

# RPX Corporation Q2 2016 Earnings Call

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August 2, 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 – Q2 2016

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- ▶ **Q2 2016 revenue of \$83.1 million vs. \$67.6 million in Q2 2015**
  - Subscription revenue of \$63.2 million vs. \$67.6 million in Q2 2015
  - Discovery revenue of \$19.3 million
  - Fee-related revenue of \$0.6 million
  
- ▶ **Q2 2016 net income<sup>[1]</sup> of \$9.1 million**
  
- ▶ **Q2 2016 Adjusted EBITDA-NPS<sup>[1,2]</sup> of \$33.3 million**
  
- ▶ **Cash, cash equivalents and short-term investments of \$199.1 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 – Q2 2016

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## ▶ Client activity

- 31 net client additions in Q2 2016
  - Total 317 clients
  - More than 150 insurance policy holders

## ▶ Inventus

- Exceeded expected revenue and adjusted EBITDA contribution
- Spotlights business analytics tool important differentiator

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

## ▶ RPX-Kudelski Transaction

# Current Guidance

<i>in millions</i>	FY 2016 <sup>[1]</sup>	Q3 2016
Subscription Revenue	\$255 - \$260	
Discovery Revenue	\$67 - \$69	
<b>Total Subscription &amp; Discovery Revenue</b>	<b>\$322 - \$329</b>	<b>\$81 - \$83</b>
Fee-Related Revenue	\$8 - \$15	\$6
<b>Total Revenue</b>	<b>\$330 - \$344</b>	<b>\$87 - \$89</b>
Cost of Revenue <sup>[2]</sup>	\$198 - \$200	
SG&A <sup>[2]</sup>	\$76 - \$78	
Operating Income <sup>[2]</sup>	\$56 - \$66	\$16 - \$17
Net Income <sup>[2]</sup>	\$35 - \$40	\$10 - \$11
RPX Adjusted EBITDA <sup>[2]</sup>	\$198 - \$206	
Discovery Adjusted EBITDA <sup>[2]</sup>	\$19 - \$21	
<b>Total Adjusted EBITDA<sup>[2]</sup></b>	<b>\$217 - \$227</b>	<b>\$58 - \$59</b>
Net Patent Spend (NPS)	\$115 - \$120	
Adjusted EBITDA-NPS <sup>[2]</sup>	\$97 - \$112	
Effective Tax Rate <sup>[2]</sup>	37%	37%
WA Diluted Shares	51	50

<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, Adjusted EBITDA and Effective Tax Rate are non-GAAP metrics.

# Historical Results

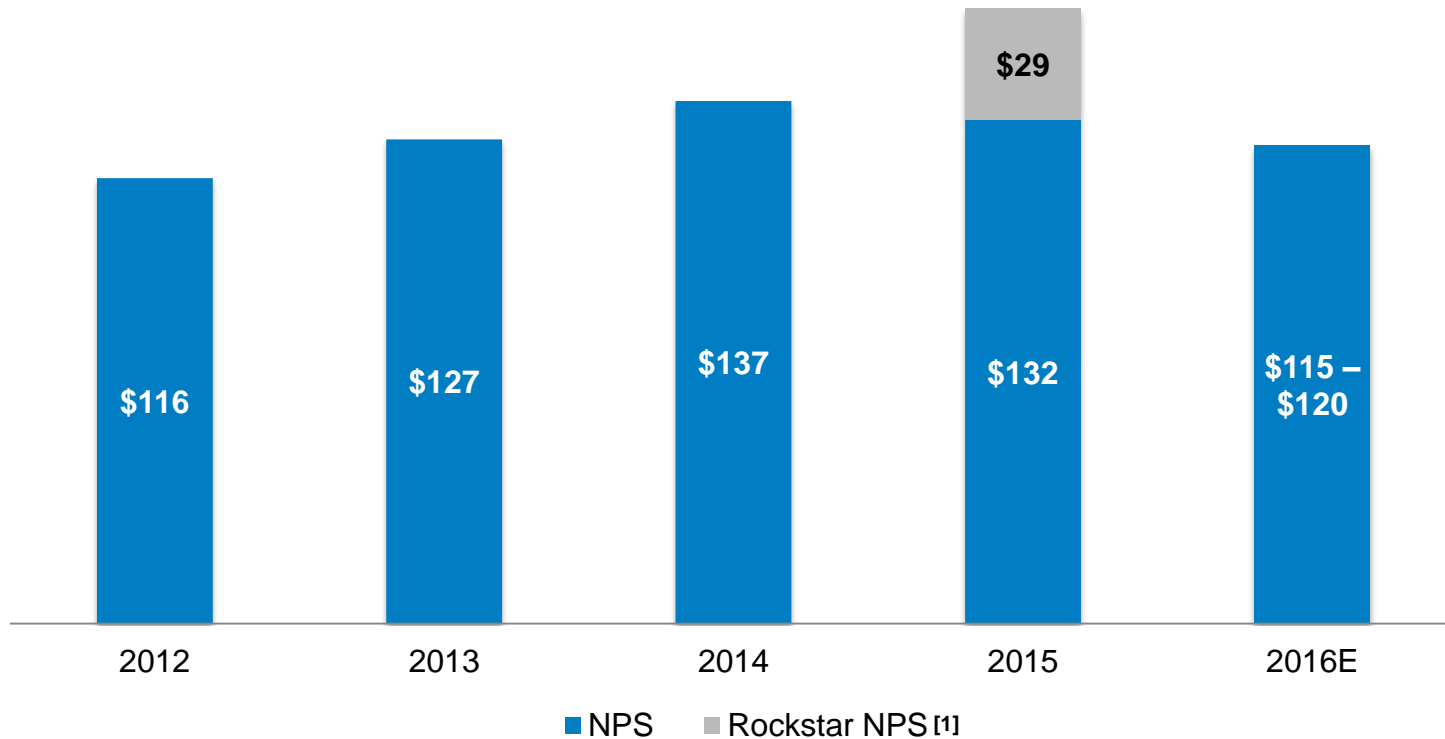
<i>In millions, except per share data</i>	Q2 2015	Q3 2015	Q4 2015	FY 2015	Q1 2016 <sup>[2]</sup>	Q2 2016
Total Revenue	\$67.6	\$68.2	\$72.8	\$291.9	\$79.7	\$83.1
Subscription Revenue	\$67.6	\$68.2	\$67.7	\$269.7	\$67.1	\$63.2
Discovery Revenue <sup>[2]</sup>	n/a	n/a	n/a	n/a	\$10.6	\$19.3
Cost of Revenue <sup>[1]</sup>	\$36.9	\$37.6	\$39.4	\$148.7	\$47.2	\$48.5
Selling, General & Administrative <sup>[1]</sup>	\$13.8	\$13.7	\$15.3	\$57.9	\$20.2	\$18.9
Operating Income <sup>[1]</sup>	\$17.4	\$16.9	\$18.1	\$85.9	\$12.4	\$15.7
Net Income <sup>[1]</sup>	\$11.2	\$10.6	\$11.7	\$54.7	\$7.8	\$9.1
Diluted Non-GAAP EPS <sup>[1]</sup>	\$0.20	\$0.19	\$0.21	\$0.99	\$0.15	\$0.18
Adjusted EBITDA <sup>[1]</sup>	\$53.0	\$53.5	\$56.5	\$230.0	\$54.8	\$54.1
Net Patent Spend (NPS)	\$20.5	\$36.2	\$50.4	\$160.7	\$16.2	\$20.9
Adjusted EBITDA-NPS <sup>[1]</sup>	\$32.5	\$17.3	\$6.1	\$69.4	\$38.5	\$33.3
Effective Tax Rate <sup>[1]</sup>	37%	38%	36%	37%	36%	35%
WA Diluted Shares	55.7	55.7	55.0	55.4	52.6	51.6

<sup>[1]</sup> 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.

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

# Net Patent Spend (NPS)

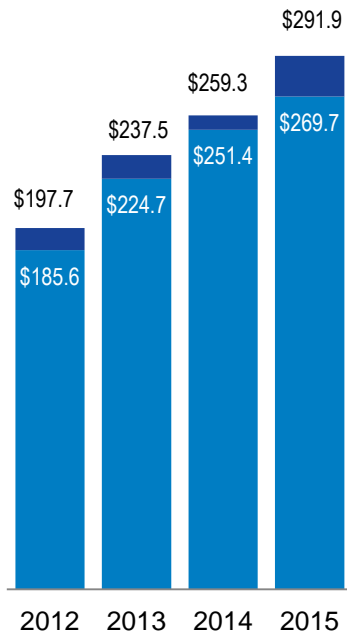
(\$ in millions)



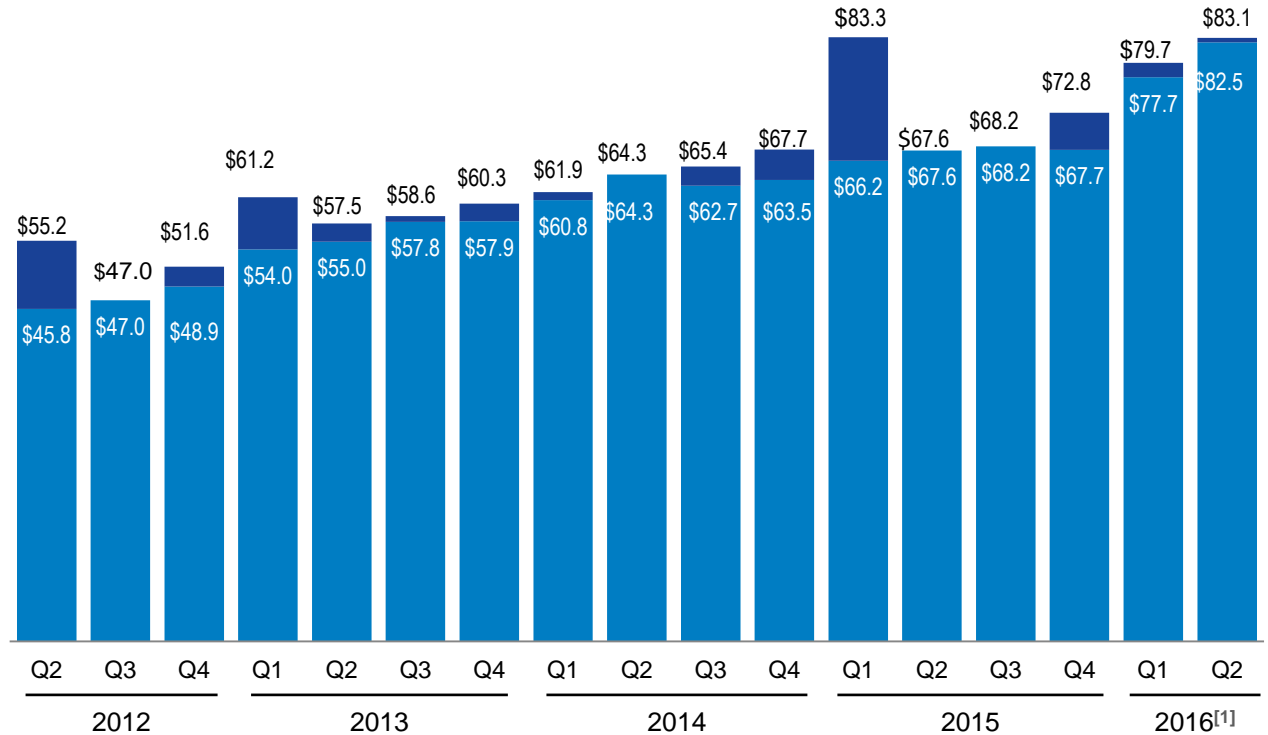
[1] 2015 includes (and 2014 excludes) a \$25 million deposit made in December 2014 for acquisition of the Rockstar patent assets, which closed in January 2015.

# Revenue

**Annual**  
(\$ in millions)



**Quarterly**  
(\$ in millions)



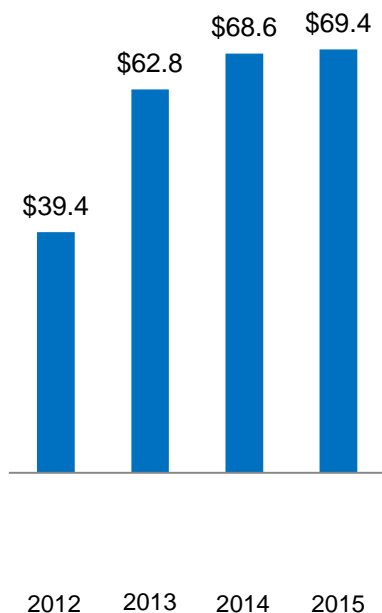
Subscription and discovery revenue
  Total Revenue

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

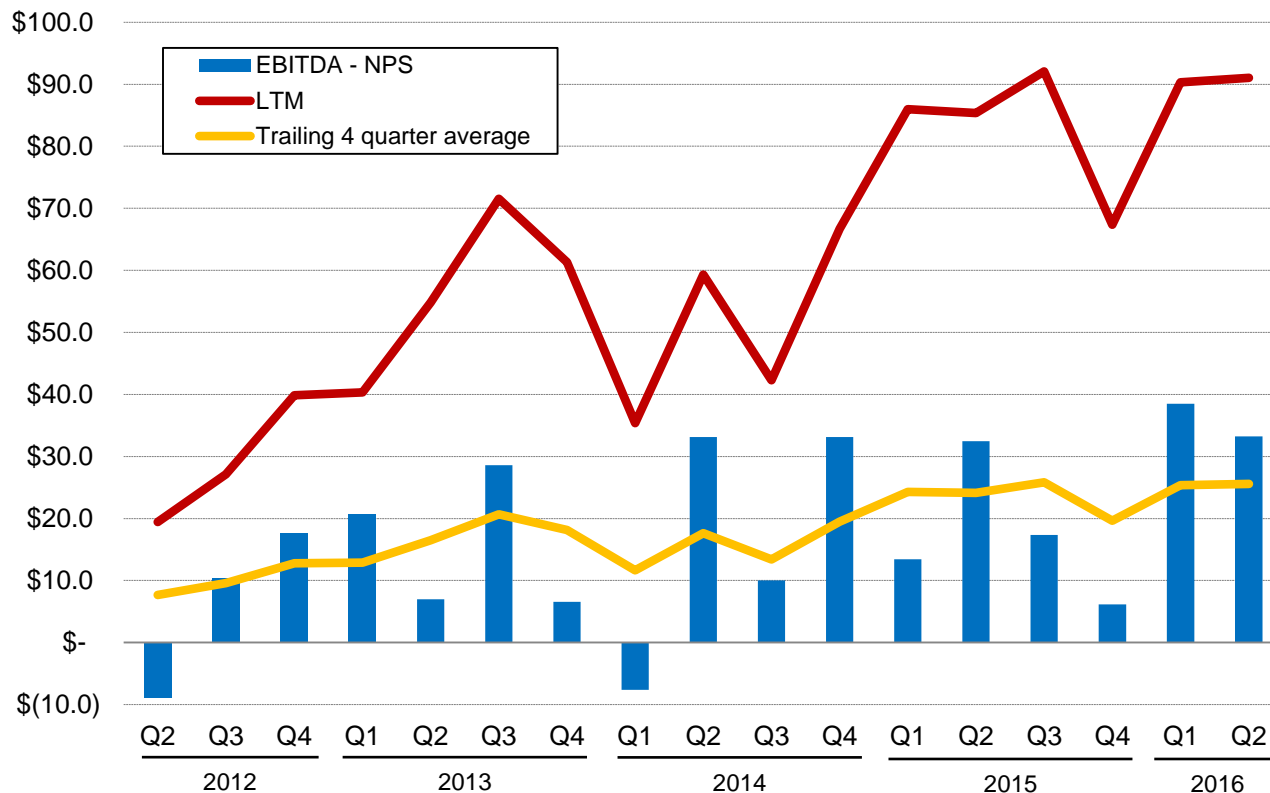


# Non-GAAP Adjusted EBITDA – NPS<sup>[1,2,3]</sup>

## Annual (\$ in millions)



## Quarterly (\$ in millions)



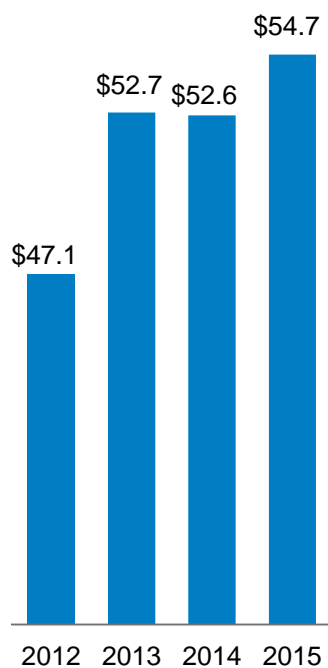
<sup>[1]</sup> Adjusted EBITDA less Net Patent Spend (NPS) is a non-GAAP metric. Refer to page 30 for reconciliation.

<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.

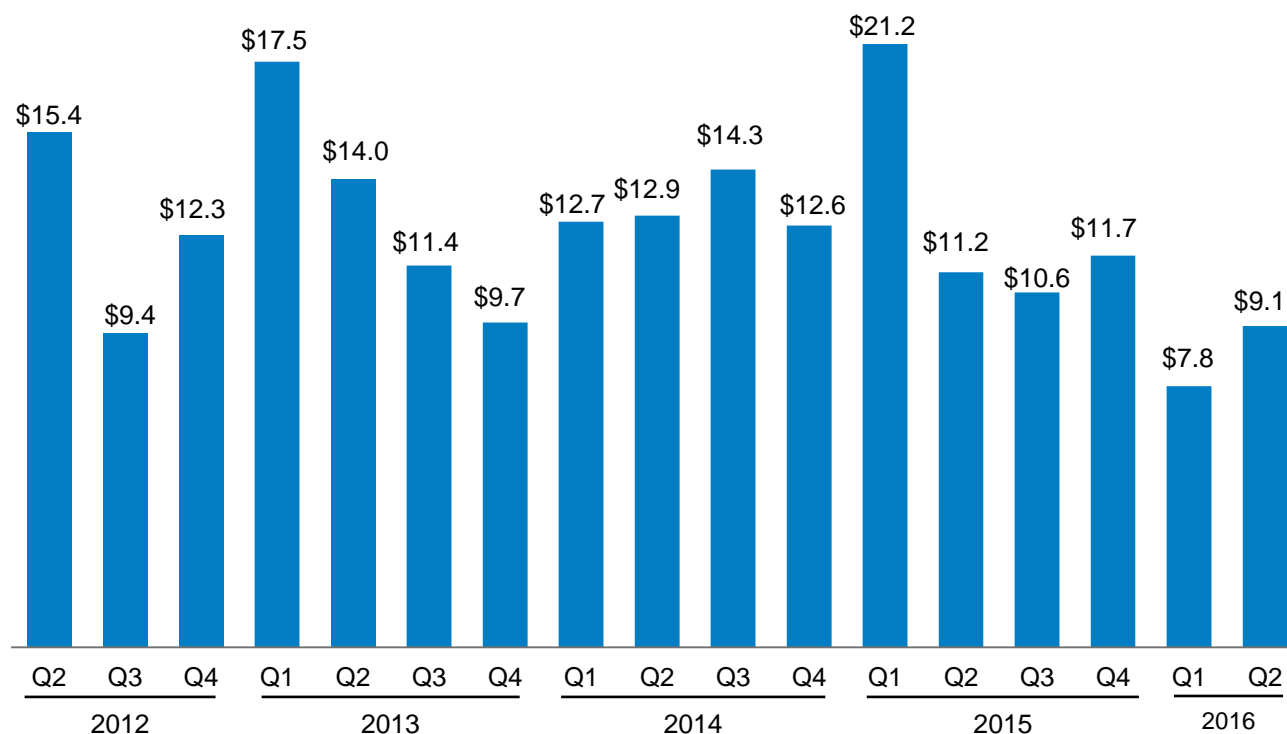
<sup>[3]</sup> Inventus acquisition closed on January 22, 2016; Adjusted EBITDA less NPS for Q1 2016 reflects a partial quarter contribution.

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

## Annual (\$ in millions)



## Quarterly (\$ in millions)



<sup>[1]</sup> Net Income is non-GAAP. Refer to pages 29 - 30 for reconciliations.

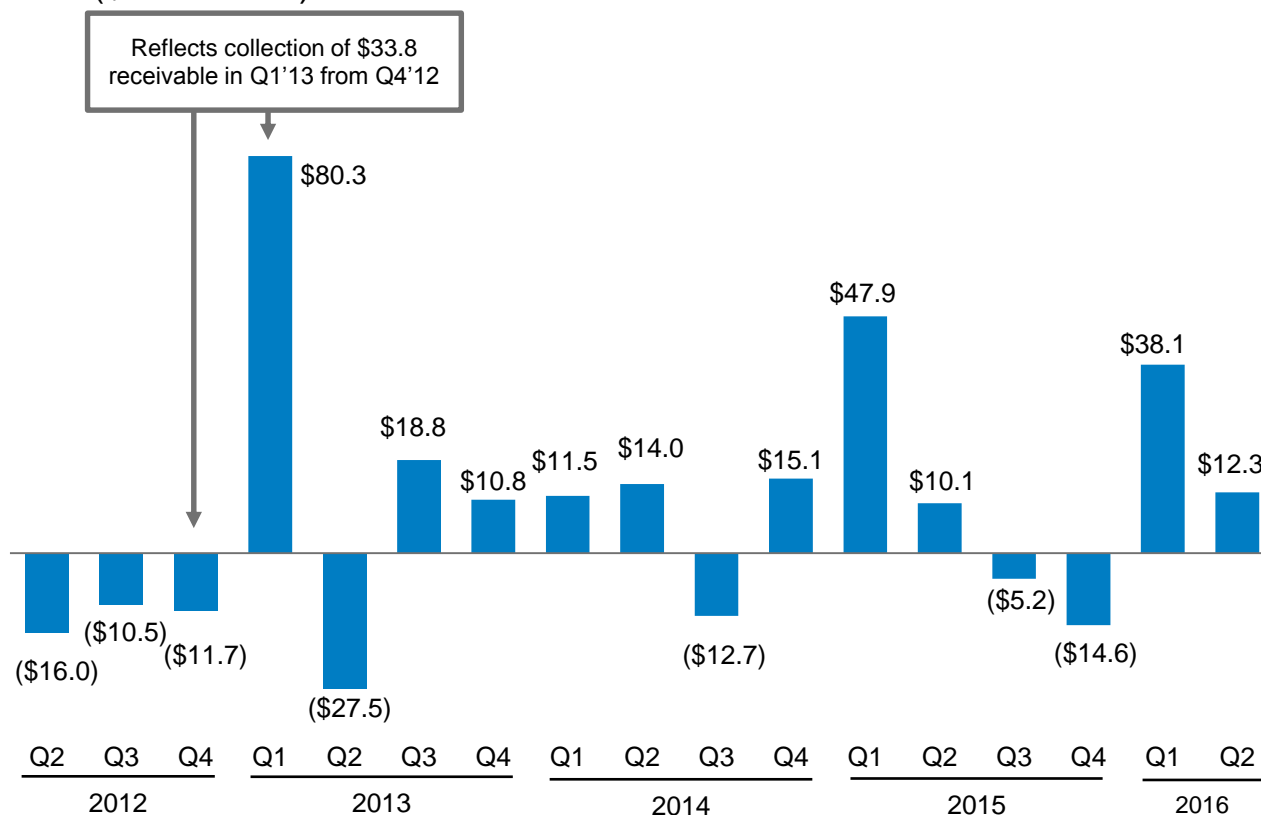
<sup>[2]</sup> Inventus acquisition closed on January 22, 2016; Net Income for Q1 2016 reflects a partial quarter contribution.

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

## Annual (\$ in millions)



## Quarterly (\$ in millions)

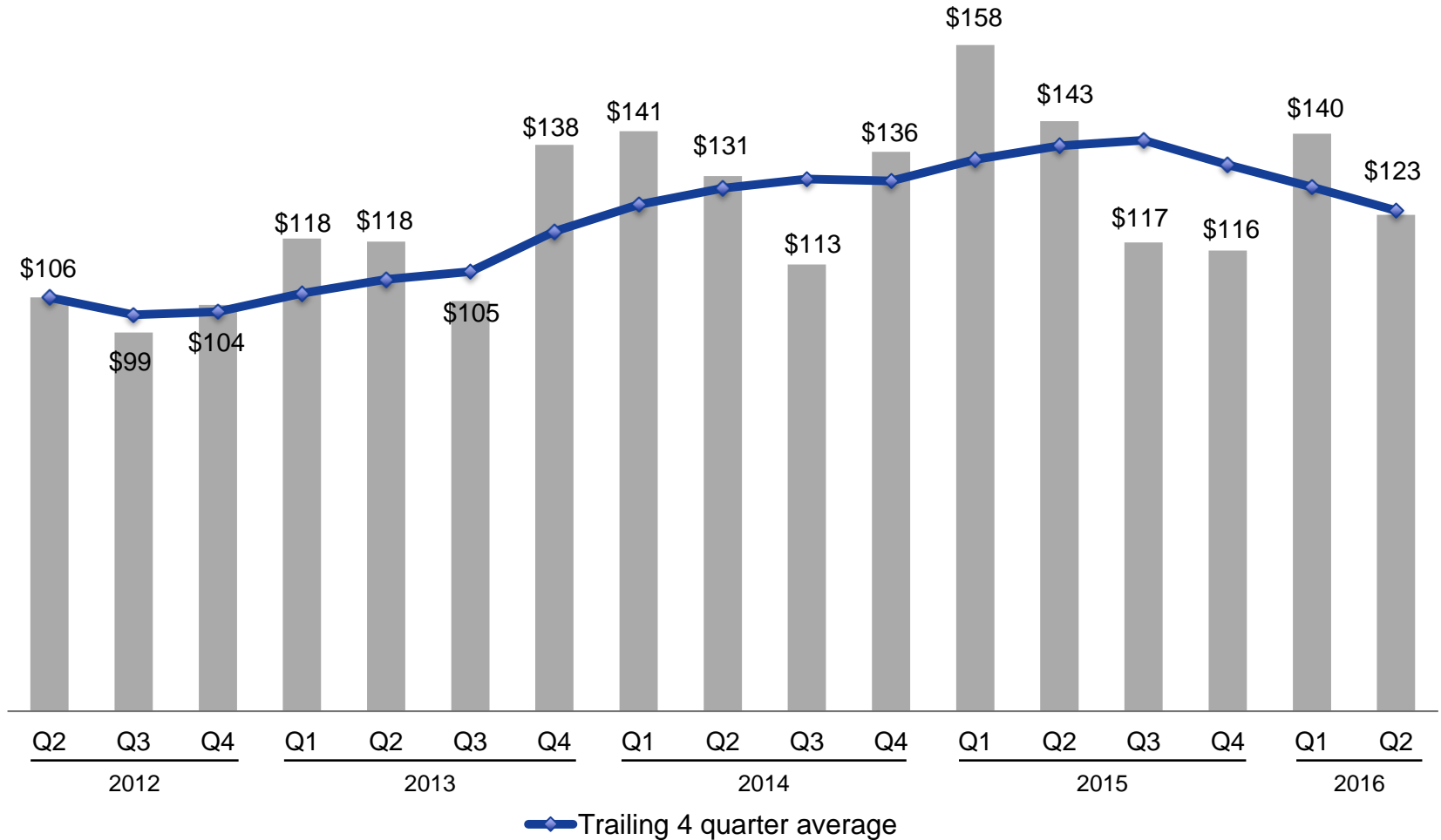


<sup>[1]</sup> Free cash flow is defined as operating cash flow minus capital expenditures (i.e. purchases of intangible assets, property and equipment, patent assets and patent assets acquired in a business combination). Q2 2012 and FY 2012 take into account \$27.9 million of patent assets acquired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

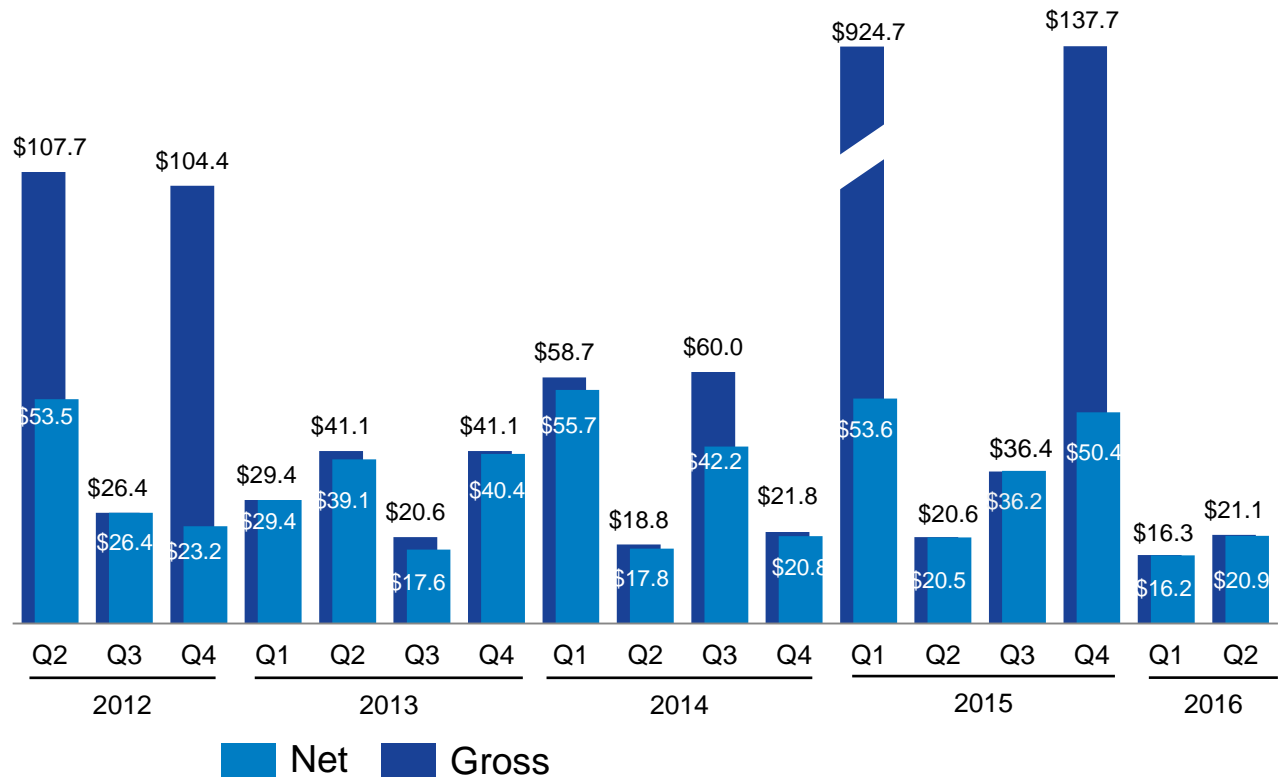


# Gross and Net Patent Spend<sup>[1]</sup>

**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.

# Reconciliation to Non-GAAP Net Income Per Share

(\$ in millions, except per share data)

	Q2 2015	Q2 2016
Revenue	\$ 67.6	\$ 83.1
Cost of revenue	37.0	49.1
Amortization of acquired intangible assets <sup>[1]</sup>	(0.1)	(0.6)
Non-GAAP cost of revenue	36.9	48.5
Selling, general and administrative expenses	19.0	25.9
Stock-based compensation <sup>[2]</sup>	(4.8)	(5.0)
Amortization of acquired intangible assets <sup>[1]</sup>	(0.4)	(2.0)
Non-GAAP selling, general and administrative expenses	13.8	18.9
Gain on sale of patent assets, net	-	0.6
Non-GAAP operating income	17.4	15.7
Other income (expense), net	0.9	(1.5)
Other adjustments <sup>[3]</sup>	(0.7)	(0.3)
Non-GAAP other income (expense), net	0.2	(1.8)
Non-GAAP income before provision for income taxes	17.6	13.9
Provision for income taxes	5.1	2.4
Income tax adjustments <sup>[4]</sup>	1.4	2.4
Non-GAAP provision for income taxes	6.5	4.8
Non-GAAP net income	\$ 11.2	\$ 9.1
Non-GAAP net income per common share:		
Basic	\$ 0.20	\$ 0.18
Diluted	\$ 0.20	\$ 0.18
Weighted-average shares:		
Basic	54.5	51.0
Diluted	55.7	51.6

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

<sup>[3]</sup> 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.

<sup>[4]</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)

	Q2 2015	Q2 2016		
	Patent Risk Management	Patent Risk Management	Discovery Services	Consolidated
Net income	\$ 8.0	\$ 2.7	\$ 1.5	\$ 4.2
Provision for income taxes	5.1	2.1	0.3	2.4
Other (income) expense, net	(0.9)	0.3	1.2	1.6
Stock-based compensation	4.8	4.8	0.1	5.0
Depreciation and amortization	36.0	38.5	2.5	41.0
<b>Non-GAAP Adjusted EBITDA</b>	<b>52.9</b>	<b>48.5</b>	<b>5.7</b>	<b>54.1</b>
Net patent spend (NPS)	(20.5)	(20.9)	-	(20.9)
<b>Non-GAAP Adjusted EBITDA less NPS</b>	<b>\$ 32.4</b>	<b>\$ 27.6</b>	<b>\$ 5.7</b>	<b>\$ 33.3</b>