

# RPX Corporation Q1 2015 Earnings Call

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April 28, 2015

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 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.

# Q1 2015 Financial Summary

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- ▶ **Total revenue of \$83.3 million, up 35% year over year**
  - Subscription revenue of \$66.2 million, up 9% year over year
  - Fee-related revenue of \$17.0 million
- ▶ **20 net client adds**
  - Total 224 clients
- ▶ **57 active insurance clients**
- ▶ **Renewal rate above 90%**
- ▶ **Cash, cash equivalents and short-term investments of \$370.6 million<sup>[1]</sup>**

<sup>[1]</sup> As of March 31, 2015

# Guidance

(in millions)

	Q2 2015	FY 2015
Subscription revenue	\$67.0 - \$67.5	\$265.0 - \$275.0
Fee-related revenue	\$0	\$20.0 - \$25.0
Total revenue	\$67.0 - \$67.5	\$285.0 - \$300.0
Cost of revenue <sup>[1]</sup>	--	\$145.0 - \$150.0
SG&A <sup>[1]</sup>	--	\$60.0 - \$64.0
Net income <sup>[1]</sup>	\$9.1 - \$9.6	\$50.0 - \$54.0
Effective tax rate <sup>[1]</sup>	37%	37%
WA diluted shares	55.6	55.9
Net acquisition spend	--	\$170.0

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

# Q1 2015 Consolidated P&L

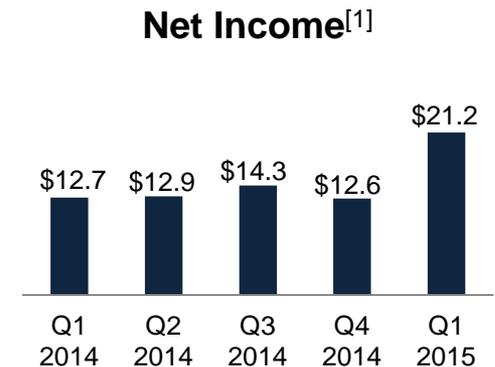
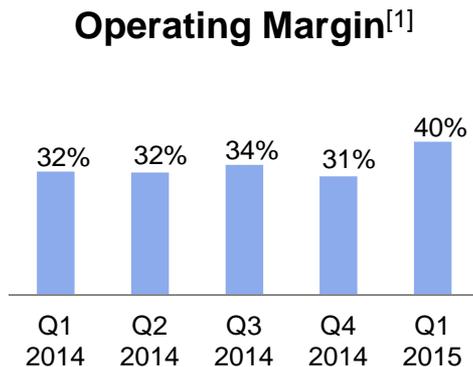
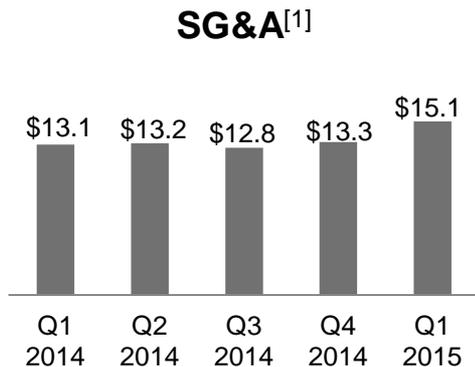
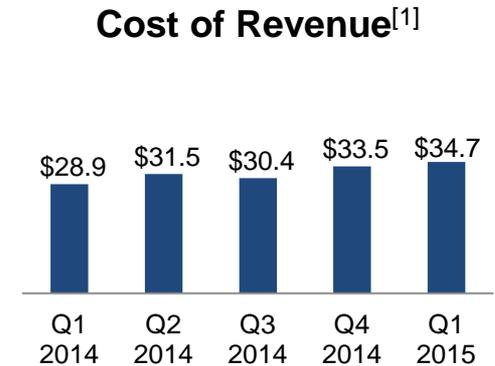
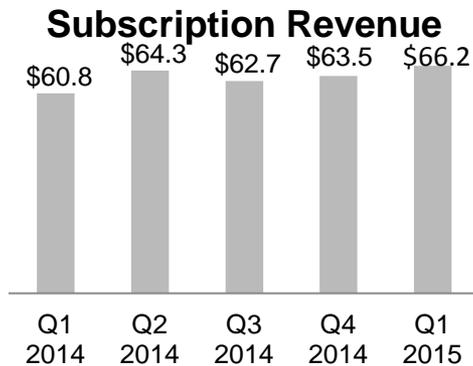
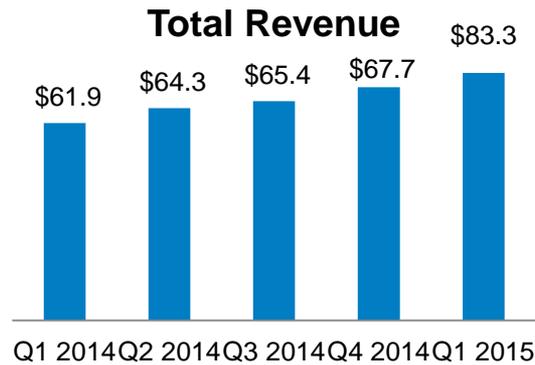
(in millions, except per share data)

	Q1 2015	Q1 2014
Total Revenue	\$83.3	\$61.9
Subscription Revenue	\$66.2	\$60.8
Cost of Revenue <sup>[1]</sup>	\$34.7	\$28.9
SG&A <sup>[1]</sup>	\$15.1	\$13.1
Effective Tax Rate <sup>[1]</sup>	37%	37%
Net Income <sup>[1]</sup>	\$21.2	\$12.7
Diluted Non-GAAP EPS	\$0.38	\$0.23
WA Diluted Shares	55.2	54.4

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

# Q1 2015 Key Performance Metrics

(\$ in millions)

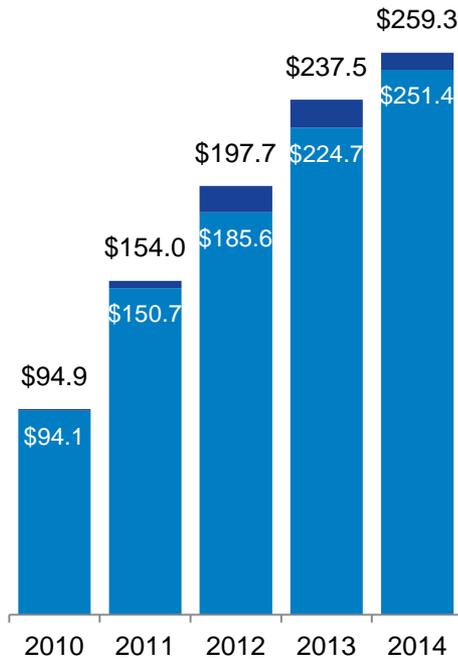


<sup>[1]</sup> Cost of Revenue, SG&A, Operating Margin and Net Income are non-GAAP performance metrics

# Revenue

## Annual

(\$ in millions)

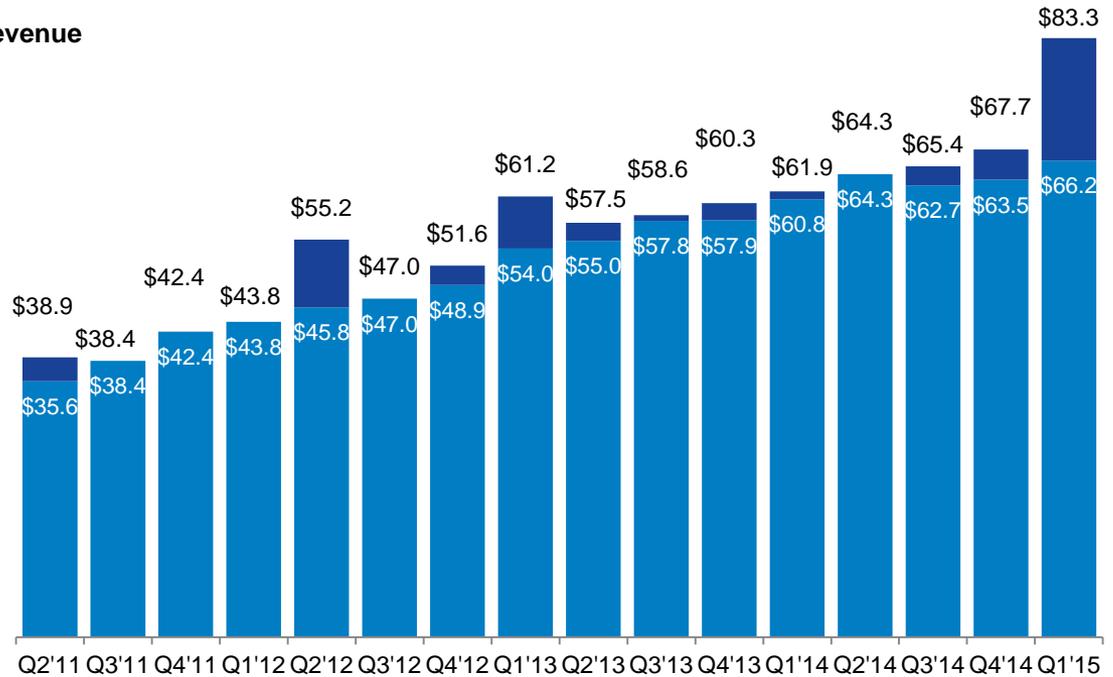


Net Clients Added	2010	2011	2012	2013	2014
Net Clients Added	49	40	28	28	36

## Quarterly

(\$ in millions)

### Revenue

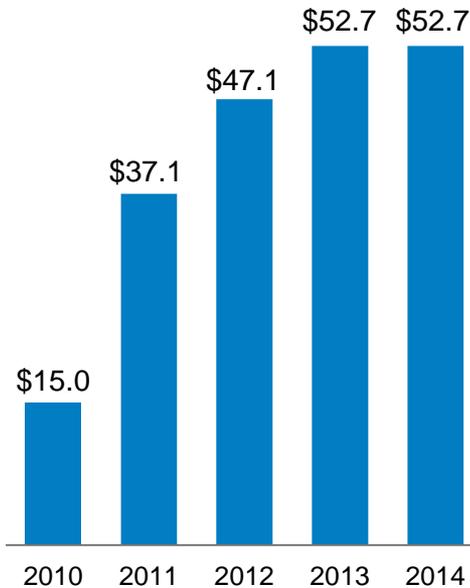


Net Clients Added	Q2'11	Q3'11	Q4'11	Q1'12	Q2'12	Q3'12	Q4'12	Q1'13	Q2'13	Q3'13	Q4'13	Q1'14	Q2'14	Q3'14	Q4'14	Q1'15
Net Clients Added	15	7	9	4	4	8	12	6	11	3	8	10	6	11	9	20

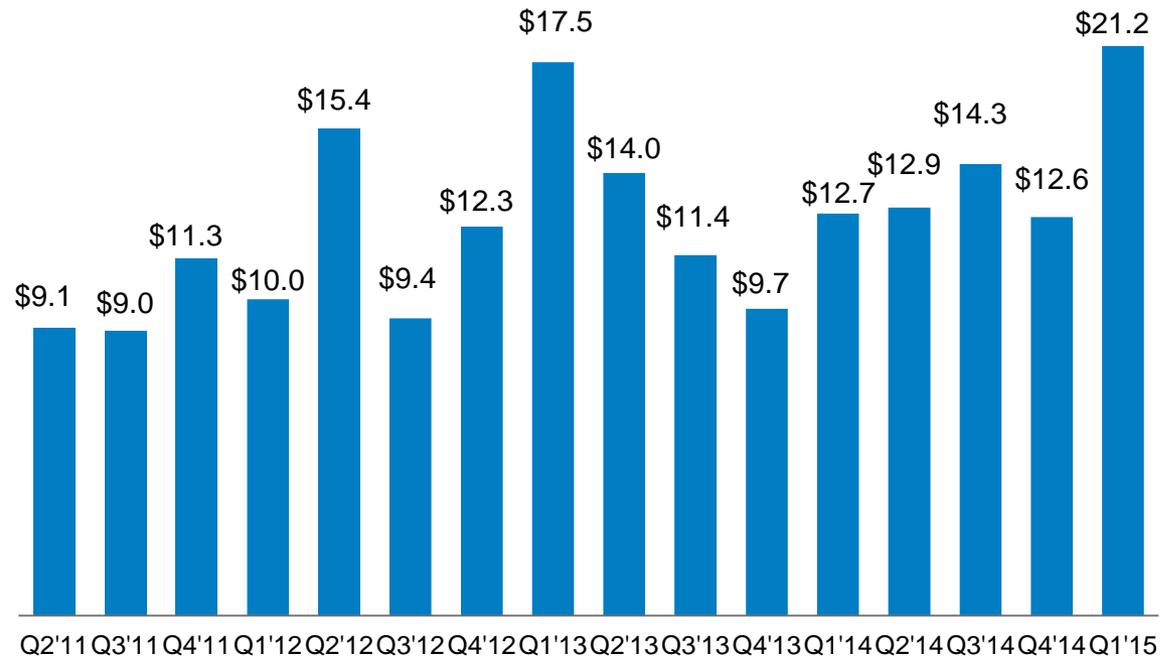
■ Subscription revenue
 ■ Fee-related revenue

# Non-GAAP Net Income

**Annual**  
(\$ in millions)

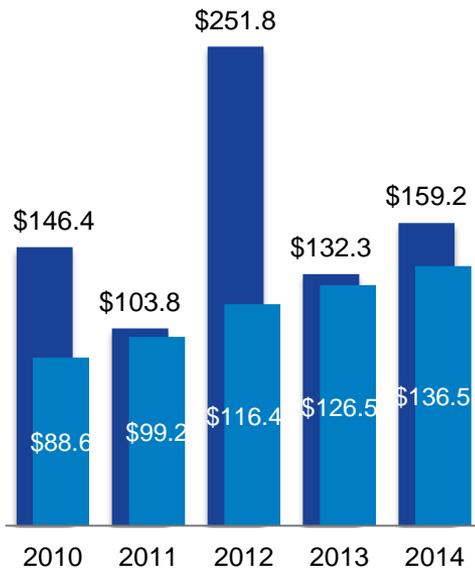


**Quarterly**  
(\$ in millions)

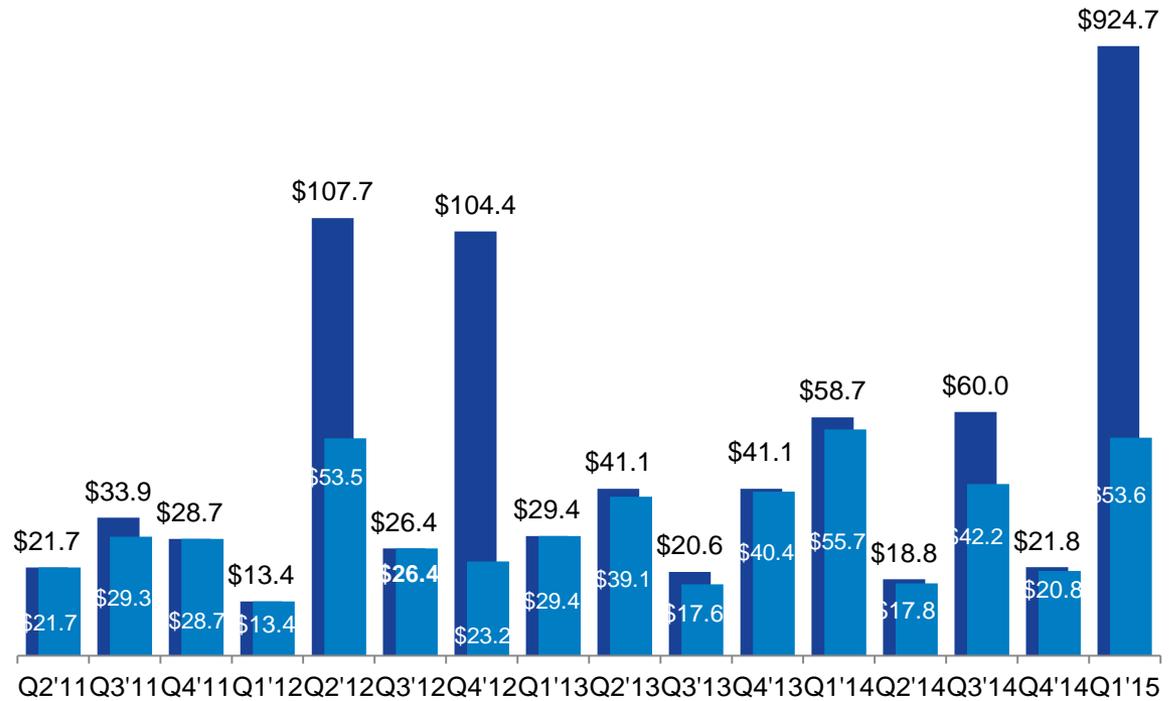


# Patent Acquisition Spend

**Annual**  
(\$ in millions)



**Quarterly**  
(\$ in millions)



■ Net ■ Gross

# Free Cash Flow

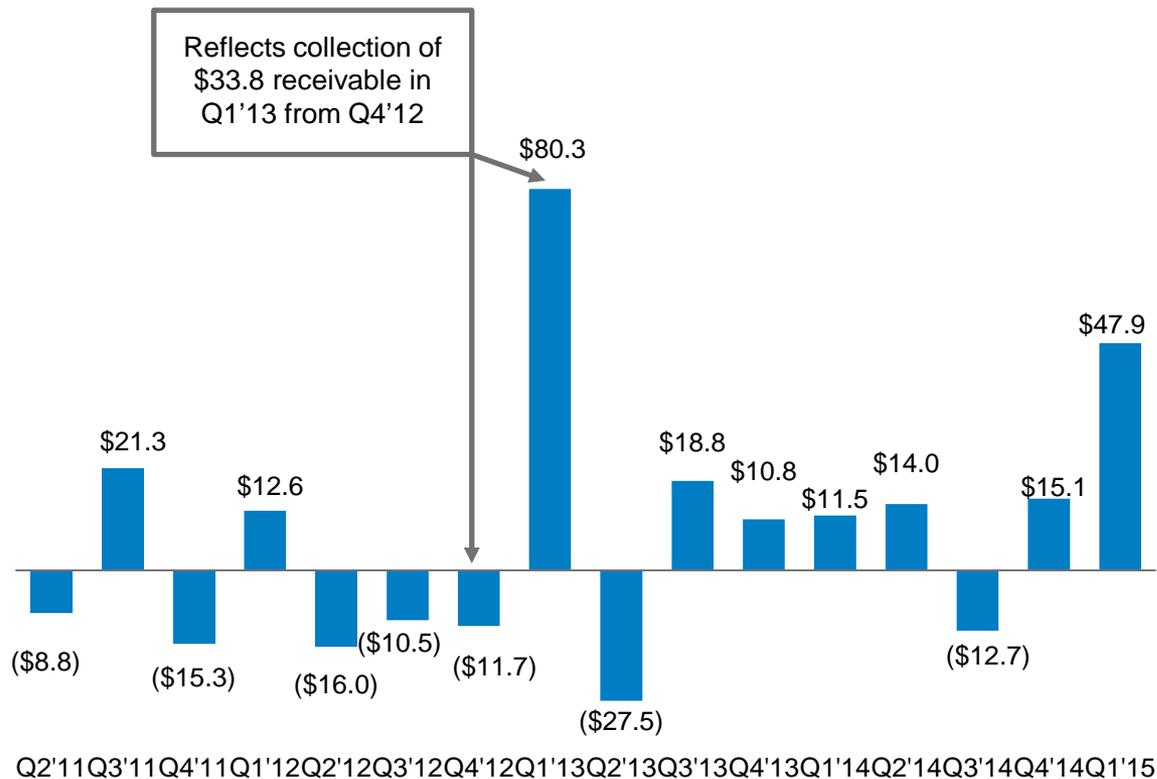
## Annual

(\$ in millions)



## Quarterly

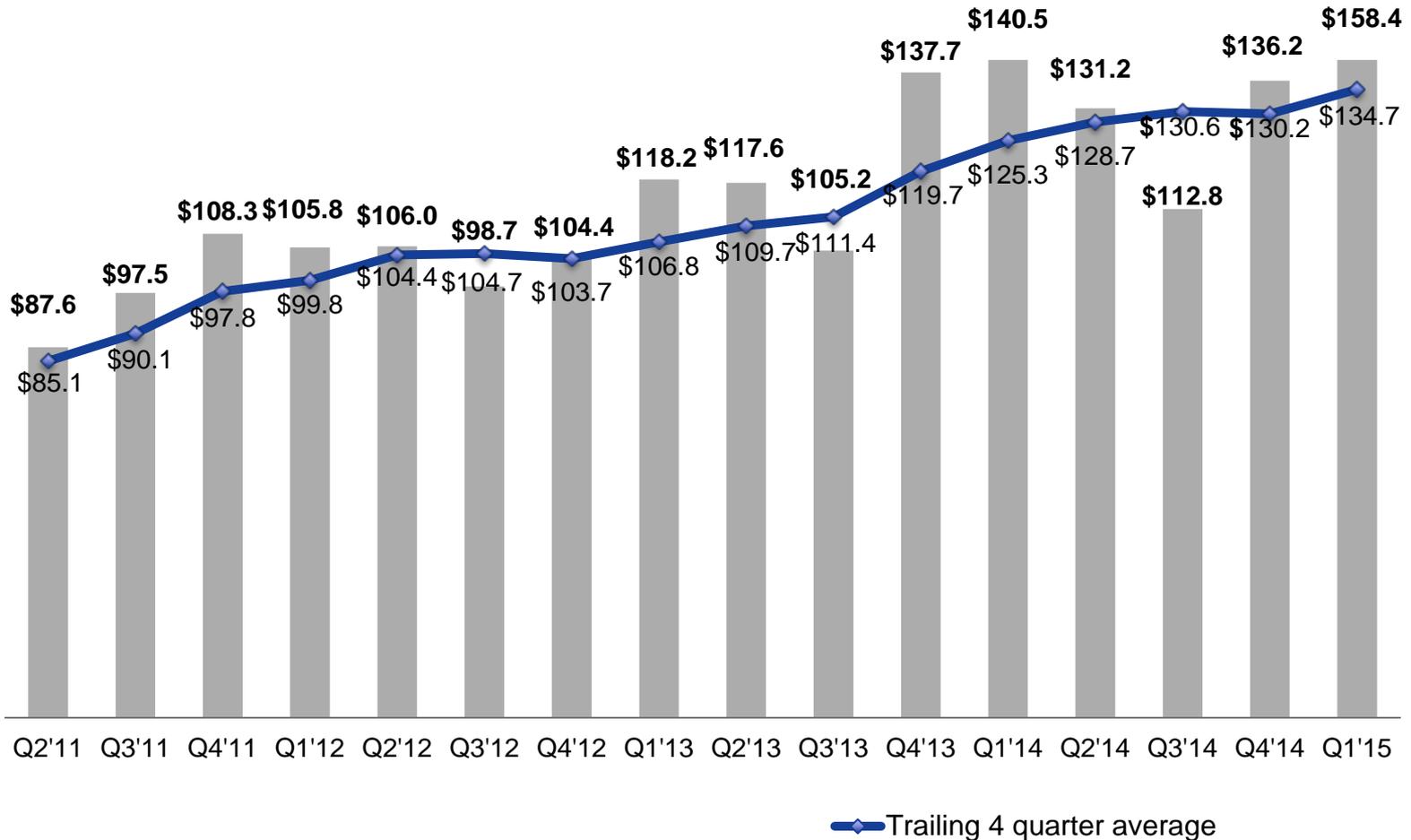
(\$ in millions)



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.

# Deferred Revenue

(\$ in millions)



# Q1 2015 GAAP to Non-GAAP Reconciliation

(\$M)	Q1 2015	Q1 2014
Net Income	\$18.0	\$9.9
Stock-based compensation	\$3.9	\$3.9
Amortization of acquired intangible assets	\$0.4	\$0.3
Income tax adjustments	(\$1.3)	(\$1.4)
Non-GAAP net income	\$21.2	\$12.7
Non-GAAP net income per share		
Basic	\$0.39	\$0.24
Diluted	\$0.38	\$0.23
Weighted-average shares		
Basic	54.2	52.8
Diluted	55.2	54.4

(\$M)	Q1 2015	Q1 2014
Cost of Revenue	\$34.8	\$28.9
Amortization of acquired intangible assets	(\$0.5)	(\$0.6)
Non-GAAP cost of revenue	\$34.7	\$28.9

(\$M)	Q1 2015	Q1 2014
Selling, general and administrative expenses	\$19.5	\$17.3
Stock-based compensation	(\$4.0)	(\$3.9)
Amortization of acquired intangible assets	(\$0.4)	(\$0.2)
Non-GAAP selling, general and administrative expenses	\$15.1	\$13.1

# Thank You

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