

RPX Corporation Q4 2015 Earnings Call

February 9, 2016

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 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 - Q4 2015

- ▶ **Q4 2015 revenue of \$72.8 million vs. \$67.7 last year (up 7.5%)**
 - Subscription revenue of \$67.7 million vs. \$63.5 million last year (up 6.5%)
 - Fee revenue of \$5.1 million
- ▶ **FY 2015 revenue of \$291.9 million vs. \$259.3 last year (up 12.5%)**
 - Subscription revenue of \$269.7 million vs. \$251.4 last year (up 7.3%)
 - Fee revenue of \$22.2 million
- ▶ **FY 2015 EBITDA-NPS^[1,2] of \$69.4 million**
- ▶ **FY 2015 net income^[1] of \$54.7 million**
- ▶ **Cash, cash equivalents and short-term investments of \$326 million at year end**
 - On January 22, 2016 RPX acquired privately-held Inventus Solutions, Inc. for \$232 million in cash, net of adjustments for working capital

^[1] EBITDA-NPS and net income are non-GAAP metrics. Refer to pages 14 - 15 for GAAP to non-GAAP reconciliation.

^[2] NPS = net patent spend

Business Highlights - Q4 2015

▶ Client activity

- 10 net client additions in Q4 2015, 51 net client additions during FY 2015
 - Total 255 clients
- 89 active insurance clients
- Renewal rate above 90%

▶ Acquisition of Inventus

- RPX announced its acquisition of Inventus Solutions, Inc. for \$232 million in cash (transaction closed January 22, 2016)
- Inventus provides discovery management services, including document analysis, hosting and managed review, to corporate legal departments and law firms
- 2015 unaudited adjusted pro forma revenue of \$52.2 million, adjusted pro forma EBITDA of \$18.3 million^[1]

▶ Round Rock Research

- In Q4 2015 RPX announced a syndicated transaction to secure licensing rights for over 20 companies to patents owned by Round Rock for over \$100 million (\$33 million net patent spend by RPX)
- RPX received a \$5.0 million fee for its work on the transaction

^[1] Refer to page 16 for 2015 reconciliations of Inventus, revenue to pro forma revenue and GAAP net loss to adjusted pro forma EBITDA.

Current Guidance

<i>in millions</i>	FY 2016	Q1 2016
Subscription Revenue	\$265 - \$275	
Discovery Revenue ^[1]	\$54 - \$57	
Total Subscription & Discovery Revenue ^[1]	\$319 - \$332	\$76 - \$78
Fee-Related Revenue	\$5 - \$15	\$1.5
Total Revenue	\$324 - \$347	\$78 - \$80
Cost of Revenue ^[2]	\$188 - \$194	
SG&A ^[2]	\$77 - \$82	
Operating Profit ^[2]	\$59 - \$71	\$9 - \$10
Net Income ^[2]	\$39 - \$46	\$6 - \$7
RPX EBITDA ^[2]	\$202 - \$216	
Discovery EBITDA ^[1,2]	\$18 - \$20	
Total EBITDA ^[1,2]	\$220 - \$236	\$53 - \$54
Net Patent Spend (NPS)	\$130	
EBITDA-NPS ^[1,2]	\$90 - \$106	
Effective Tax Rate ^[2]	37%	37%
WA Diluted Shares	53	53

^[1] Inventus acquisition closed on January 22, 2016; Discovery Revenue and EBITDA guidance reflect partial year revenue contribution.

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

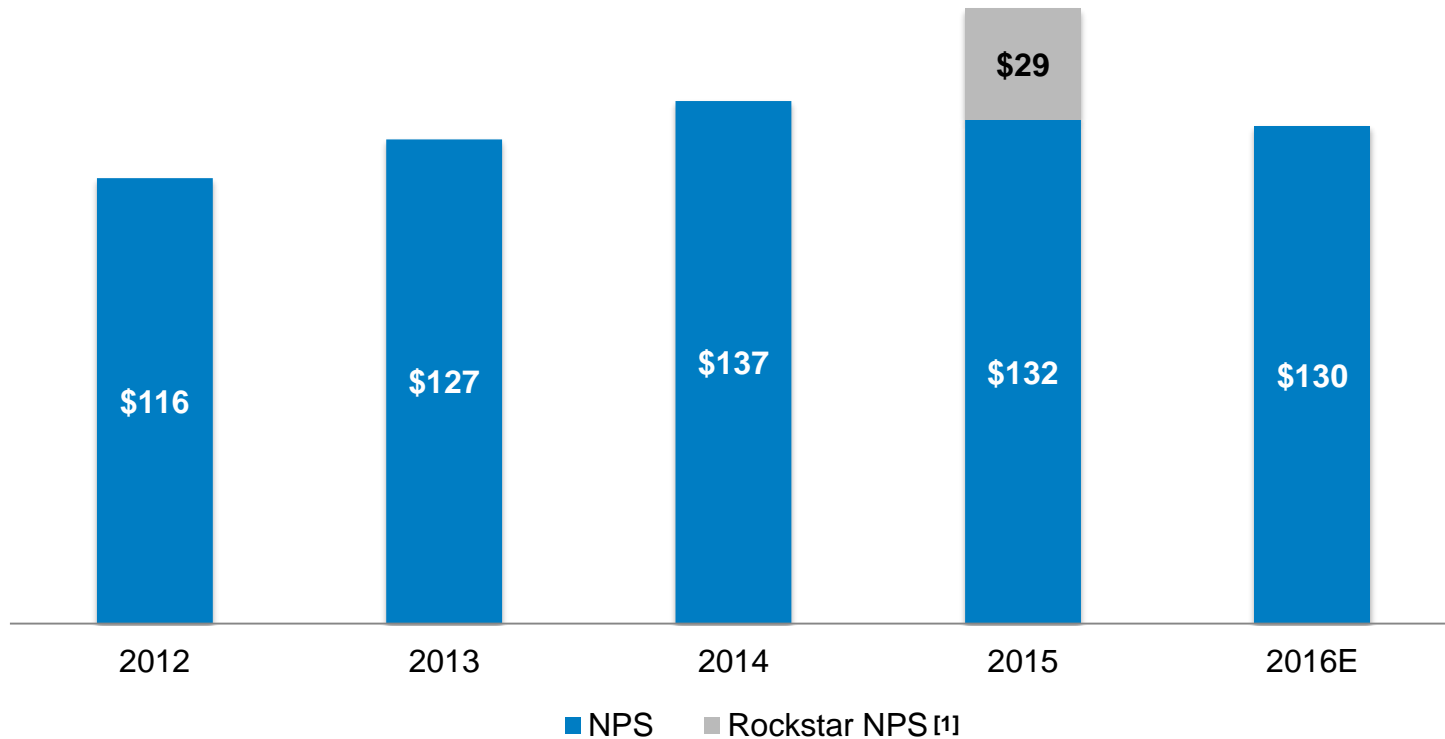
Historical Results

<i>In millions, except per share data</i>	Q4 2014	Q1 2015	Q2 2015	Q3 2015	Q4 2015	FY 2014	FY 2015
Total Revenue	\$67.7	\$83.3	\$67.6	\$68.2	\$72.8	\$259.3	\$291.9
Subscription Revenue	\$63.5	\$66.2	\$67.6	\$68.2	\$67.7	\$251.4	\$269.7
Cost of Revenue ^[1]	\$33.5	\$34.7	\$36.9	\$37.6	\$39.4	\$124.2	\$148.7
Selling, General & Administrative ^[1]	\$13.3	\$15.1	\$13.8	\$13.7	\$15.3	\$52.4	\$57.9
Operating Profit ^[1]	\$20.9	\$33.5	\$17.4	\$16.9	\$18.1	\$83.5	\$85.9
Net Income ^[1]	\$12.6	\$21.2	\$11.2	\$10.6	\$11.7	\$52.6	\$54.7
Diluted Non-GAAP EPS ^[1]	\$0.23	\$0.38	\$0.20	\$0.19	\$0.21	\$0.96	\$0.99
EBITDA ^[1]	\$54.0	\$67.1	\$53.0	\$53.5	\$56.5	\$205.1	\$230.0
Net Patent Spend (NPS)	\$20.8	\$53.6	\$20.5	\$36.2	\$50.4	\$136.5	\$160.7
EBITDA-NPS ^[1]	\$33.1	\$13.4	\$32.5	\$17.3	\$6.1	\$68.6	\$69.4
Effective Tax Rate ^[1]	40%	37%	37%	38%	36%	37%	37%
WA Diluted Shares	55.0	55.2	55.7	55.7	55.0	54.8	55.4

^[1] 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.

Net Patent Spend (NPS)

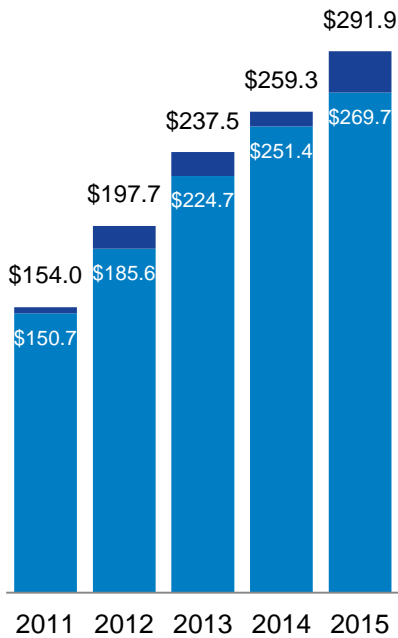
(\$ in millions)



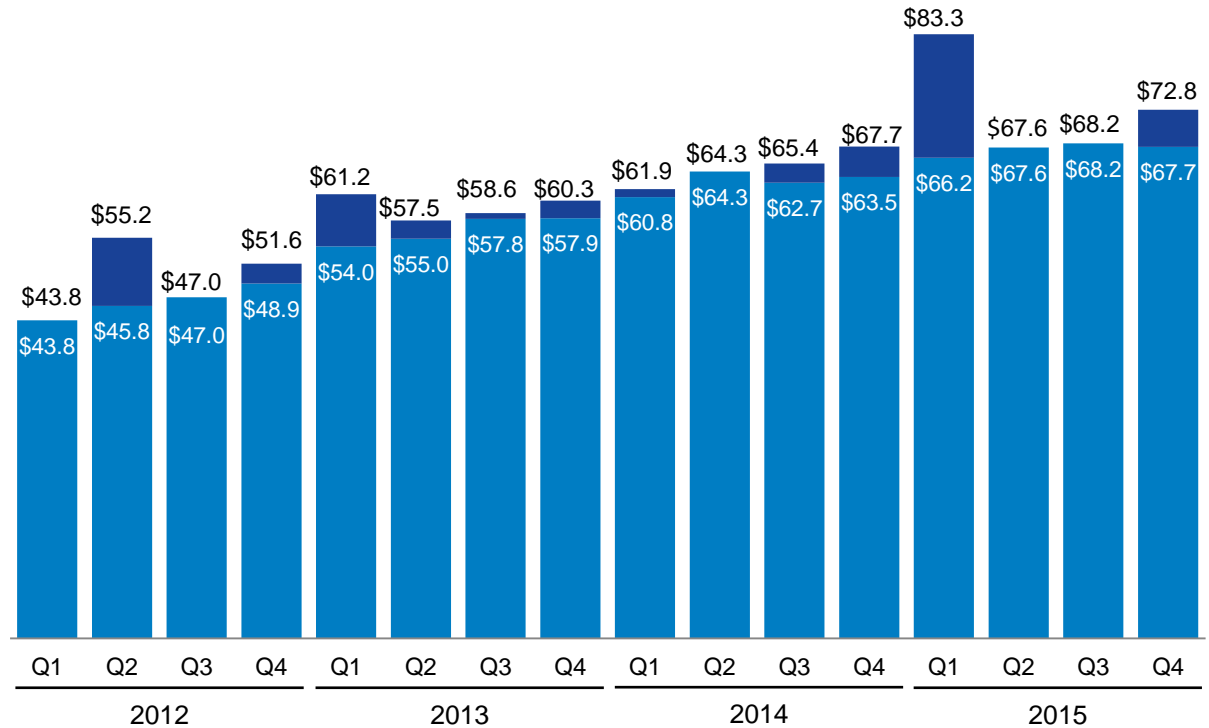
[1] 2015 includes (and 2014 excludes) a \$25 million deposit made in December 2014 for acquisition of the Rockstar patent assets, which closed in January 2015.

Revenue

Annual
(\$ in millions)



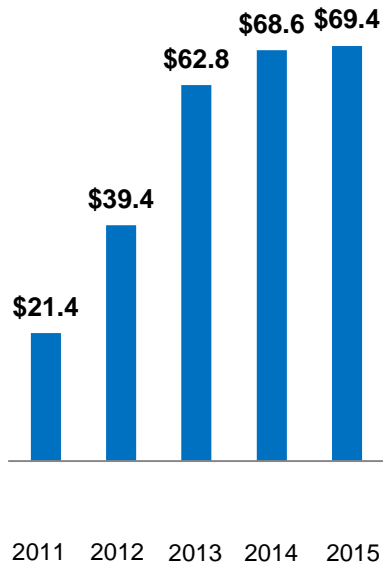
Quarterly
(\$ in millions)



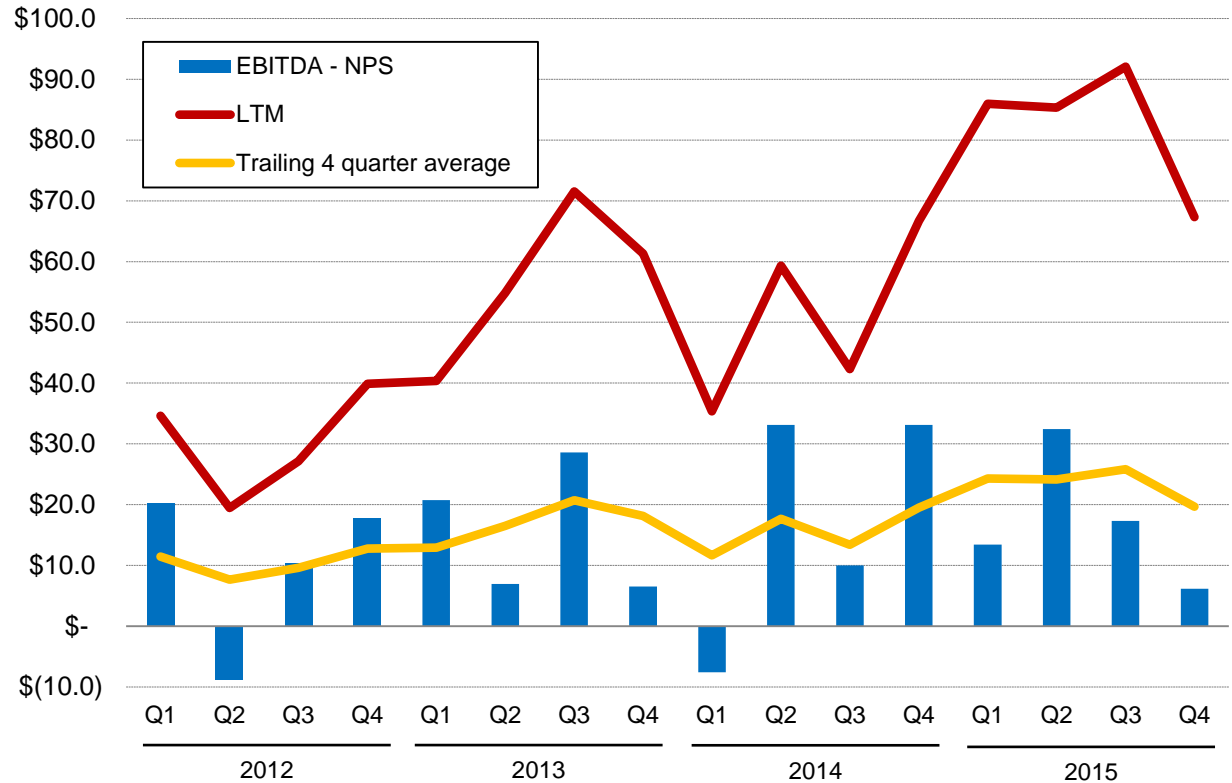
Subscription revenue
 Fee-related revenue

EBITDA – NPS^[1,2]

Annual (\$ in millions)



Quarterly (\$ in millions)

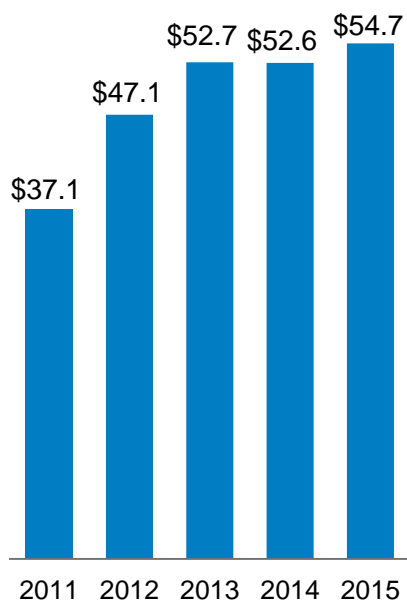


^[1] EBITDA less Net Patent Spend (NPS) is a non-GAAP metric. Refer to pages 14 - 15 for reconciliations.

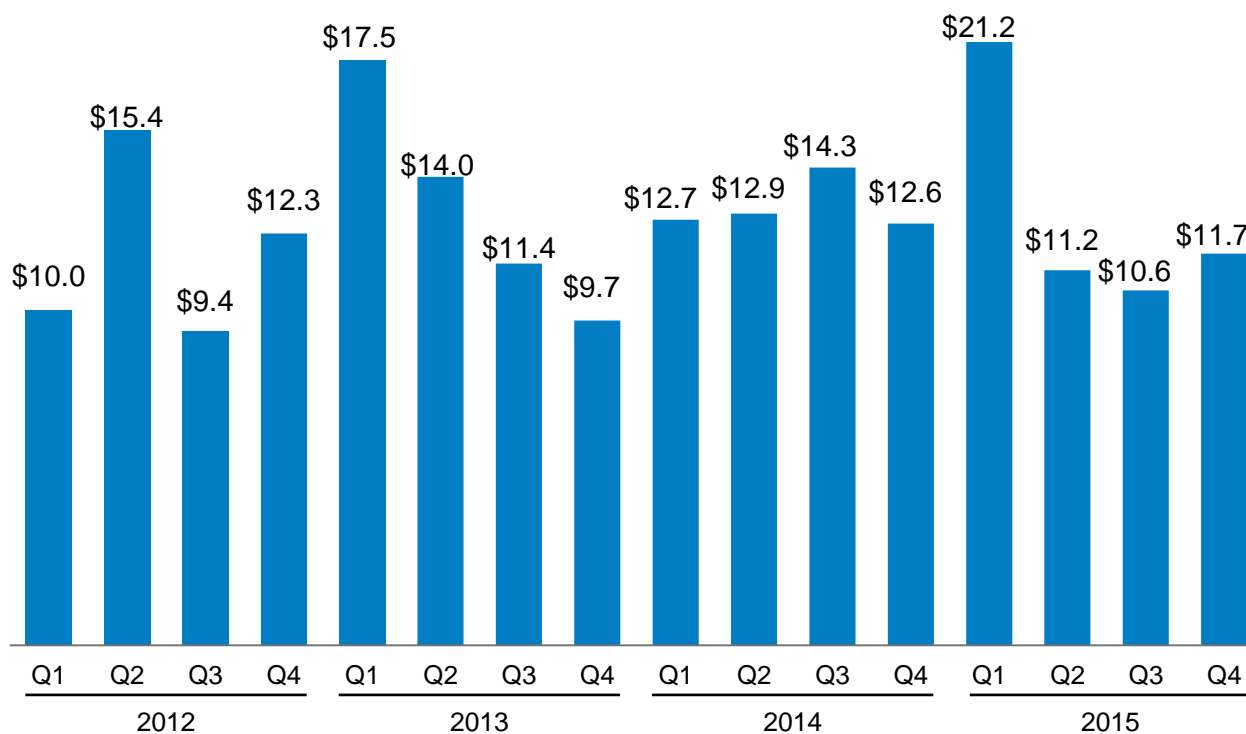
^[2] Q2 2012 and FY 2012 include \$27.9 million of patent assets acquired in the Digtude transaction. 2015 includes (and 2014 excludes) a \$25 million deposit made in December 2014 for acquisition of the Rockstar patent assets, which closed in January 2015.

Net Income^[1]

Annual
(\$ in millions)



Quarterly
(\$ in millions)



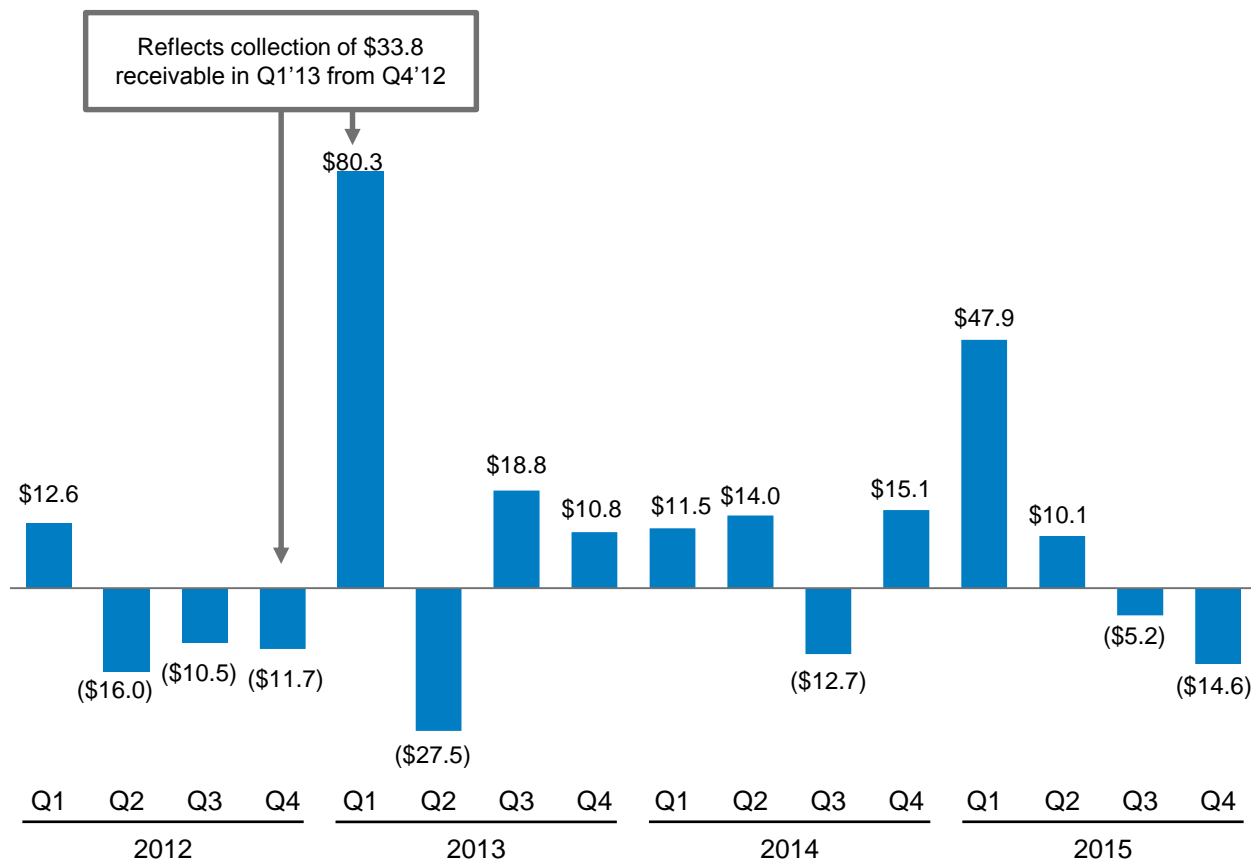
^[1] Net Income is non-GAAP. Refer to pages 14 - 15 for reconciliations.

Free Cash Flow^[1]

Annual (\$ in millions)



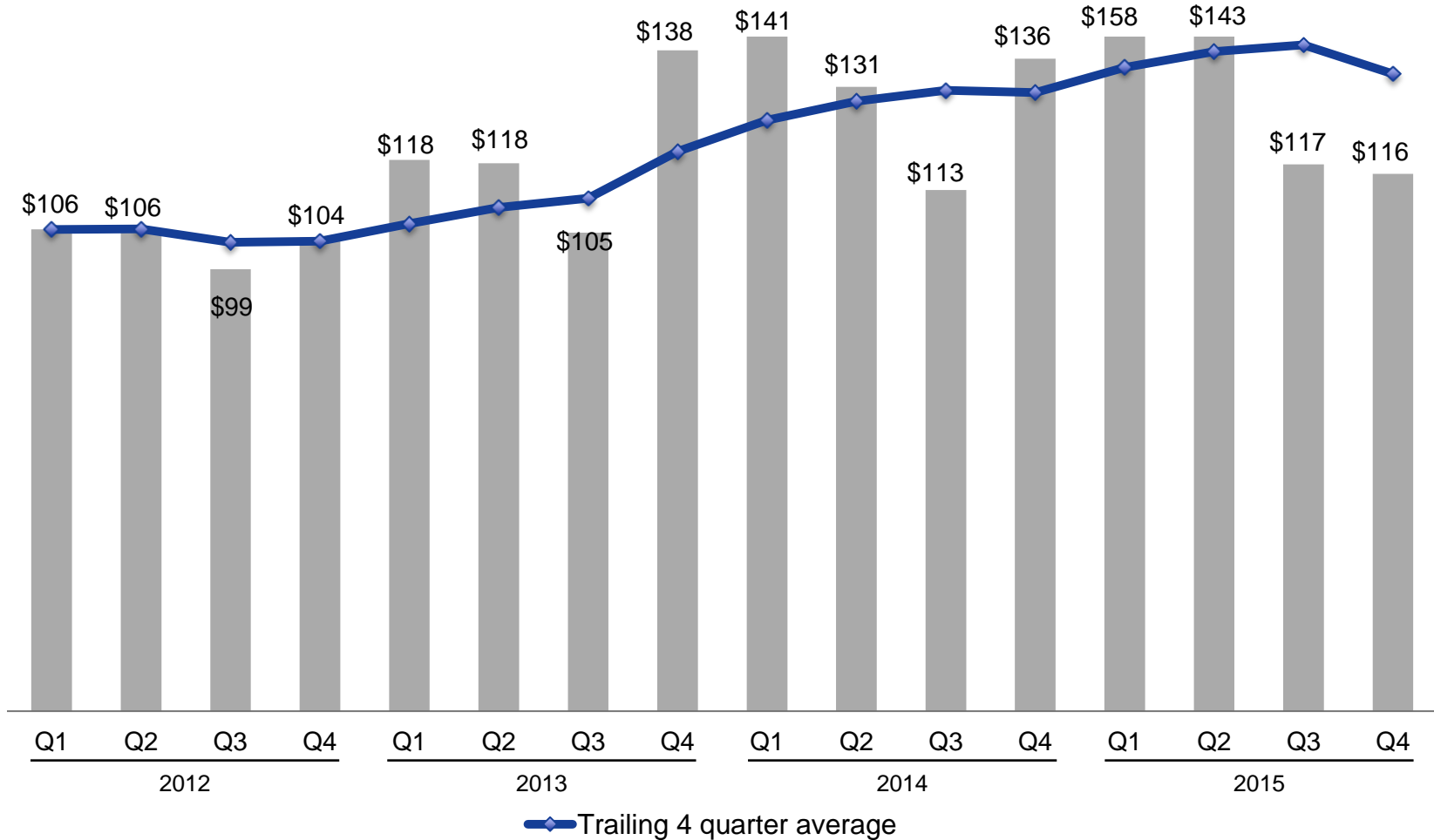
Quarterly (\$ in millions)



^[1]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.

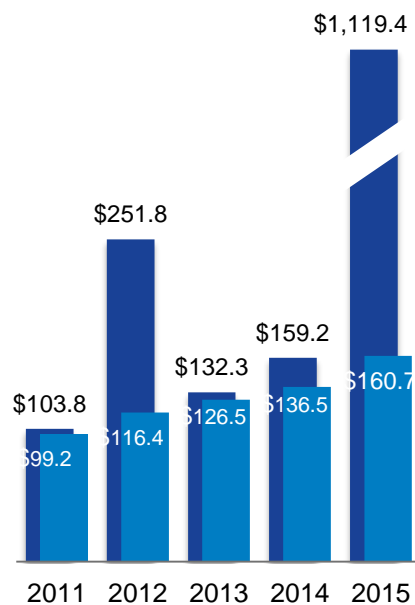
Deferred Revenue

(\$ in millions)

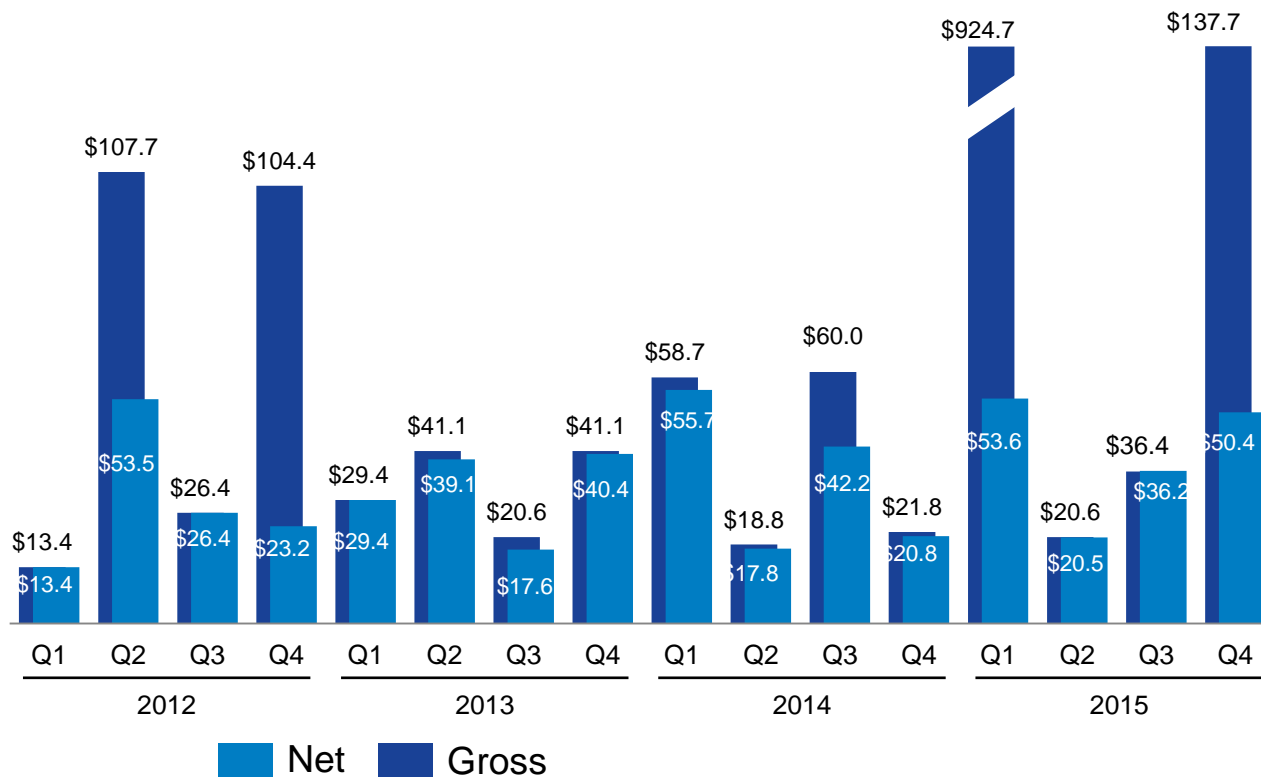


Gross and Net Patent Spend^[1]

Annual
(\$ in millions)



Quarterly
(\$ 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.

2015 GAAP to Non-GAAP Reconciliation - RPX

(\$ in millions, except per share data)

	Q4 2014	Q4 2015	2014	2015
Revenue	\$ 67.7	\$ 72.8	\$ 259.3	\$ 291.9
Cost of revenue	33.5	39.5	124.4	148.9
Amortization of acquired intangible assets ^[1]	(0.1)	(0.1)	(0.2)	(0.2)
Non-GAAP cost of revenue	33.5	39.4	124.2	148.7
Selling, general and administrative expenses	18.1	20.2	71.7	77.4
Stock-based compensation ^[2]	(4.4)	(4.5)	(18.0)	(18.0)
Amortization of acquired intangible assets ^[1]	(0.4)	(0.4)	(1.3)	(1.5)
Non-GAAP selling, general and administrative expenses	13.3	15.3	52.4	57.9
(Gain) on sale of patent assets, net	-	-	(0.7)	(0.6)
Non-GAAP operating income	21.0	18.1	83.5	85.9
Other income (expense), net	0.1	(2.6)	0.4	(0.7)
Other adjustments ^[3]	-	2.9	-	1.5
Non-GAAP other income (expense), net	0.1	0.2	0.4	0.9
Non-GAAP income before provision for income taxes	21.0	18.4	83.8	86.8
Provision for income taxes	7.0	5.0	24.9	26.1
Income tax adjustments ^[4]	1.4	1.6	6.3	6.0
Non-GAAP provision for income taxes	8.4	6.7	31.2	32.1
Non-GAAP net income	\$ 12.6	\$ 11.7	\$ 52.6	\$ 54.7
Non-GAAP net income per common share:				
Basic	\$ 0.23	\$ 0.22	\$ 0.98	\$ 1.00
Diluted	\$ 0.23	\$ 0.21	\$ 0.96	\$ 0.99
Weighted-average shares:				
Basic	54.0	54.3	53.4	54.4
Diluted	55.0	55.0	54.8	55.4

^[1] 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.

^[2] RPX excludes stock-based compensation and related employer payroll taxes from its non-GAAP financial measures.

^[3] RPX excludes fair value adjustments related to its deferred payment obligations, gains on extinguishment of deferred payment obligations, other than temporary impairments on short-term investments, and realized losses on exchange of short-term investments from its non-GAAP financial measures.

^[4] Amount reflects income taxes associated with the above noted non-GAAP exclusions.

2015 GAAP to Non-GAAP Reconciliation - RPX, cont'd

(\$ in millions)

	Q4 2014	Q4 2015	2014	2015
Net income	\$ 9.2	\$ 5.5	\$ 39.3	\$ 39.4
Provision for income taxes	7.0	5.0	24.9	26.1
Other (income) expense, net	(0.1)	2.6	(0.4)	0.7
Stock-based compensation	4.4	4.5	18.0	18.0
Depreciation and amortization	33.4	38.8	123.1	145.8
Non-GAAP EBITDA	<u>54.0</u>	<u>56.5</u>	<u>205.1</u>	<u>230.0</u>
Net patent spend (NPS)	<u>(20.8)</u>	<u>(50.4)</u>	<u>(136.5)</u>	<u>(160.7)</u>
Non-GAAP EBITDA less NPS	<u>\$ 33.1</u>	<u>\$ 6.1</u>	<u>\$ 68.6</u>	<u>\$ 69.4</u>

2015 Reconciliations – Inventus (unaudited)

(\$ in millions)

	2015
Revenue	\$ 49.3
Stub period revenue from acquired business ^[1]	2.9
Pro forma revenue	\$ 52.2
	2015
Net loss	\$ (6.4)
Depreciation and amortization	10.6
Interest expense	6.3
Loss on early extinguishment of debt	1.4
Other income, net	0.5
Income tax benefit	(1.0)
EBITDA	11.4
Stub period EBITDA from acquired business ^[1]	1.2
Acquisition-related costs ^[2] and other non-recurring expenses	4.1
Stock-based compensation	0.4
Pro forma costs savings	1.2
Adjusted Pro-forma EBITDA	\$ 18.3

^[1] Business acquired during 2015, this represents revenue and EBITDA recognized from January 1, 2015 through acquisition date.

^[2] One-time costs incurred for M&A activity in 2015.