million for the second quarter of 2016.
- Non-GAAP loss per share(1)(2) was $0.10, compared to $0.28 earnings per share for the second quarter of 2016.

"We have made great progress so far in 2017, during a rebuilding year, that we believe will get us back to a position of year-over-year growth by the end of 2018," said Michael G Barrett, President and CEO of Rubicon Project. "We have a very clear strategy - increase market share of supply, be the most efficient marketplace and increase win rate. On supply, we now have access to 50% more inventory than we did a year ago due to our success in header bidding. Second, we strategically and aggressively lowered pricing this quarter to meaningfully improve our value proposition and overall efficiency. Lastly, our acquisition of nToggle has greatly helped our ability to increase win rates and allow our customers to handle the explosion of bid requests."

Second Quarter 2017 Results Summary

(in millions, except per share amounts and percentages)

	Three Months Ended		
	June 30, 2017	June 30, 2016	Change
Revenue	$42.9	$70.5	(39)%
Advertising spend(1)	$204.4	$257.4	(21)%
Non-GAAP net revenue(1)	$42.9	$65.1	(34)%
Take rate(4)	21.0%	25.3%	(430 bps)
Net loss (2)	($11.6)	($2.7)	nm
Adjusted EBITDA(1)	$3.0	$18.4	(84)%
Adjusted EBITDA margin(3)	7%	28%	(21 ppt)
Basic and Diluted loss per share (2)	($0.24)	($0.06)	nm
Non-GAAP earnings (loss) per share(1)(2)	($0.10)	$0.28	(136)%

Definitions:

(1) Non-GAAP net revenue, Adjusted EBITDA, non-GAAP earnings (loss) per share, and advertising spend are non-GAAP financial measures. Please see the discussion in the section called "Non-GAAP Financial Measures" and the reconciliations included at the end of this press release.

(2) Net loss, diluted loss per share and non-GAAP earnings per share for the second quarter 2017 and second quarter 2016 include a tax provision of $0.1 million and $4.9 million, respectively. In addition, non-GAAP earnings per share includes the tax effect of non-GAAP adjustments for the second quarter 2017 and second quarter of 2016 resulting in benefits of $0.04 million and $5.4 million, respectively.

(3) Adjusted EBITDA margin is calculated as Adjusted EBITDA divided by revenue (or for periods in which we have revenue reported on a gross basis, by non-GAAP net revenue). Reconciliations for both net income (loss) to Adjusted EBITDA and revenue to non-GAAP net revenue are included at the end of this press release. For further discussion, please see "Non-GAAP Financial Measures."

(4) Take rate is an operational performance measure calculated as revenue (or for periods in which we have revenue reported on a gross basis, as non-GAAP net revenue) divided by advertising spend. Reconciliations for revenue to both advertising spend and non-GAAP net revenue are included at the end of this press release. For further discussion, please see "Non-GAAP Financial Measures." We review take rate for internal management purposes to assess the development of our marketplace with buyers and sellers. Our take rate (and our fees, which drive take rate) can be affected by a variety of factors, including the terms of our arrangements with buyers and sellers active on our platform in a particular period; the scale of a buyer's or seller's activity on our platform; mix of inventory or transaction types; the implementation of new products; platforms and solution features; auction dynamics; negotiations with clients; header bidding; competitive factors and our strategic pricing decisions, including strategic fee reductions we implemented during the first half of 2017 and additional fee reductions or alternative pricing models we may implement in the future; and the overall development of the digital advertising ecosystem.

nm not meaningful

Second Quarter 2017 Results Conference Call and Webcast:

The Company will host a conference call on August 1, 2017 at 1:30 PM (PT) / 4:30 PM (ET) to discuss the results for its second quarter of 2017.

Live conference call

Toll free number:	(844) 875-6911 (for domestic callers)
Direct dial number:	(412) 902-6511 (for international callers)
Passcode:	Ask to join the Rubicon Project conference call
Simultaneous audio webcast:	http://investor.rubiconproject.com, under "Events and Presentations"

Conference call replay

Toll free number:	(877) 344-7529 (for domestic callers)
Direct dial number:	(412) 317-0088 (for international callers)
Passcode:	10110615
Webcast link:	http://investor.rubiconproject.com, under "Events and Presentations"

About Rubicon Project

Founded in 2007, Rubicon Project is one of the world's largest advertising exchanges. The company helps websites and apps thrive by giving them tools and expertise to sell ads easily and safely. In addition, the world's leading agencies and brands rely on Rubicon Project's technology to execute billions of advertising transactions each month. Rubicon Project is an independent, publicly traded company (NYSE:RUBI) headquartered in Los Angeles, California.

Note: The Rubicon Project and the Rubicon Project logo are registered service marks of The Rubicon Project, Inc.

Forward-Looking Statements:

This press release and management's prepared remarks during the conference call referred to above include, and management's answers to questions during the conference call may include, forward-looking statements, including statements based upon or relating to our expectations, assumptions, estimates, and projections. In some cases, you can identify forward-looking statements by terms such as "may," "might," "will," "objective," "intend," "should," "could," "can," "would," "expect," "believe," "design," "anticipate," "estimate," "predict," "potential," "plan" or the negative of these terms, and similar expressions. Forward-looking statements may include, but are not limited to, statements concerning our anticipated financial performance, including, without limitation, revenue, advertising spend, profitability, net income (loss), Adjusted EBITDA, earnings per share, and cash flow; strategic objectives, including focus on header bidding, mobile, video, Orders, and guaranteed audience opportunities; investments in our business; development of our technology; introduction of new offerings; the impact of our acquisition of nToggle and its traffic shaping technology on our business; scope and duration of client relationships; the fees we may charge in the future; business mix; sales growth; client utilization of our offerings; our competitive differentiation; our leadership position in the industry; market conditions, trends, and opportunities; user reach; certain statements regarding future operational performance measures including take rate, paid impressions, and average CPM; and factors that could affect these and other aspects of our business.

These statements are not guarantees of future performance; they reflect our current views with respect to future events and are based on assumptions and estimates and subject to known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from expectations or results projected or implied by forward-looking statements. These risks include, but are not limited to: our ability to grow and to manage our growth effectively; our ability to develop innovative new technologies and remain a market leader; our ability to attract and retain buyers and sellers and increase our business with them; our vulnerability to loss of, or reduction in spending by, buyers; our ability to maintain and grow a supply of advertising inventory from sellers; the effect on the advertising market and our business from difficult economic conditions; the freedom of buyers and sellers to direct their spending and inventory to competing sources of inventory and demand; our ability to use our solution to purchase and sell higher value advertising and to expand the use of our solution by buyers and sellers utilizing evolving digital media platforms; our ability to introduce new offerings and bring them to market in a timely manner in response to client demands and industry trends, including shifts in digital advertising growth from display to mobile channels; the increased prevalence of header bidding and its effect on our competitive position; our header bidding solution not resulting in revenue growth and causing infrastructure strain and added cost; uncertainty of our estimates and expectations associated with new offerings, including header bidding, private marketplace, mobile, video, Orders, automated guaranteed, and guaranteed audience solutions, and traffic shaping; declining fees and take rate, including as a result of implementation of alternative pricing models, and the need to grow through advertising spend and fill rate increases rather than pricing increases; our limited operating history and history of losses; our ability to continue to expand into new geographic markets; our ability to adapt effectively to shifts in digital advertising to mobile and video channels and formats; increased prevalence of ad blocking technologies; the slowing growth rate of online digital display advertising; the growing percentage of online and mobile advertising spending captured by owned and operated sites (such as Facebook and Google); the effects of increased competition in our market and increasing concentration of advertising spending, including mobile spending, in a small number of very large competitors; acts of competitors and other third parties that can adversely affect our business; our ability to differentiate our offerings and compete effectively in a market trending increasingly toward commodification, transparency, and disintermediation; requests from buyers and sellers for discounts, fee concessions or revisions, rebates, refunds, and greater levels of pricing transparency and specificity; potential adverse effects of malicious activity such as fraudulent inventory and malware; the effects of seasonal trends on our results of operations; costs associated with defending intellectual property infringement and other claims; our ability to attract and retain qualified employees and key personnel; our ability to identify future acquisitions of or investments in complementary companies or technologies and our ability to consummate the acquisitions and integrate such companies or technologies; and our ability to comply with, and the effect on our business of, evolving legal standards and regulations, particularly concerning data protection and consumer privacy and evolving labor standards.

We discuss many of these risks and additional factors that could cause actual results to differ materially from those anticipated by our forward-looking statements under the headings "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations," and elsewhere in filings we have made and will make from time to time with the Securities and Exchange Commission, or SEC, including our Annual Report on Form 10-K for the year ended December 31, 2016. These forward-looking statements represent our estimates and assumptions only as of the date of this press release. Unless required by federal securities laws, we assume no obligation to update any of these forward-looking statements, or to update the reasons actual results could differ materially from those anticipated, to reflect circumstances or events that occur after the statements are made. Without limiting the foregoing, we are currently not providing guidance, and any guidance we may provide will generally be given only in connection with quarterly and annual earnings announcements, without interim updates, and we may appear at industry conferences or make other public statements without disclosing material nonpublic information in our possession. Given these uncertainties, investors should not place undue reliance on these forward-looking statements. Investors should read this press release and the documents that we reference in this press release and have filed or will file with the SEC completely and with the understanding that our actual future results may be materially different from what we expect. We qualify all of our forward-looking statements by these cautionary statements.

Non-GAAP Financial Measures:

This press release includes information relating to advertising spend, non-GAAP net revenue, Adjusted EBITDA, non-GAAP net income, and non-GAAP earnings per share, which are financial measures that have not been prepared in accordance with GAAP. These non-GAAP financial measures are used by our management and board of directors, in addition to our GAAP results, to understand and evaluate our performance and trends, to prepare and approve our annual budget, and to develop short- and long-term plans and performance objectives. Management believes that these non-GAAP financial measures provide useful information about our core results and thus are appropriate to enhance the overall understanding of our past performance and our prospects for the future.

These non-GAAP financial measures are not intended to be considered in isolation from, as substitutes for, or as superior to, the corresponding financial measures prepared in accordance with GAAP. You are encouraged to evaluate these adjustments, and review the reconciliation of these non-GAAP financial measures to their most comparable GAAP measures, and the reasons we consider them appropriate. It is important to note that the particular items we exclude from, or include in, our non-GAAP financial measures may differ from the items excluded from, or included in, similar non-GAAP financial measures used by other companies. See "Reconciliation of revenue to advertising spend and revenue to non-GAAP net revenue," "Reconciliation of net loss to Adjusted EBITDA," "Reconciliation of net loss to non-GAAP net income" and "Reconciliation of GAAP EPS to non-GAAP EPS" included as part of this press release.

Advertising Spend:

We define advertising spend as the buyer spending on advertising transacted on our platform. Advertising spend does not represent revenue reported on a GAAP basis. Tracking our advertising spend facilitates comparison of our results to the results of companies in our industry that report GAAP revenue on a gross basis. We also use advertising spend for internal management purposes to assess market share of total advertising spending. Our advertising spend may be influenced by demand for our services, the volume and characteristics of paid impressions, average CPM, the nature and amount of fees we charge, and other factors such as changes in the market, our execution of the business, and competition. Advertising spend may fluctuate due to seasonality and increases or decreases in average CPM and paid impressions. In addition, we generally experience higher advertising spend during the fourth quarter of a given year resulting from higher advertiser budgets and more bidding activity on our platform, which may drive higher volumes of paid impressions or average CPM. Growth in our advertising spend slowed significantly compared to 2016 primarily due to market and competitive pressures, deceleration in traditional desktop display spending, header bidding dynamics and decreases in our fees.

Non-GAAP Net Revenue:

We define non-GAAP net revenue as GAAP revenue less amounts paid to sellers that are included within cost of revenue for the portion of our revenue reported on a gross basis. Non-GAAP net revenue would represent our revenue if we were to record all of our revenue on a net basis. Non-GAAP net revenue does not represent revenue reported on a GAAP basis. Non-GAAP net revenue is one useful measure in assessing the performance of our business in periods for which our revenue includes revenue reported on a gross basis, because it shows the operating results of our business on a consistent basis without the effect of differing revenue reporting (gross vs. net) that we apply under GAAP across different types of transactions, and facilitates comparison of our results to the results of companies that report all of their revenue on a net basis. A potential limitation of non-GAAP net revenue is that other companies may define non-GAAP net revenue differently, which may make comparisons difficult.

Non-GAAP net revenue is influenced by demand for our services, the volume and characteristics of advertising spend, and our take rate. The revenue we have reported on a gross basis was associated with our intent marketing solution. Because we exited that business in the first quarter of 2017, we do not expect any difference between revenue and non-GAAP net revenue unless and until changes in our business or applicable accounting standards require gross reporting for at least some of our revenue.

Adjusted EBITDA:

We define Adjusted EBITDA as net income (loss) adjusted to exclude stock-based compensation expense, depreciation and amortization, amortization of acquired intangible assets, impairment charges, interest income or expense, and other cash and non-cash based income or expenses that we do not consider indicative of our core operating performance, including, but not limited to foreign exchange gains and losses, acquisition and related items, and provision (benefit) for income taxes. We believe Adjusted EBITDA is useful to investors in evaluating our performance for the following reasons:

- Adjusted EBITDA is widely used by investors and securities analysts to measure a company's performance without regard to items such as those we exclude in calculating this measure, which can vary substantially from company to company depending upon their financing, capital structures, and the method by which assets were acquired.
- Our management uses Adjusted EBITDA in conjunction with GAAP financial measures for planning purposes, including the preparation of our annual operating budget, as a measure of performance and the effectiveness of our business strategies, and in communications with our board of directors concerning our performance. Adjusted EBITDA may also be used as a metric for determining payment of cash incentive compensation.
- Adjusted EBITDA provides a measure of consistency and comparability with our past performance that many investors find useful, facilitates period-to-period comparisons of operations, and also facilitates comparisons with other peer companies, many of which use similar non-GAAP financial measures to supplement their GAAP results.

Although Adjusted EBITDA is frequently used by investors and securities analysts in their evaluations of companies, Adjusted EBITDA has limitations as an analytical tool, and should not be considered in isolation or as a substitute for analysis of our results of operations as reported under GAAP. These limitations include:

- Stock-based compensation is a non-cash charge and will remain an element of our long-term incentive compensation package, although we exclude it as an expense when evaluating our ongoing operating performance for a particular period.
- Depreciation and amortization are non-cash charges, and the assets being depreciated or amortized will often have to be replaced in the future, but Adjusted EBITDA does not reflect any cash requirements for these replacements.
- Impairment charges are non-cash charges related to goodwill, intangible assets and/or long-lived assets.
- Adjusted EBITDA does not reflect non-cash charges related to acquisition and related items, such as amortization of acquired intangible assets and changes in the fair value of contingent consideration.
- Adjusted EBITDA does not reflect cash and non-cash charges and changes in, or cash requirements for, acquisition and related items, such as certain transaction expenses and expenses associated with earn-out amounts.
- Adjusted EBITDA does not reflect changes in our working capital needs, capital expenditures, or contractual commitments.
- Adjusted EBITDA does not reflect cash requirements for income taxes and the cash impact of other income or expense.
- Other companies may calculate Adjusted EBITDA differently than we do, limiting its usefulness as a comparative measure.

Our Adjusted EBITDA is influenced by fluctuation in our revenue and the timing and amounts of our investments in our operations. Adjusted EBITDA should not be considered as an alternative to net income (loss), operating loss, or any other measure of financial performance calculated and presented in accordance with GAAP.

Non-GAAP Net Income and Non-GAAP Earnings per Share:

We define non-GAAP earnings per share as non-GAAP net income (loss) divided by non-GAAP weighted-average shares outstanding. Non-GAAP net income (loss) is equal to net income (loss) excluding stock-based compensation, impairment charges, cash and non-cash based acquisition and related expenses, including amortization of acquired intangible assets, transaction expenses, expenses associated with earn-out amounts, and foreign currency gains and losses. In periods in which non-GAAP net income (loss) is positive, non-GAAP weighted-average shares outstanding used to calculate non-GAAP earnings per share includes the impact of potentially dilutive shares. Potentially dilutive shares consist of stock options, restricted stock awards, restricted stock units, potential shares issued under the Employee Stock Purchase Plan, each computed using the treasury stock method, shares held in escrow, and potential shares issued as part of contingent consideration as a result of business combinations. We believe non-GAAP earnings per share is useful to investors in evaluating our ongoing operational performance and our trends on a per share basis, and also facilitates comparison of our financial results on a per share basis with other companies, many of which present a similar non-GAAP measure. However, a potential limitation of our use of non-GAAP earnings per share is that other companies may define non-GAAP earnings per share differently, which may make comparison difficult. This measure may also exclude expenses that may have a material impact on our reported financial results. Non-GAAP earnings per share is a performance measure and should not be used as a measure of liquidity. Because of these limitations, we also consider the comparable GAAP measure of net income (loss).

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THE RUBICON PROJECT, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands)
(unaudited)

	June 30, 2017	December 31, 2016
ASSETS		
Current assets:		
Cash and cash equivalents	$ 165,241	$ 149,423
Marketable securities	27,365	40,550
Accounts receivable, net	138,963	192,064
Prepaid expenses and other current assets	10,757	9,540
TOTAL CURRENT ASSETS	342,326	391,577
Property and equipment, net	34,107	36,246
Internal use software development costs, net	13,493	16,522
Other assets, non-current	1,892	2,921
Intangible assets, net	4,440	6,804
Goodwill	65,705	65,705
TOTAL ASSETS	$ 461,963	$ 519,775
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	$ 174,031	$ 214,903
Other current liabilities	3,193	3,534
TOTAL CURRENT LIABILITIES	177,224	218,437
Deferred tax liability, net	42	42
Other liabilities, non-current	1,736	1,783
TOTAL LIABILITIES	179,002	220,262
STOCKHOLDERS' EQUITY		
Additional paid-in capital	409,360	398,787
Accumulated other comprehensive loss	(3)	(273)
Accumulated deficit	(126,396)	(99,001)
TOTAL STOCKHOLDERS' EQUITY	282,961	299,513
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 461,963	$ 519,775

THE RUBICON PROJECT, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share amounts)
(unaudited)

	Three Months Ended		Six Months Ended	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
Revenue	$ 42,922	$ 70,511	$ 88,937	$ 139,743
Expenses [1][2]:				
Cost of revenue	13,698	17,540	28,386	34,323
Sales and marketing	12,529	21,966	27,157	43,244
Technology and development	12,044	13,294	24,797	25,737
General and administrative	14,355	16,390	29,435	36,995
Restructuring and other exit costs	1,621	—	5,959	—
Total expenses	54,247	69,190	115,734	140,299
Income (loss) from operations	(11,325)	1,321	(26,797)	(556)
Other (income) expense:				
Interest income, net	(228)	(131)	(395)	(225)
Other income	(167)	(197)	(379)	(197)
Foreign exchange (gain) loss, net	479	(578)	851	(317)
Total other (income) expense, net	84	(906)	77	(739)
Income (loss) before income taxes	(11,409)	2,227	(26,874)	183
Provision for income taxes	146	4,904	521	576
Net loss	$ (11,555)	$ (2,677)	$ (27,395)	$ (393)
Net loss per share:				
Basic and Diluted	$ (0.24)	$ (0.06)	$ (0.56)	$ (0.01)
Weighted-average shares used to compute net loss per share:				
Basic and Diluted	48,783	46,341	48,559	45,502

[1] Stock-based compensation expense included in our expenses was as follows:

	Three Months Ended		Six Months Ended	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
Cost of revenue	$ 96	$ 108	$ 180	$ 170
Sales and marketing	974	2,543	2,409	4,657
Technology and development	981	1,800	2,056	3,174
General and administrative	2,628	2,675	5,337	7,516
Restructuring and other exit costs	624	—	1,560	—
Total stock-based compensation expense	$ 5,303	$ 7,126	$ 11,542	$ 15,517

[2] Depreciation and amortization expense included in our expenses was as follows:

	Three Months Ended		Six Months Ended	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
Cost of revenue	$ 8,045	$ 6,720	$ 16,424	$ 12,668
Sales and marketing	286	1,970	753	3,562
Technology and development	331	606	997	1,204
General and administrative	193	486	802	974
Total depreciation and amortization expense	$ 8,855	$ 9,782	$ 18,976	$ 18,408

THE RUBICON PROJECT, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(unaudited)

	Six Months Ended	
	June 30, 2017	**June 30, 2016**
OPERATING ACTIVITIES:		
Net loss	$ (27,395)	$ (393)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	18,976	18,408
Stock-based compensation	11,542	15,517
Loss on disposal of property and equipment	271	5
Provision for doubtful accounts	566	594
Unrealized foreign currency gains, net	1,130	(1,179)
Deferred income taxes	274	557
Changes in operating assets and liabilities, net of effect of business acquisitions:		
Accounts receivable	52,917	59,044
Prepaid expenses and other assets	(469)	(113)
Accounts payable and accrued expenses	(44,561)	(59,252)
Other liabilities	(446)	62
Net cash provided by operating activities	12,805	33,250
INVESTING ACTIVITIES:		
Purchases of property and equipment	(4,839)	(3,933)
Capitalized internal use software development costs	(4,327)	(5,029)
Investments in available-for-sale securities	(31,789)	(15,687)
Maturities of available-for-sale securities	45,050	12,800
Net cash provided by (used in) investing activities	4,095	(11,849)
FINANCING ACTIVITIES:		
Proceeds from exercise of stock options	384	12,859
Proceeds from issuance of common stock under employee stock purchase plan	444	1,137
Taxes paid related to net share settlement	(2,048)	(4,886)
Net cash provided by (used in) financing activities	(1,220)	9,110
EFFECT OF EXCHANGE RATE CHANGES ON CASH, CASH EQUIVALENTS AND RESTRICTED CASH	140	(78)
CHANGE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	15,820	30,433
CASH, CASH EQUIVALENTS AND RESTRICTED CASH — Beginning of period	149,498	116,832
CASH, CASH EQUIVALENTS AND RESTRICTED CASH — End of period	$ 165,318	$ 147,265
SUPPLEMENTAL DISCLOSURES OF OTHER CASH FLOW INFORMATION:		
Capitalized assets financed by accounts payable and accrued expenses	3,944	1,698
Capitalized stock-based compensation	251	537

THE RUBICON PROJECT, INC.
RECONCILIATION OF REVENUE TO ADVERTISING SPEND AND REVENUE TO NON-GAAP NET REVENUE
(In thousands)
(unaudited)

	Three Months Ended		Six Months Ended	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
Revenue	$ 42,922	$ 70,511	$ 88,937	$ 139,743
Plus amounts paid to sellers[1]	161,469	186,902	306,994	366,167
Advertising spend	$ 204,391	$ 257,413	$ 395,931	$ 505,910

	Three Months Ended		Six Months Ended	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
Revenue	$ 42,922	$ 70,511	$ 88,937	$ 139,743
Less amounts paid to sellers reflected in cost of revenue[2]	—	5,403	633	11,075
Non-GAAP net revenue	$ 42,922	$ 65,108	$ 88,304	$ 128,668

[1] Amounts paid to sellers for the portion of our revenue reported on a net basis for GAAP purposes.

[2] Amounts paid to sellers for the portion of our revenue reported on a gross basis for GAAP purposes.

THE RUBICON PROJECT, INC.
RECONCILIATION OF NET INCOME (LOSS) TO ADJUSTED EBITDA
(In thousands)
(unaudited)

	Three Months Ended		Six Months Ended	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
Net loss	$ (11,555)	$ (2,677)	$ (27,395)	$ (393)
Add back (deduct):				
Depreciation and amortization expense, excluding amortization of acquired intangible assets	8,076	5,190	16,612	9,759
Amortization of acquired intangibles	779	4,592	2,364	8,649
Stock-based compensation expense	5,303	7,126	11,542	15,517
Acquisition and related items	—	13	—	331
Interest income, net	(228)	(131)	(395)	(225)
Foreign currency (gain) loss, net	479	(578)	851	(317)
Provision for income taxes	146	4,904	521	576
Adjusted EBITDA	$ 3,000	$ 18,439	$ 4,100	$ 33,897

THE RUBICON PROJECT, INC.
RECONCILIATION OF NET INCOME (LOSS) TO NON-GAAP NET INCOME
(In thousands)
(unaudited)

	Three Months Ended		Six Months Ended	
	June 30, 2017	**June 30, 2016**	**June 30, 2017**	**June 30, 2016**
Net loss	$ (11,555)	$ (2,677)	$ (27,395)	$ (393)
Add back (deduct):				
Stock-based compensation expense	5,303	7,126	11,542	15,517
Acquisition and related items, including amortization of acquired intangibles	779	4,605	2,364	8,980
Foreign currency (gain) loss, net	479	(578)	851	(317)
Tax effect of Non-GAAP adjustments (1)	35	5,353	(9)	838
Non-GAAP net income (loss)	(4,959)	13,829	(12,647)	24,625

(1) Non-GAAP net income for the second quarter of 2017 includes the estimated tax impact from the expense items reconciling between net income (loss) and non-GAAP net income (loss). For consistency, 2016 historical non-GAAP income (loss) has been adjusted to reflect the estimated tax impact of those items.

THE RUBICON PROJECT, INC.
RECONCILIATION OF GAAP EPS TO NON-GAAP EPS
(In thousands, except per share amounts)
(unaudited)

	Three Months Ended		Six Months Ended	
	June 30, 2017	**June 30, 2016**	**June 30, 2017**	**June 30, 2016**
GAAP net loss per share [1]:				
Basic and Diluted	$ (0.24)	$ (0.06)	$ (0.56)	$ (0.01)
Non-GAAP net income (loss) [2]	$ (4,959)	$ 13,829	$ (12,647)	$ 24,625
Reconciliation of weighted-average shares used to compute net income (loss) per share to non-GAAP weighted average shares outstanding:				
Weighted-average shares used to compute net income (loss) per share:	48,783	46,341	48,559	45,502
Dilutive effect of weighted-average common stock options, RSAs, and RSUs[3]	—	3,003	—	3,117
Dilutive effect of weighted-average escrow shares	—	635	—	699
Dilutive effect of weighted-average ESPP[3]	—	26	—	22
Non-GAAP weighted-average shares outstanding	48,783	50,005	48,559	49,340
Non-GAAP earnings (loss) per share	$ (0.10)	$ 0.28	$ (0.26)	$ 0.50

[1] Calculated as net loss divided by basic weighted-average shares used to compute net loss per share as included in the consolidated statement of operations.

[2] Refer to reconciliation of net income (loss) to non-GAAP net income.

[3] In most periods in which net income is positive, the weighted-average shares used to compute diluted earnings per share are equal to the weighted-average shares used to compute basic loss per share and already include the dilutive effect of common stock options, RSAs, RSUs, acquisition related contingent and escrow shares, and ESPP using the treasury stock method.

THE RUBICON PROJECT, INC.
REVENUE AND ADVERTISING SPEND BY CHANNEL
(In thousands, except percentages)
(unaudited)

	Revenue				Advertising Spend			
	Three Months Ended							
	June 30, 2017		June 30, 2016		June 30, 2017		June 30, 2016	
	(in thousands, except percentages)							
Channel:								
Desktop	$ 23,746	55%	$ 46,107	65%	$ 118,517	58%	$ 172,453	67%
Mobile	19,176	45	24,404	35	85,874	42	84,960	33
Total	$ 42,922	100%	$ 70,511	100%	$ 204,391	100%	$ 257,413	100%

	Revenue				Advertising Spend			
	Six Months Ended							
	June 30, 2017		June 30, 2016		June 30, 2017		June 30, 2016	
	(in thousands, except percentages)							
Channel:								
Desktop	$ 52,075	59%	$ 92,988	67%	$ 242,156	61%	$ 347,119	69%
Mobile	36,862	41	46,755	33	153,775	39	158,791	31
Total	$ 88,937	100%	$ 139,743	100%	$ 395,931	100%	$ 505,910	100%