

# RPX Corporation Q4 2014 Earnings Call

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February 10, 2015

John Amster, Chief Executive Officer and Co-founder  
Robert Heath, Chief Financial Officer

# Safe Harbor

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- ▶ The following presentation contains forward-looking statements, including statements regarding our future financial performance and business strategy, our plans and objectives for future operations, and our expectations regarding the future growth of a market for patents.
- ▶ These forward-looking statements are subject to risks and uncertainties that could cause our actual results to differ materially from those reflected in the forward-looking statements. Many of the factors that could cause or contribute to such differences are described in the “Risk Factors” section of our most recent annual report on Form 10-K, its quarterly reports on Form 10-Q, and the Company’s other filings with the SEC, including:
  - we may experience significant quarterly fluctuations in our operating results,
  - new legislation, regulations or court rulings related to enforcing patents could reduce the value of our service to clients or potential clients, and
  - we may not be able to compete effectively against others to attract new clients or acquire patent assets.
- ▶ In light of these risks and uncertainties, the forward-looking statements contained in this presentation may not occur, and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements. We do not intend, and undertake no duty, to update any forward-looking statements to reflect future events or circumstances.

# Q4 2014 and FY 2014 Financial Summary

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- ▶ **Total revenue of \$67.7 million, up 12% year over year**
  - Subscription revenue of \$63.5 million, up 10% year over year
  - Fee-related revenue of \$4.2 million
- ▶ **FY 2014 total revenue of \$259.3 million, up 9% over prior year**
  - Subscription revenue of \$251.4 million, up 12% over prior year
  - Fee-related revenue of \$8.0 million
- ▶ **9 net client adds**
  - Total 204 clients
- ▶ **48 active insurance clients**
- ▶ **Renewal rate above 90%**
- ▶ **Cash, cash equivalents and short-term investments of \$317.5 million<sup>[1]</sup>**
- ▶ **Subsequent to the end of the quarter, signed first automaker client, Ford Motor Company (NYSE:F)**
- ▶ **Subsequent to the end of the quarter, announced \$75 million share repurchase program**

<sup>[1]</sup> As of December 31, 2014

# Guidance

(in millions)

	Q1 2015	FY 2015
Subscription revenue	\$66.2 - \$66.7	\$265.0 - \$275.0
Fee-related revenue	\$16.1	\$20.0 - \$25.0
Total revenue	\$82.3 - \$82.8	\$285.0 - \$300.0
Cost of revenue <sup>[1]</sup>	--	\$145.0 - \$150.0
SG&A <sup>[1]</sup>	--	\$60.0 - \$64.0
Net income <sup>[1]</sup>	\$19.5 - \$20.1	\$50.0 - \$54.0
Effective tax rate <sup>[1]</sup>	37%	37%
Pro forma WA diluted shares	55.3	55.9
Net acquisition spend	--	\$170.0

<sup>[1]</sup> Cost of Revenue, SG&A, Net Income and Effective Tax Rate are non-GAAP metrics

# Q4 and FY 2014 Consolidated P&L

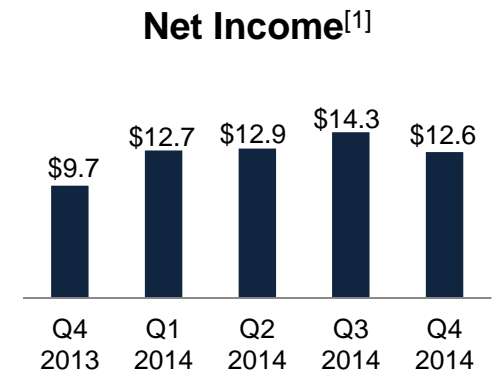
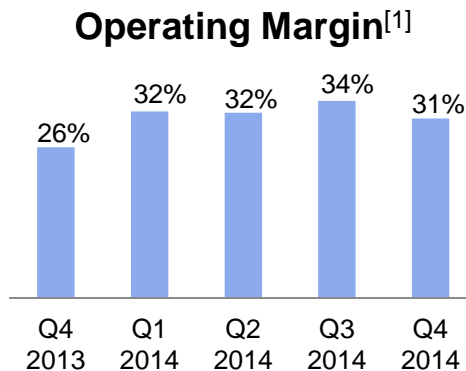
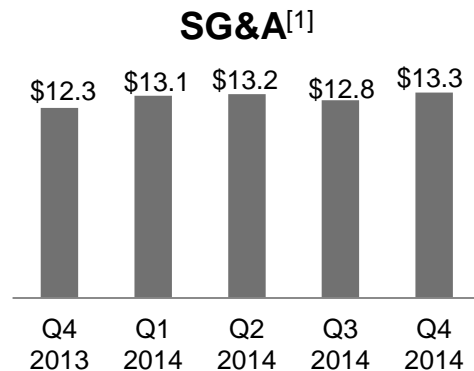
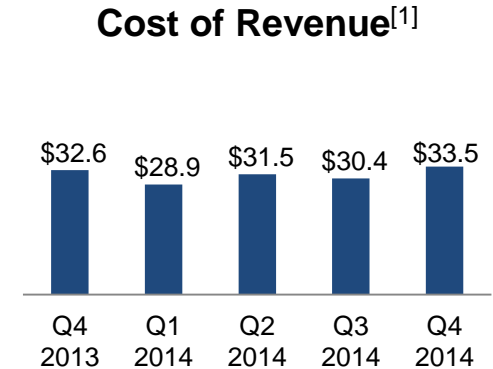
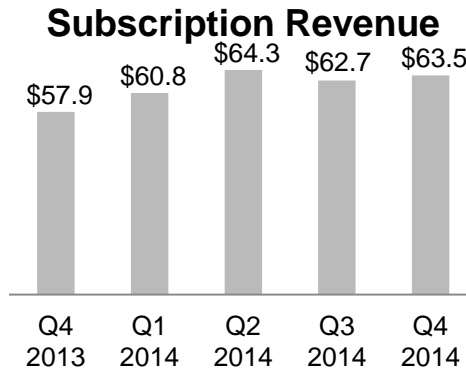
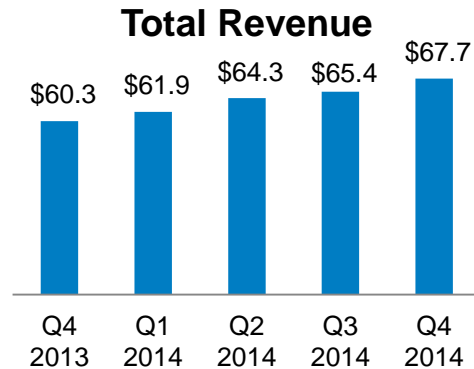
(in millions, except per share data)

	Q4 2014	Q4 2013	FY 2014	FY 2013
Total Revenue	\$67.7	\$60.3	\$259.3	\$237.5
Subscription Revenue	\$63.5	\$57.9	\$251.4	\$224.7
Cost of Revenue <sup>[1]</sup>	\$33.5	\$32.6	\$124.2	\$110.5
SG&A <sup>[1]</sup>	\$13.3	\$12.3	\$52.4	\$44.7
Effective Tax Rate <sup>[1]</sup>	37%	37%	37%	36%
Net Income <sup>[1]</sup>	\$12.6	\$9.7	\$52.6	\$52.7
Pro Forma Diluted EPS	\$0.23	\$0.18	\$0.96	\$0.98
Pro Forma WA Diluted Shares	55.0	54.3	54.8	53.7

<sup>[1]</sup> Cost of Revenue, SG&A, Effective Tax Rate and Net Income are non-GAAP metrics

# Q4 2014 Key Performance Metrics

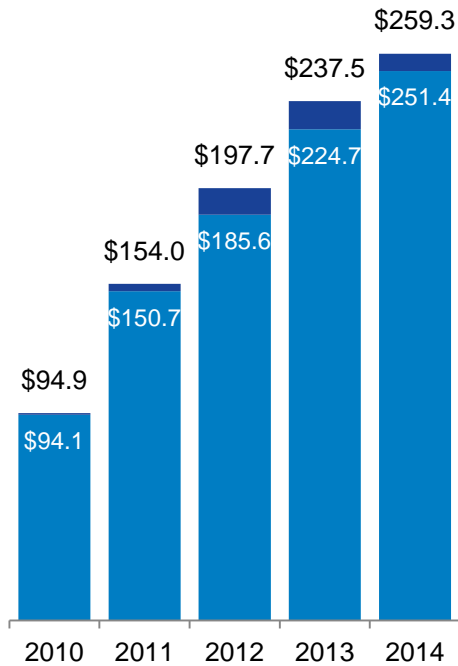
(\$ in millions)



<sup>[1]</sup> Cost of Revenue, SG&A, Operating Margin and Net Income are non-GAAP performance metrics

# Revenue

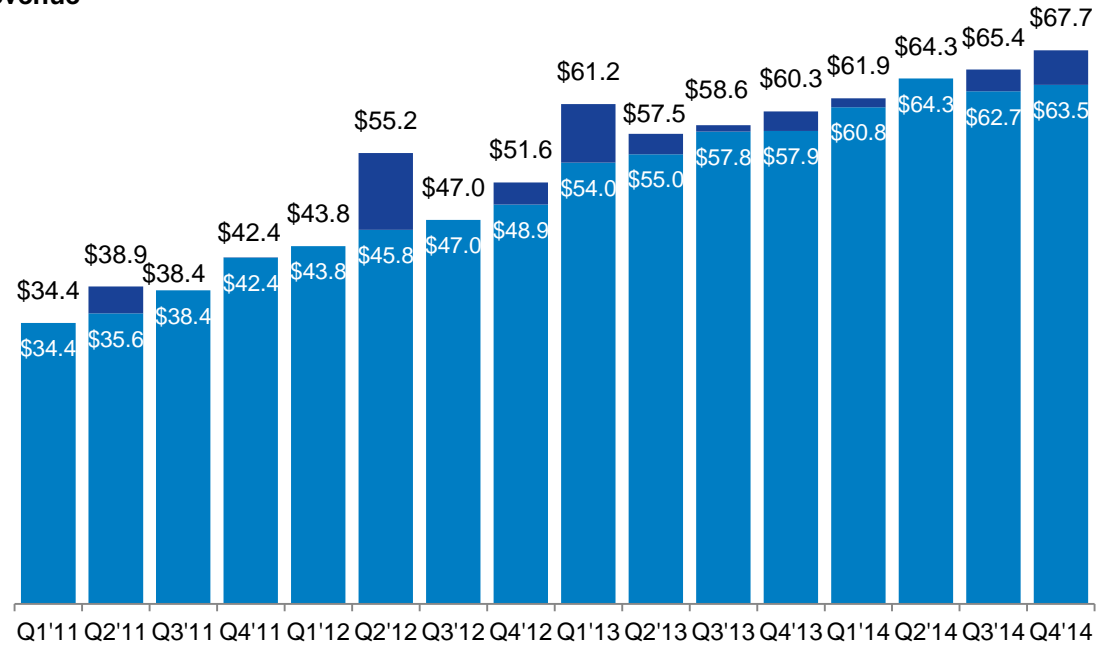
## Annual (\$ in millions)



Net Clients Added
49
40
28
28
36

## Quarterly (\$ in millions)

### Revenue

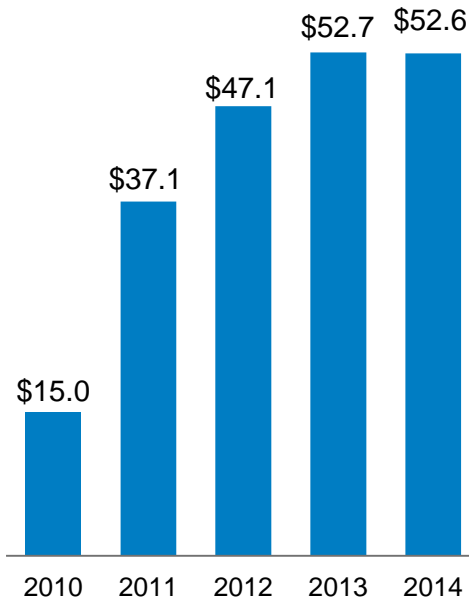


Net Clients Added
9
15
7
9
4
4
8
12
6
11
3
8
10
6
11
9

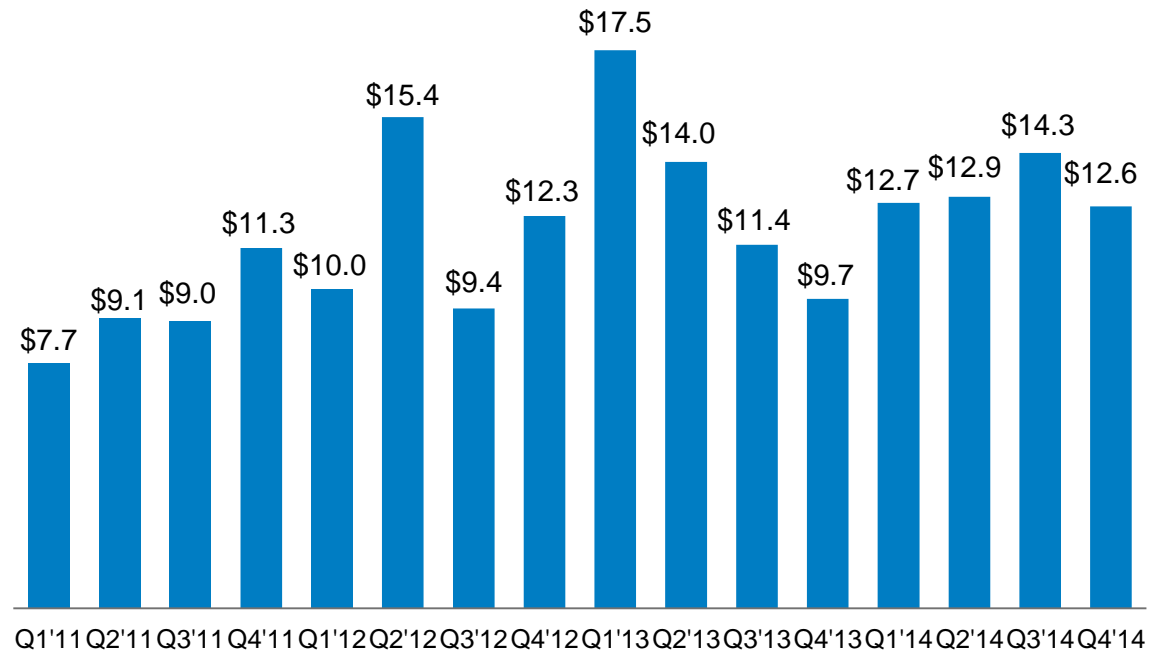
Subscription revenue
  Fee-related revenue

# Non-GAAP Net Income

**Annual**  
(\$ in millions)



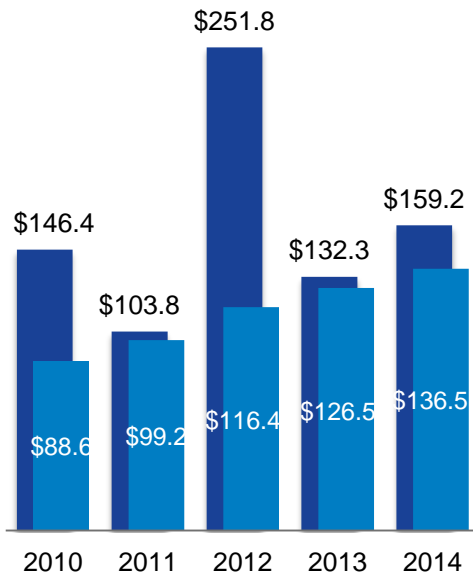
**Quarterly**  
(\$ in millions)



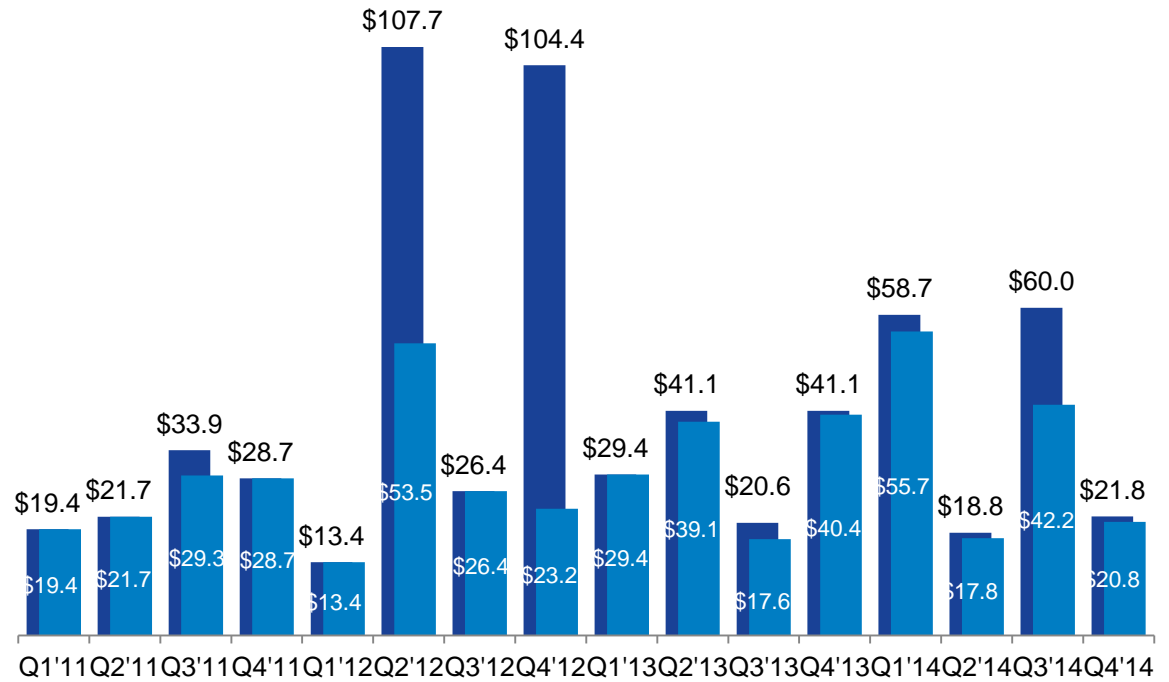


# Patent Acquisition Spend

**Annual**  
(\$ in millions)



**Quarterly**  
(\$ in millions)



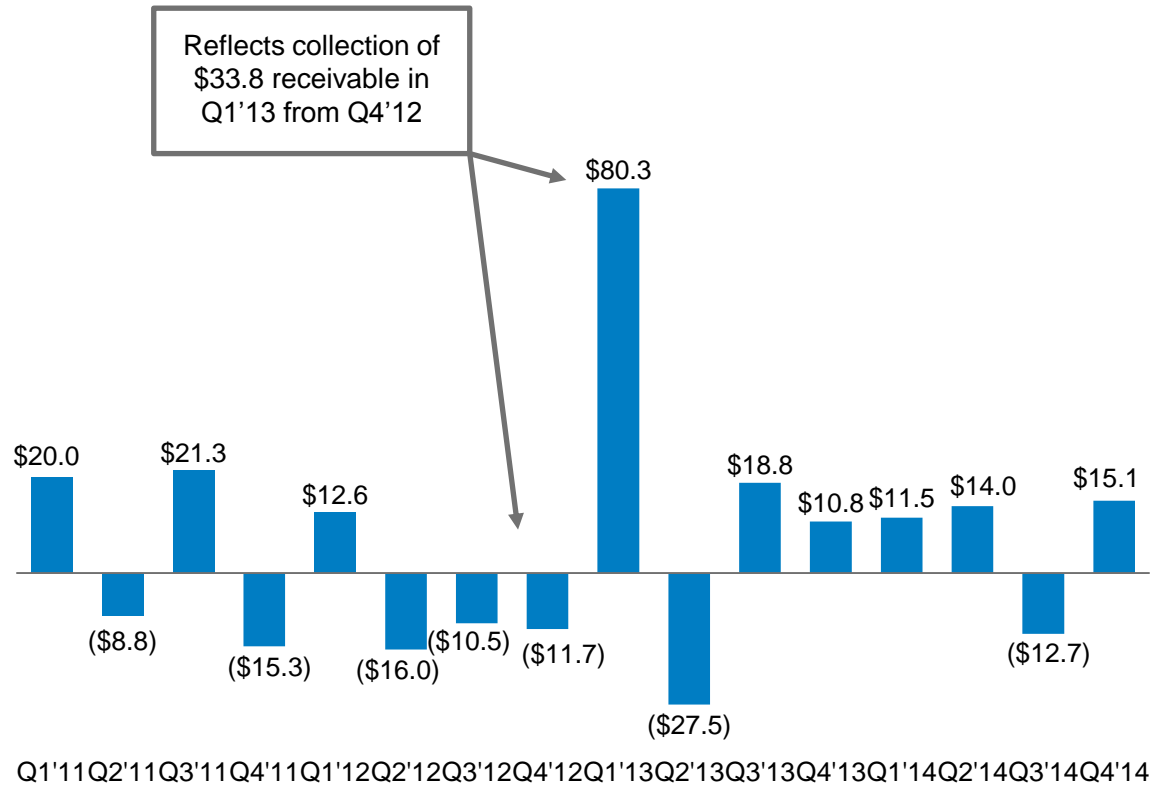
■ Net ■ Gross

# Free Cash Flow

## Annual (\$ in millions)



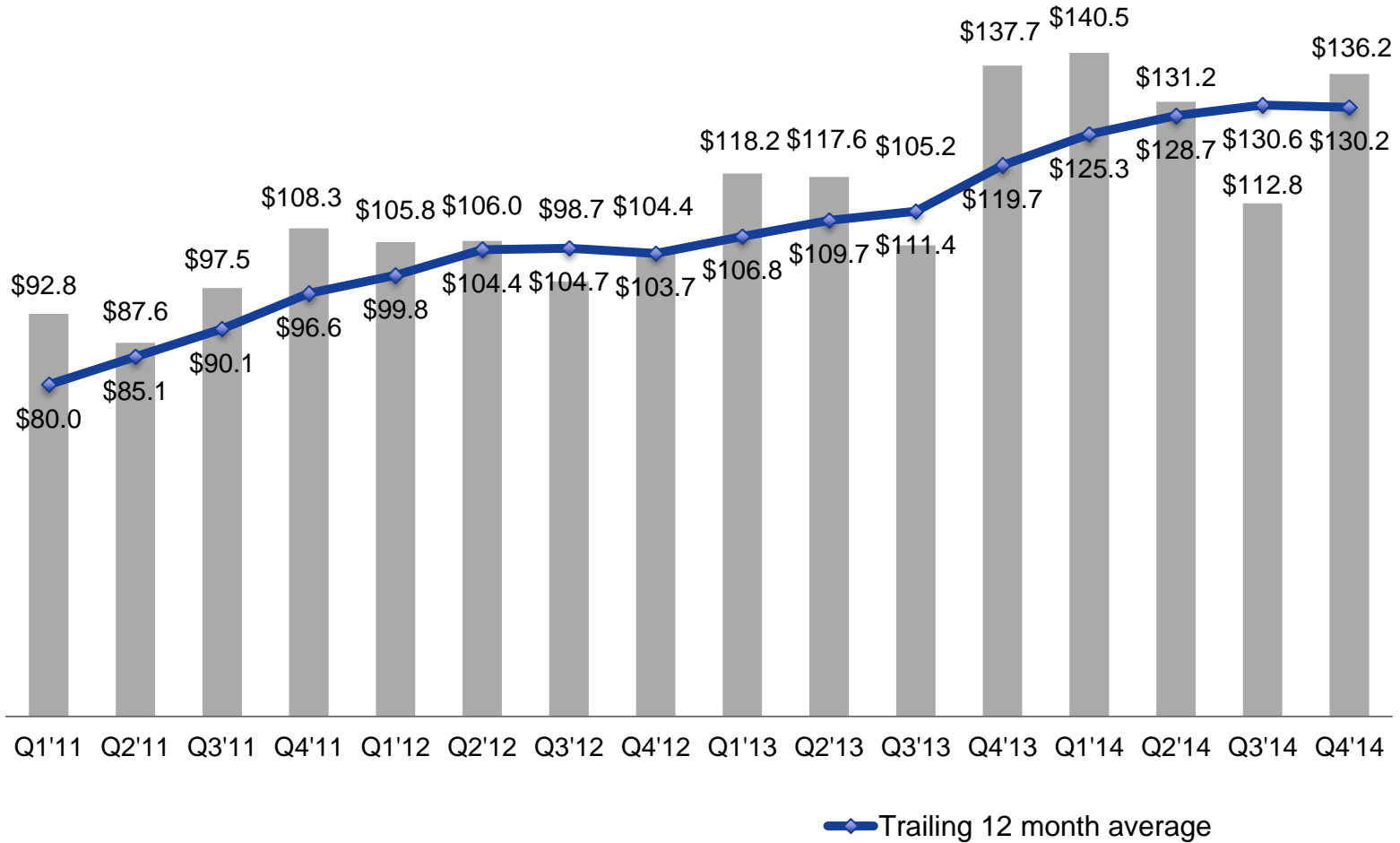
## Quarterly (\$ in millions)



Free cash flow is defined as operating cash flow minus capital expenditures (i.e. purchases of intangible assets, property and equipment, patent assets and patent assets acquired in a business combination). Q2 2012 and FY 2012 take into account \$27.9 million of patent assets acquired in the Digtude transaction. Q4 2014 and FY 2014 take into account \$25 million deposit for acquisition of Rockstar patent assets.

# Deferred Revenue

(\$ in millions)



# Q4 2014 GAAP to Non-GAAP Reconciliation

(\$M)	Q4 2014	Q4 2013
Net Income	\$9.2	\$7.0
Stock-based compensation	\$4.4	\$4.1
Amortization of acquired intangible assets	\$0.4	\$0.3
Income tax adjustments	(\$1.4)	(\$1.7)
Non-GAAP net income	\$12.6	\$9.7
Pro forma non-GAAP net income per share		
Basic	\$0.23	\$0.19
Diluted	\$0.23	\$0.18
Pro forma weighted-average shares		
Basic	54.0	52.6
Diluted	55.0	54.3

(\$M)	Q4 2014	Q4 2013
Cost of Revenue	\$33.5	\$32.6
Amortization of acquired intangible assets	(\$0.1)	(\$0.1)
Non-GAAP cost of revenue	\$33.5	\$32.6

(\$M)	Q4 2014	Q4 2013
Selling, general and administrative expenses	\$18.1	\$16.7
Stock-based compensation	(\$4.4)	(\$4.1)
Amortization of acquired intangible assets	(\$0.4)	(\$0.3)
Non-GAAP selling, general and administrative expenses	\$13.3	\$12.3

# FY 2014 GAAP to Non-GAAP Reconciliation

(\$M)	FY 2014	FY 2013
Net Income	\$39.3	\$40.8
Stock-based compensation	\$18.0	\$16.6
Amortization of acquired intangible assets	\$1.5	\$1.4
Income tax adjustments	(\$6.3)	(\$6.1)
Non-GAAP net income	\$52.6	\$52.7
Pro forma non-GAAP net income per share		
Basic	\$0.98	\$1.01
Diluted	\$0.96	\$0.98
Pro forma weighted-average shares		
Basic	53.4	52.0
Diluted	54.8	53.7

(\$M)	FY 2014	FY 2013
Cost of Revenue	\$124.4	\$110.8
Amortization of acquired intangible assets	(\$0.2)	(\$0.2)
Non-GAAP cost of revenue	\$124.2	\$110.5

(\$M)	FY 2014	FY 2013
Selling, general and administrative expenses	\$71.7	\$62.5
Stock-based compensation	(\$18.0)	(\$16.6)
Amortization of acquired intangible assets	(\$1.3)	(\$1.2)
Non-GAAP selling, general and administrative expenses	\$52.4	\$44.7

# Thank You

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