

RPX Corporation Q1 2014 Earnings Call

April 29, 2014

John Amster, Chief Executive Officer and Co-founder
Ned Segal, 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 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-K 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.

Q1 2014 Financial Summary

▶ **Total revenue of \$61.9 million**

- Subscription revenue of \$60.8 million, up 13% year over year
- Fee-related revenue of \$1.1 million

▶ **10 net client adds**

- Total 178 clients

▶ **31 active insurance clients**

▶ **Renewal rate above 90%**

▶ **Cash, cash equivalents and short-term investments of \$302.7 million^[1]**

^[1] As of March 31, 2014

Guidance

(in millions)

	Q2 2014	FY 2014
Subscription revenue	\$63.3 - \$63.9	\$246 – \$258
Fee-related revenue	--	\$8 – \$10
Total revenue	\$63.3 - \$63.9	\$254 - \$268
Cost of revenue ^[1]	--	\$120 – \$124
SG&A ^[1]	--	\$51 – \$55
Net income ^[1]	\$11.4 - \$12.0	\$53 – \$57
Effective tax rate	37%	37%
Pro forma WA diluted shares	54.6	54.6
Net acquisition spend	--	\$135

^[1] Cost of Revenue, SG&A and Net Income are non-GAAP performance metrics

Q1 2014 Consolidated P&L

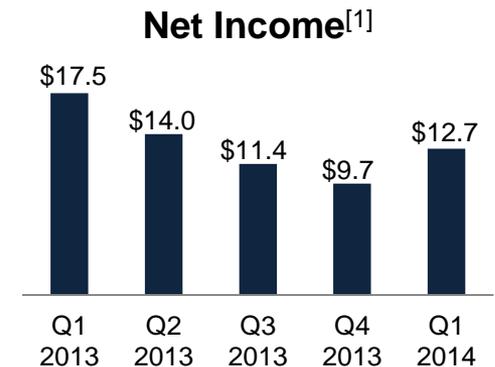
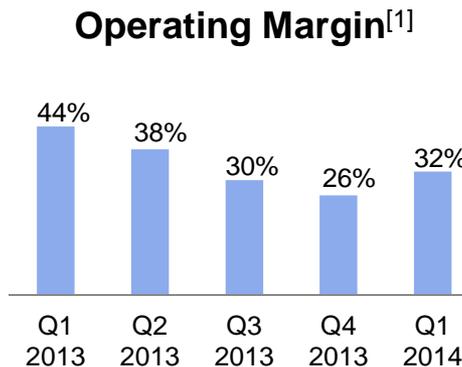
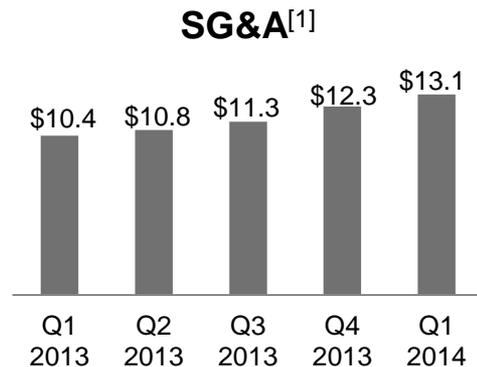
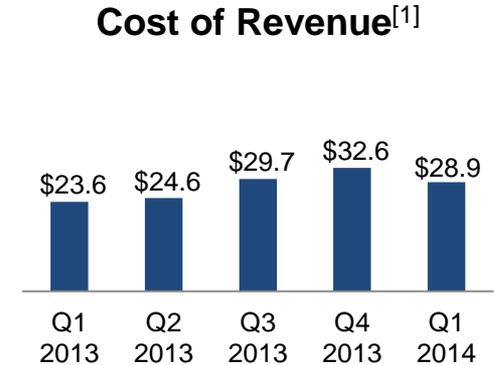
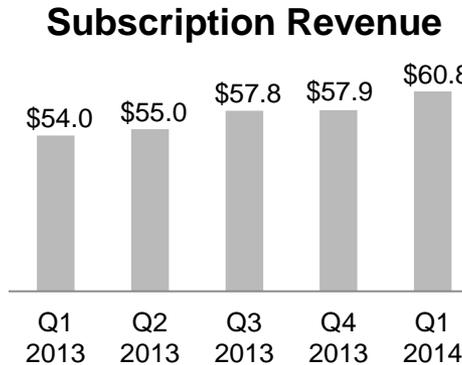
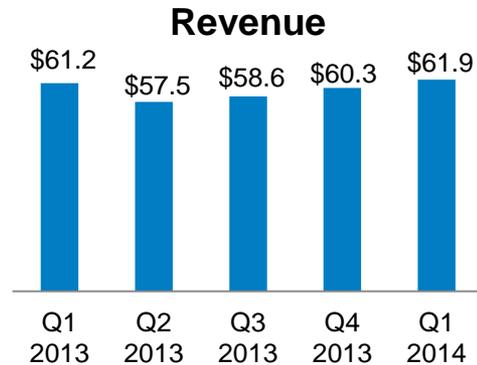
(in millions, except per share data)

	Q1 2014	Q1 2013
Revenue	\$61.9	\$61.2
Subscription Revenue	\$60.8	\$54.0
Cost of Revenue ^[1]	\$28.9	\$23.6
SG&A ^[1]	\$13.1	\$10.4
Effective Tax Rate	37%	36%
Net Income ^[1]	\$12.7	\$17.5
Pro Forma Diluted EPS	\$0.23	\$0.33
Pro Forma WA Diluted Shares	54.4	52.7

^[1] Cost of Revenue, SG&A and Net Income are non-GAAP performance metrics

Q1 2014 Key Performance Metrics

(\$ in millions)



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

Revenue

Annual (\$ in millions)

Revenue

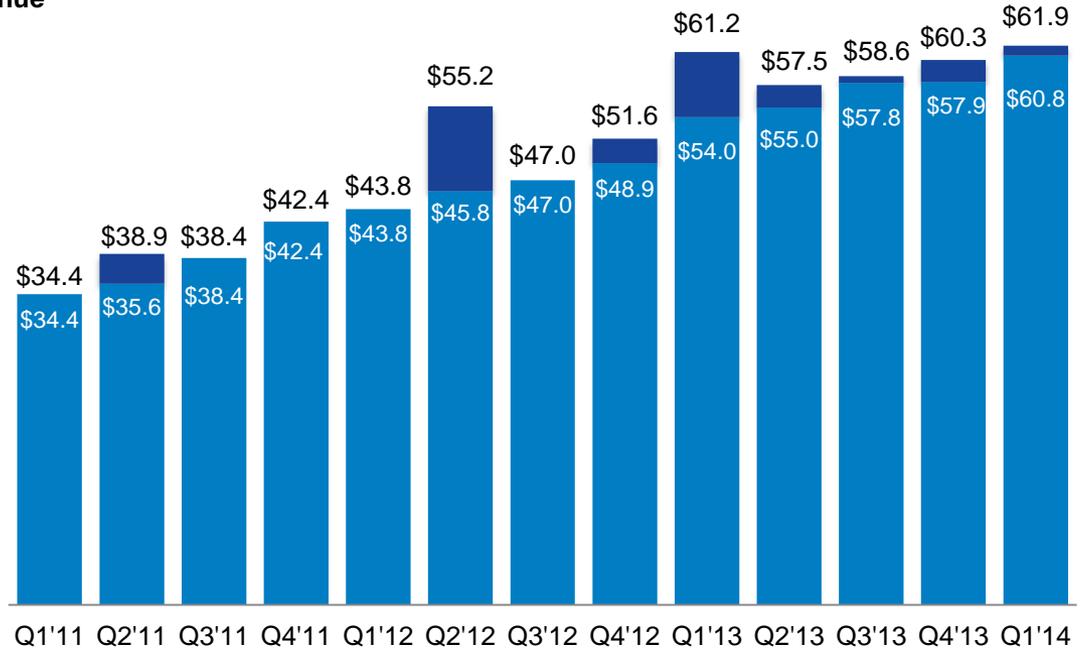


**Net
Clients
Added**

49 40 28 28

Quarterly (\$ in millions)

Revenue



**Net
Clients
Added**

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



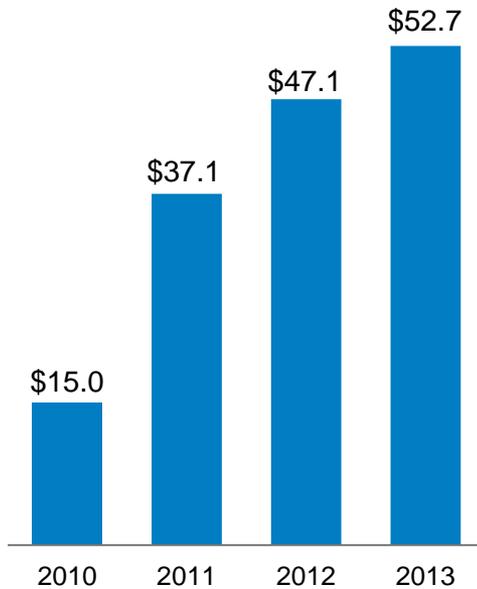
Subscription revenue



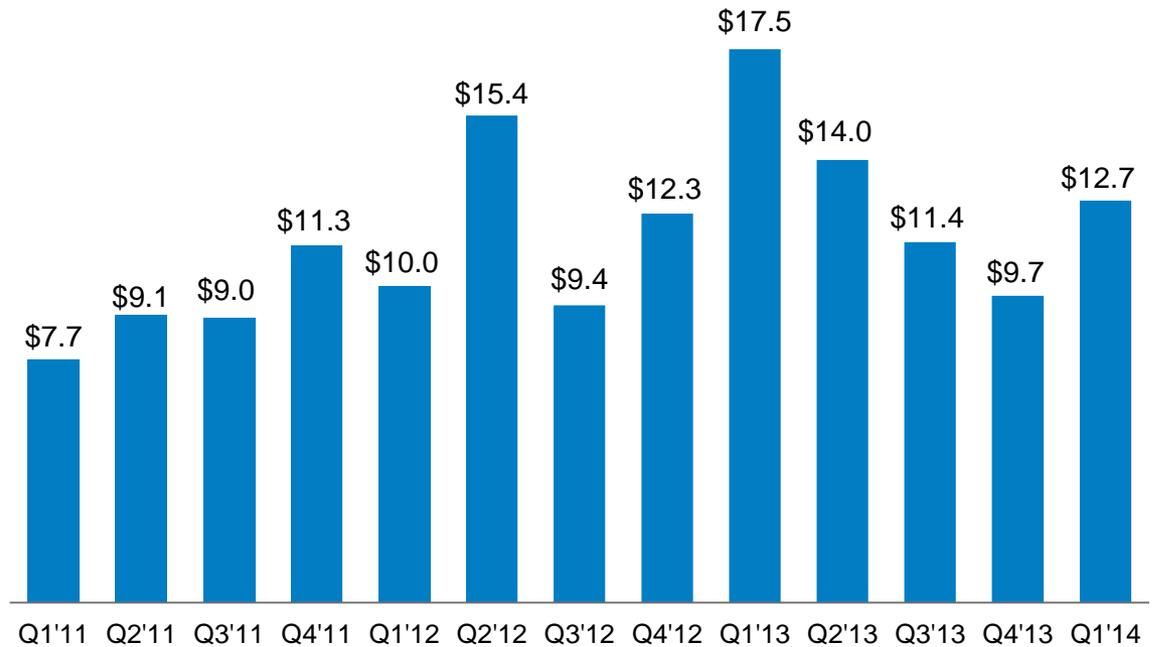
Fee-related revenue

Non-GAAP Net Income

Annual
(\$ in millions)



Quarterly
(\$ in millions)

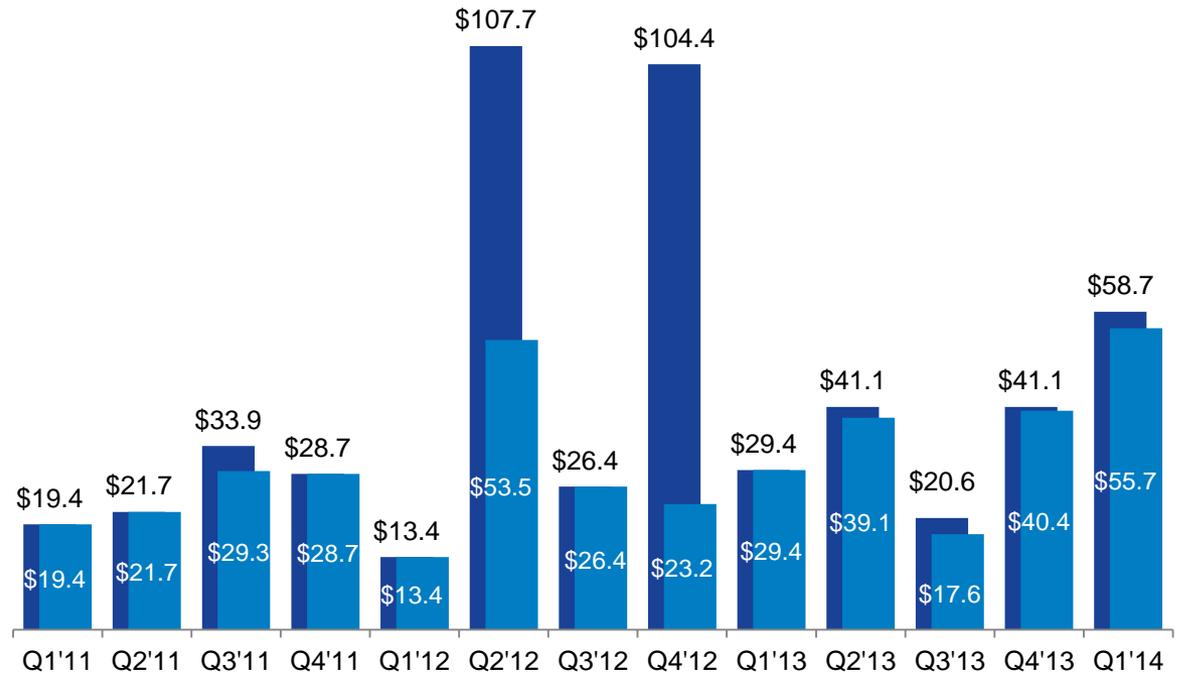


Patent Acquisition Spend

Annual
(\$ in millions)



Quarterly
(\$ in millions)



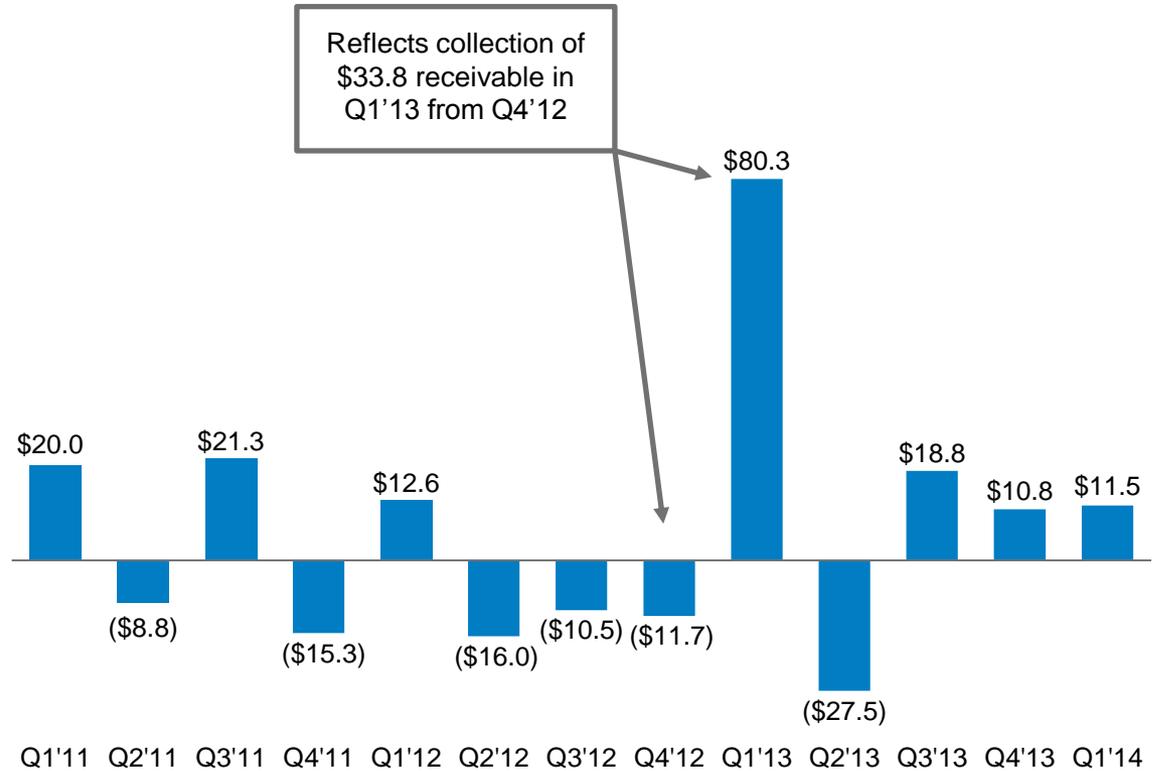
■ Net ■ Gross

Free Cash Flow

Annual (\$ in millions)



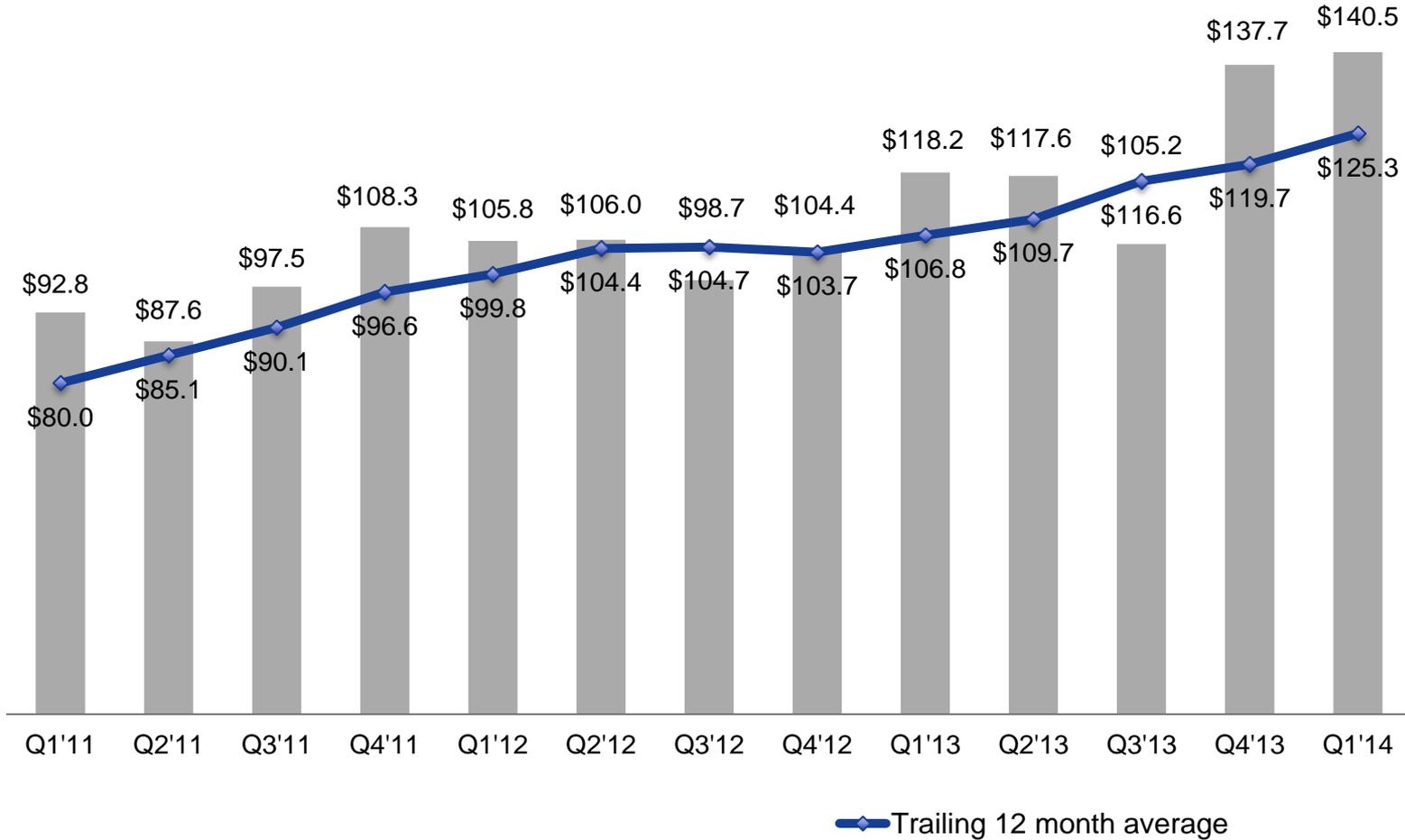
Quarterly (\$ in millions)



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)



Q1 2014 GAAP to Non-GAAP Reconciliation

(\$M)	Q1 2014	Q1 2013
Net Income	\$9.9	\$14.7
Stock-based compensation	\$3.9	\$3.8
Amortization of acquired intangible assets	\$0.3	\$0.4
Income tax adjustments	(\$1.4)	(\$1.3)
Non-GAAP net income	\$12.7	\$17.5
Pro forma non-GAAP net income per share		
Basic	\$0.24	\$0.34
Diluted	\$0.23	\$0.33
Pro forma weighted-average shares		
Basic	52.8	51.3
Diluted	54.4	52.7

(\$M)	Q1 2014	Q1 2013
Cost of Revenue	\$28.9	\$23.7
Amortization of acquired intangible assets	(\$0.1)	(\$0.1)
Non-GAAP cost of revenue	\$28.9	\$23.6

(\$M)	Q1 2014	Q1 2013
Selling, general and administrative expenses	\$17.3	\$14.5
Stock-based compensation	(\$3.9)	(\$3.8)
Amortization of acquired intangible assets	(\$0.2)	(\$0.3)
Non-GAAP selling, general and administrative expenses	\$13.1	\$10.4

Thank You
