

# RPX Corporation Q3 2014 Earnings Call

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October 28, 2014

John Amster, Chief Executive Officer and Co-founder  
Ned Segal, 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 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 report on Form 10-Q filed with the SEC, including:
  - the market for our solution is immature and evolving,
  - 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 2014 Financial Summary

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- ▶ **Total revenue of \$65.4 million, up 12% year over year**
  - Subscription revenue of \$62.7 million, up 9% year over year
  - Fee-related revenue of \$2.7 million
- ▶ **11 net client adds**
  - Total 195 clients
- ▶ **38 active insurance clients**
- ▶ **Renewal rate above 90%**
- ▶ **Cash, cash equivalents and short-term investments of \$303.1 million<sup>[1]</sup>**

<sup>[1]</sup> As of September 30, 2014

# Guidance

(in millions)

	Q4 2014	FY 2014
Subscription revenue	\$62.8 - \$63.4	\$250.6 - \$251.2
Fee-related revenue	\$4.2 - \$6.2	\$8 - \$10
Total revenue	\$67.0 - \$69.6	\$258.6 - \$261.2
Cost of revenue <sup>[1]</sup>	--	\$124.5 - \$125.5
SG&A <sup>[1]</sup>	--	\$52.0 - \$52.8
Net income <sup>[1]</sup>	\$12.0 - \$13.7	\$52.0 - \$53.7
Effective tax rate <sup>[1]</sup>	37%	37%
Pro forma WA diluted shares	55.3	55.0
Net acquisition spend	--	\$135

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

# Q3 2014 Consolidated P&L

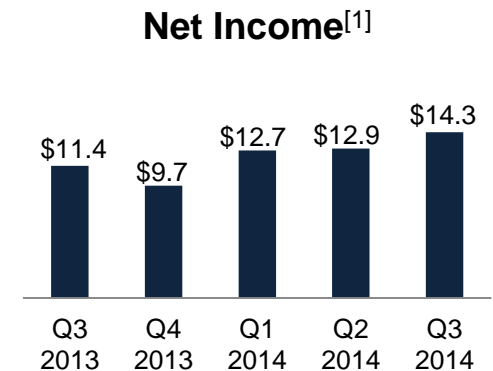
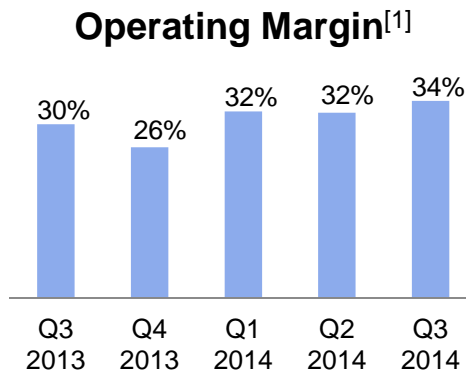
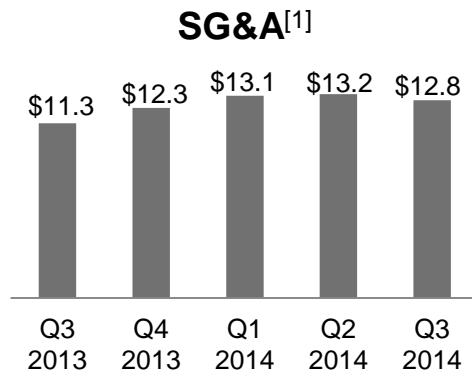
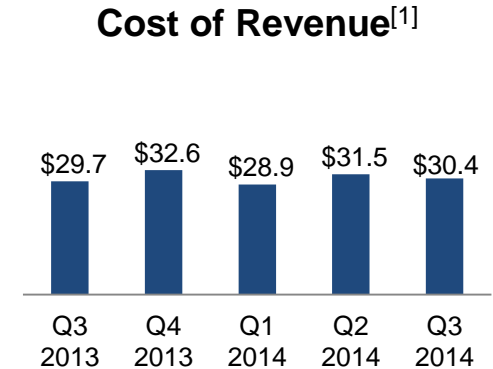
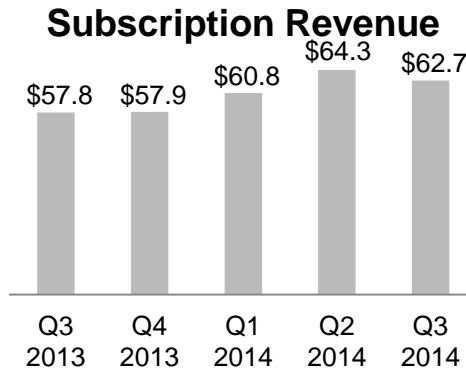
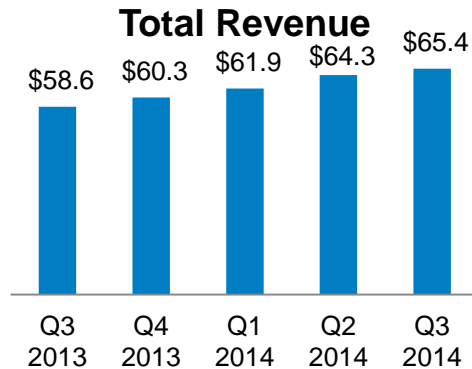
(in millions, except per share data)

	Q3 2014	Q3 2013
Total Revenue	\$65.4	\$58.6
Subscription Revenue	\$62.7	\$57.8
Cost of Revenue <sup>[1]</sup>	\$30.4	\$29.7
SG&A <sup>[1]</sup>	\$12.8	\$11.3
Effective Tax Rate <sup>[1]</sup>	36%	36%
Net Income <sup>[1]</sup>	\$14.3	\$11.4
Pro Forma Diluted EPS	\$0.26	\$0.21
Pro Forma WA Diluted Shares	55.0	54.1

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

# Q3 2014 Key Performance Metrics

(\$ in millions)

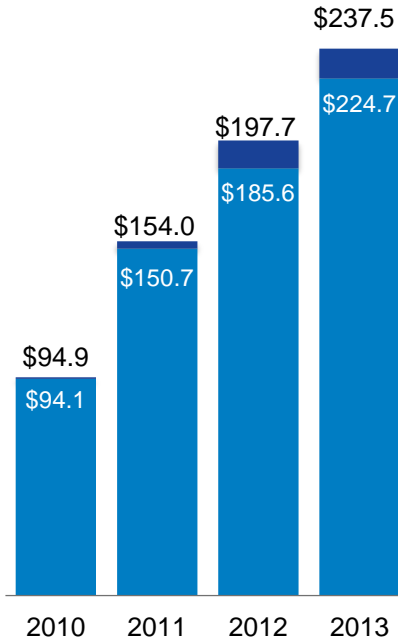


<sup>[1]</sup> Cost of Revenue, SG&A, Operating Margin and Net Income are non-GAAP performance metrics

# Revenue

## Annual (\$ in millions)

Revenue

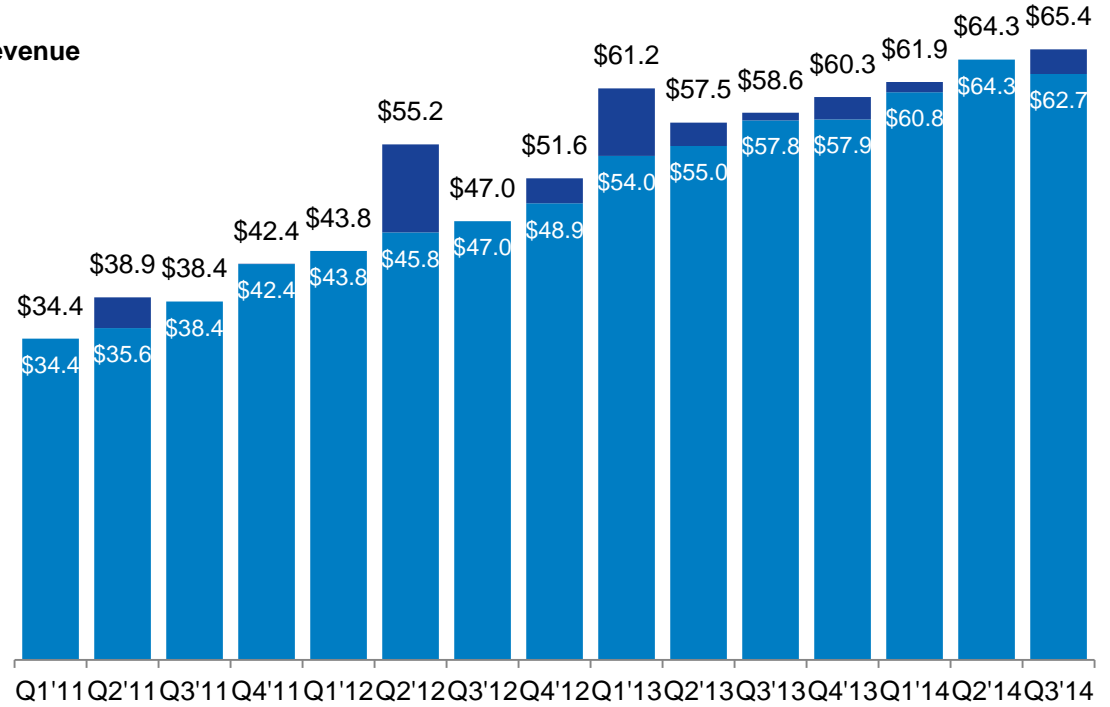


**Net  
Clients  
Added**

49    40    28    28

## Quarterly (\$ in millions)

Revenue



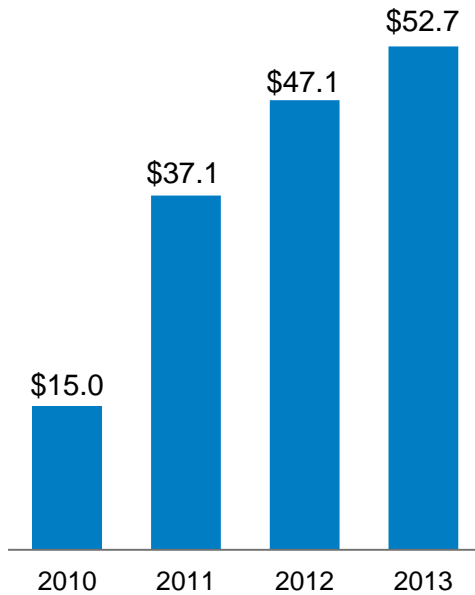
**Net  
Clients  
Added**

9    15    7    9    4    4    8    12    6    11    3    8    10    6    11

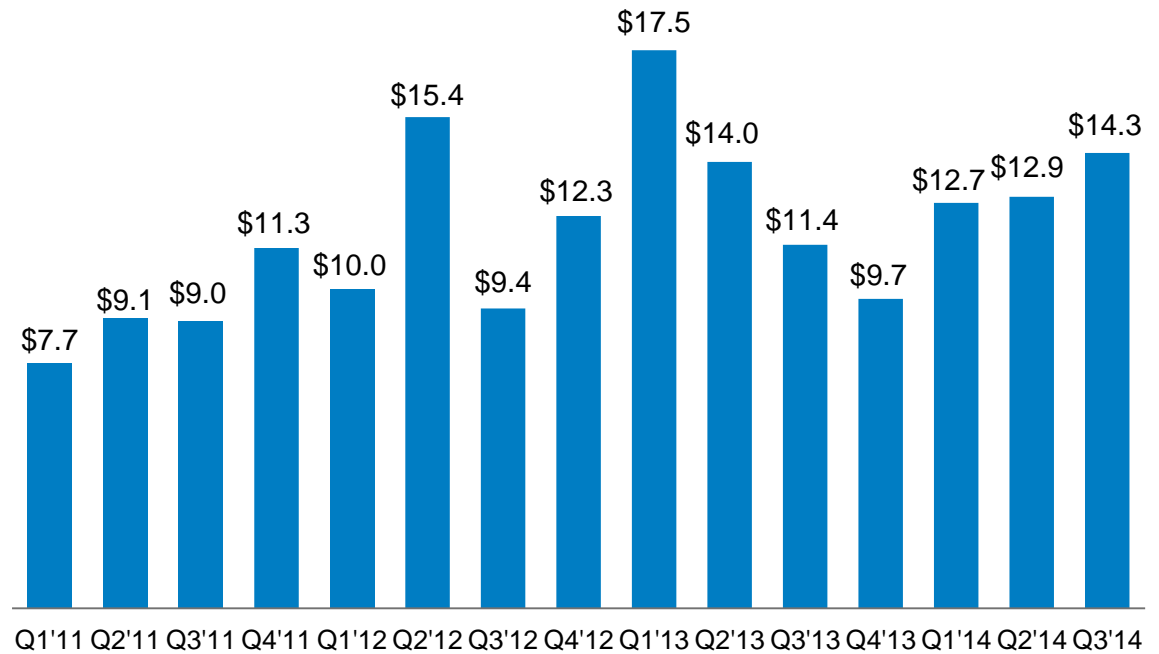
Subscription revenue    Fee-related revenue

# Non-GAAP Net Income

**Annual**  
(\$ in millions)



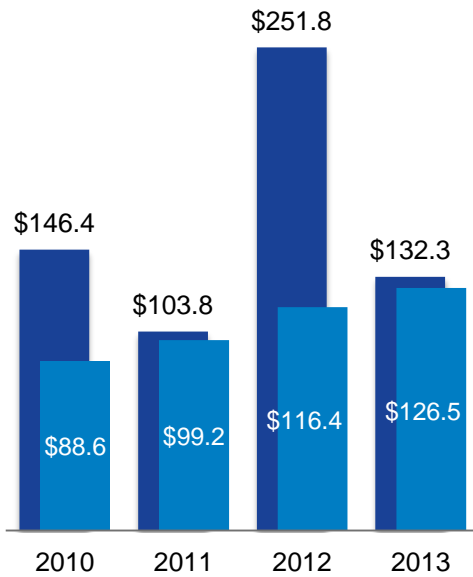
**Quarterly**  
(\$ in millions)



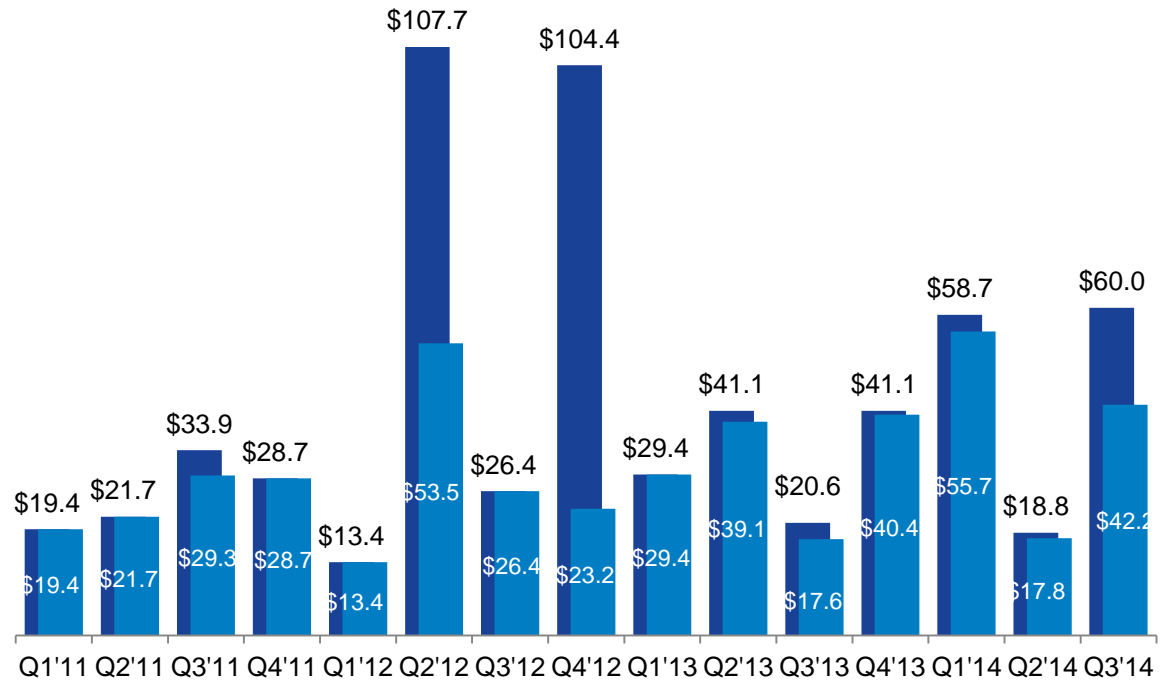


# Patent Acquisition Spend

**Annual**  
(\$ in millions)



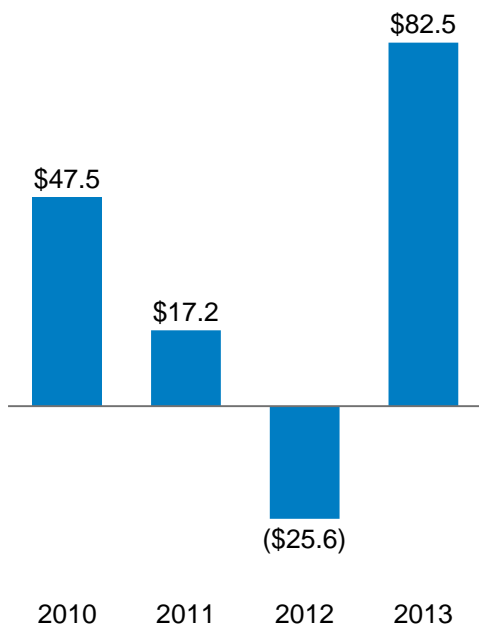
**Quarterly**  
(\$ in millions)



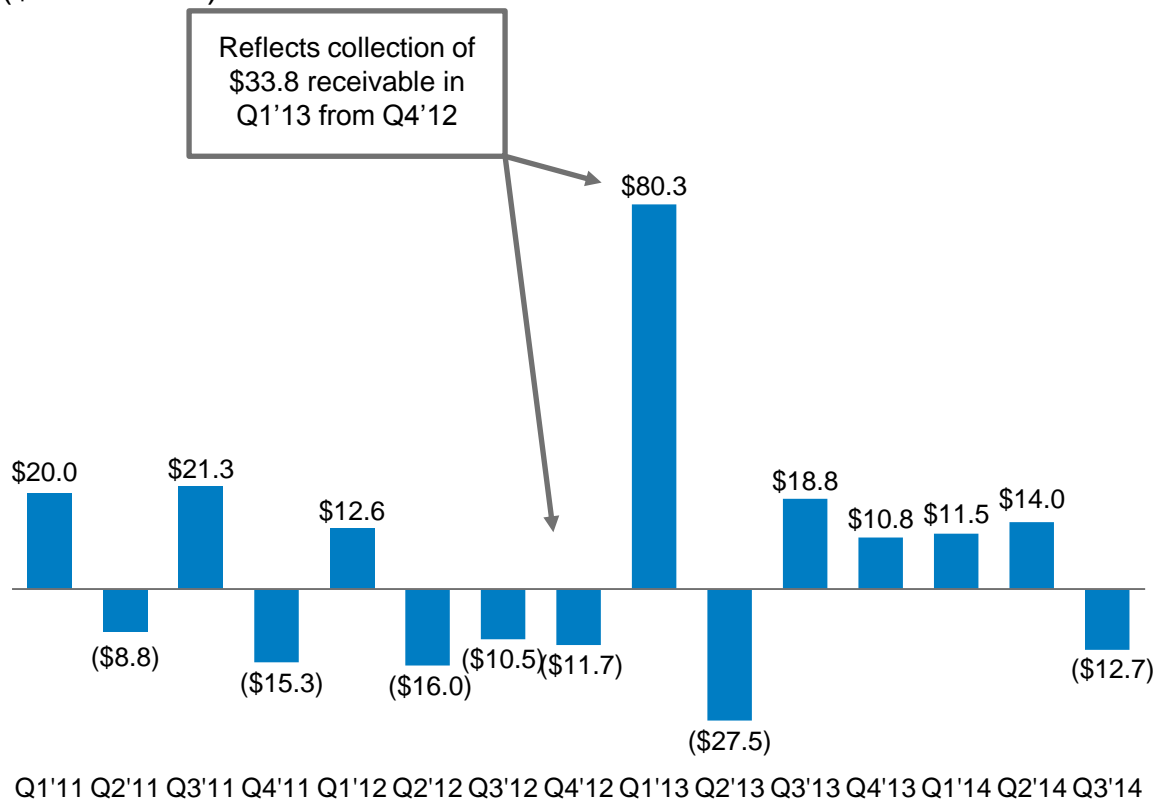
■ Net ■ Gross

# Free Cash Flow

## Annual (\$ in millions)



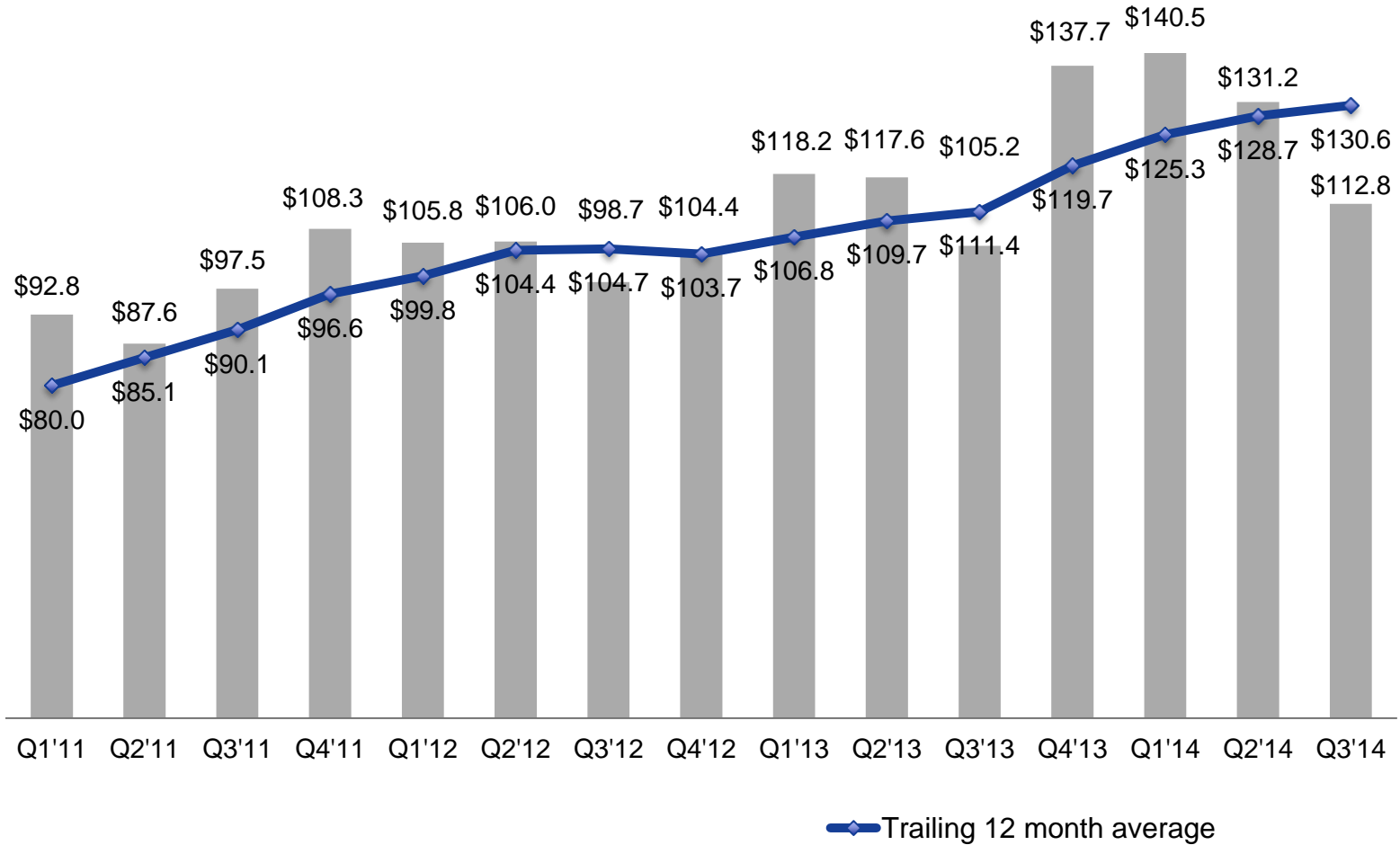
## Quarterly (\$ in millions)



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 Digitude transaction.

# Deferred Revenue

(\$ in millions)



# Q3 2014 GAAP to Non-GAAP Reconciliation

(\$M)	Q3 2014	Q3 2013
Net Income	\$10.8	\$8.4
Stock-based compensation	\$4.6	\$4.0
Amortization of acquired intangible assets	\$0.5	\$0.4
Income tax adjustments	(\$1.6)	(\$1.4)
Non-GAAP net income	\$14.3	\$11.4
Pro forma non-GAAP net income per share		
Basic	\$0.27	\$0.22
Diluted	\$0.26	\$0.21
Pro forma weighted-average shares		
Basic	53.8	52.3
Diluted	55.0	54.1

(\$M)	Q3 2014	Q3 2013
Cost of Revenue	\$30.4	\$29.8
Amortization of acquired intangible assets	(\$0.1)	(\$0.1)
Non-GAAP cost of revenue	\$30.4	\$29.7

(\$M)	Q3 2014	Q3 2013
Selling, general and administrative expenses	\$17.8	\$15.6
Stock-based compensation	(\$4.6)	(\$4.0)
Amortization of acquired intangible assets	(\$0.4)	(\$0.3)
Non-GAAP selling, general and administrative expenses	\$12.8	\$11.3

# Thank You

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