

RPX Corporation Q3 2016 Earnings Call

November 3, 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 – Q3 2016

- ▶ **Q3 2016 revenue of \$88.5 million vs. \$68.2 million in Q3 2015**
 - Subscription revenue of \$62.4 million vs. \$68.2 million in Q3 2015
 - Discovery revenue of \$18.0 million
 - Fee-related revenue of \$8.1 million

- ▶ **Q3 2016 net income^[1] of \$12.7 million**

- ▶ **Q3 2016 Adjusted EBITDA-NPS^[1,2] of \$27.3 million**

- ▶ **Cash, cash equivalents and short-term investments of \$182.7 million at quarter end**

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

^[2] NPS = net patent spend

Business Highlights – Q3 2016

▶ Client activity

- 11 net client additions in Q3 2016
 - Total 328 clients
 - More than 150 insurance policy holders

▶ Patent pricing remains below historical levels allowing RPX to do more for subscribers with less dollars

▶ Notable Transactions

- Advanced Silicon Technologies
- Kudelski

Current Guidance

<i>in millions</i>	FY 2016 ^[1]	Q4 2016
Subscription Revenue	\$255 - \$257	
Discovery Revenue	\$67 - \$69	
Total Subscription & Discovery Revenue	\$322 - \$326	\$81 - \$85
Fee-Related Revenue	\$11	\$1
Total Revenue	\$333 - \$337	\$82 - \$86
Cost of Revenue ^[2]	\$194 - \$196	
SG&A ^[2]	\$75 - \$77	
Operating Income ^[2]	\$61 - \$64	\$12 - \$15
Net Income ^[2]	\$37 - \$40	\$7 - \$10
RPX EBITDA ^[2]	\$203 - \$205	
Discovery EBITDA ^[2]	\$19 - \$21	
Total EBITDA ^[2]	\$222 - \$226	\$51 - \$55
Net Patent Spend (NPS)	\$115 - \$120	
EBITDA-NPS ^[2]	\$102 - \$110	
Effective Tax Rate ^[2]	37%	37%
WA Diluted Shares	51	50

^[1] Inventus acquisition closed on January 22, 2016; amounts reflect partial year contribution.

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

Historical Results

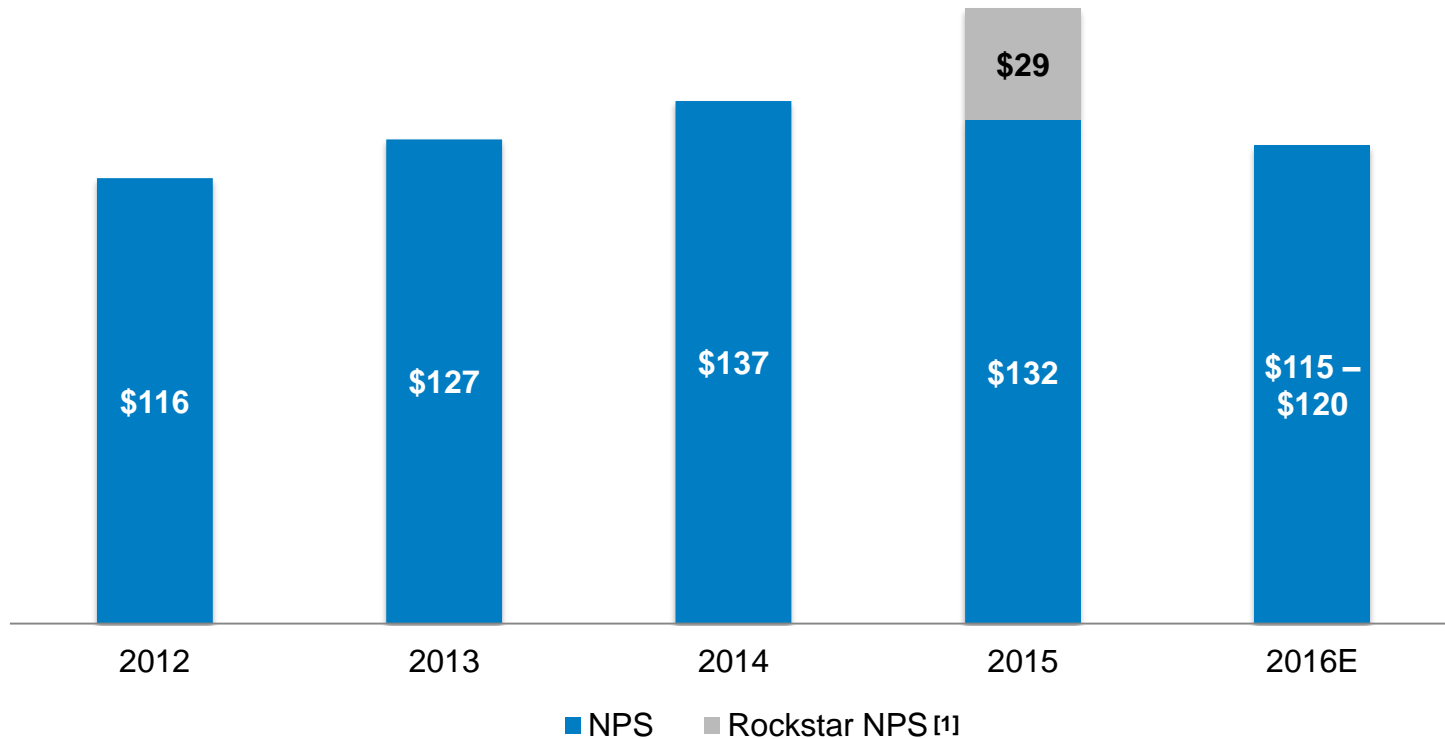
<i>In millions, except per share data</i>	Q3 2015	Q4 2015	Q1 2016 ^[2]	Q2 2016	Q3 2016
Total Revenue	\$68.2	\$72.8	\$79.7	\$83.1	\$88.5
Subscription Revenue	\$68.2	\$67.7	\$67.1	\$63.2	\$62.4
Discovery Revenue ^[2]	n/a	n/a	\$10.6	\$19.3	\$18.0
Cost of Revenue ^[1]	\$37.6	\$39.4	\$47.2	\$48.5	\$50.3
Selling, General & Administrative ^[1]	\$13.7	\$15.3	\$20.2	\$18.9	\$17.4
Operating Income ^[1]	\$16.9	\$18.1	\$12.4	\$15.7	\$20.8
Net Income ^[1]	\$10.6	\$11.7	\$7.8	\$9.1	\$12.7
Diluted Non-GAAP EPS ^[1]	\$0.19	\$0.21	\$0.15	\$0.18	\$0.25
Adjusted EBITDA ^[1]	\$53.5	\$56.5	\$54.8	\$54.1	\$62.1
Net Patent Spend (NPS)	\$36.2	\$50.4	\$16.2	\$20.9	\$34.8
Adjusted EBITDA-NPS ^[1]	\$17.3	\$6.1	\$38.5	\$33.3	\$27.3
Effective Tax Rate ^[1]	38%	36%	36%	35%	35%
WA Diluted Shares	55.7	55.0	52.6	51.6	50.2

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

^[2] Inventus acquisition closed on January 22, 2016; amounts reflect partial quarter contribution.

Net Patent Spend (NPS)

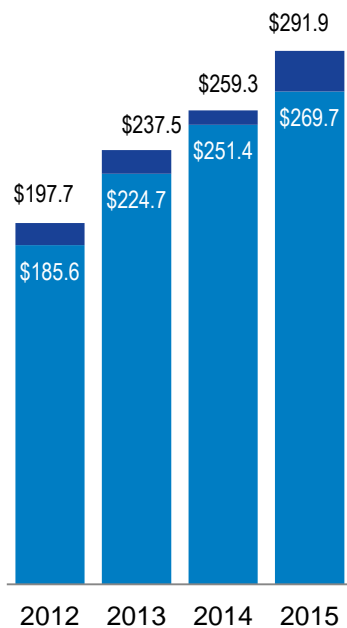
(\$ in millions)



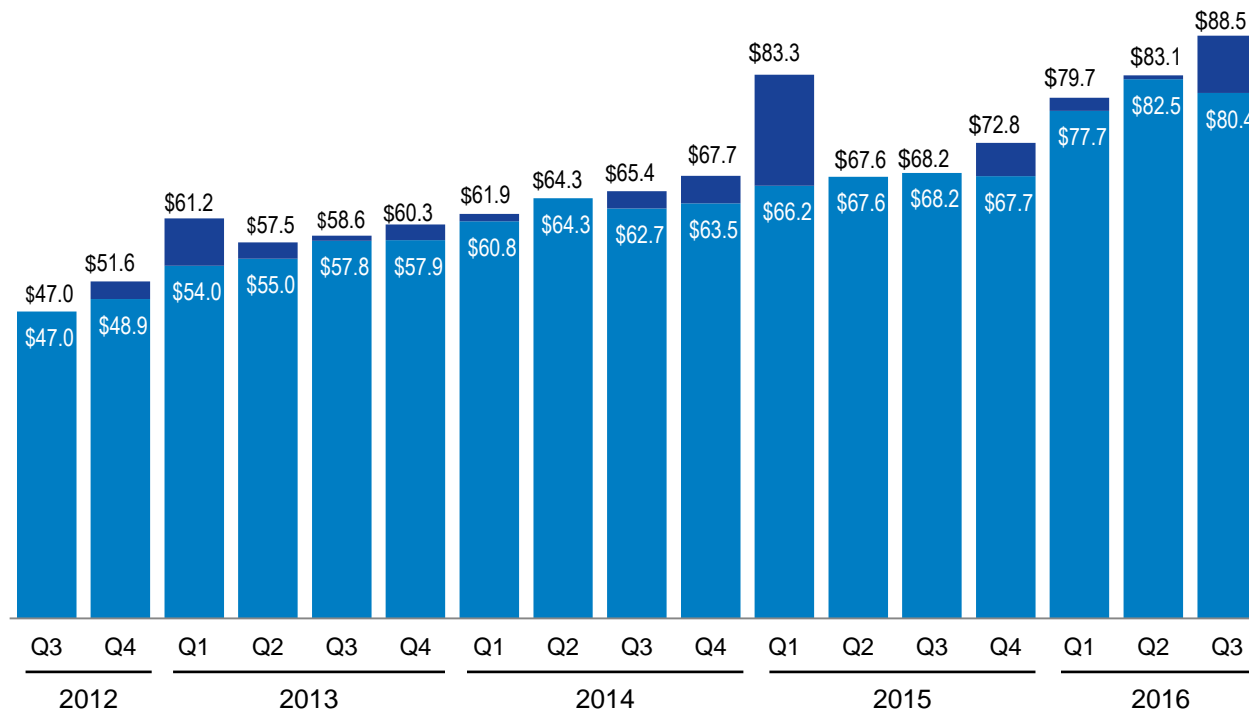
[1] 2015 includes (and 2014 excludes) a \$25 million deposit made in December 2014 for acquisition of the Rockstar patent assets, which closed in January 2015.

Revenue

Annual
(\$ in millions)



Quarterly
(\$ in millions)

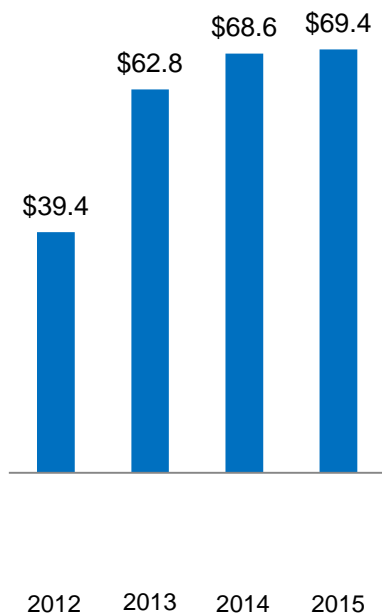


Subscription and discovery revenue^[1]
 Fee-related revenue

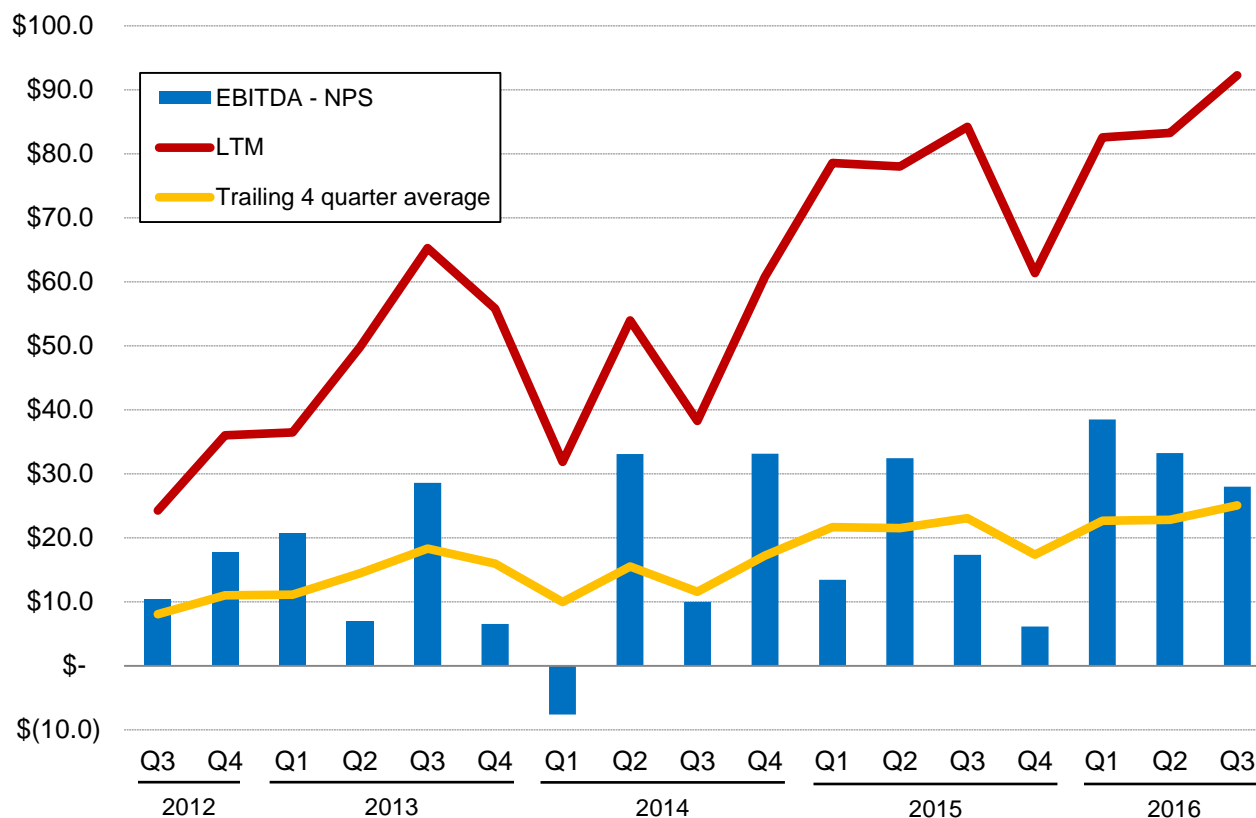
^[1] Inventus acquisition closed on January 22, 2016, at which point we began recognizing discovery revenue. Revenue for Q1 2016 reflects a partial quarter contribution.

Non-GAAP Adjusted EBITDA – NPS^[1,2,3]

Annual (\$ in millions)



Quarterly (\$ in millions)



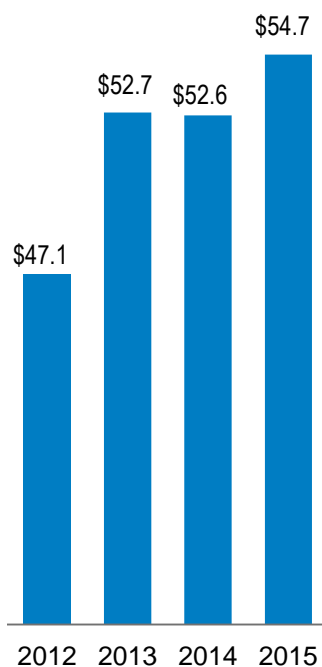
^[1] Adjusted EBITDA less Net Patent Spend (NPS) is a non-GAAP metric. Refer to page 30 for reconciliation.

^[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.

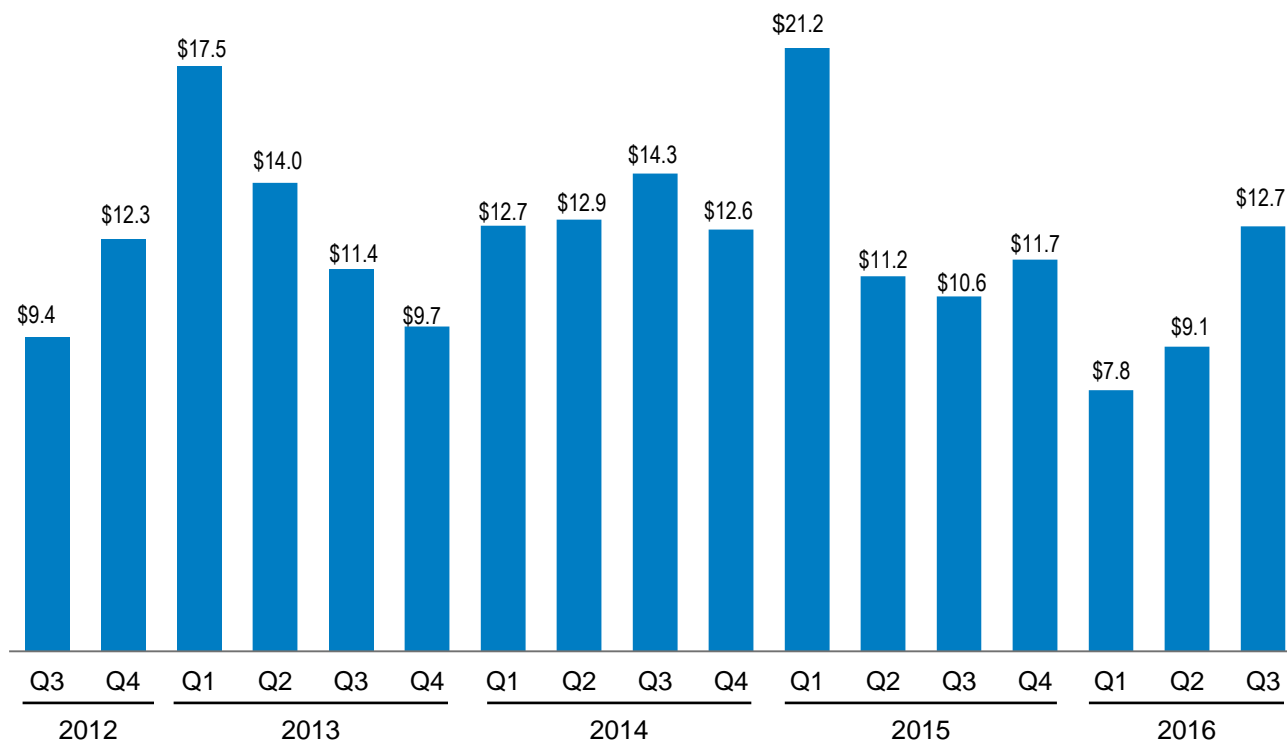
^[3] Inventus acquisition closed on January 22, 2016; Adjusted EBITDA less NPS for Q1 2016 reflects a partial quarter contribution.

Net Income^[1,2]

Annual
(\$ in millions)



Quarterly
(\$ in millions)

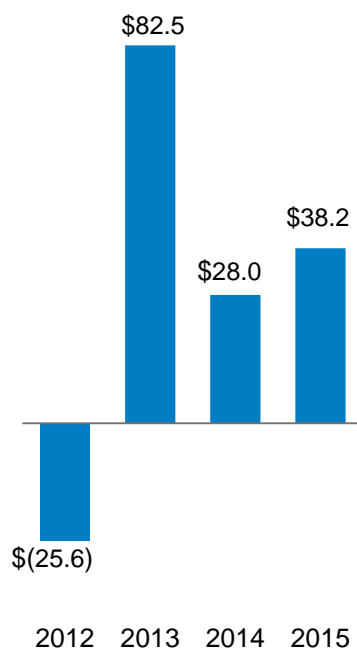


^[1] Net Income is non-GAAP. Refer to pages 14 - 15 for reconciliations.

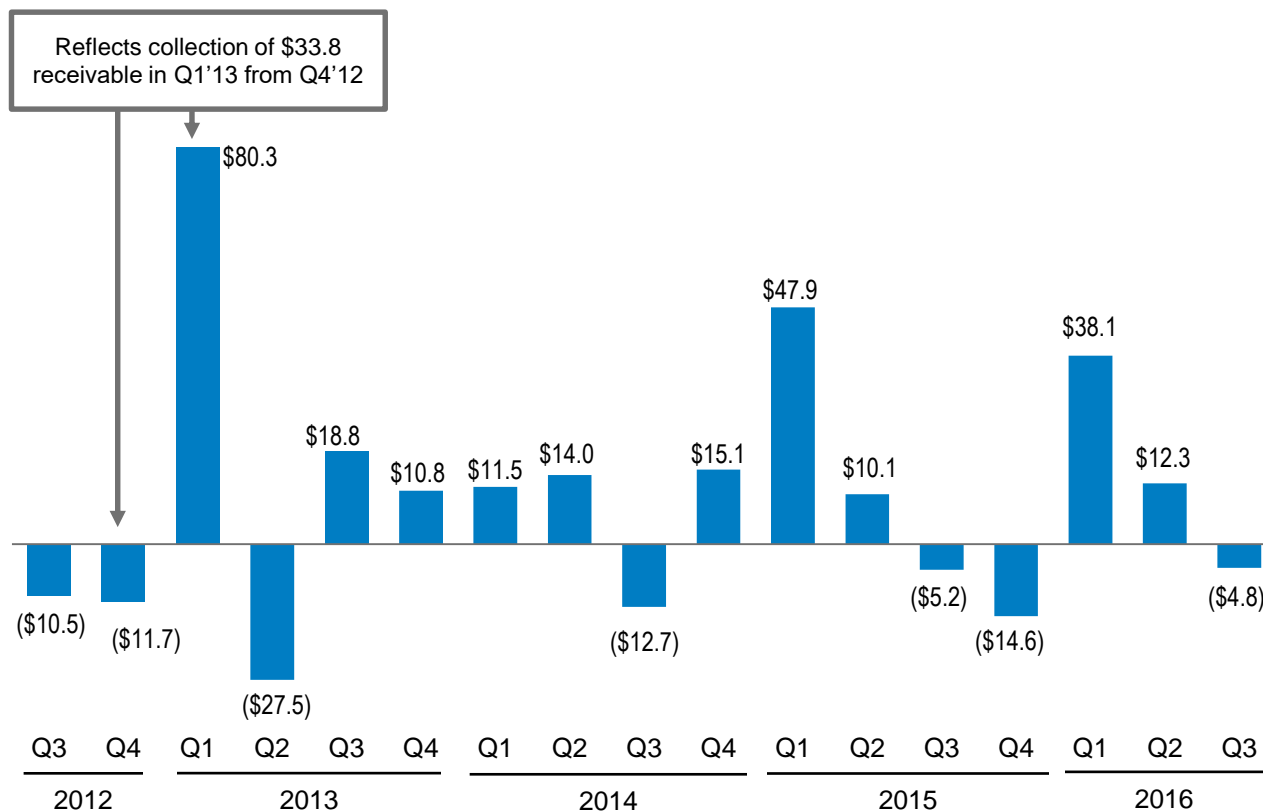
^[2] Inventus acquisition closed on January 22, 2016; Net Income for Q1 2016 reflects a partial quarter contribution.

Free Cash Flow^[1,2]

Annual (\$ in millions)



Quarterly (\$ in millions)

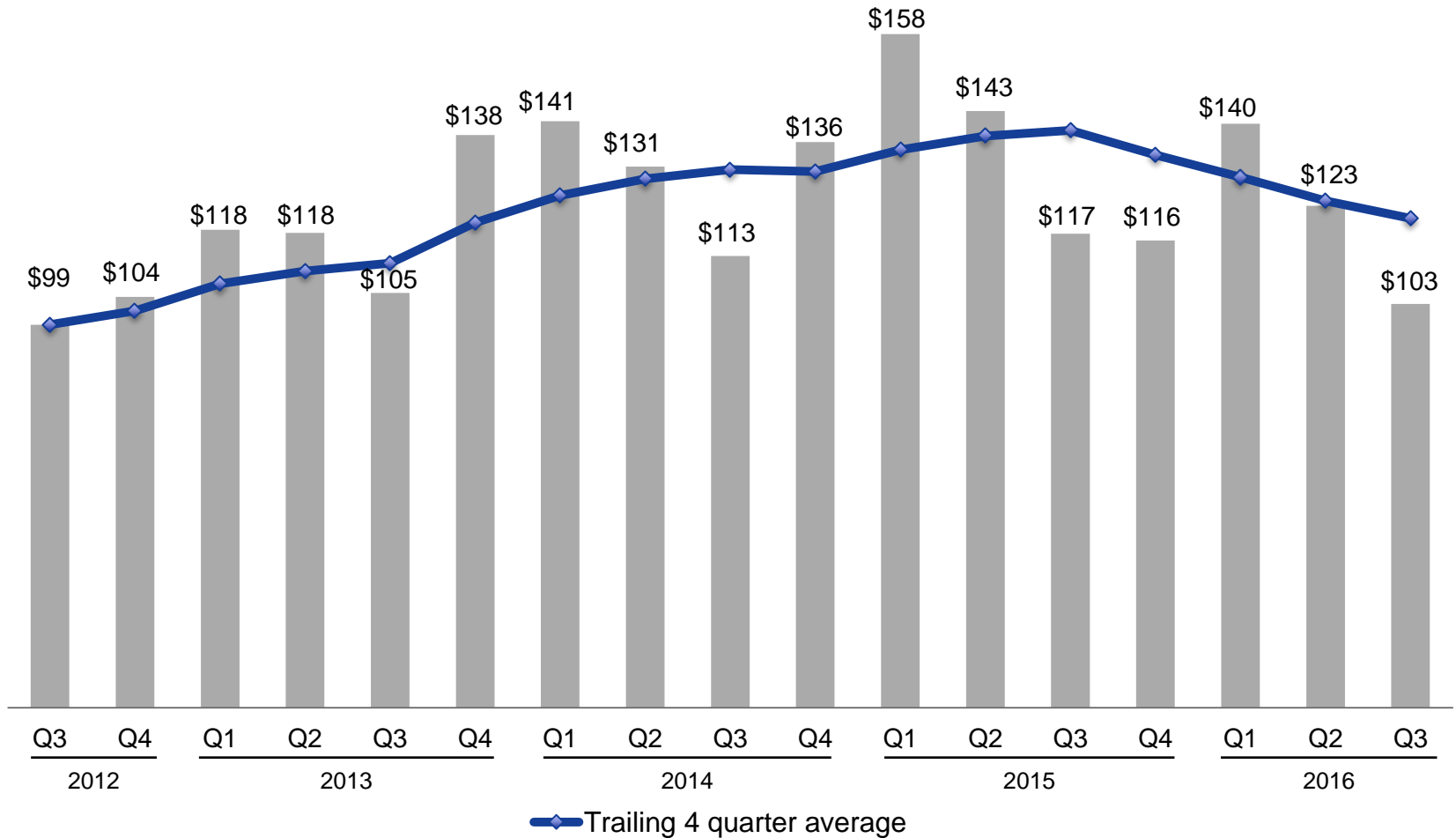


^[1] Free cash flow is defined as operating cash flow minus capital expenditures (i.e. purchases of intangible assets, property and equipment, patent assets and patent assets acquired in a business combination). Q2 2012 and FY 2012 take into account \$27.9 million of patent assets acquired in the Digitude 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.

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

Deferred Revenue

(\$ in millions)

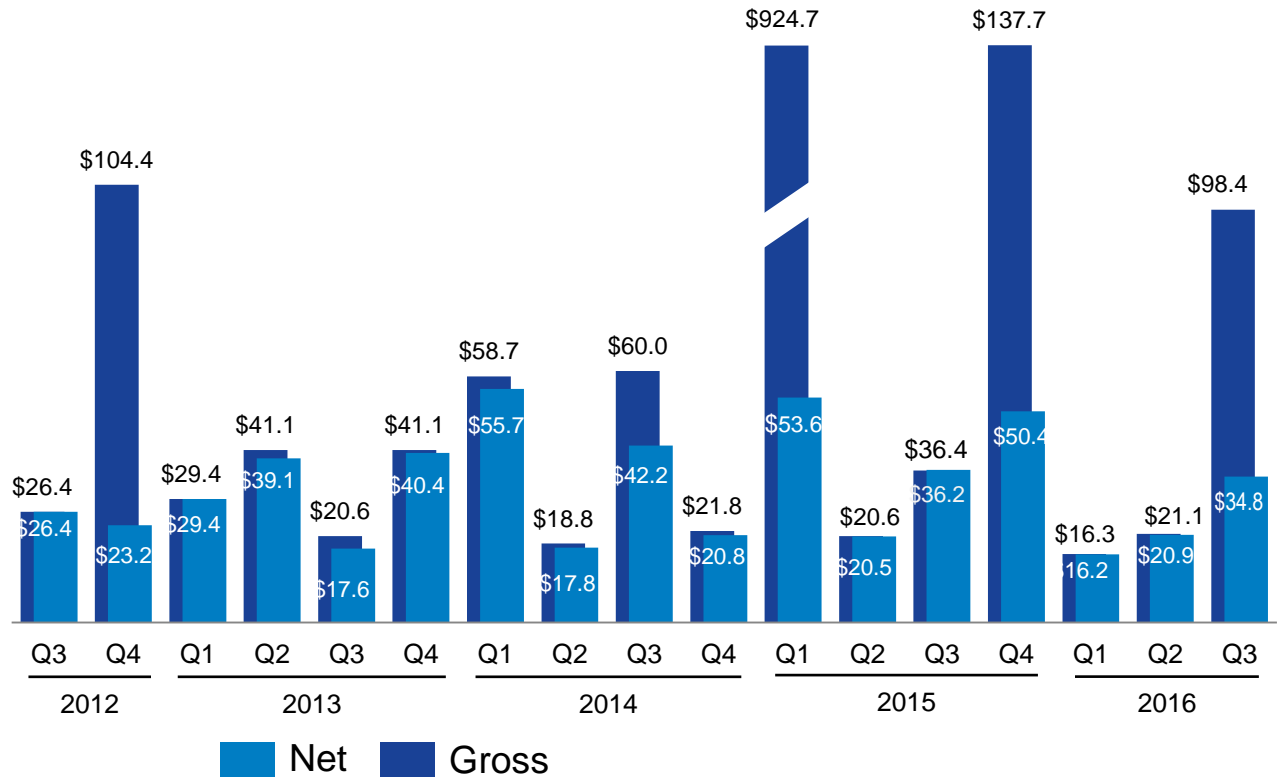


Gross and Net Patent Spend^[1]

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.

GAAP to Non-GAAP Reconciliation

(\$ in millions, except per share data)

	Q3 2016	Q3 2015		Q3 2016	Q3 2015
Net income	\$ 8.1	\$ 7.8	Cost of revenue	\$ 50.8	\$ 37.6
Stock-based compensation ^[1]	4.3	4.7	Amortization of acquired intangible assets	(0.5)	(0.1)
Amortization of acquired intangible assets ^[2]	2.5	0.4	Non-GAAP cost of revenue	\$ 50.3	\$ 37.6
Fair value adjustment on deferred payment obligations ^[3]	-	(0.6)			
Income tax adjustments ^[4]	(2.2)	(1.7)			
Non-GAAP net income	\$ 12.7	\$ 10.6			
Non-GAAP net income per share:					
Basic	\$ 0.26	\$ 0.19	Selling, general and administrative expenses	\$ 23.6	\$ 18.8
Diluted	\$ 0.25	\$ 0.19	Stock-based compensation ^[1]	(4.3)	(4.7)
			Amortization of acquired intangible assets ^[2]	(1.9)	(0.4)
			Non-GAAP selling, general and administrative expenses	\$ 17.4	\$ 13.7
Pro forma weighted-average shares:					
Basic	49.7	54.8	Interest and other income (expense), net	\$ (1.3)	\$ 0.9
Diluted	50.2	55.7	Fair value adjustment on deferred payment obligations ^[3]	-	(0.6)
			Non-GAAP interest and other income (expense), net	\$ (1.3)	\$ 0.3

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

^[2] 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.

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

^[4] 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 2015		Q3 2016			
	Patent Risk Management		Patent Risk Management	Discovery Services	Consolidated	
Net income	\$	7.8	\$	6.6	\$	8.1
Provision for income taxes		4.8		4.1		4.7
Other (income) expense, net		(0.9)		0.6		1.3
Stock-based compensation		4.7		4.2		4.3
Depreciation and amortization		37.0		41.2		43.7
Non-GAAP EBITDA		53.5		56.8		62.1
Net patent spend (NPS)		(36.2)		(34.8)		(34.8)
Non-GAAP EBITDA less NPS	\$	17.3	\$	22.0	\$	27.3