

# **RPX Corporation Investor Presentation**

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October 2017

# 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 patent risk mitigation, eDiscovery and other legal services.

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, and our quarterly reports on Form 10-Q, and our 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,
- we may not be able to compete effectively against others to attract new clients or acquire patent assets,
- we may not be successful with our new initiatives, and
- we may not be able to attract new clients and retain existing clients with respect to our patent risk management and discovery services.

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 are not able, at this time, to provide a forward-looking reconciliation to GAAP outlook for the non-GAAP financial metric outlook because of the difficulty of estimating certain items that are excluded from the non-GAAP financial metrics. We do not intend, and undertake no duty, to update any forward-looking statements to reflect future events or circumstances.

# RPX Overview

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**Our  
Mission**

**Reduce risk and cost  
for corporate legal departments  
through technology and market-based solutions**

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**Our  
Current  
Markets**

**Patent Risk Management**



**Discovery Management**



**Our  
Foundation**

**Data and  
Analytics**

**Market-Based  
Solutions**

**Applied  
Technology**

**Deep Client  
Relationships**

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# Our Current Businesses



## Patent Risk Management

RPX acquires patents, offers insurance, and provides services to its network of operating companies to avoid the cost and risk of patent litigation



## Discovery Management

Inventus provides intelligent document analysis, hosting and managed review to its clients for litigation and investigations

**2016 Revenue**

\$267.0M

\$69.1M<sup>1</sup>

**2016 Non-GAAP Adj. EBITDA-NPS**

\$89.5M

\$19.3M<sup>1</sup>

**Clients**

>320

>1,000

**Industries**

Technology, Financial Services, eCommerce, Media, Telecom, Automotive

Financial Services, Energy, Healthcare, Retail, Aerospace & Defense, Technology

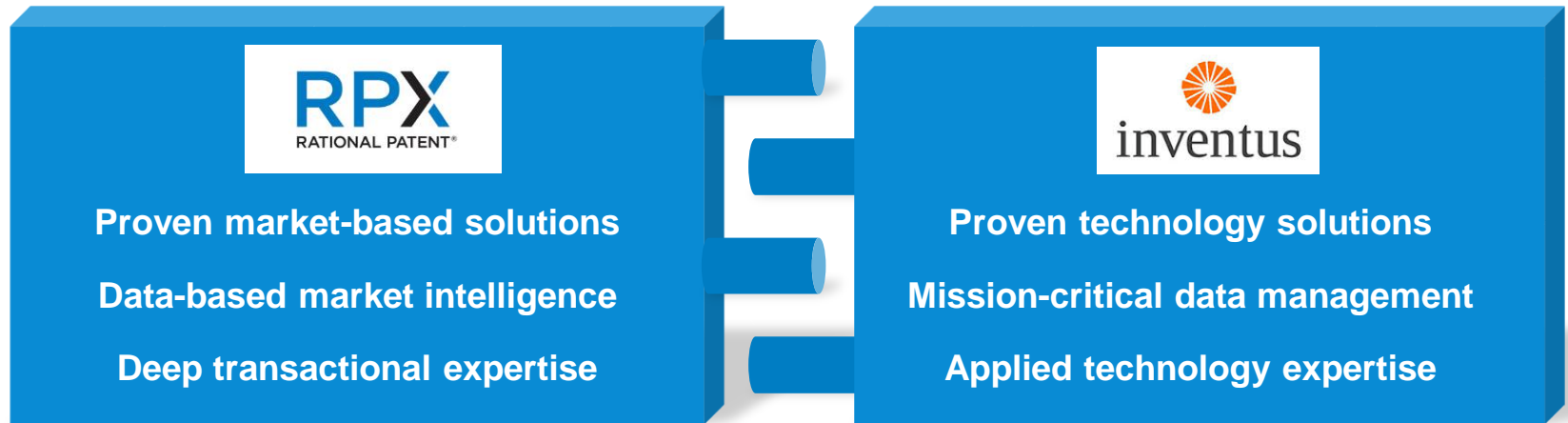
**Geographies**

North America, Europe, Asia

North America, Europe

1. Inventus pro forma 2016 revenue and non-GAAP adjusted EBITDA reflect a full year contribution from Inventus (acquired in January 2016).

# Emerging Leader in Services for Corp. Legal Departments



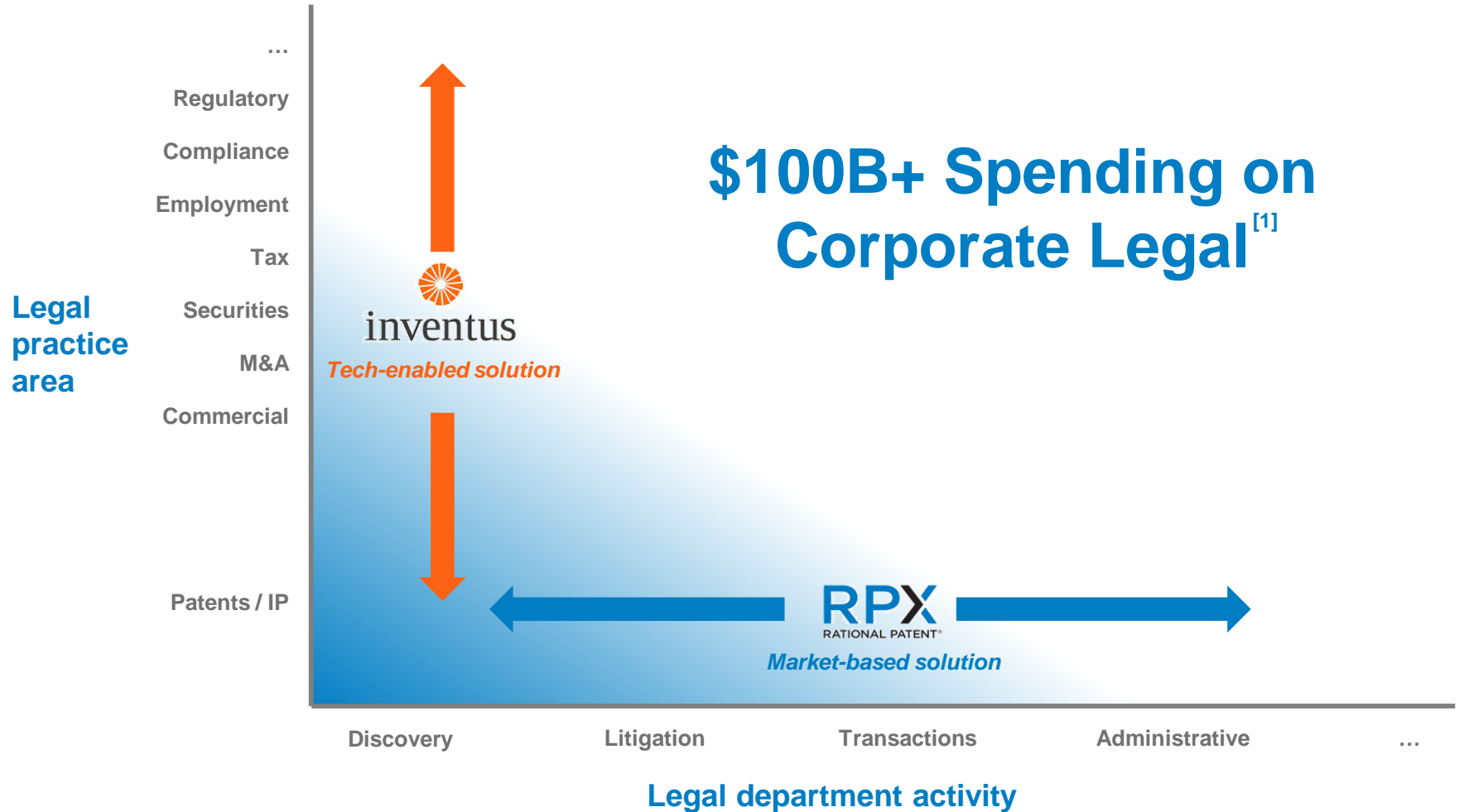
**RPX**

Trusted strategic partner for 1,250+ clients

Combine technology- and market-based expertise to create new services

~\$20B immediate market within a broader corporate legal market opportunity

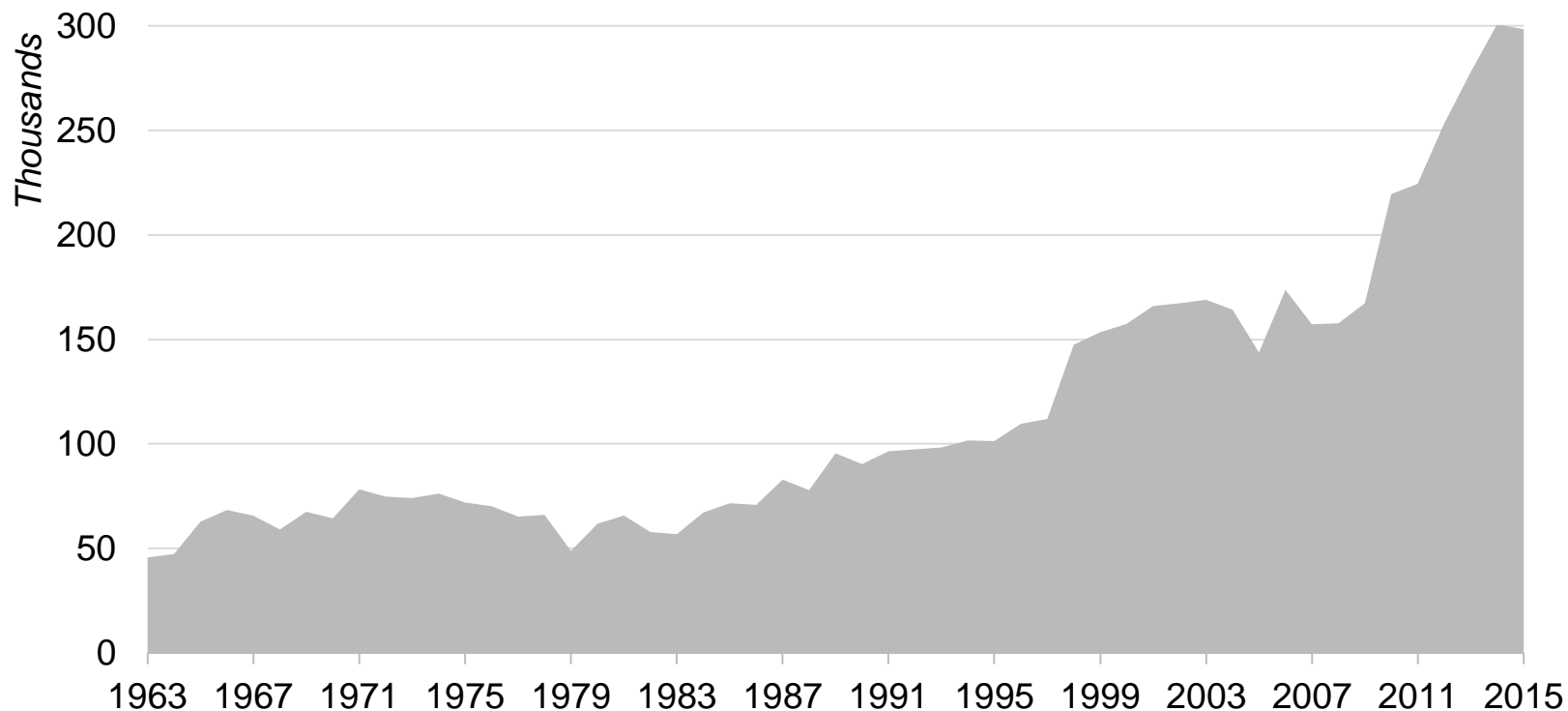
# Well Positioned in \$100+ Billion Legal Market



<sup>[1]</sup> Source: BTI Consulting Group, 2014. Reflects U.S. legal market, including \$60 billion spending on outside counsel and \$40 billion spending on corporate legal departments.

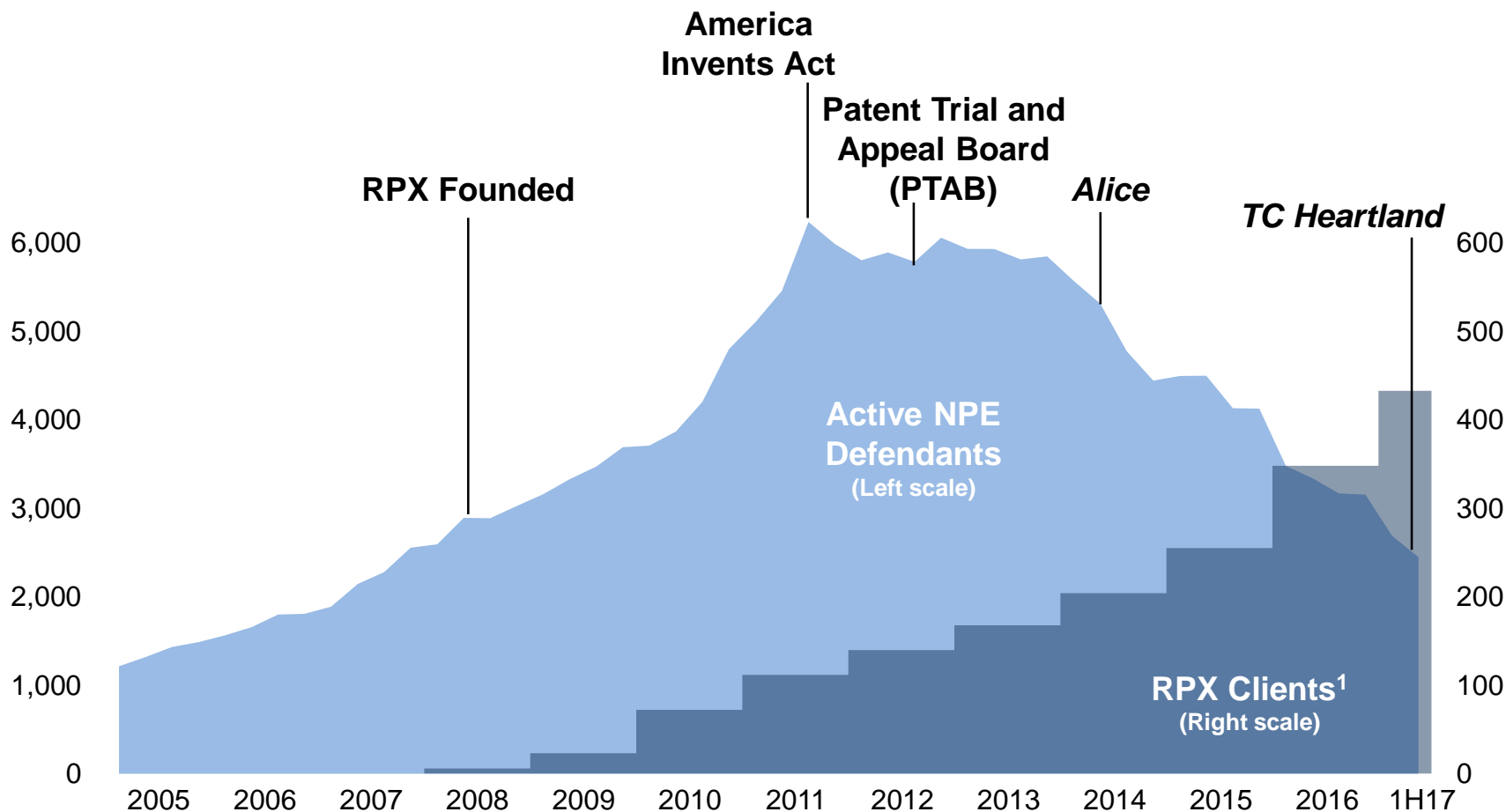
# Steady Increase in Patent Issuance

## US Utility Patents Issued



# RPX Complements Reform to Address A Sizable Issue

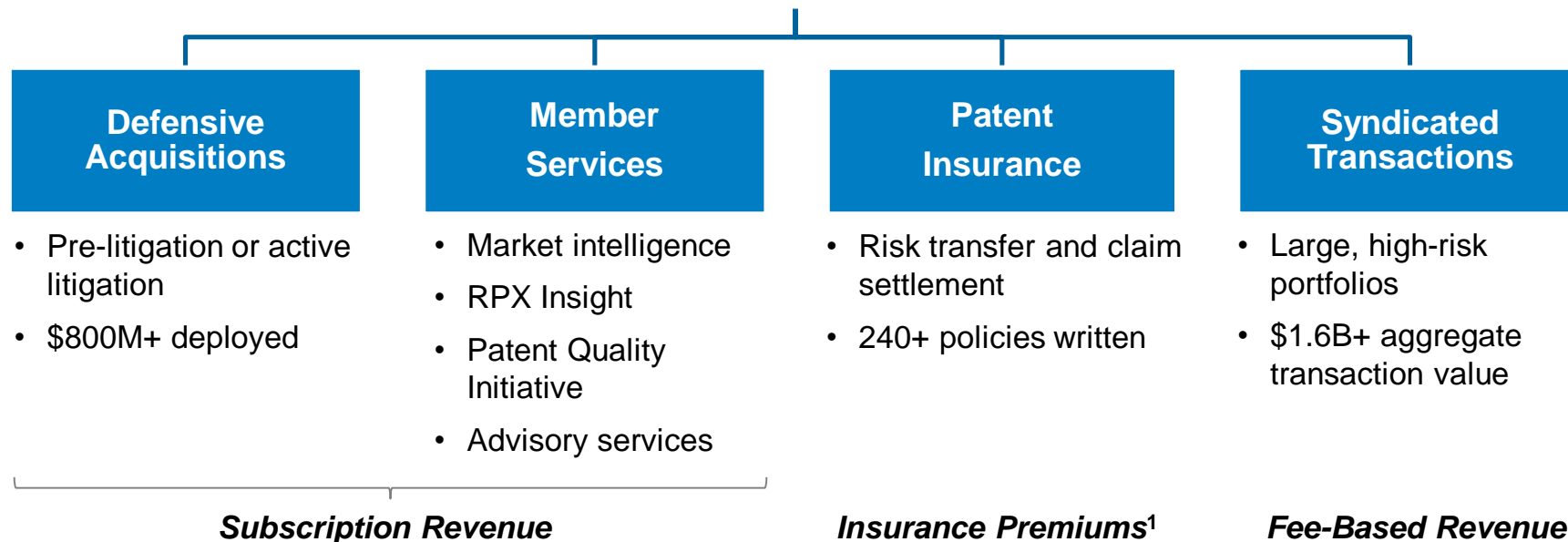
## Active NPE Defendants and RPX Client Base



1. Total number of companies receiving patent risk mitigation from RPX. Includes those covered by insurance as part of a portfolio coverage for a VC or PE firm.  
 Note: Growth of active NPE defendants estimated as defendants added minus defendants terminated within the quarter.



# Patent Risk Management – The RPX Solution

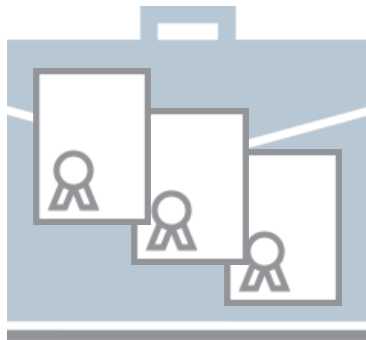


**1,400+ litigations dismissals**  
**\$3.5B+ in client cost savings**

1. Included in Subscription Revenue line on income statement

# Defensive Acquisitions

## NPEs



→  
←  
**Litigation acquisitions**

## Trusted Market Intermediary

**RPX**  
RATIONAL PATENT™

Patent analysis  
Price discovery  
Negotiation and structuring

## Operating Companies

**RPX members and policyholders**

↑ ↓  
**Open market acquisitions**

## Patent Market



# Member Services

RPX Insight	<ul style="list-style-type: none"> <li>• Litigation analysis across multiple venues</li> <li>• Patent portfolio analysis</li> </ul>
RPX Reports	<ul style="list-style-type: none"> <li>• NPE Cost Study: 1000s of patent licensing data points</li> <li>• Patent Marketplace: &gt;7,000 patent portfolios offered to RPX Network</li> </ul>
Prior Art Search	<ul style="list-style-type: none"> <li>• Extensive database of Prior Art: 600+ searches completed</li> <li>• Best practices for identifying strong invalidity arguments</li> </ul>
Custom Research	<ul style="list-style-type: none"> <li>• Custom market and patent research supported by proprietary data</li> <li>• Thorough analysis to assist with strategic IP decisions</li> </ul>
RPX Marketplace	<ul style="list-style-type: none"> <li>• Up-to-date information on patents available for sale</li> <li>• Assessment for relevance and similarity to portfolio</li> </ul>
Acquisition Advisory	<ul style="list-style-type: none"> <li>• Price discovery and negotiation assistance</li> <li>• Identification of gaps in existing portfolio</li> </ul>
IP Workshops	<ul style="list-style-type: none"> <li>• Building IP capabilities: portfolio management, licensing, patent analysis, in-person and remote trainings</li> </ul>
Syndicated Licensing	<ul style="list-style-type: none"> <li>• Gain defensive patent rights through syndicated transactions</li> <li>• Intelligence and analysis on the largest portfolios on the market</li> </ul>
Validity Challenge Co-filing	<ul style="list-style-type: none"> <li>• 16 petitions co-filed with an RPX member to date</li> <li>• Opportunity to co-file IPRs with RPX</li> </ul>

# Patent Insurance

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- ▶ **Market of 10,000+ companies with irregular/emerging patent risk**
- ▶ **Leverages core RPX service offering**
  - Converts proprietary cost data into actuarial model
  - Acquisition program clears market risk
  - RPX claims support markedly reduces cost of defense
- ▶ **Underwritten by Lloyds / “A” Rating from AM Best**
- ▶ **Building out national broker network**

# Syndicated Transactions

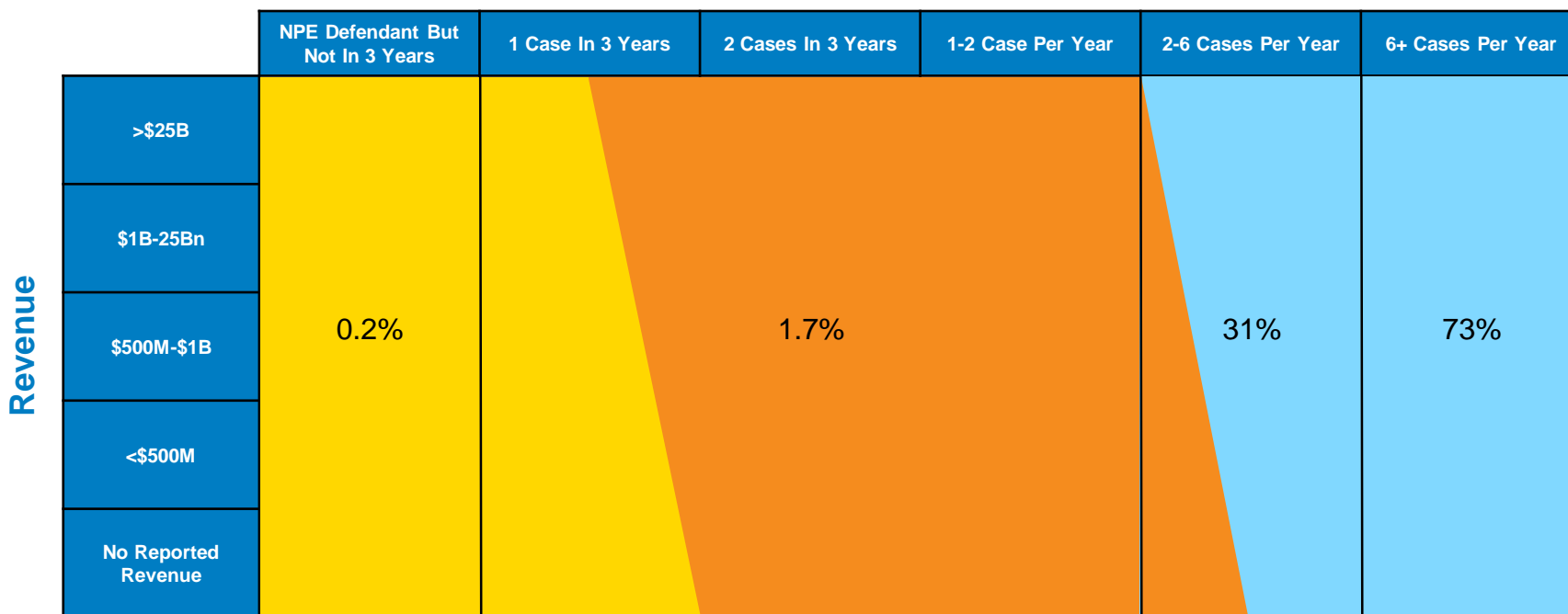
- ▶ **Clearinghouse for high-cost portfolios**
- ▶ **RPX manages transaction for a fee**
  - Portfolio valuation
  - Deal structuring, negotiation, execution
- ▶ **Syndicate members contribute cash**
- ▶ **30+ syndicated acquisitions to date; \$1.6B+ aggregate transaction value**

Origin of Patents	Micron Technology	Nortel Networks	Kodak
Counterparty	Round Rock Research	Rockstar Consortium	Bankruptcy Auction
Transaction Value	\$100M+	\$900M	\$528M
Patents	4,000+	4,000+	1,000+
Syndicate Members	20+	30+	12

# Strong Penetration of High-Risk Clients... ...Opportunity Among Lower-Risk Clients

## RPX Market Penetration in 2016

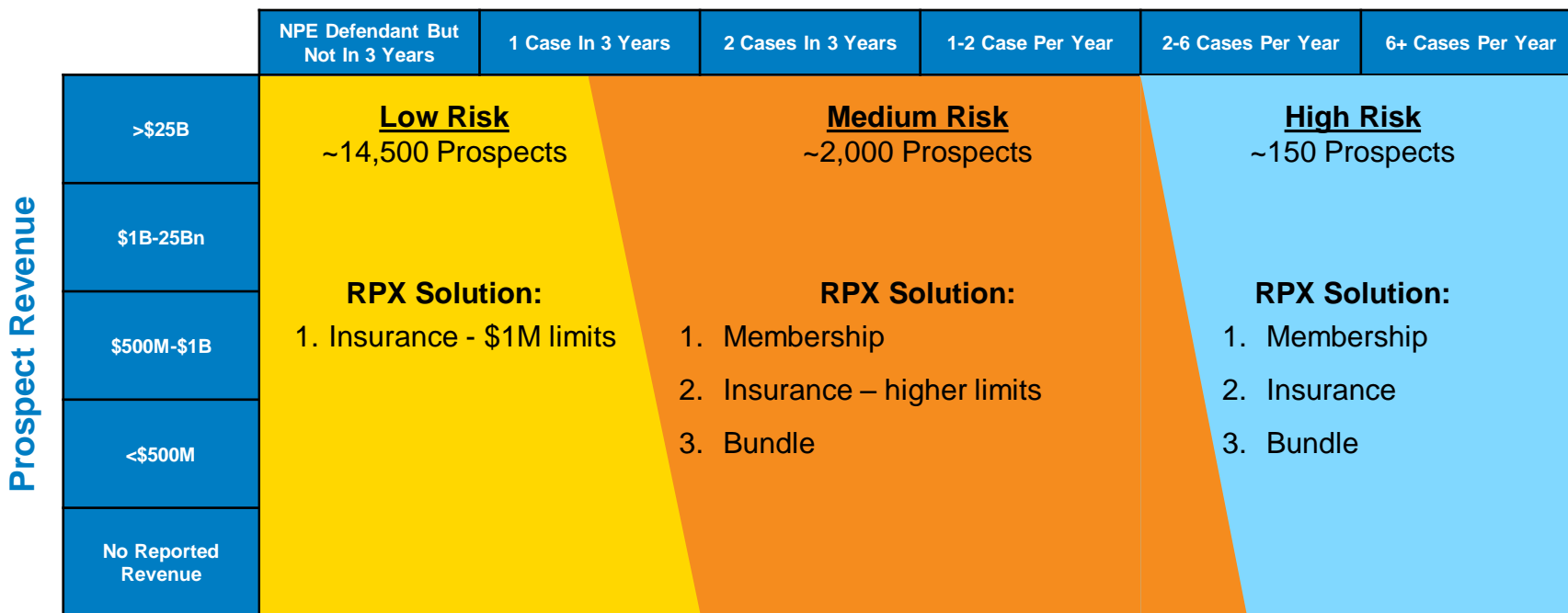
Frequency of NPE Litigation (2014 to 2016)



Methodology: Revenue is collected from third-party sources including CapIQ, Factset and Hoovers. Frequency of NPE litigation is measured by number of NPE suits filed against company from 2014 to 2016.

# Strong Penetration of High-Risk Clients... ...Opportunity Among Lower-Risk Clients

Frequency of NPE Litigation (2014 to 2016)



Methodology: Revenue is collected from third-party sources including CapIQ, Factset and Hoovers. Frequency of NPE litigation is measured by number of NPE suits filed against company from 2014 to 2016. RPX members are excluded from the analysis.

# Long-Term, Loyal Client Network of >325 Clients

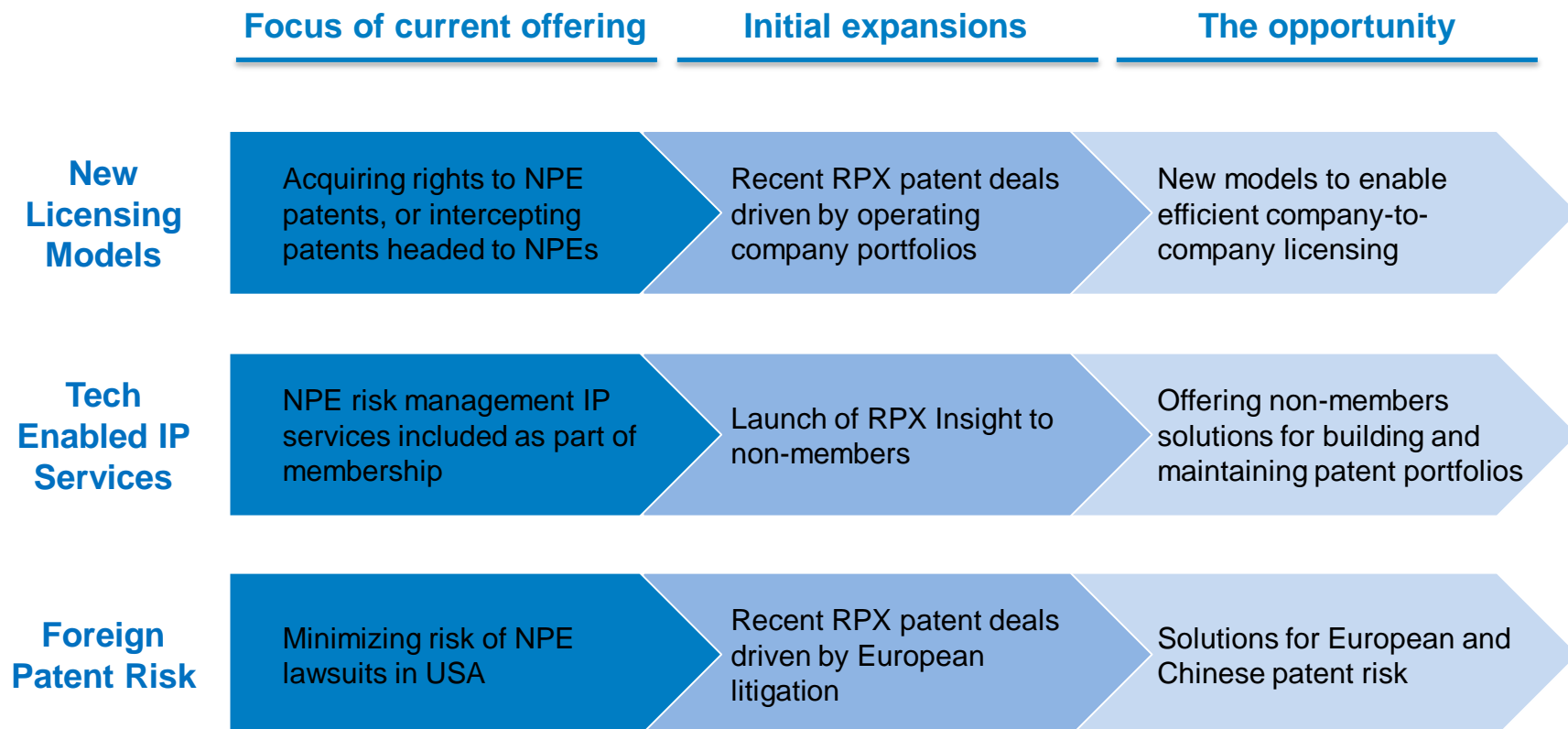
## Count of RPX clients by length of relationship



Note: Count of clients by length of membership are as of Q2 2017. Overall count of >325 at end of Q3 reflects only billing entities (Portfolio deals with private equity funds count as one billing entity rather than counting each covered company within the firm's portfolio.)



# Emerging Business Opportunities

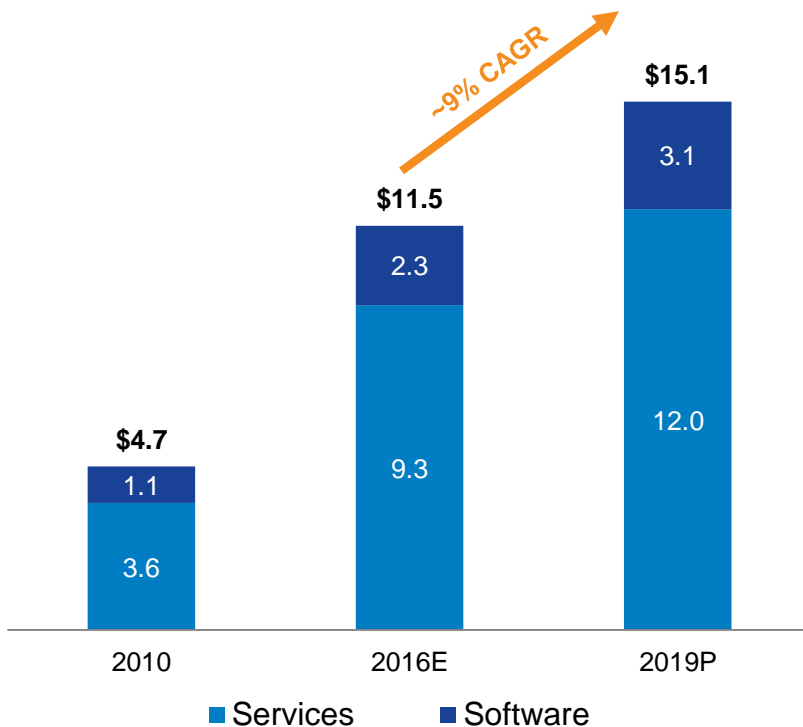


Proprietary Patent Market Data and Industry Relationships

# The eDiscovery Market

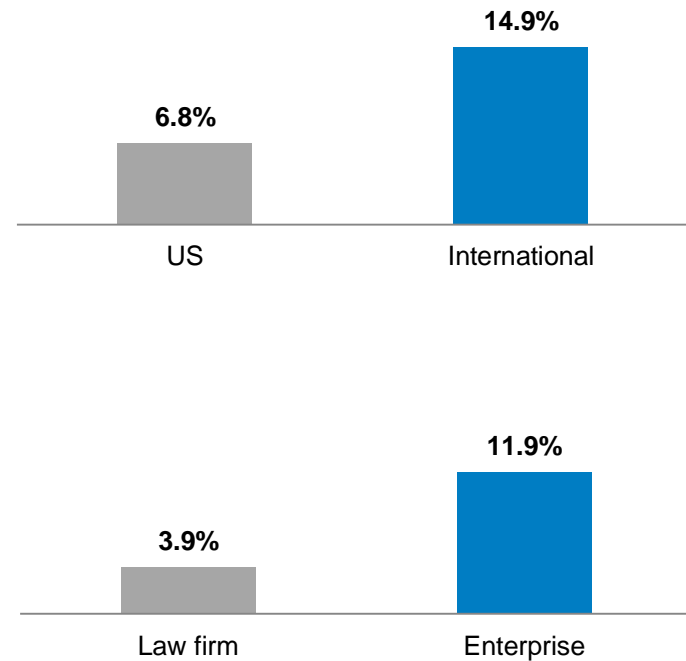
## Overall Demand is Growing

eDiscovery Market



## International and Enterprise CAGR

CAGR 2016E-2019



Sources: Data volume from IDC "THE DIGITAL UNIVERSE IN 2020: Big Data, Bigger Digital Shadows, and Biggest Growth in the Far East" (December 2012). Market size and growth from IDC "Worldwide eDiscovery Software Forecast 2015-2019" (June 2015) and "Worldwide eDiscovery Services Forecast 2015-2019" (January 2016).

# The eDiscovery Process



## Hosting/Analysis (Tech-Enabled)

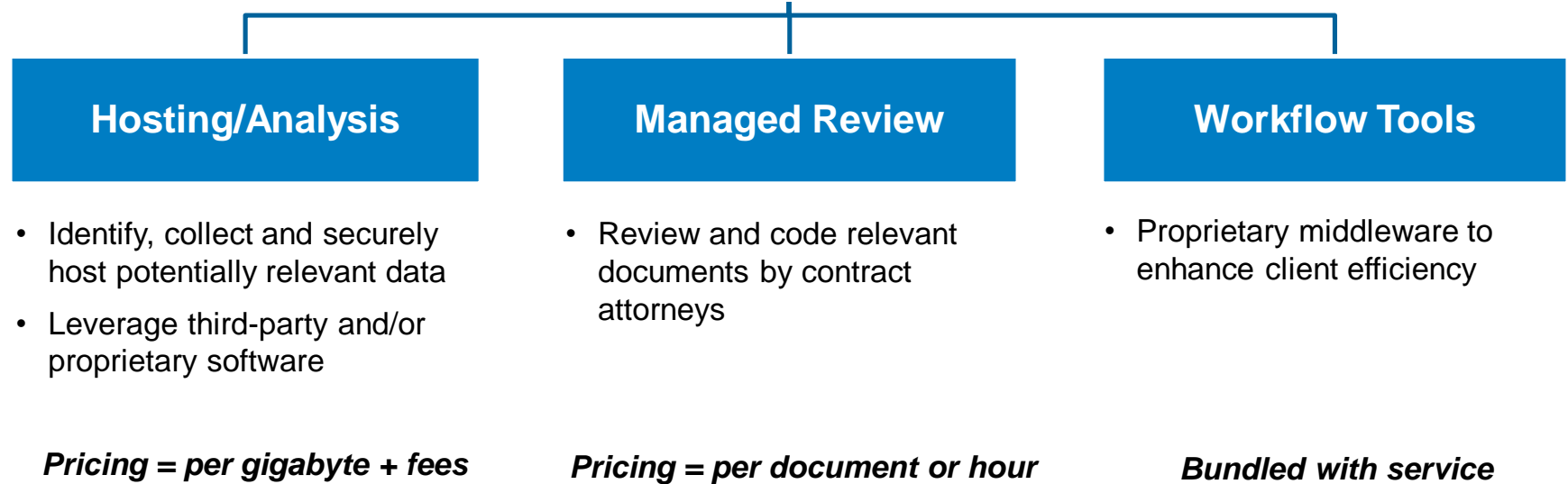
- **Identify** sources of data
- **Collect** data
- **Process** data into suitable formats
- **Cull** data to limit required review
- **Host** data securely
- **Analyze** data

## Review (Human Labor)

- **Attorney review** of resulting documents
  - is it privileged?
  - is it relevant to the matter?
  - how should it be coded?
  - does it open new sources of data?
- **Delivery** of documents to requesting party
- **Presentation** at deposition or hearing

# The Inventus Offering

## Discovery Management Solutions



# The Inventus Difference

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- ▶ **Corporate legal focus (vs. law firms)**
  - ~2/3 of revenue currently
  - Longer-term relationships across multiple matters
- ▶ **Hosting/analysis focus**
  - Aligned incentives: reduce volume of costly attorney review
- ▶ **International presence**
  - Handle more complex, cross-border matters
- ▶ **Well developed technology platform**
  - Secure, efficient and transparent handling of client data
  - Mix of third-party and proprietary software
- ▶ **Trusted client relationships**

# Growth Strategy



# Financial Review

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# Highlights from Q3 2017 Earnings Call

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## ▶ Strong performance in quarter

- Total revenue of \$85.7 million (vs. \$88.5 million in Q3 2016)
- Subscription revenue of \$62.3 million (vs. \$62.4 million in Q3 2016)
- Discovery revenue of \$21.1 million (vs. \$18.0 million in Q3 2016)
- Fee-related revenue of \$2.3 million
- Q3 2017 adjusted EBITDA-NPS<sup>[1]</sup> of \$44.2 million
- Cash, cash equivalents and short-term investments of \$267.5 million at quarter end

## ▶ Balanced approach to capital allocation

- Establishing a regular quarterly dividend of \$0.05/share
- No change in approach to share repurchase: \$57.1 million remaining on \$150 million authorization
- Plan to pay off term loan during Q4
- Investment in our growth strategy

## ▶ Continued focus on emerging business opportunities within patent business, and discovery

- Broadening our patent risk management segment's mission beyond NPE risk management in the US
  - Serve corporate IP departments across all stages of the IP lifecycle
  - Emerging opportunities in new licensing models, tech-enabled IP services, and foreign jurisdictions
- Continued focus on cross-sell and expansion of US review for discovery services

<sup>[1]</sup> Adjusted EBITDA-NPS = net income exclusive of provision for income taxes, interest and other income (expense), net, stock-based compensation and related employer payroll taxes, depreciation, and amortization [less net patent spend]. See page 14 for reconciliation.



# Current Guidance – Non-GAAP

<i>in millions</i>	Q4 2017	FY 2017
Subscription Revenue		\$245 - \$246
Discovery Revenue		\$77 - \$79
Total Subscription & Discovery Revenue	<b>\$77 - \$80</b>	<b>\$322 - \$325</b>
Fee-Related Revenue	\$0 - \$2	\$3 - \$5
<b>Total Revenue</b>	<b>\$77 - \$82</b>	<b>\$325 - \$330</b>
Cost of Revenue <sup>[1]</sup>		\$203 - \$205
SG&A <sup>[1]</sup>		\$67 - \$70
Operating Income <sup>[1]</sup>	<b>\$9 - \$12</b>	<b>\$54 - \$57</b>
Net Income <sup>[1]</sup>	<b>\$6 - \$8</b>	<b>\$36 - \$38</b>
Patent risk management adjusted EBITDA <sup>[1]</sup>		\$196 - \$198
Discovery services adjusted EBITDA <sup>[1]</sup>		\$20 - \$22
Total adjusted EBITDA <sup>[1]</sup>	<b>\$49 - \$53</b>	<b>\$216 - \$220</b>
Net Patent Spend (NPS)		\$110 - \$115
Consolidated adjusted EBITDA less net patent spend <sup>[1]</sup>		\$101 - \$110
Effective Tax Rate <sup>[1]</sup>	35%	35%
WA Diluted Shares	50	50

<sup>[1]</sup>Cost of Revenue, SG&A, operating income, net income, Adjusted EBITDA and effective tax rate are non-GAAP metrics.

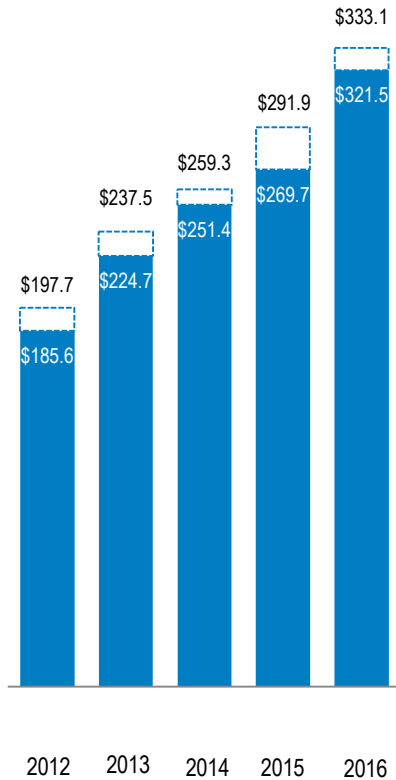
# Quarterly Consolidated GAAP Results and Reconciliation of Net Income to Non-GAAP Adjusted EBITDA Less Net Patent Spend

(\$ in millions)

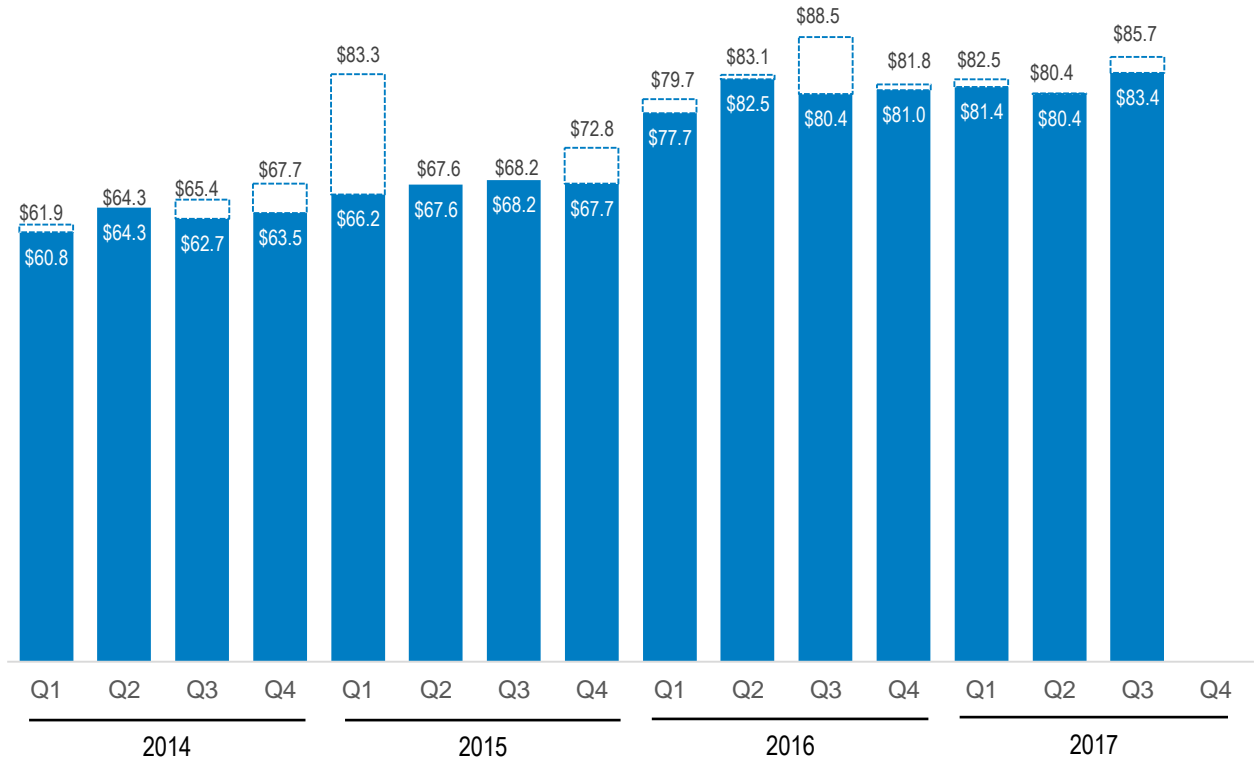
	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017
<b>Revenue</b>					
Subscription revenue	\$ 62.4	\$ 62.7	\$ 63.4	\$ 61.6	\$ 62.3
Discovery revenue	<u>18.0</u>	<u>18.3</u>	<u>18.0</u>	<u>18.8</u>	<u>21.1</u>
Total subscription and discovery revenue	80.4	81.0	81.4	80.4	83.4
Fee-related revenue	<u>8.1</u>	<u>0.8</u>	<u>1.1</u>	<u>-</u>	<u>2.3</u>
<b>Total revenue</b>	<b>\$ 88.5</b>	<b>\$ 81.8</b>	<b>\$ 82.5</b>	<b>\$ 80.4</b>	<b>\$ 85.7</b>
Cost of revenue	50.8	49.7	51.3	51.1	52.3
Selling, general, and administrative expenses	<u>23.6</u>	<u>24.0</u>	<u>21.1</u>	<u>23.1</u>	<u>22.5</u>
<b>Operating income</b>	<b>\$ 14.0</b>	<b>\$ 8.1</b>	<b>\$ 10.1</b>	<b>\$ 6.2</b>	<b>\$ 10.9</b>
Interest and other income (expense), net	<u>(1.3)</u>	<u>(2.1)</u>	<u>(0.5)</u>	<u>0.4</u>	<u>0.1</u>
Income before taxes	12.8	6.0	9.6	6.6	11.0
Provision for income taxes	<u>4.7</u>	<u>4.2</u>	<u>3.6</u>	<u>2.4</u>	<u>4.6</u>
<b>Net income</b>	<b>\$ 8.1</b>	<b>\$ 1.7</b>	<b>\$ 6.0</b>	<b>\$ 4.2</b>	<b>\$ 6.4</b>
<b>Net income</b>	<b>\$ 8.1</b>	<b>\$ 1.7</b>	<b>\$ 6.0</b>	<b>\$ 4.2</b>	<b>\$ 6.4</b>
Provision for income taxes	4.7	4.2	3.6	2.4	4.6
Interest and other (income) expense, net	1.3	2.1	0.5	(0.4)	(0.1)
Depreciation and amortization	43.7	42.3	42.9	42.9	42.4
Stock-based compensation (including payroll taxes)	<u>4.3</u>	<u>4.2</u>	<u>2.9</u>	<u>4.5</u>	<u>3.9</u>
Non-GAAP Adjusted EBITDA	62.1	54.6	55.9	53.6	57.2
NPS	<u>34.8</u>	<u>45.5</u>	<u>31.1</u>	<u>10.5</u>	<u>13.0</u>
<b>Non-GAAP Adjusted EBITDA - NPS</b>	<b>\$ 27.3</b>	<b>\$ 9.1</b>	<b>\$ 24.8</b>	<b>\$ 43.1</b>	<b>\$ 44.2</b>

# Revenue

**Annual**  
(\$ in millions)



**Quarterly**  
(\$ in millions)



Subscription and discovery services revenue<sup>[1]</sup>

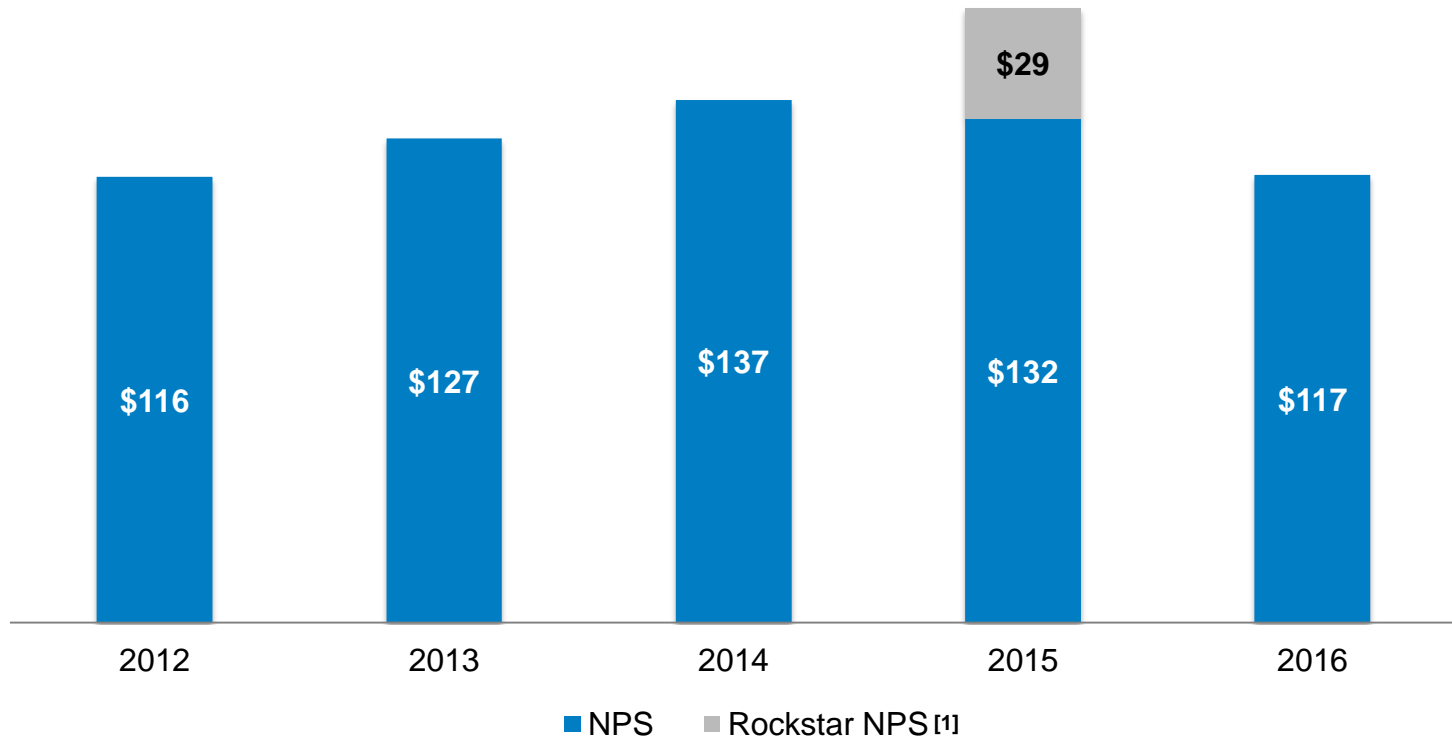


Fee-related revenue

<sup>[1]</sup> Inventus acquisition closed January 22, 2016, at which point we began recognizing revenue from discovery services. Revenue for Q1 2016 reflects a partial quarter contribution.

# Net Patent Spend (NPS)

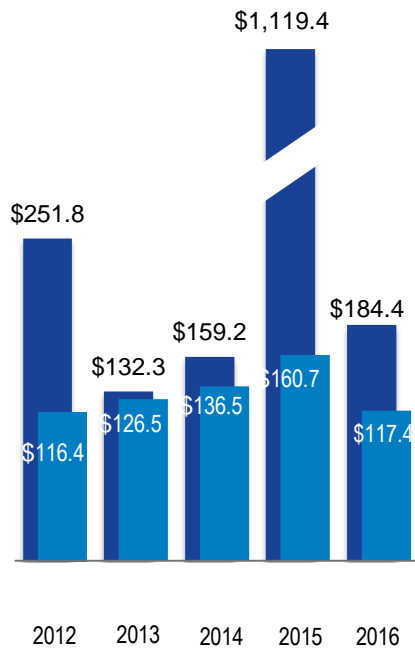
(\$ in millions)



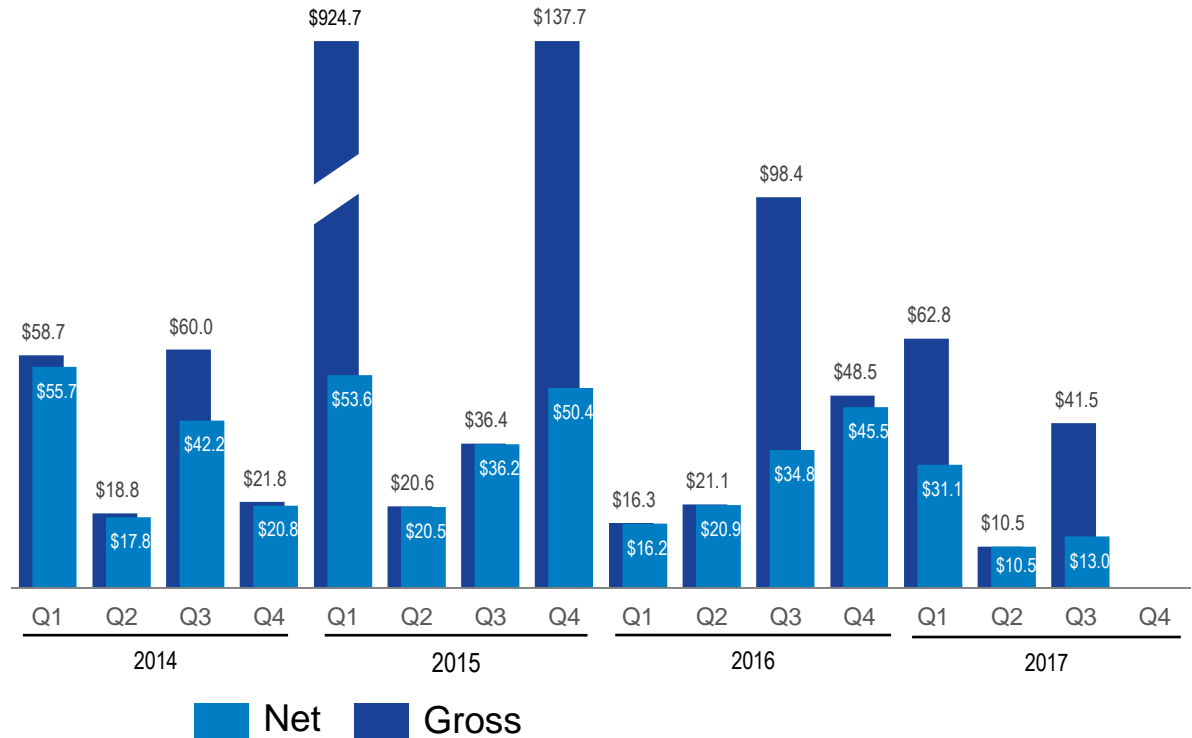
[1] 2014 excludes a \$25 million deposit made in December 2014 for acquisition of the Rockstar patent assets, which were acquired for a net purchase price of \$29 million and closed in January 2015.

# Gross and Net Patent Spend<sup>[1]</sup>

**Annual**  
(\$ in millions)



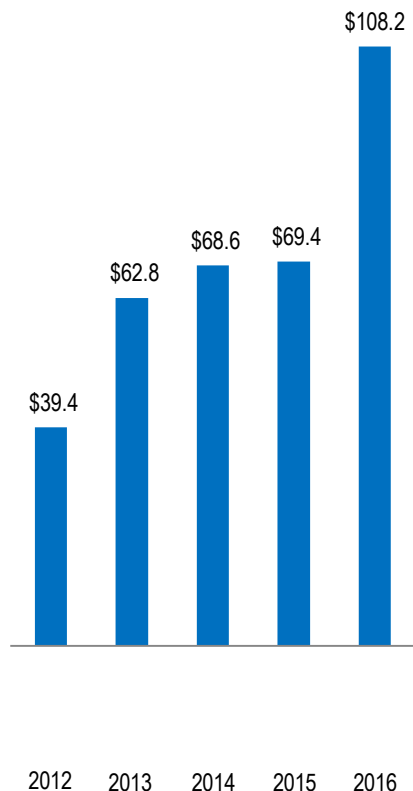
**Quarterly**  
(\$ in millions)



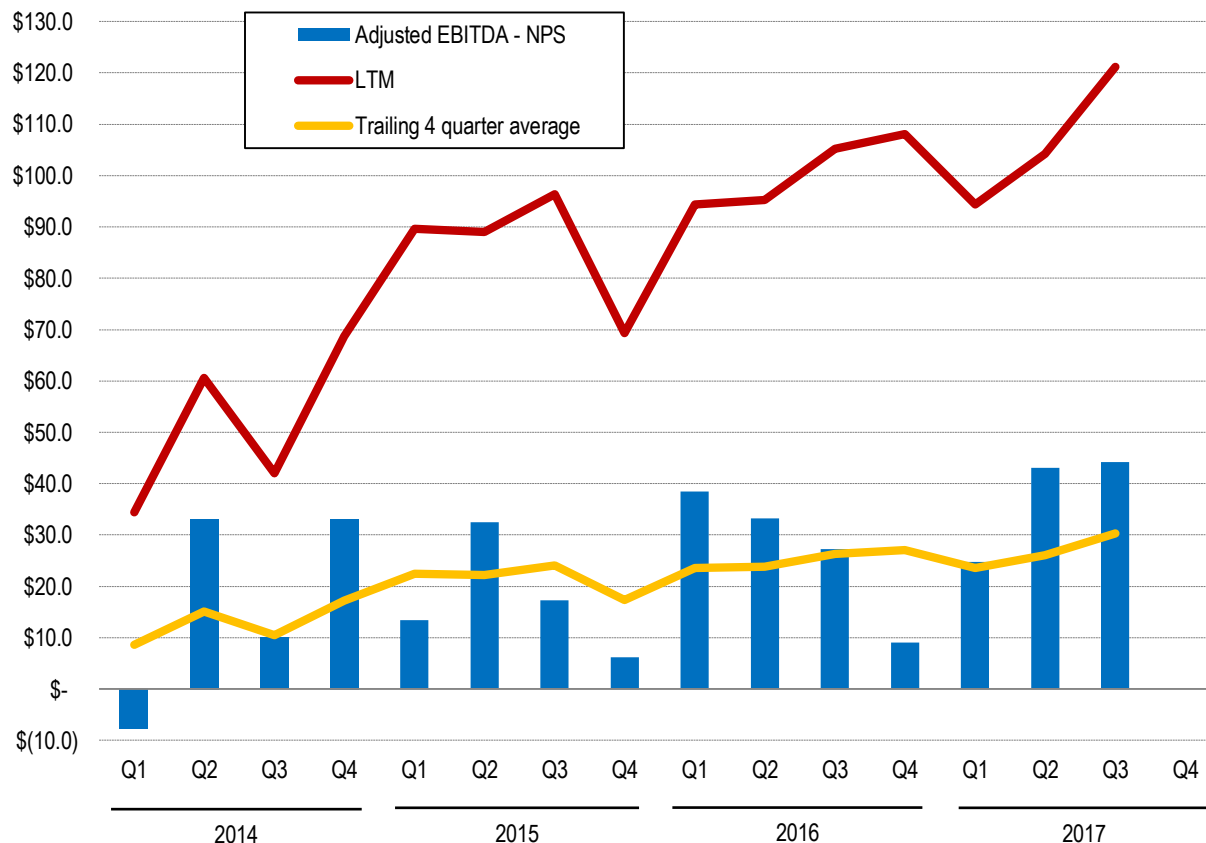
<sup>[1]</sup> 2014 excludes a \$25 million deposit made in December 2014 for acquisition of the Rockstar patent assets, which were acquired for a net purchase price of \$29 million and closed in January 2015.

# Adjusted EBITDA – NPS<sup>[1,2,3]</sup>

## Annual (\$ in millions)



## Quarterly (\$ in millions)



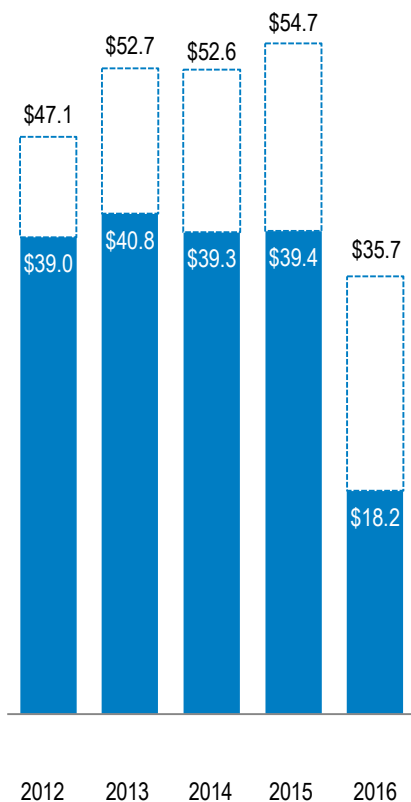
<sup>[1]</sup> Adjusted EBITDA less Net Patent Spend (NPS) is a non-GAAP metric. Refer to page 14 for reconciliation.

<sup>[2]</sup> 2014 excludes a \$25 million deposit made in December 2014 for acquisition of the Rockstar patent assets, which were acquired for a net purchase price of \$29 million and closed in January 2015.

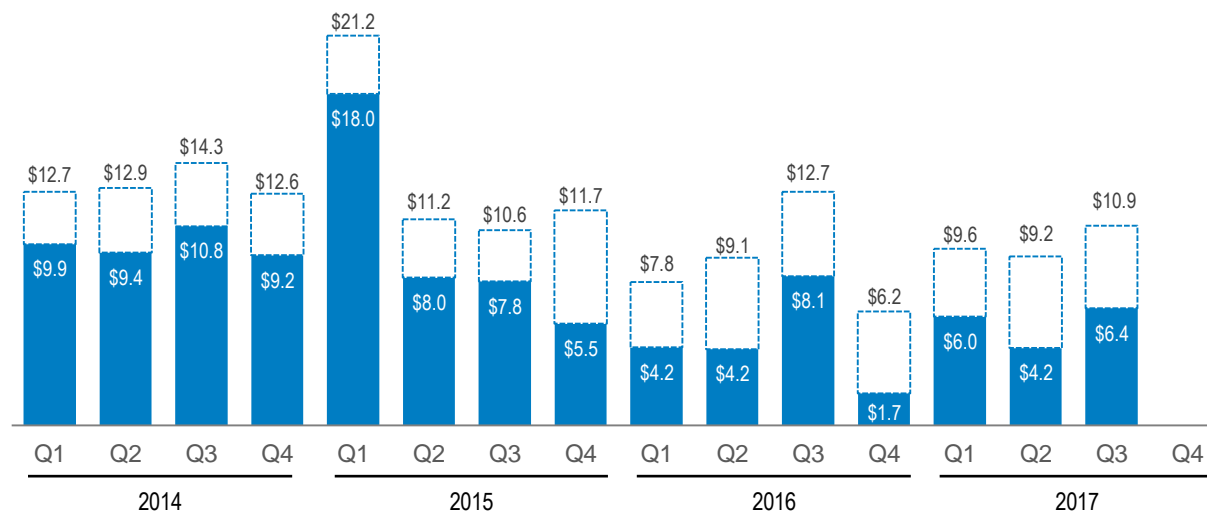
<sup>[3]</sup> Inventus acquisition closed on January 22, 2016; Adjusted EBITDA less NPS for Q1 2016 reflects a partial quarter contribution.

# Net Income – GAAP and Non-GAAP<sup>[1,2]</sup>

**Annual**  
(\$ in millions)



**Quarterly**  
(\$ in millions)

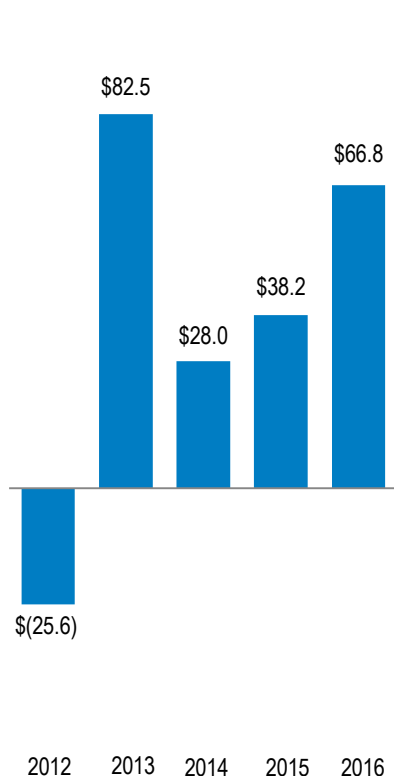


<sup>[1]</sup> Inventus acquisition closed on January 22, 2016; Net Income for Q1 2016 reflects a partial quarter contribution.

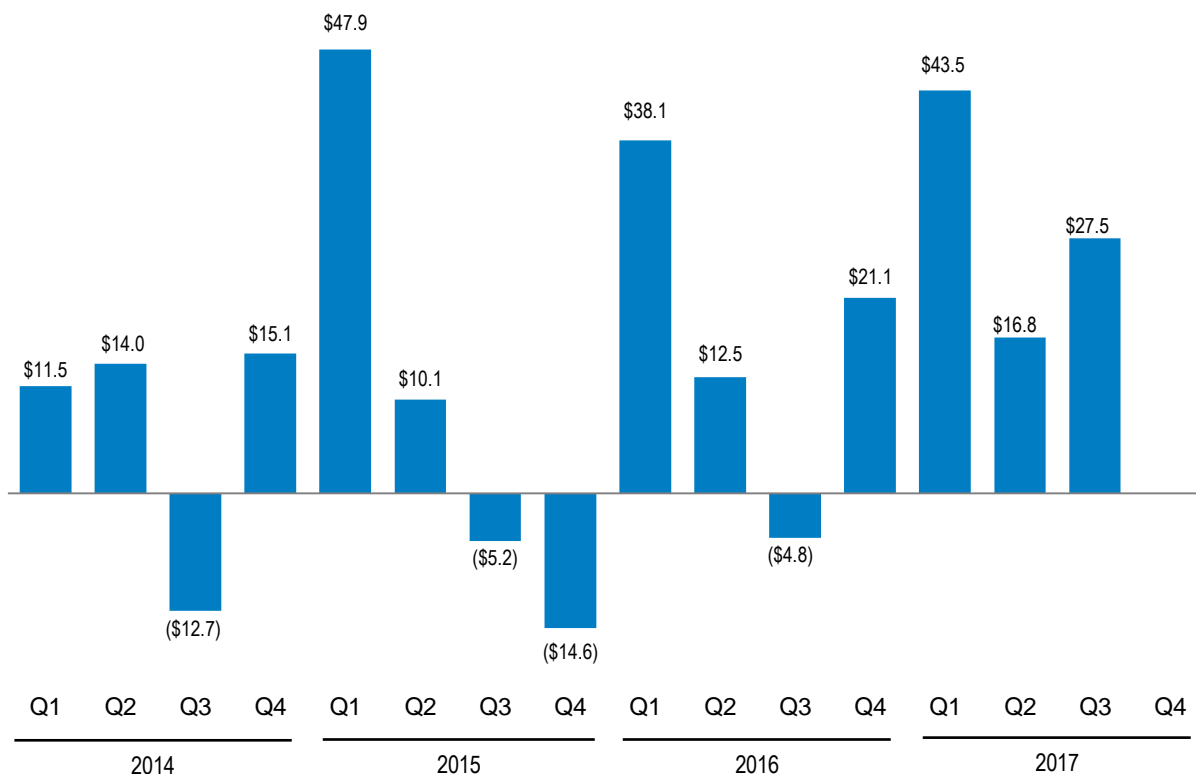
<sup>[2]</sup> Net Income is a non-GAAP metric. Refer to pages 13 -14 for reconciliations.

# Free Cash Flow<sup>[1,2]</sup>

## Annual (\$ in millions)



## Quarterly (\$ in millions)



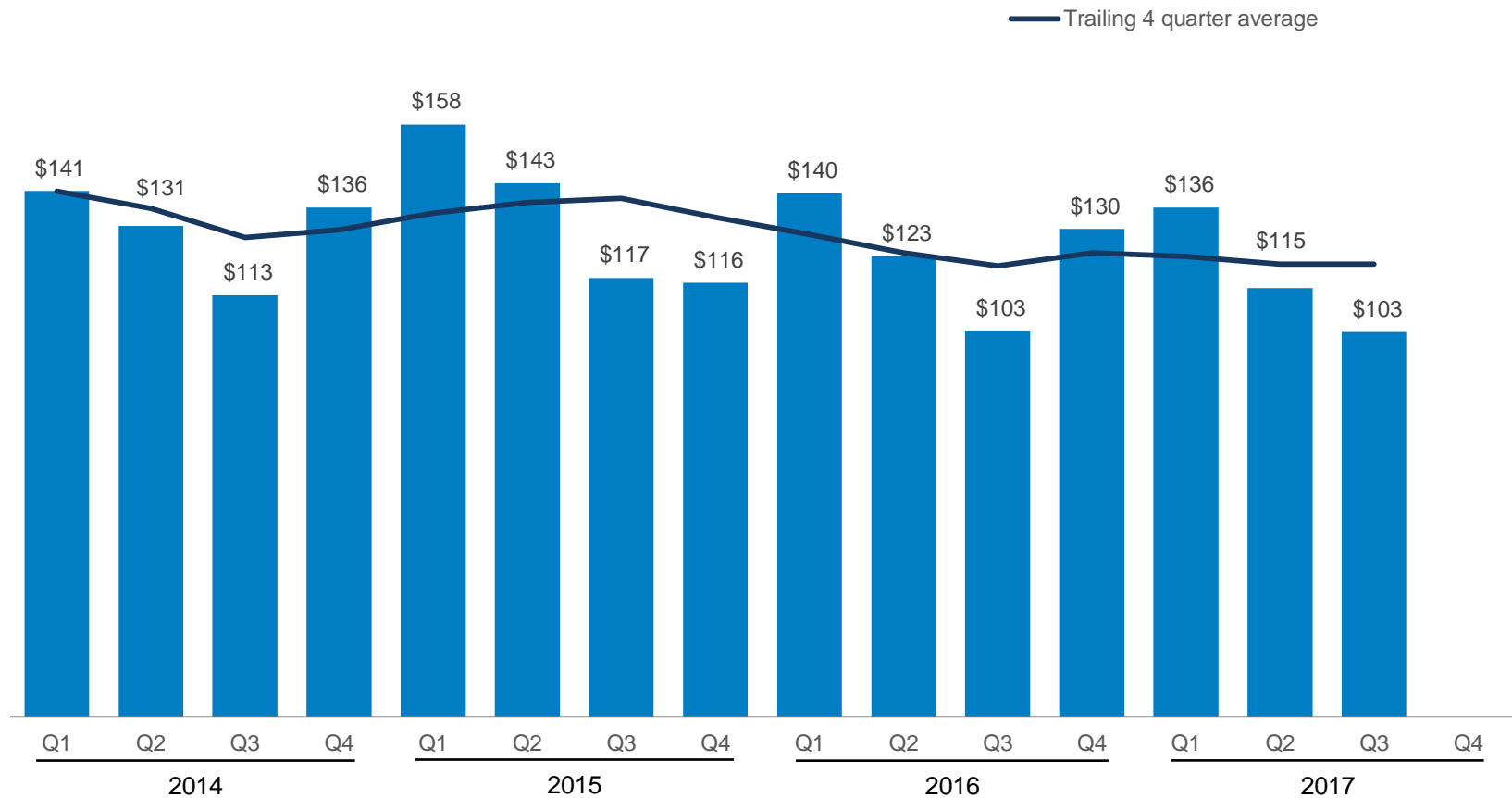
<sup>[1]</sup> Free cash flow is defined as operating cash flow minus capital expenditures (i.e. purchases of intangible assets, property and equipment, patent assets and patent assets acquired in a business combination). 2014 excludes a \$25 million deposit made in December 2014 for acquisition of the Rockstar patent assets, which were acquired for a net purchase price of \$29 million and closed in January 2015.

<sup>[2]</sup> Inventus acquisition closed on January 22, 2016; Free Cash Flow for Q1 2016 reflects a partial quarter contribution.



# Deferred Revenue

(\$ in millions)



# GAAP to Non-GAAP Reconciliation

(\$ in millions, except per share data)

	Q3 2017	Q3 2016
Net income	\$ 6.4	\$ 8.1
Stock-based compensation <sup>[1]</sup>	3.9	4.3
Amortization of acquired intangible assets <sup>[2]</sup>	2.1	2.5
Income tax adjustments <sup>[3]</sup>	(1.5)	(2.2)
Non-GAAP net income	<u>\$ 10.9</u>	<u>\$ 12.7</u>
Non-GAAP net income per share:		
Basic	<u>\$ 0.22</u>	<u>\$ 0.26</u>
Diluted	<u>\$ 0.22</u>	<u>\$ 0.25</u>
Weighted-average shares:		
Basic	<u>49.6</u>	<u>49.7</u>
Diluted	<u>50.3</u>	<u>50.2</u>

	Q3 2017	Q3 2016
Cost of revenue	\$ 52.3	\$ 50.8
Stock-based compensation <sup>[1]</sup>	(0.1)	-
Amortization of acquired intangible assets <sup>[2]</sup>	(0.5)	(0.5)
Non-GAAP cost of revenue	<u>\$ 51.7</u>	<u>\$ 50.3</u>

	Q3 2017	Q3 2016
Selling, general and administrative expenses	\$ 22.5	\$ 23.6
Stock-based compensation <sup>[1]</sup>	(3.7)	(4.3)
Amortization of acquired intangible assets <sup>[2]</sup>	(1.6)	(1.9)
Non-GAAP selling, general and administrative expenses	<u>\$ 17.2</u>	<u>\$ 17.4</u>

	Q3 2017	Q3 2016
Interest and other income (expense), net	\$ 0.1	\$ (1.3)
Non-GAAP interest and other income (expense), net	<u>\$ 0.1</u>	<u>\$ (1.3)</u>

<sup>[1]</sup> RPX excludes stock-based compensation and related employer payroll taxes from its non-GAAP financial measures.

<sup>[2]</sup> RPX excludes amortization expense related to intangible assets (other than patents) acquired in conjunction with the acquisition of businesses from its non-GAAP financial measures.

<sup>[3]</sup> Amount reflects income taxes associated with the above noted non-GAAP exclusions.

# Reconciliation of Net Income to Non-GAAP Adjusted EBITDA Less Net Patent Spend

(\$ in millions)

	Q3 2016			Q3 2017		
	Patent Risk Management	Discovery Services	Consolidated	Patent Risk Management	Discovery Services	Consolidated
<b>Net income</b>	\$ 6.6	\$ 1.6	\$ 8.1	\$ 4.1	\$ 2.2	\$ 6.4
Provision for income taxes	4.1	0.5	4.7	3.2	1.4	4.6
Interest and other (income) expense, net	0.6	0.6	1.3	0.5	(0.6)	(0.1)
Depreciation and amortization	41.2	2.5	43.7	39.9	2.5	42.4
Stock-based compensation	4.2	0.1	4.3	3.4	0.5	3.9
<b>Non-GAAP Adjusted EBITDA</b>	<b>56.8</b>	<b>5.3</b>	<b>62.1</b>	<b>51.2</b>	<b>6.0</b>	<b>57.2</b>
Net patent spend (NPS)	(34.8)	-	(34.8)	(13.0)	-	(13.0)
<b>Non-GAAP Adjusted EBITDA - NPS</b>	<b>\$ 22.0</b>	<b>\$ 5.3</b>	<b>\$ 27.3</b>	<b>\$ 38.1</b>	<b>\$ 6.0</b>	<b>\$ 44.2</b>