

# RPX Corporation Q1 2016 Earnings Call

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May 3, 2016

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 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, and
- we may not be able to integrate the acquisition of Inventus Solutions, Inc. or effectively manage the combined business.

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.

# Financial Highlights – Q1 2016

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- ▶ **Q1 2016 revenue of \$79.7 million vs. \$83.3 million in Q1 2015**
  - Subscription revenue of \$67.1 million vs. \$66.2 million last year (up 1%)
  - Discovery revenue of \$10.6 million
  - Fee-related revenue of \$2.0 million
  
- ▶ **Q1 2016 net income<sup>[1]</sup> of \$7.8 million**
  
- ▶ **Q1 2016 EBITDA-NPS<sup>[1,2]</sup> of \$38.5 million**
  
- ▶ **Cash, cash equivalents and short-term investments of \$204.2 million at quarter end**

<sup>[1]</sup> Net income and EBITDA-NPS are non-GAAP metrics. Refer to pages 14 - 15 for GAAP to non-GAAP reconciliations.

<sup>[2]</sup> NPS = net patent spend

# Business Highlights – Q1 2016

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## ▶ Client activity

- 31 net client additions in Q1 2016
  - Total 286 clients

## ▶ Inventus Transaction

- Acquisition of Inventus Solutions, Inc. on January 22, 2016 for \$228.5 million, net of cash acquired
- Inventus provides discovery management services, including document analysis, hosting and managed review, to corporate legal departments and law firms

## ▶ Term Loan Facility

- Raised \$100 million through a Term Loan Facility and established a \$50 million revolver

# Current Guidance

<i>in millions</i>	FY 2016 <sup>[1]</sup>	Q2 2016
Subscription Revenue	\$265 - \$270	
Discovery Revenue	\$61 - \$64	
<b>Total Subscription &amp; Discovery Revenue</b>	<b>\$326 - \$334</b>	<b>\$81 - \$82</b>
Fee-Related Revenue	\$5 - \$15	\$0
<b>Total Revenue</b>	<b>\$331 - \$349</b>	<b>\$81 - \$82</b>
Cost of Revenue <sup>[2]</sup>	\$194 - \$200	
SG&A <sup>[2]</sup>	\$77 - \$82	
Operating Income <sup>[2]</sup>	\$60 - \$67	\$11 - \$12
Net Income <sup>[2]</sup>	\$36 - \$41	\$6 - \$7
RPX EBITDA <sup>[2]</sup>	\$202 - \$211	
Discovery EBITDA <sup>[2]</sup>	\$19 - \$21	
<b>Total EBITDA<sup>[2]</sup></b>	<b>\$221 - \$232</b>	<b>\$52 - \$53</b>
Net Patent Spend (NPS)	\$125 - \$130	
EBITDA-NPS <sup>[2]</sup>	\$91 - \$107	
Effective Tax Rate <sup>[2]</sup>	37%	37%
WA Diluted Shares	52	52

<sup>[1]</sup> Inventus acquisition closed on January 22, 2016; amounts reflect partial year contribution.

<sup>[2]</sup> Cost of Revenue, SG&A, Operating Profit, Net Income, EBITDA and Effective Tax Rate are non-GAAP metrics.

# Historical Results

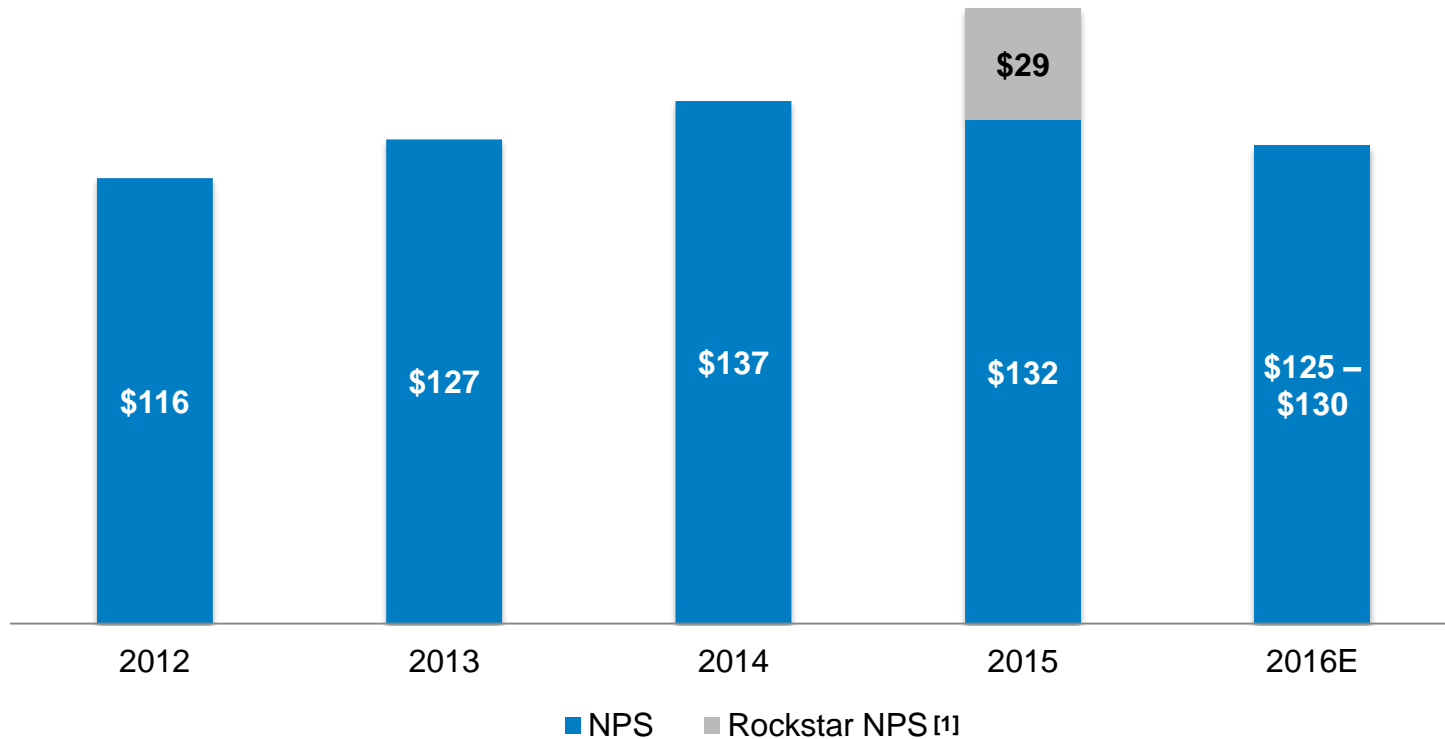
<i>In millions, except per share data</i>	Q1 2015	Q2 2015	Q3 2015	Q4 2015	FY 2015	Q1 2016 <sup>[2]</sup>
Total Revenue	\$83.3	\$67.6	\$68.2	\$72.8	\$291.9	\$79.7
Subscription Revenue	\$66.2	\$67.6	\$68.2	\$67.7	\$269.7	\$67.1
Discovery Revenue <sup>[2]</sup>	n/a	n/a	n/a	n/a	n/a	\$10.6
Cost of Revenue <sup>[1]</sup>	\$34.7	\$36.9	\$37.6	\$39.4	\$148.7	\$47.2
Selling, General & Administrative <sup>[1]</sup>	\$15.1	\$13.8	\$13.7	\$15.3	\$57.9	\$20.2
Operating Income <sup>[1]</sup>	\$33.5	\$17.4	\$16.9	\$18.1	\$85.9	\$12.4
Net Income <sup>[1]</sup>	\$21.2	\$11.2	\$10.6	\$11.7	\$54.7	\$7.8
Diluted Non-GAAP EPS <sup>[1]</sup>	\$0.38	\$0.20	\$0.19	\$0.21	\$0.99	\$0.15
EBITDA <sup>[1]</sup>	\$67.1	\$53.0	\$53.5	\$56.5	\$230.0	\$54.8
Net Patent Spend (NPS)	\$53.6	\$20.5	\$36.2	\$50.4	\$160.7	\$16.2
EBITDA-NPS <sup>[1]</sup>	\$13.4	\$32.5	\$17.3	\$6.1	\$69.4	\$38.5
Effective Tax Rate <sup>[1]</sup>	37%	37%	38%	36%	37%	36%
WA Diluted Shares	55.2	55.7	55.7	55.0	55.4	52.6

<sup>[1]</sup> Cost of Revenue, Selling, General & Administrative, Operating Profit, Net Income, Diluted EPS, EBITDA and Effective Tax Rate are non-GAAP metrics. Refer to pages 14 - 15 for reconciliations.

<sup>[2]</sup> Inventus acquisition closed on January 22, 2016; Amounts reflect partial quarter contribution.

# Net Patent Spend (NPS)

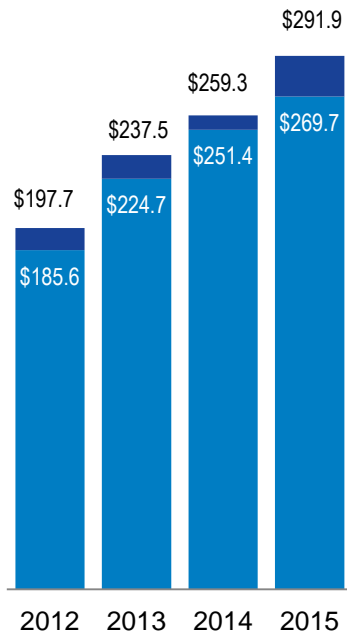
(\$ in millions)



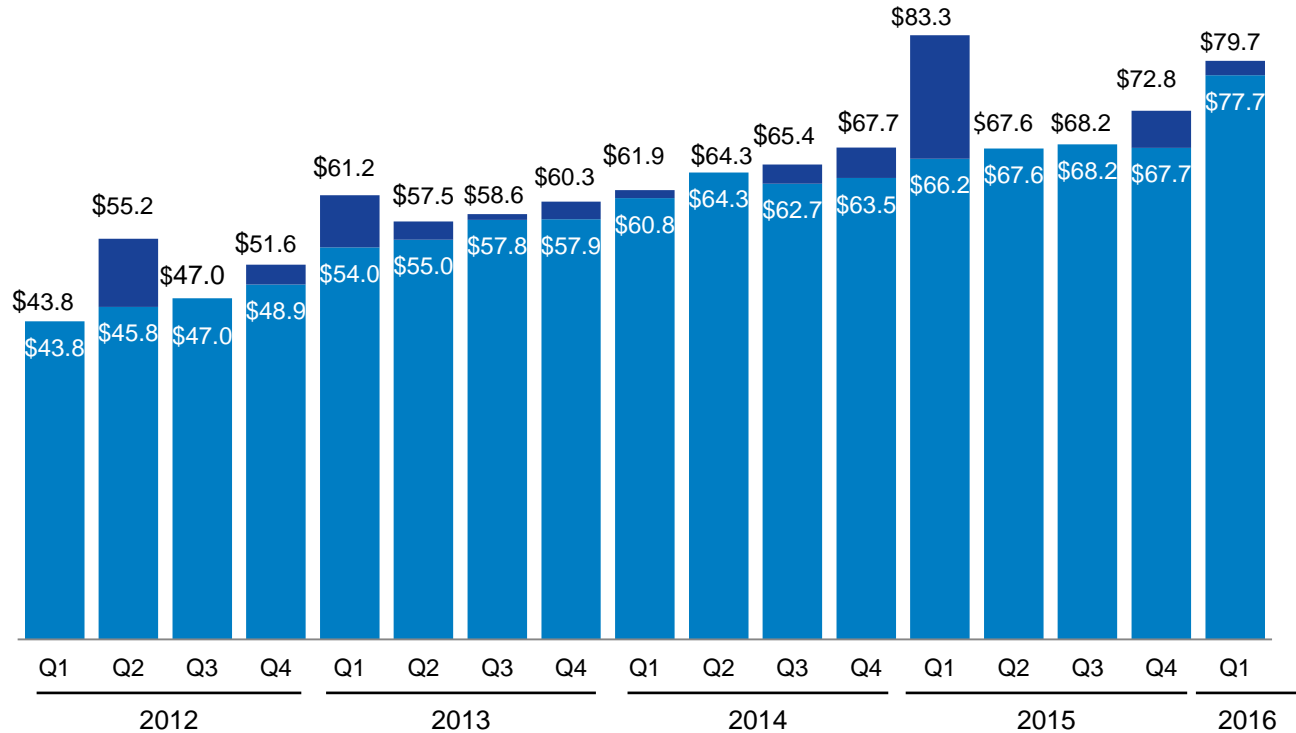
[1] 2015 includes (and 2014 excludes) a \$25 million deposit made in December 2014 for acquisition of the Rockstar patent assets, which closed in January 2015.

# Revenue

**Annual**  
(\$ in millions)



**Quarterly**  
(\$ in millions)



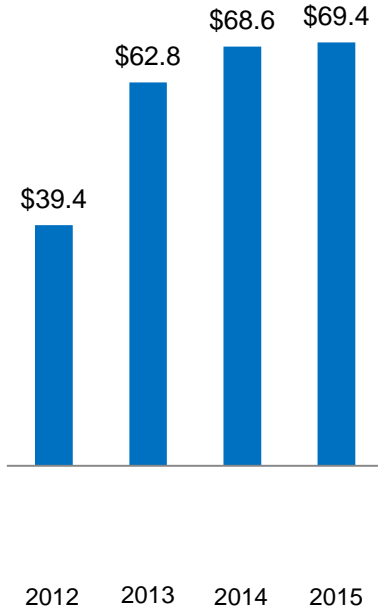
Subscription and discovery revenue<sup>[1]</sup>
 Fee-related revenue

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

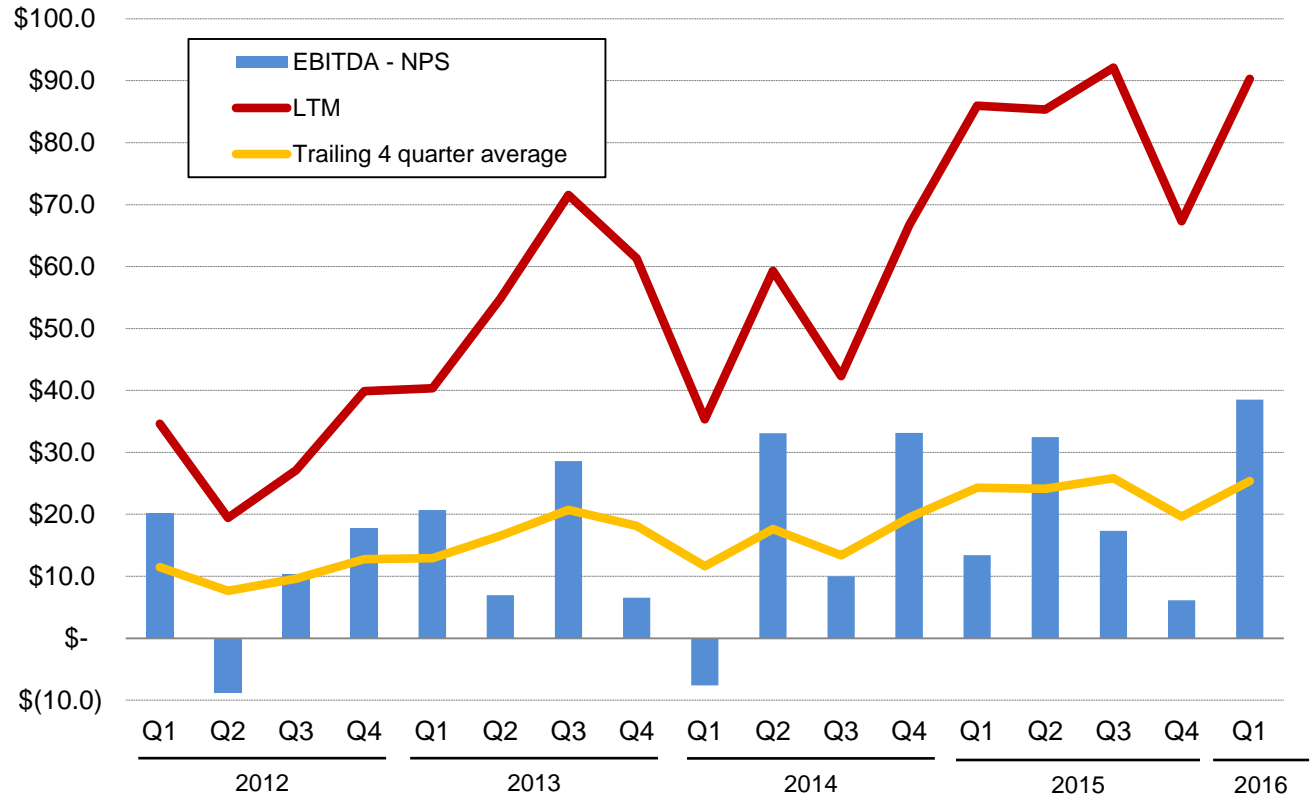


# EBITDA – NPS<sup>[1,2,3]</sup>

## Annual (\$ in millions)



## Quarterly (\$ in millions)



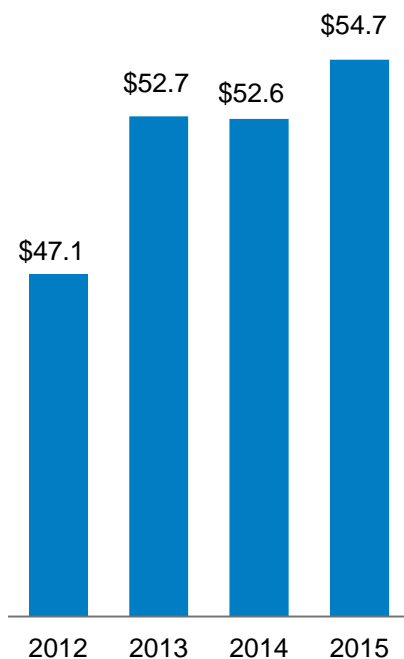
<sup>[1]</sup> EBITDA less Net Patent Spend (NPS) is a non-GAAP metric. Refer to pages 14 - 15 for reconciliations.

<sup>[2]</sup> Q2 2012 and FY 2012 include \$27.9 million of patent assets acquired in the Digtude transaction. 2015 includes (and 2014 excludes) a \$25 million deposit made in December 2014 for acquisition of the Rockstar patent assets, which closed in January 2015.

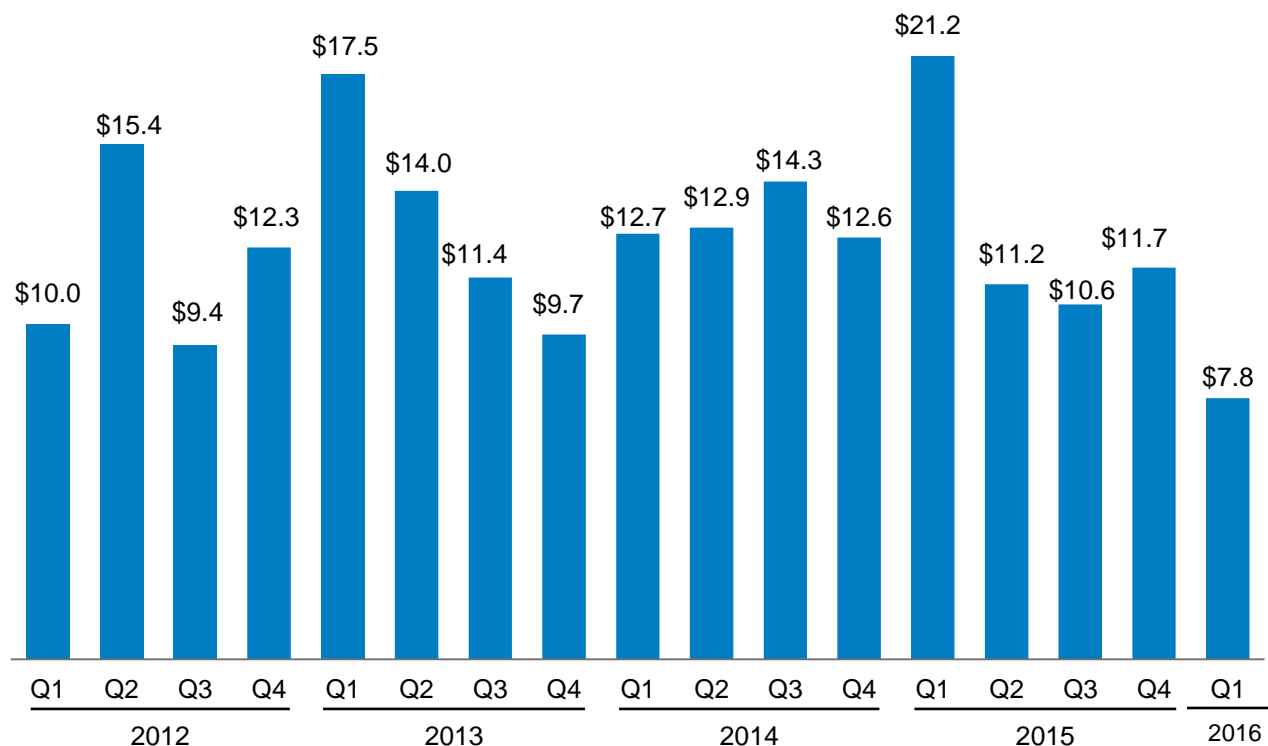
<sup>[3]</sup> Inventus acquisition closed on January 22, 2016; EBITDA less NPS for Q1 2016 reflects a partial quarter contribution.

# Net Income<sup>[1,2]</sup>

## Annual (\$ in millions)



## Quarterly (\$ in millions)



<sup>[1]</sup> Net Income is non-GAAP. Refer to pages 14 - 15 for reconciliations.

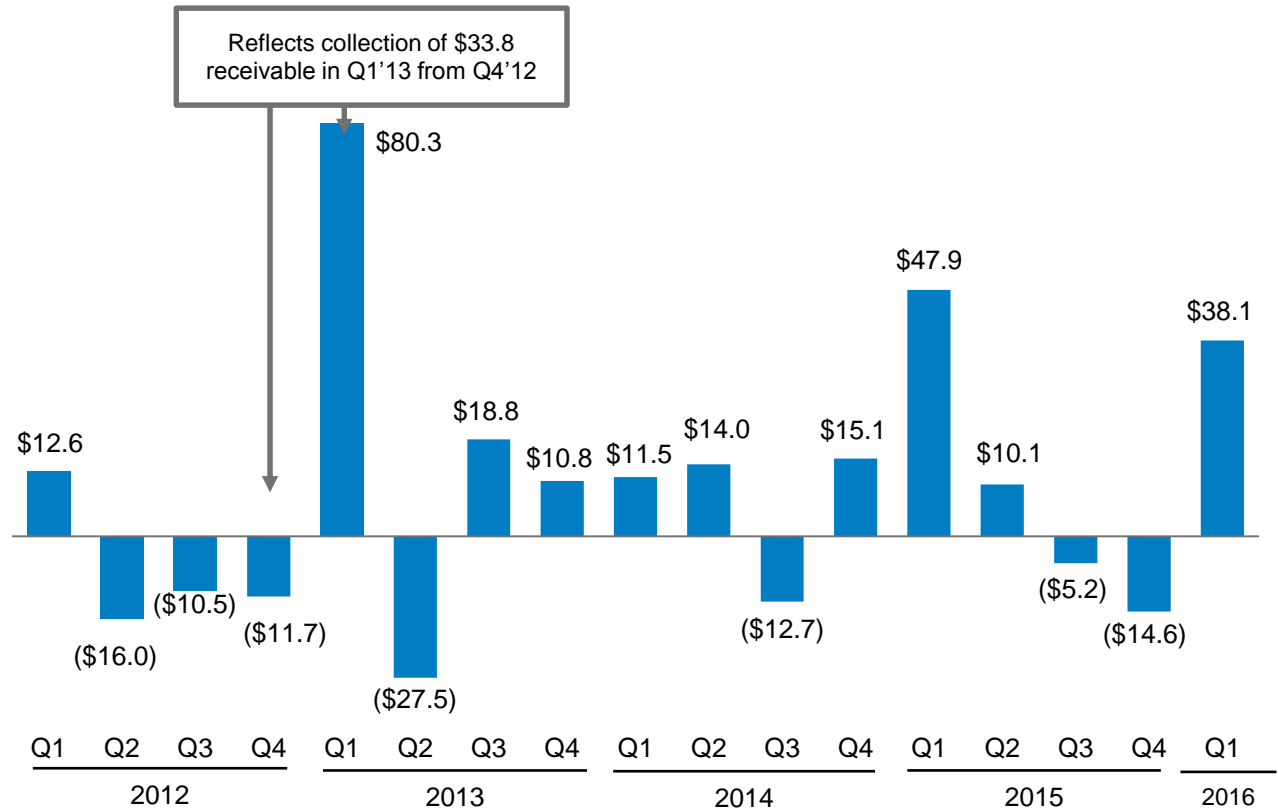
<sup>[2]</sup> Inventus acquisition closed on January 22, 2016; Net Income for Q1 2016 reflects a partial quarter contribution.

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

## Annual (\$ in millions)



## Quarterly (\$ in millions)

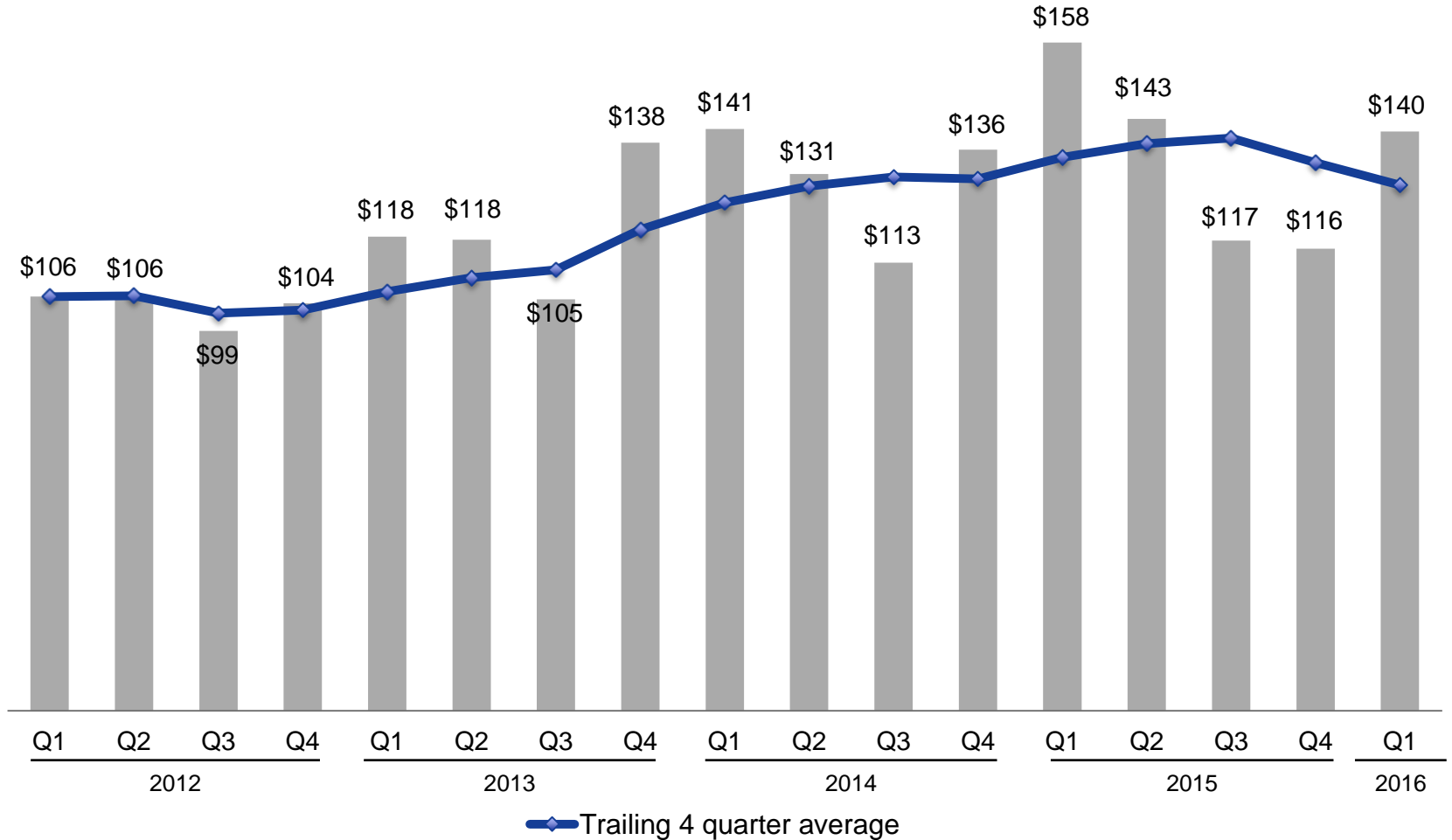


<sup>[1]</sup> Free cash flow is defined as operating cash flow minus capital expenditures (i.e. purchases of intangible assets, property and equipment, patent assets and patent assets acquired in a business combination). Q2 2012 and FY 2012 take into account \$27.9 million of patent assets acquired in the Digitude transaction. 2015 includes (and 2014 excludes) a \$25 million deposit made in December 2014 for acquisition of the Rockstar patent assets, which 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)

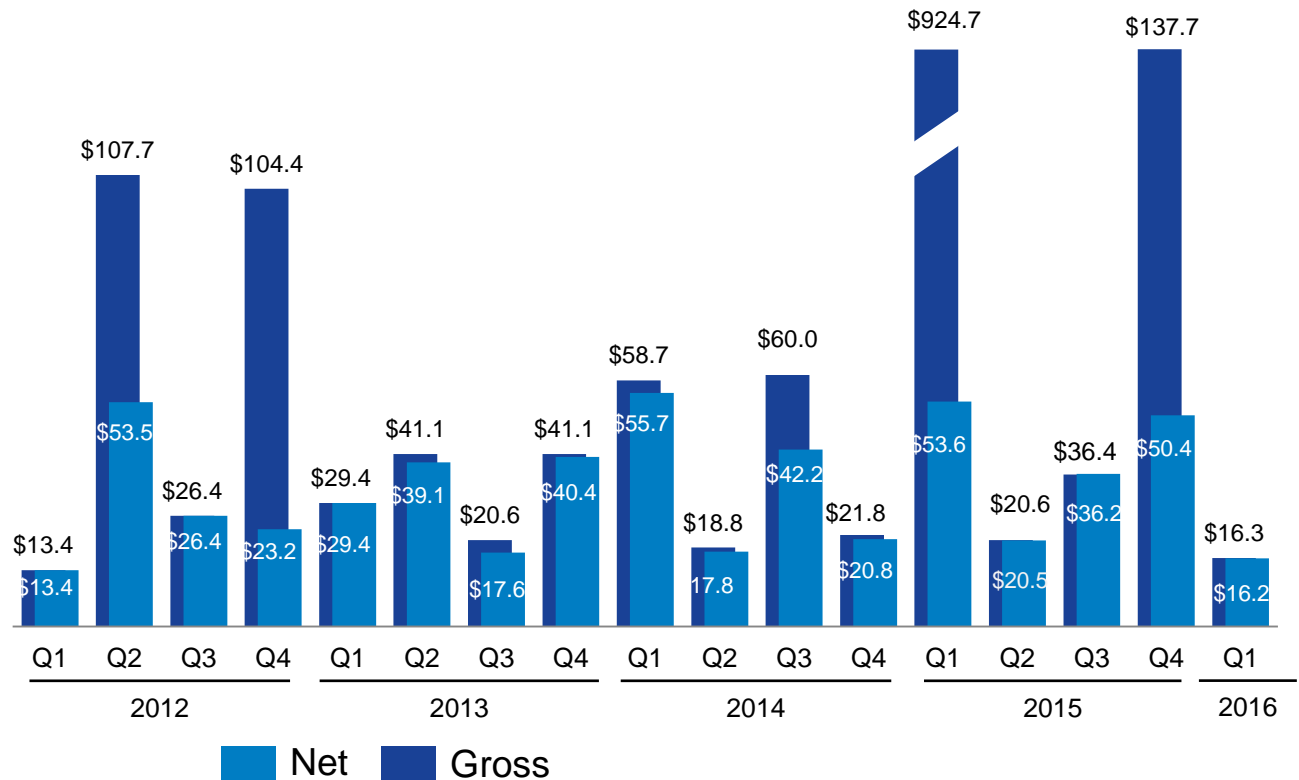


# Gross and Net Patent Spend<sup>[1]</sup>

**Annual**  
(\$ in millions)



**Quarterly**  
(\$ in millions)



<sup>[1]</sup> 2015 includes (and 2014 excludes) a \$25 million deposit made in December 2014 for acquisition of the Rockstar patent assets, which closed in January 2015.

# GAAP to Non-GAAP Reconciliation

(\$ in millions, except per share data)

	Q1 2015	Q1 2016 <sup>[5]</sup>
Revenue	\$ 83.3	\$ 79.7
Cost of revenue	34.8	47.7
Amortization of acquired intangible assets <sup>[1]</sup>	(0.1)	(0.5)
Non-GAAP cost of revenue	34.7	47.2
Selling, general and administrative expenses	19.5	26.9
Stock-based compensation <sup>[2]</sup>	(4.0)	(5.0)
Amortization of acquired intangible assets <sup>[1]</sup>	(0.4)	(1.7)
Non-GAAP selling, general and administrative expenses	15.1	20.2
Non-GAAP operating income	33.5	12.4
Other income (expense), net	0.1	1.8
Other adjustments <sup>[3]</sup>	-	(1.9)
Non-GAAP other income (expense), net	0.1	(0.1)
Non-GAAP income before provision for income taxes	33.6	12.2
Provision for income taxes	11.2	2.7
Income tax adjustments <sup>[4]</sup>	1.3	1.7
Non-GAAP provision for income taxes	12.4	4.5
Non-GAAP net income	\$ 21.2	\$ 7.8
Non-GAAP net income per common share:		
Basic	\$ 0.39	\$ 0.15
Diluted	\$ 0.38	\$ 0.15
Weighted-average shares:		
Basic	54.2	52.1
Diluted	55.2	52.6

<sup>[1]</sup> 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>[2]</sup> Excludes stock-based compensation and related employer payroll taxes from its non-GAAP financial measures.

<sup>[3]</sup> Excludes fair value adjustments related to its deferred payment obligations from its non-GAAP financial measures.

<sup>[4]</sup> Amount reflects income taxes associated with the above noted non-GAAP exclusions.

<sup>[5]</sup> Inventus acquisition closed on January 22, 2016; amounts for Q1 2016 reflect a partial quarter contribution.

# GAAP to Non-GAAP Reconciliation

(\$ in millions)

	Q1 2015	Q1 2016		
	Patent Risk Management	Patent Risk Management	Discovery Services <sup>[1]</sup>	Consolidated
Net income	\$ 18.0	\$ 3.7	\$ 0.6	\$ 4.2
Provision for income taxes	11.2	2.6	0.2	2.7
Other (income) expense, net	(0.1)	(1.7)	(0.1)	(1.8)
Stock-based compensation	4.0	4.9	0.1	5.0
Depreciation and amortization	34.0	42.7	1.9	44.6
<b>Non-GAAP EBITDA</b>	<b>67.1</b>	<b>52.2</b>	<b>2.6</b>	<b>54.8</b>
Net patent spend (NPS)	(53.6)	(16.2)	-	(16.2)
<b>Non-GAAP EBITDA less NPS</b>	<b>\$ 13.4</b>	<b>\$ 36.0</b>	<b>\$ 2.6</b>	<b>\$ 38.5</b>

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