

RPX Corporation Q3 2015 Earnings Call

October 27, 2015

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

Safe Harbor

- ▶ 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.

Q3 2015 Financial Summary

- ▶ **Total revenue of \$68.2 million, up 4% year over year**
 - Subscription revenue of \$68.2 million, up 9% year over year

- ▶ **20 net client add**
 - Total 245 clients

- ▶ **77 active insurance clients**

- ▶ **Renewal rate above 90%**

- ▶ **Cash, cash equivalents and short-term investments of \$368.0 million^[1]**

^[1] As of September 30, 2015

Guidance

(in millions)

	Q4 2015	FY 2015
Subscription revenue	\$67.4 - \$68.0	\$269.4 - \$270.0
Fee-related revenue	\$0.0	\$17.1
Total revenue	\$67.4 - \$68.0	\$286.5 - \$287.1
Cost of revenue ^[1]	--	\$149.5 - \$150.5
SG&A ^[1]	--	\$57.0 - \$58.0
Net income ^[1]	\$7.3 - \$8.5	\$50.4 - \$51.4
Effective tax rate ^[1]	37%	37%
WA diluted shares	55.5	55.6
Net acquisition spend	--	\$170.0

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

Q3 2015 Consolidated P&L

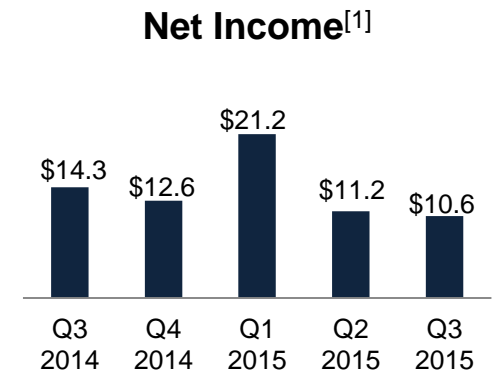
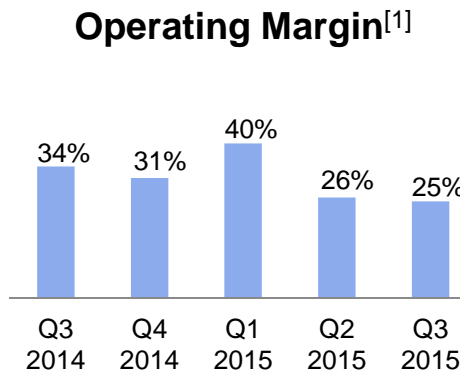
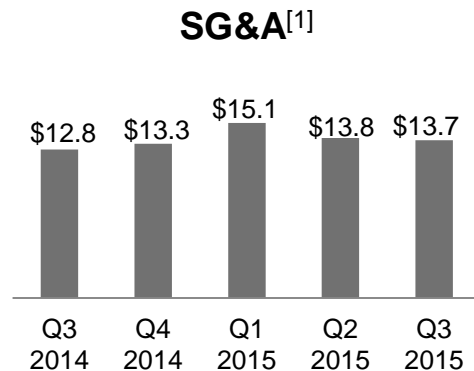
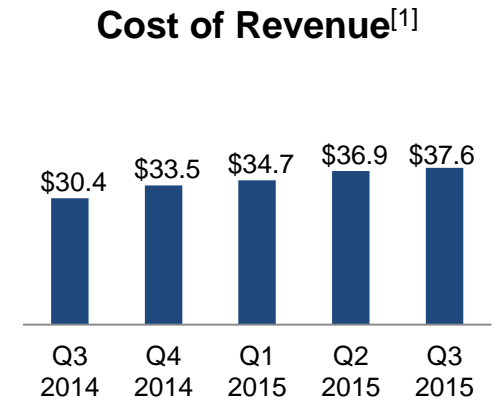
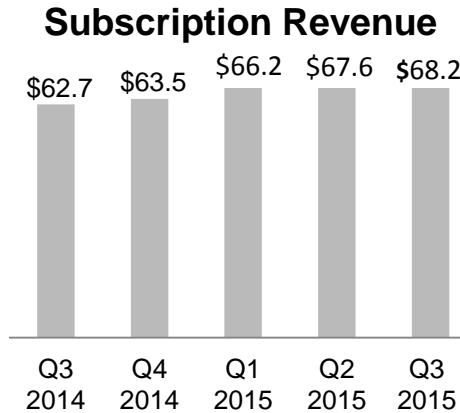
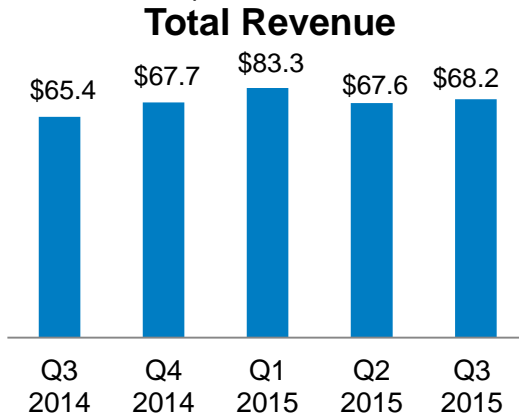
(in millions, except per share data)

	Q3 2015	Q3 2014
Total Revenue	\$68.2	\$65.4
Subscription Revenue	\$68.2	\$62.7
Cost of Revenue ^[1]	\$37.6	\$30.4
SG&A ^[1]	\$13.7	\$12.8
Effective Tax Rate ^[1]	38.0%	36.1%
Net Income ^[1]	\$10.6	\$14.3
Diluted Non-GAAP EPS	\$0.19	\$0.26
WA Diluted Shares	55.7	55.0

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

Q3 2015 Key Performance Metrics

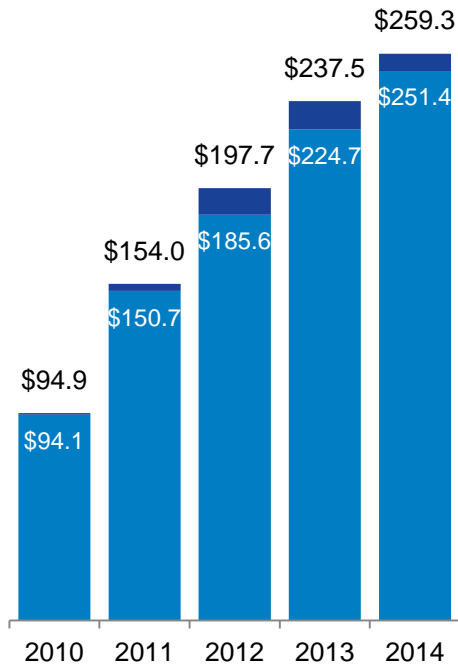
(\$ in millions)



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

Revenue

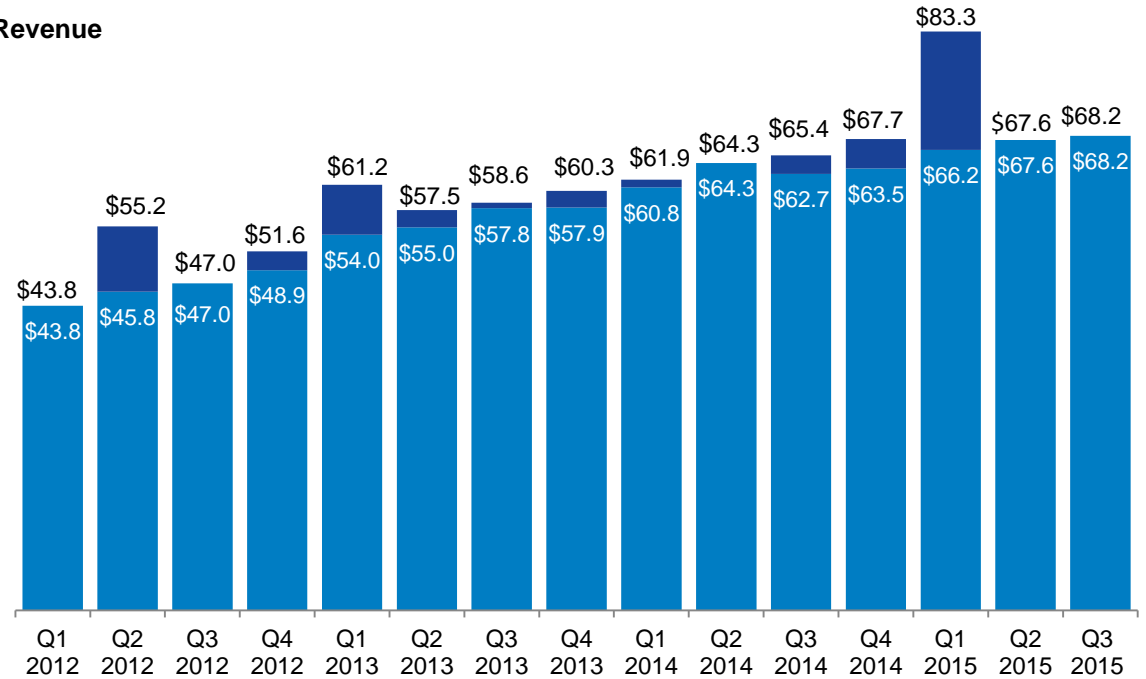
Annual (\$ in millions)



Net Clients Added	2010	2011	2012	2013	2014
	49	40	28	28	36

Quarterly (\$ in millions)

Revenue

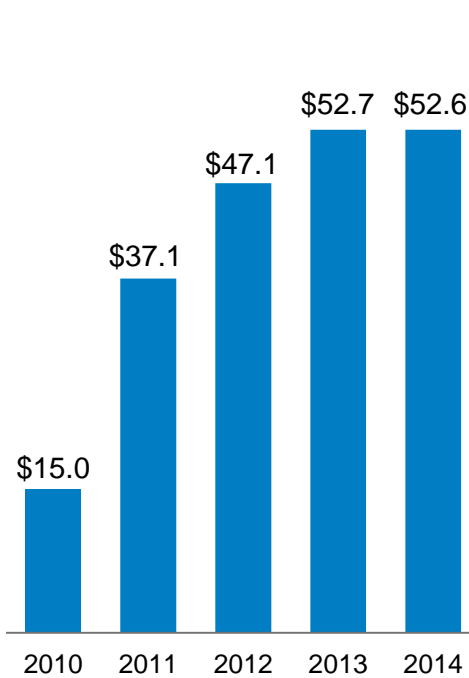


Net Clients Added	Q1 2012	Q2 2012	Q3 2012	Q4 2012	Q1 2013	Q2 2013	Q3 2013	Q4 2013	Q1 2014	Q2 2014	Q3 2014	Q4 2014	Q1 2015	Q2 2015	Q3 2015
	4	4	8	12	6	11	3	8	10	6	11	9	20	1	20

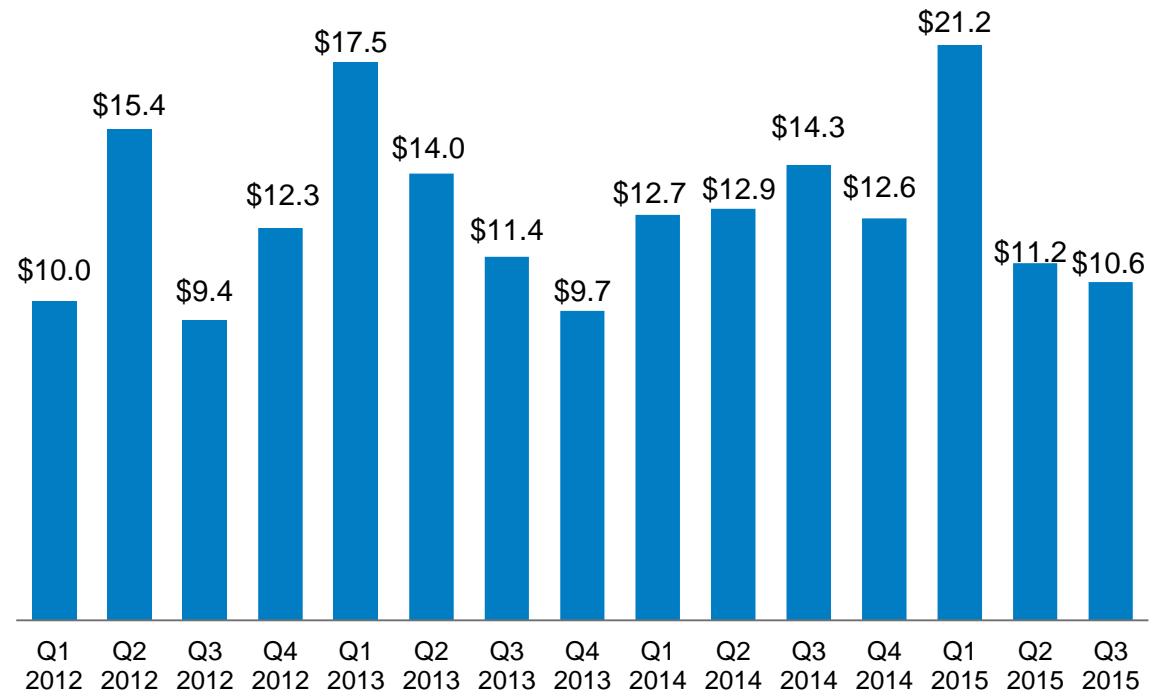
■ Subscription revenue
 ■ Fee-related revenue

Non-GAAP Net Income

Annual
(\$ in millions)

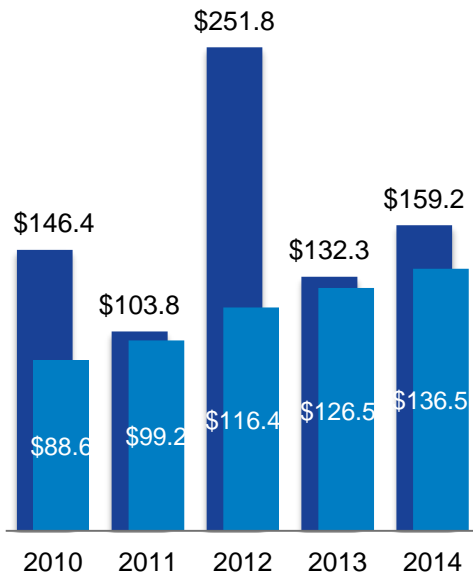


Quarterly
(\$ in millions)

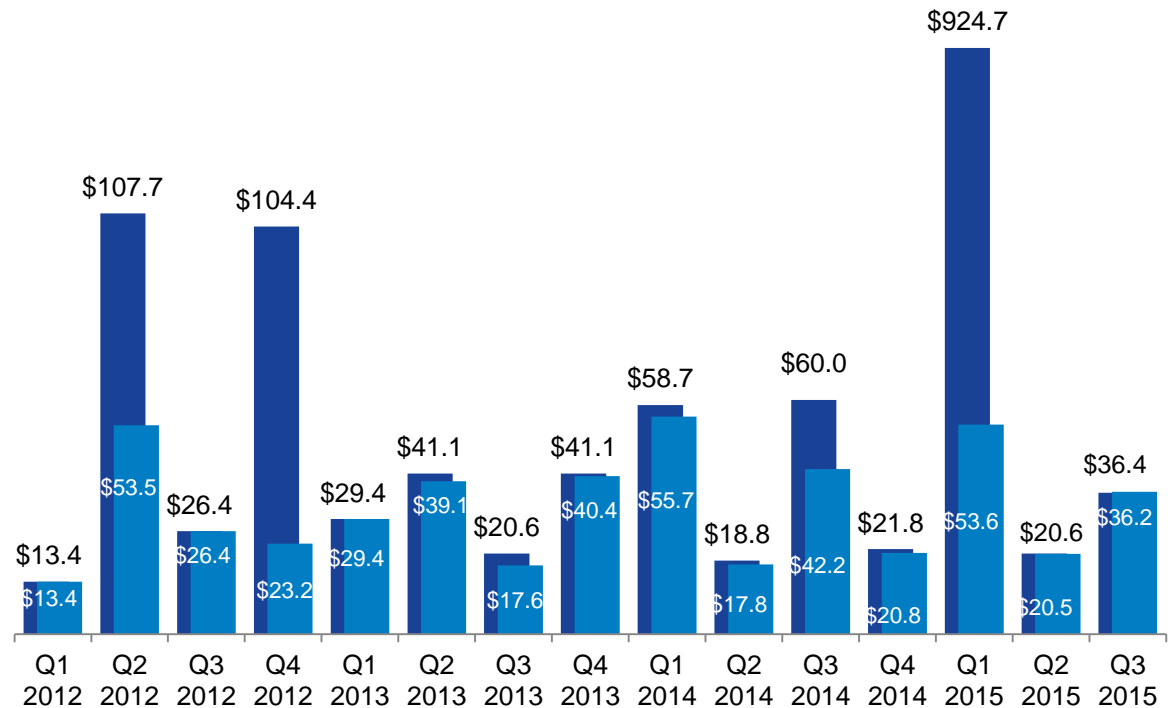


Patent Acquisition Spend

Annual
(\$ in millions)



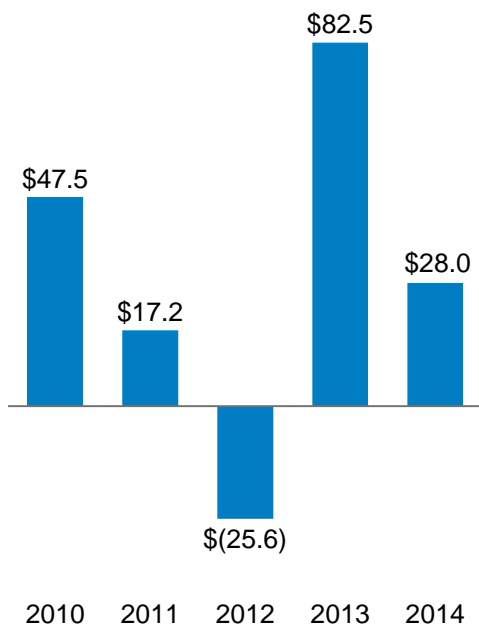
Quarterly
(\$ in millions)



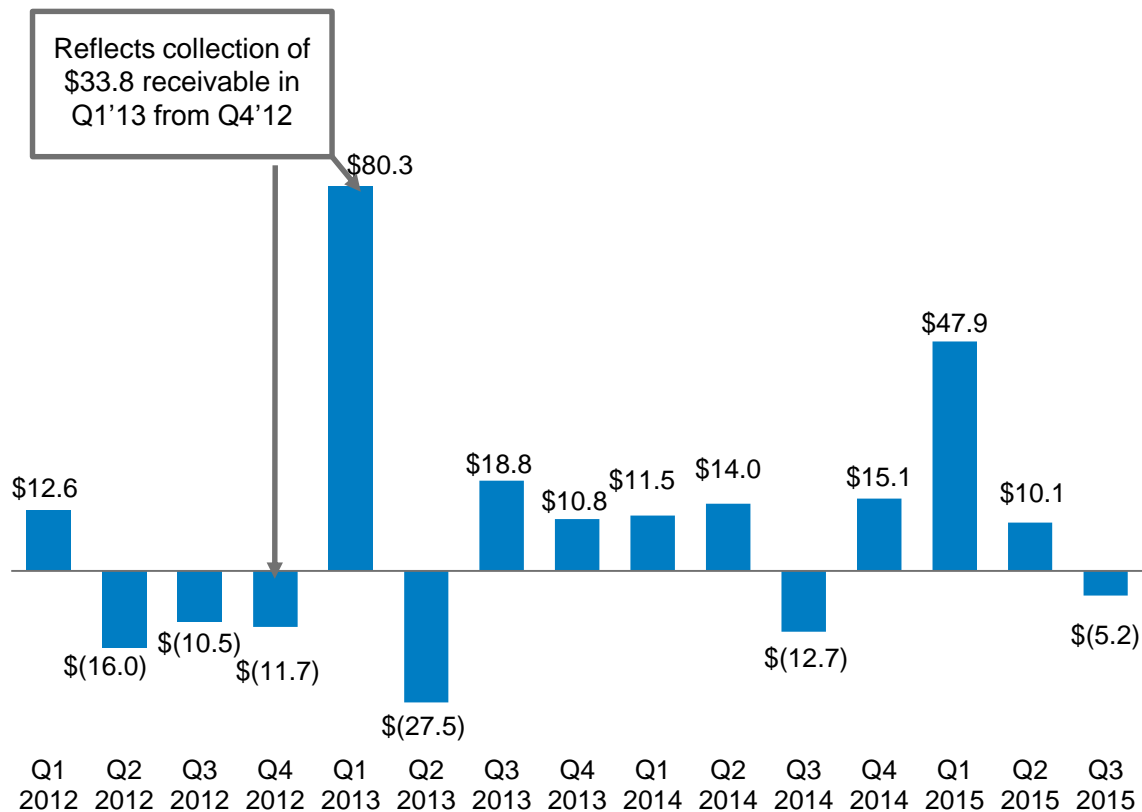
■ Net ■ Gross

Free Cash Flow

Annual (\$ in millions)



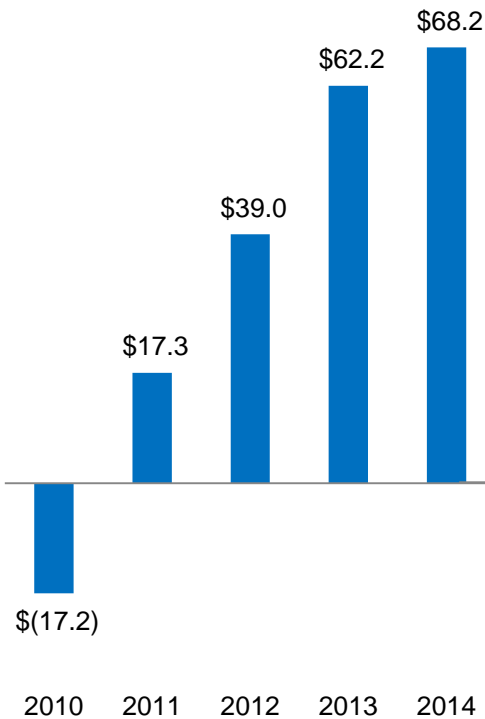
Quarterly (\$ in millions)



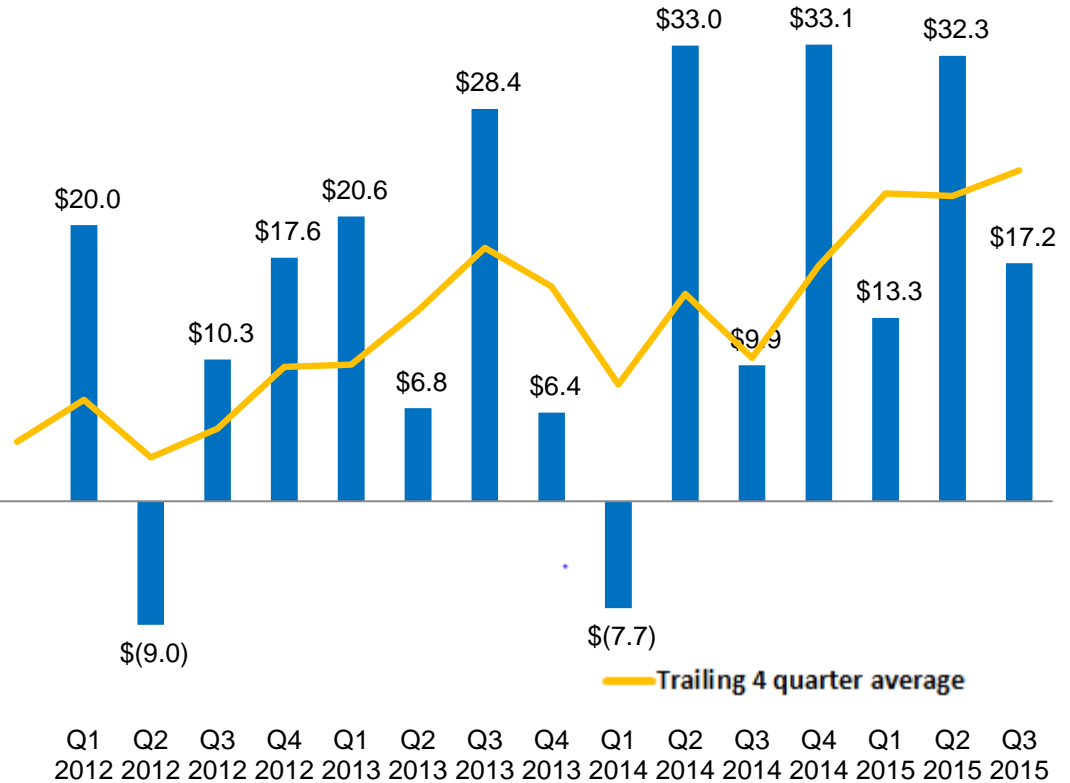
Free cash flow is defined as operating cash flow minus capital expenditures (i.e. purchases of intangible assets, property and equipment, patent assets and patent assets acquired in a business combination). Q2 2012 and FY 2012 take into account \$27.9 million of patent assets acquired in the Digtude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

EBITDA Less Net Acquisition Spend (NAS)

Annual
(\$ in millions)



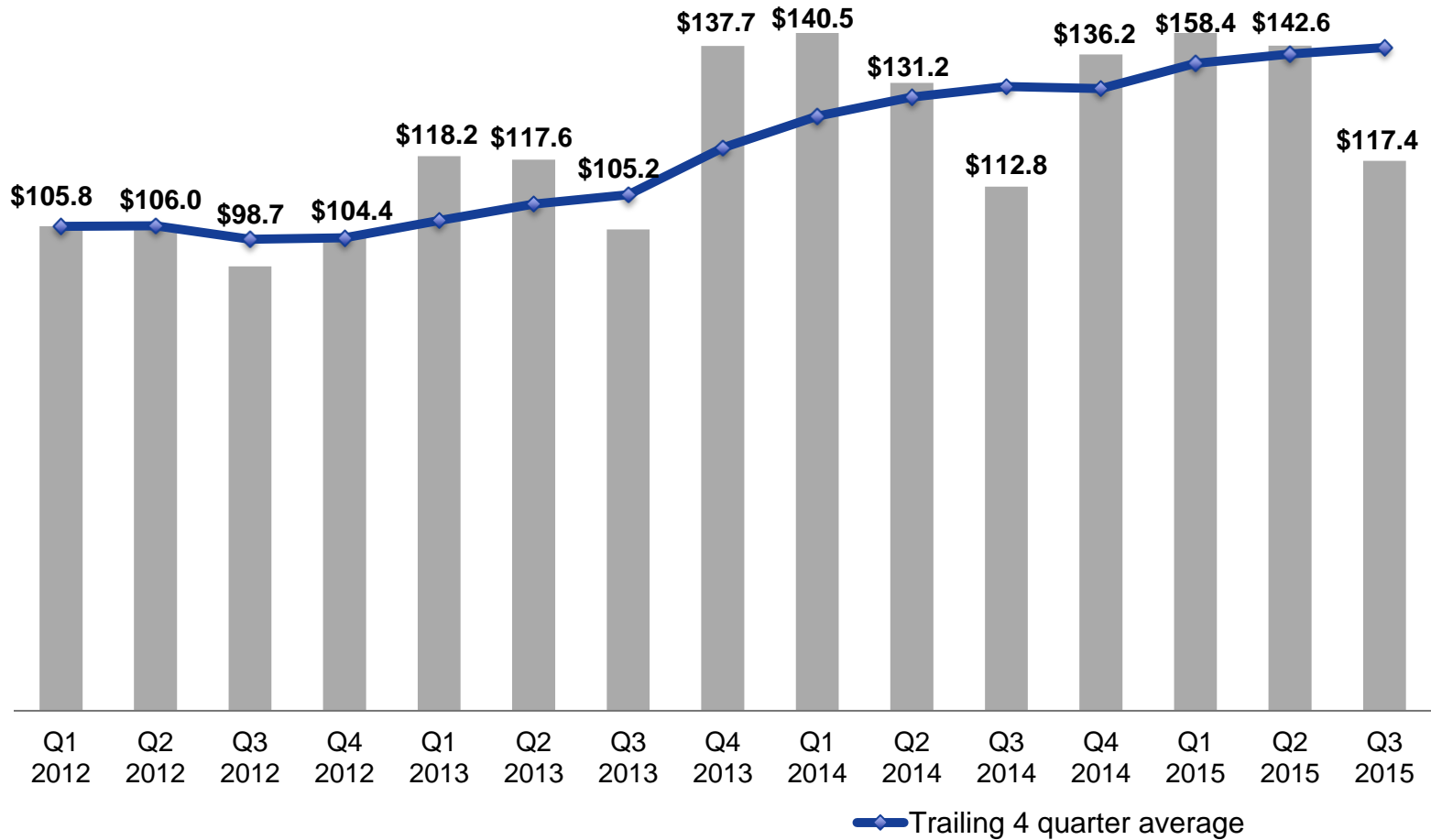
Quarterly
(\$ in millions)



- 1) EBITDA is calculated as: GAAP operating income plus depreciation and amortization plus stock-based compensation, less net acquisition spend.
- 2) Q2 2012 and FY 2012 include \$27.9 million of patent assets acquired in the Digtude transaction. In addition, Q1 2015 includes the \$25 million deposit made in Q4 2014 for the acquisition of Rockstar patent assets.

Deferred Revenue

(\$ in millions)



Q3 2015 GAAP to Non-GAAP Reconciliation

(\$M)	Q3 2015	Q3 2014
Net Income	\$7.8	\$10.8
Stock-based compensation	\$4.7	\$4.6
Amortization of acquired intangible assets	\$0.4	\$0.5
Fair value adjustment on deferred payment obligations	(\$0.6)	-
Income tax adjustments	(\$1.7)	(\$1.6)
Non-GAAP net income	\$10.6	\$14.3
Non-GAAP net income per share:		
Basic	\$0.19	\$0.27
Diluted	\$0.19	\$0.26
Weighted-average shares:		
Basic	54.8	53.8
Diluted	55.7	55.0

(\$M)	Q3 2015	Q3 2014
Cost of Revenue	\$37.6	\$30.4
Amortization of acquired intangible assets	(\$0.1)	(\$0.1)
Non-GAAP cost of revenue	\$37.6	\$30.4

(\$M)	Q3 2015	Q3 2014
Selling, general and administrative expenses	\$18.8	\$17.8
Stock-based compensation	(\$4.7)	(\$4.6)
Amortization of acquired intangible assets	(\$0.4)	(\$0.4)
Non-GAAP selling, general and administrative expenses	\$13.7	\$12.8

(\$M)	Q3 2015	Q3 2014
Other income, net	\$0.9	\$0.1
Fair value adjustment on deferred payment obligations	(\$0.6)	-
Non-GAAP other income, net	\$0.3	\$0.1

Thank You
