

# RPX Corporation Q4 2017 Earnings Call

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February 21, 2018

Martin Roberts, Chief Executive Officer  
David Anderson, 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 management, discovery services, 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,
- we may not be successful with our new initiatives, and
- we may not be able to attract new clients and retain existing clients with respect to our patent risk management and discovery services.

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 are not able, at this time, to provide a forward-looking reconciliation to GAAP outlook for the non-GAAP financial metric outlook because of the difficulty of estimating certain items that are excluded from the non-GAAP financial metrics. We do not intend, and undertake no duty, to update any forward-looking statements to reflect future events or circumstances.

# Highlights from Q4 2017 Earnings Call

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- ▶ **Company is exploring strategic alternatives to maximize shareholder value**
- ▶ **Ended the year on a strong note, with results in-line or exceeding guidance ranges for FY2017**
  - Total revenue of \$330.5 million
  - Net cash provided by operating activities of \$181.5 million
  - Free cash flow<sup>[1]</sup> of \$73.8 million
  - Cash, cash equivalents and short-term investments of \$157.2 million at year end
- ▶ **Non-cash charge of \$94.1 million in Q4, primarily relating to impairment of discovery services goodwill**
- ▶ **Implementing new revenue recognition standard (ASC 606) starting Jan 1, 2018**
  - Impacts patent risk management segment, but not discovery services segment
  - Membership fees no longer recognized ratably – portion ratably, portion upfront, and portion pass-through (no revenue)
  - Reported revenue and profit are lower under the new standard
  - Free cash flow is preferred measure for evaluating business performance under the new standard
- ▶ **Expect \$65-85 million of free cash flow<sup>[1]</sup> in 2018, on lower top-line**
  - Patent risk management: Impact of accounting change, restructuring of certain agreements, and a reduced NPE risk environment
  - Discovery services: Anticipated ramp down of a few large European review projects in early 2018
- ▶ **Continued focus on emerging business opportunities within patent business and discovery services**

<sup>[1]</sup>Free cash flow is defined as cash flow from operating activities less capital expenditures such as patent assets and property and equipment

# Q4 and Historical Results

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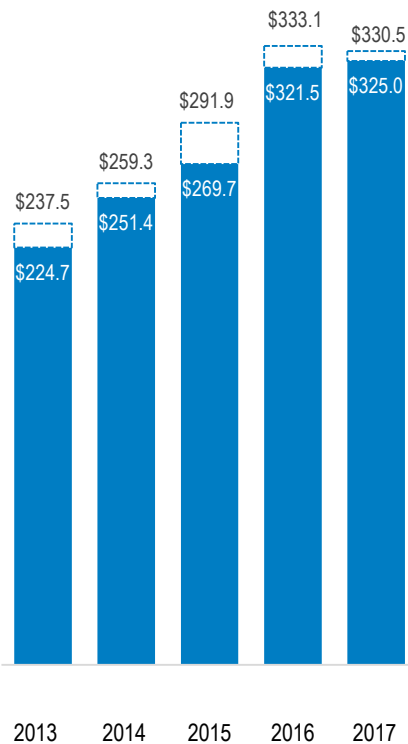
# Quarterly Consolidated GAAP Results and Reconciliation of Net Income to Non-GAAP Adjusted EBITDA Less Net Patent Spend

(\$ in millions)

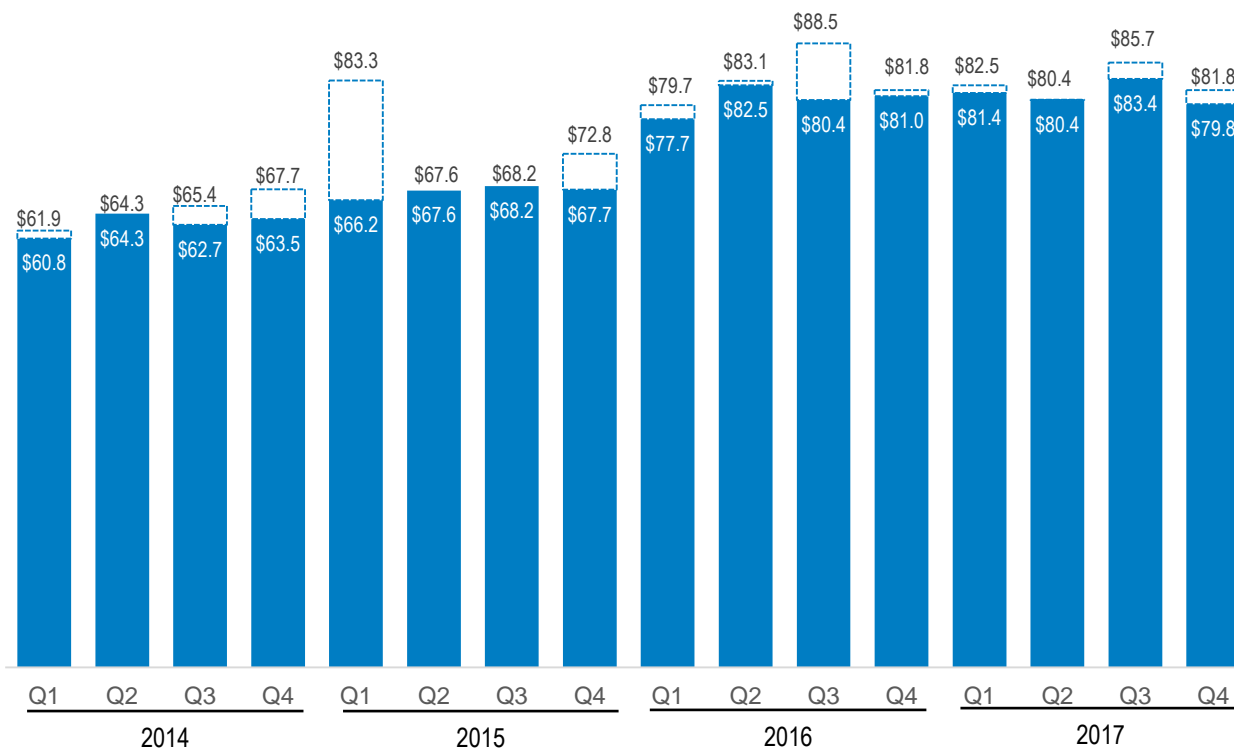
	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017
<b>Revenue</b>					
Subscription revenue	\$ 62.7	\$ 63.4	\$ 61.6	\$ 62.3	\$ 59.5
Discovery revenue	18.3	18.0	18.8	21.1	20.3
Total subscription and discovery revenue	81.0	81.4	80.4	83.4	79.8
Fee-related revenue	0.8	1.1	-	2.3	2.0
<b>Total revenue</b>	<b>\$ 81.8</b>	<b>\$ 82.5</b>	<b>\$ 80.4</b>	<b>\$ 85.7</b>	<b>\$ 81.8</b>
Cost of revenue	49.7	51.3	51.1	52.3	49.0
Selling, general, and administrative expenses	24.0	21.1	23.1	22.5	23.7
Impairment losses	-	-	-	-	94.1
<b>Operating income</b>	<b>\$ 8.1</b>	<b>\$ 10.1</b>	<b>\$ 6.2</b>	<b>\$ 10.9</b>	<b>\$ (85.0)</b>
Interest and other income (expense), net	(2.1)	(0.5)	0.4	0.1	(1.2)
Income before taxes	6.0	9.6	6.6	11.0	(86.2)
Provision for income taxes	4.2	3.6	2.4	4.6	9.5
<b>Net income (loss)</b>	<b>\$ 1.7</b>	<b>\$ 6.0</b>	<b>\$ 4.2</b>	<b>\$ 6.4</b>	<b>\$ (95.7)</b>
<b>Net income (loss)</b>	<b>\$ 1.7</b>	<b>\$ 6.0</b>	<b>\$ 4.2</b>	<b>\$ 6.4</b>	<b>\$ (95.7)</b>
Provision for income taxes	4.2	3.6	2.4	4.6	9.5
Interest and other (income) expense, net	2.1	0.5	(0.4)	(0.1)	1.2
Impairment losses	-	-	-	-	94.1
Depreciation and amortization	42.3	42.9	42.9	42.4	39.9
Stock-based compensation (including payroll taxes)	4.2	2.9	4.5	3.9	3.8
Non-GAAP Adjusted EBITDA	54.6	55.9	53.6	57.2	52.7
NPS	45.5	31.1	10.5	13.0	51.4
<b>Non-GAAP Adjusted EBITDA - NPS</b>	<b>\$ 9.1</b>	<b>\$ 24.8</b>	<b>\$ 43.1</b>	<b>\$ 44.2</b>	<b>\$ 1.3</b>

# Revenue

**Annual**  
(\$ in millions)



**Quarterly**  
(\$ in millions)



Subscription and discovery services revenue<sup>[1]</sup>

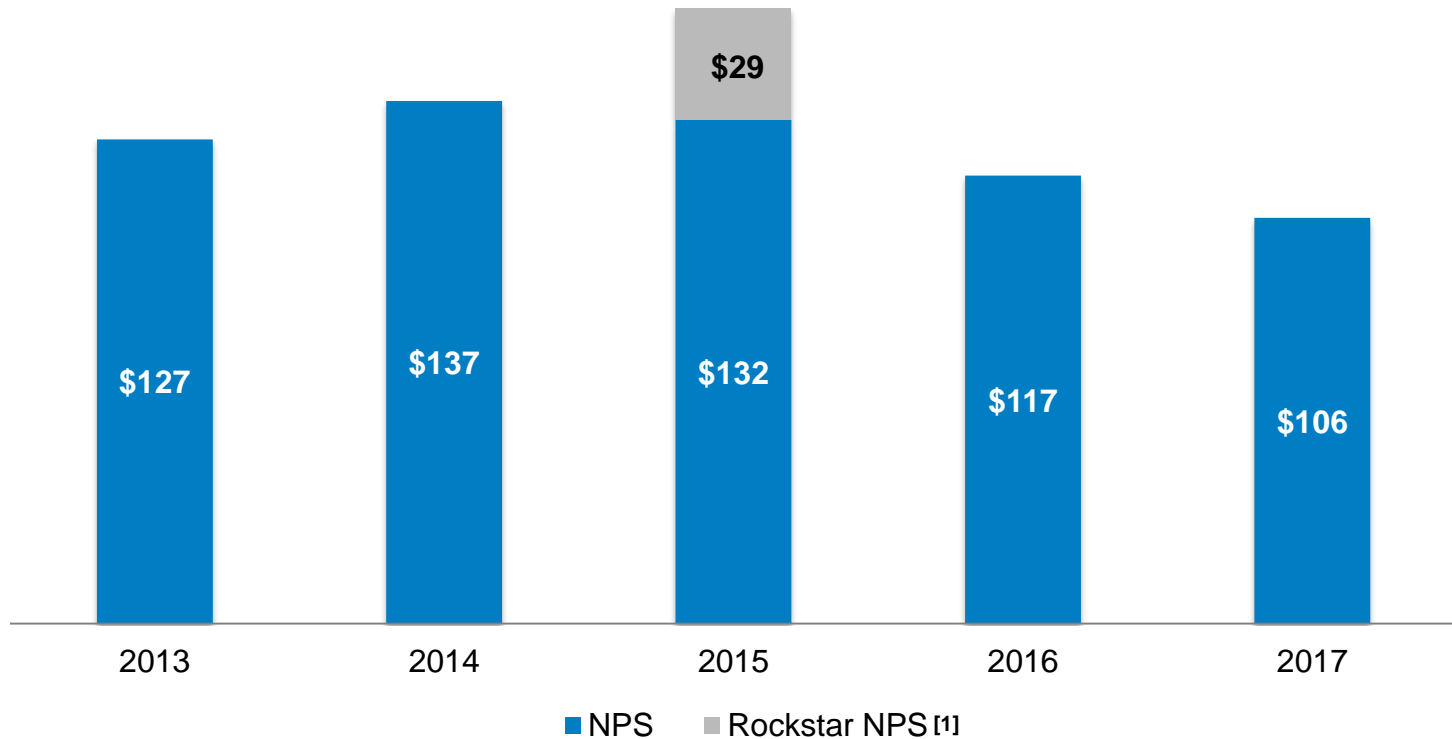


Fee-related revenue

<sup>[1]</sup> Inventus acquisition closed January 22, 2016, at which point we began recognizing revenue from discovery services. Revenue for Q1 2016 reflects a partial quarter contribution.

# Net Patent Spend (NPS)

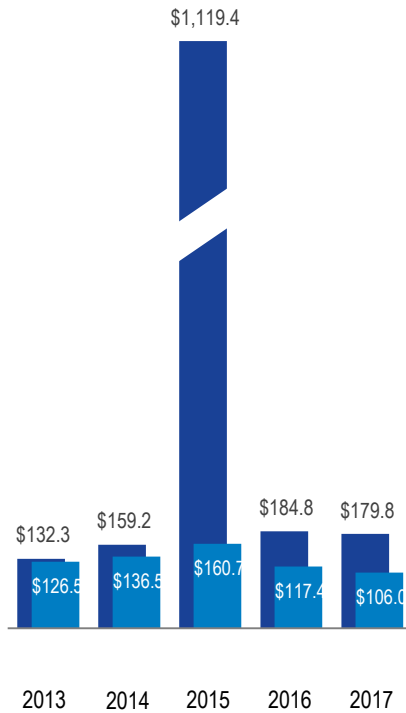
(\$ in millions)



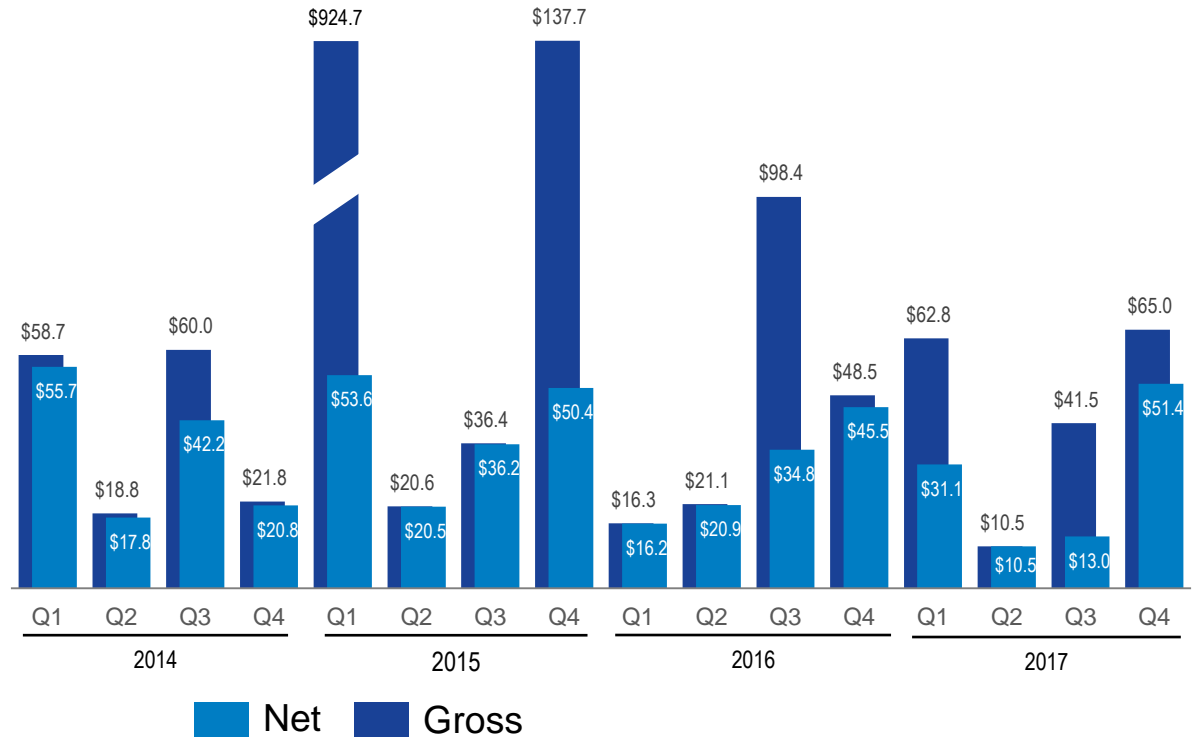
[1] 2014 excludes a \$25 million deposit made in December 2014 for acquisition of the Rockstar patent assets, which were acquired for a net purchase price of \$29 million and closed in January 2015.

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

**Annual**  
(\$ in millions)



**Quarterly**  
(\$ in millions)

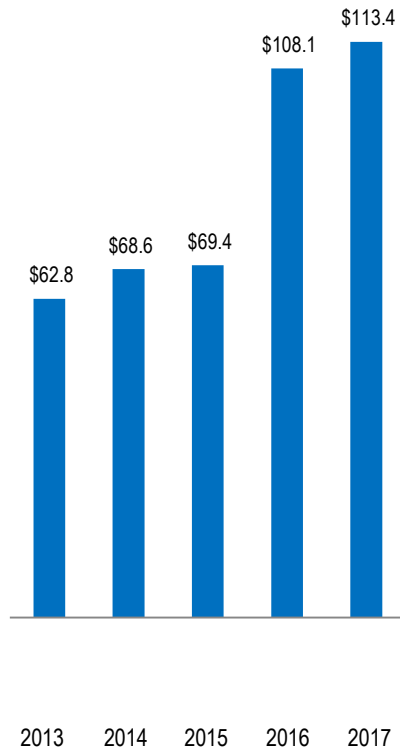


<sup>[1]</sup> 2014 excludes a \$25 million deposit made in December 2014 for acquisition of the Rockstar patent assets, which were acquired for a net purchase price of \$29 million and closed in January 2015.

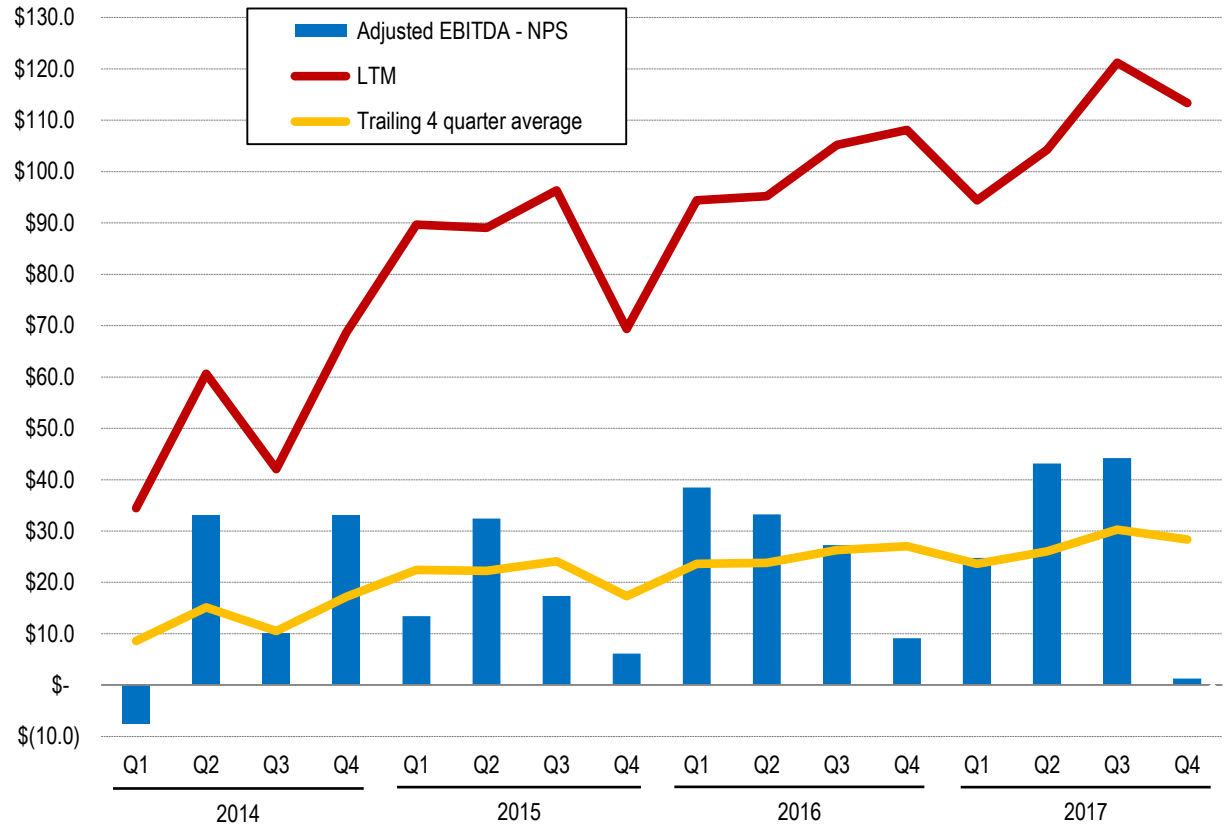


# Adjusted EBITDA – NPS<sup>[1,2,3]</sup>

## Annual (\$ in millions)



## Quarterly (\$ in millions)



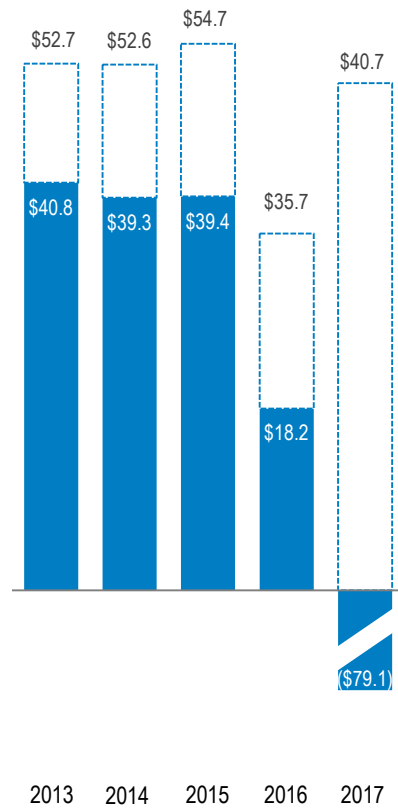
<sup>[1]</sup> Adjusted EBITDA less Net Patent Spend (NPS) is a non-GAAP metric. Refer to page 13 for reconciliation.

<sup>[2]</sup> 2014 excludes a \$25 million deposit made in December 2014 for acquisition of the Rockstar patent assets, which were acquired for a net purchase price of \$29 million and 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.

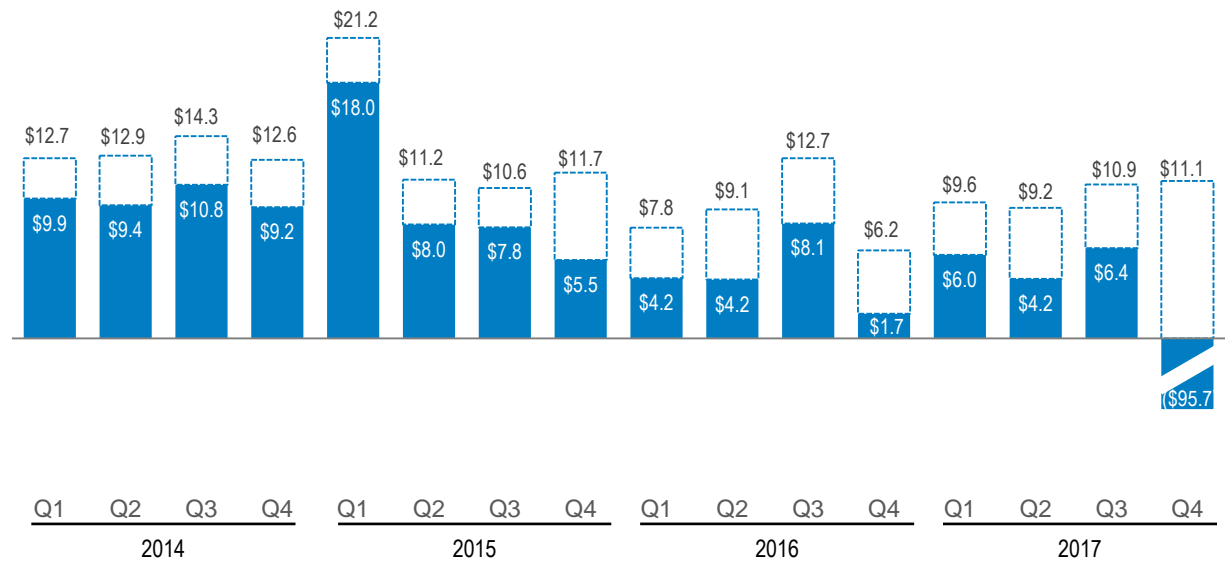
# Net Income – GAAP and Non-GAAP<sup>[1]</sup>

**Annual**  
(\$ in millions)



**Quarterly**  
(\$ in millions)

■ GAAP  
□ Non-GAAP

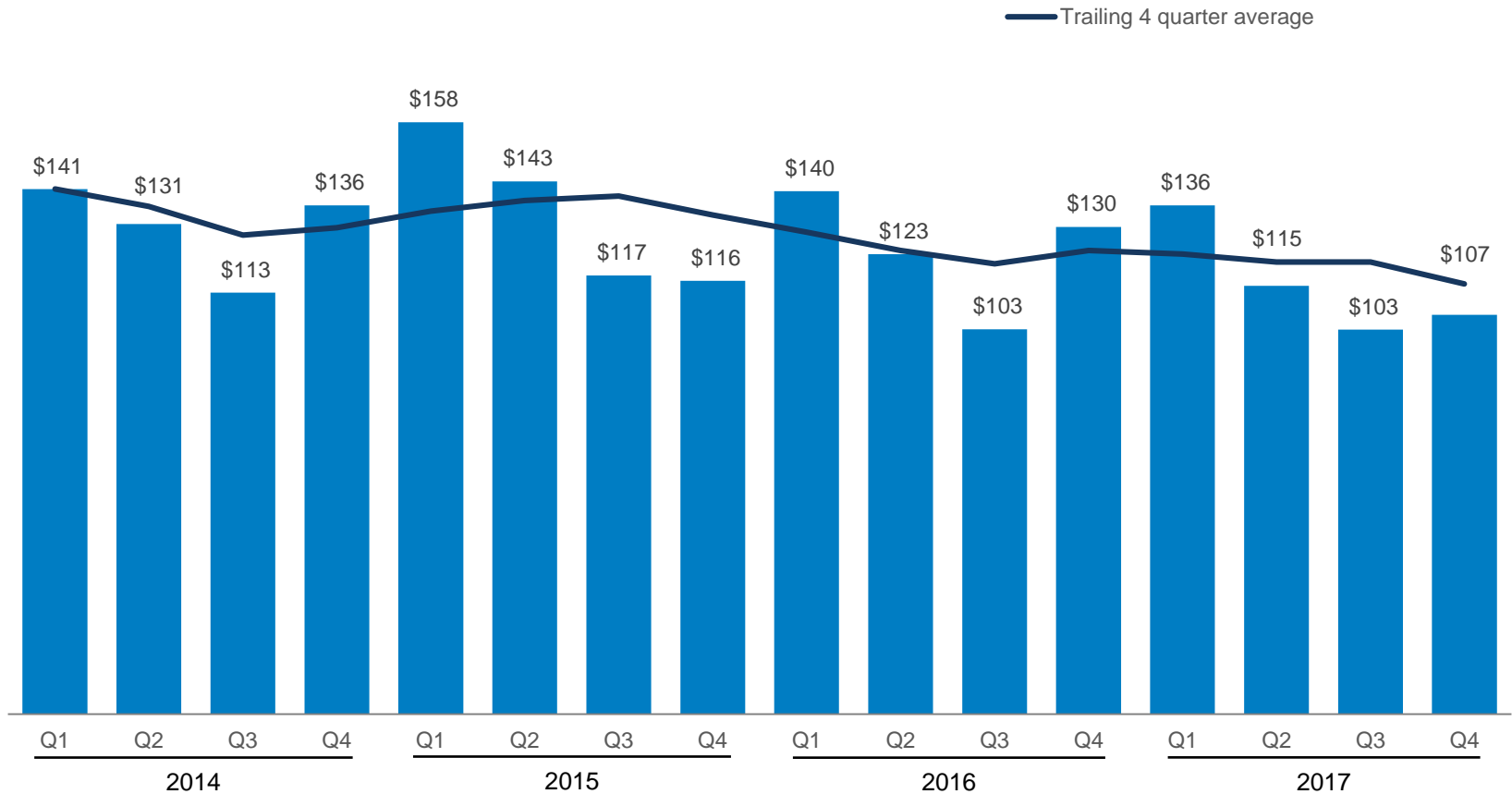


<sup>[1]</sup> Inventus acquisition closed on January 22, 2016; Net Income for Q1 2016 reflects a partial quarter contribution.

<sup>[2]</sup> Net Income is a non-GAAP metric. Refer to pages 12 - 13 for reconciliations.

# Deferred Revenue

(\$ in millions)



# GAAP to Non-GAAP Reconciliation

(\$ in millions, except per share data)

	Q4 2017	Q4 2016
Net income (loss)	\$ (95.7)	\$ 1.7
Stock-based compensation <sup>[1]</sup>	3.8	4.2
Amortization of acquired intangible assets <sup>[2]</sup>	2.1	2.4
Accelerated debt issuance costs <sup>[3]</sup>	1.3	-
Impairment losses <sup>[4]</sup>	94.1	-
Income tax adjustments <sup>[5][6]</sup>	5.5	(2.2)
Non-GAAP net income	\$ 11.1	\$ 6.2
Non-GAAP net income per share:		
Basic	\$ 0.22	\$ 0.13
Diluted <sup>[7]</sup>	\$ 0.22	\$ 0.12
Weighted-average shares:		
Basic	49.6	49.1
Diluted <sup>[7]</sup>	50.3	49.6

	Q4 2017	Q4 2016
Cost of revenue	\$ 49.0	\$ 49.7
Stock-based compensation <sup>[1]</sup>	(0.1)	-
Amortization of acquired intangible assets <sup>[2]</sup>	(0.5)	(0.5)
Non-GAAP cost of revenue	\$ 48.4	\$ 49.2
Selling, general and administrative expenses		
Stock-based compensation <sup>[1]</sup>	(3.7)	(4.2)
Amortization of acquired intangible assets <sup>[2]</sup>	(1.6)	(1.9)
Non-GAAP selling, general and administrative expenses	\$ 18.5	\$ 17.9
Interest and other income (expense), net		
Accelerated debt issuance costs <sup>[3]</sup>	1.3	-
Non-GAAP interest and other income (expense), net	\$ 0.1	\$ (2.1)
Provision for income taxes		
Tax effects of other non-GAAP exclusions <sup>[5]</sup>	9.1	2.2
Tax effects of Tax Cuts and Jobs Act <sup>[6]</sup>	(14.6)	-
Non-GAAP provision for income taxes	\$ 4.0	\$ 6.4

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

<sup>[2]</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>[3]</sup> RPX excludes fair value adjustments and gains on extinguishment related to its deferred payment obligations, realized losses on exchanges on short-term investments, acceleration of debt issuance costs from the early repayment of term debt from its non-GAAP financial measures.

<sup>[4]</sup> RPX excludes non-cash impairment losses from its non-GAAP financial measures.

<sup>[5]</sup> Amount reflects income taxes associated with the above noted non-GAAP exclusions.

<sup>[6]</sup> RPX excludes one-time impacts of the Tax Cut and Jobs Act from its non-GAAP financial measures, specifically as it relates to the revaluation of deferred tax assets and repatriation toll charges.

<sup>[7]</sup> The Company excludes the anti-dilutive effects of stock options and restricted stock units using the treasury-stock method of 0.7 million shares from its computation of net loss per share for the three months and year ended December 31, 2017. However, these are included when calculating non-GAAP net income per share as the effect is dilutive in these periods.

# Reconciliation of Net Income to Non-GAAP Adjusted EBITDA Less Net Patent Spend

(\$ in millions)

	Q4 2016			Q4 2017		
	Patent Risk	Discovery	Consolidated	Patent Risk	Discovery	Consolidated
	Management	Services		Management	Services	
<b>Net income (loss)</b>	\$ 1.3	\$ 0.4	\$ 1.7	\$ (8.7)	\$ (87.0)	\$ (95.7)
Provision for income taxes	3.6	0.7	4.3	8.9	0.6	9.5
Interest and other (income) expense, net	0.8	1.3	2.1	1.4	(0.2)	1.2
Impairment losses	-	-	-	5.0	89.0	94.1
Depreciation and amortization	39.8	2.5	42.3	37.4	2.5	39.9
Stock-based compensation	4.1	0.1	4.2	3.3	0.5	3.8
<b>Non-GAAP Adjusted EBITDA</b>	<b>49.6</b>	<b>5.0</b>	<b>54.6</b>	<b>47.2</b>	<b>5.5</b>	<b>52.7</b>
Net patent spend (NPS)	(45.5)	-	(45.5)	(51.4)	-	(51.4)
<b>Non-GAAP Adjusted EBITDA - NPS</b>	<b>\$ 4.1</b>	<b>\$ 5.0</b>	<b>\$ 9.1</b>	<b>\$ (4.2)</b>	<b>\$ 5.5</b>	<b>\$ 1.3</b>

# Reconciliation of Net Cash Provided by Operating Activities to Free Cash Flow

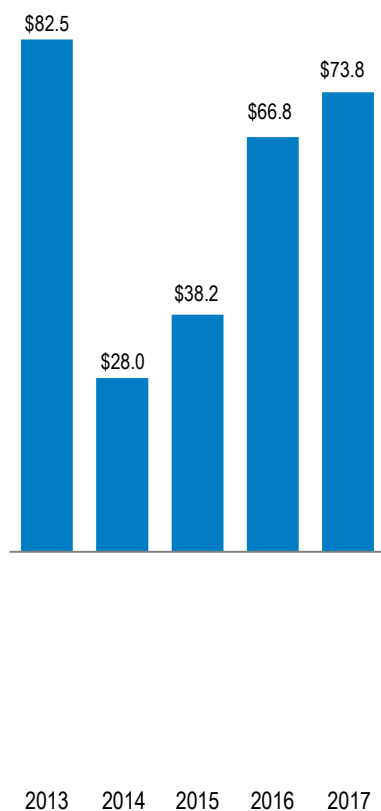
(\$ in millions)

	2017	2016
Net cash provided by operating activities	\$ 181.5	\$ 187.3
Purchase of property and equipment	(1.3)	(3.7)
Acquisition of patent assets	(106.3)	(116.7)
Free cash flow <sup>[1]</sup>	\$ 73.8	\$ 66.8

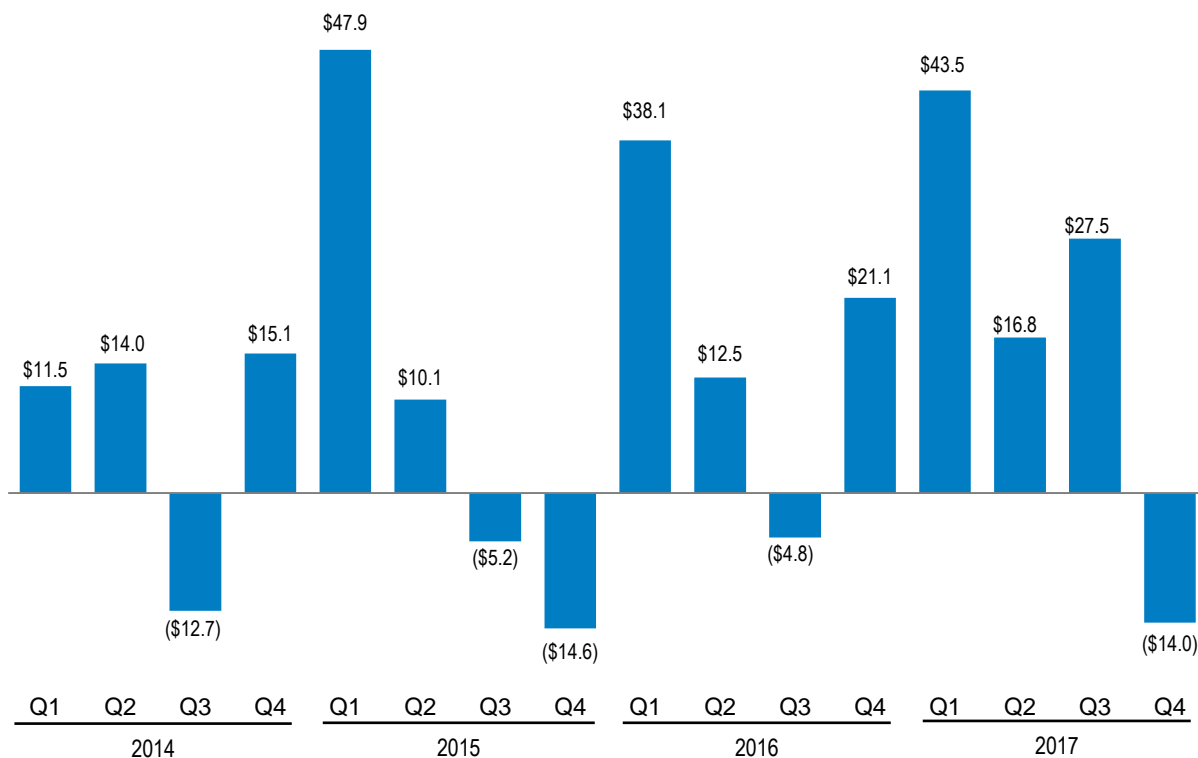
[1] Free cash flow is a non-GAAP measure which the Company defines as cash flow from operating activities less capital expenditures such as property and equipment and patent assets

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

## Annual (\$ in millions)



## Quarterly (\$ in millions)



<sup>[1]</sup> Free cash flow is a non-GAAP measure which the Company defines as cash flow from operating activities less capital expenditures such as property and equipment and patent assets

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

# Results Under ASC 605 and 606

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# Important Information Regarding ASC 605 and 606

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- ▶ Historical financial information under ASC 605 and 606: We believe that showing our historical financial results under ASC 605 and ASC 606 provides additional transparency and that providing this additional disclosure in the short term will help our investors and analysts understand the impact of the change in revenue recognition standards, especially given the material difference expected in the timing of revenue recognition for our patent risk management services. Note that the presentation under ASC 605 is not a substitute for the new ASC 606 revenue recognition standard under GAAP applicable for the first quarter of 2018.
- ▶ Guidance under ASC 605 and 606: The Company provided business outlook for the full year 2018 under ASC 606, as well as under ASC 605 for illustrative purposes and in order to provide additional transparency. The Company believes that providing this additional disclosure in the short term will help our investors and analysts understand the impact of the change in revenue recognition standards, especially given the material difference expected in the timing of revenue recognition for our patent risk management services. Note that the presentation under ASC 605 is not a substitute for the new ASC 606 revenue recognition standard under GAAP.
- ▶ The 2017 and 2016 ASC 606 numbers are preliminary estimates and subject to change.

# Income Statement Results Under ASC 605 and 606

Preliminary estimate, Unaudited<sup>[4]</sup>  
(\$ in millions)

	2017			2016		
	ASC 605	New Revenue Standard Adjustment	ASC 606	ASC 605	New Revenue Standard Adjustment	ASC 606
Revenue						
Subscription revenue	\$ 246.8	\$ (60.0)	\$ 186.8	\$ 255.4	\$ (62.8)	\$ 192.7
Fee-related revenue	5.4	23.6	29.0	11.6	39.5	51.1
Total patent risk management revenue	252.3	(36.4)	215.8	267.0	(23.2)	243.7
Discovery revenue	78.2	-	78.2	66.1	-	66.1
Total revenue	330.5	(36.4)	294.0	333.1	(23.2)	309.9
Cost of revenue	203.7	(27.3)	176.4	197.3	32.3	164.9
Selling, general and administrative expenses	90.5	0.6	91.1	100.5	(0.6)	99.8
Impairment losses	94.1	-	94.1	-	-	-
Operating income (loss)	(57.8)	(9.8)	(67.6)	35.4	9.7	45.1
Interest and other income (expense), net	(1.3)	-	(1.3)	(3.1)	-	(3.1)
Income (loss) before provision for income taxes	(59.1)	(9.8)	(68.8)	32.3	9.7	42.0
Provision for income taxes	20.1	0.0	20.1	14.1	3.6	17.7
Net income (loss)	<u>\$ (79.1)</u>	<u>\$ (9.8)</u>	<u>\$ (88.9)</u>	<u>\$ 18.2</u>	<u>\$ 6.1</u>	<u>\$ 24.3</u>

## Reconciliation of Net Income (Loss) to Non-GAAP Adjusted EBITDA Less Net Patent Spend

Net income (loss)	\$ (79.1)	\$ (9.8)	\$ (88.9)	\$ 18.2	\$ 6.1	\$ 24.3
Provision for income taxes	20.1	0.0	20.1	14.1	3.6	17.7
Interest and other expense, net	1.3	-	1.3	3.1	-	3.1
Impairment losses <sup>[2]</sup>	94.1	-	94.1	-	-	-
Stock-based compensation <sup>[1]</sup>	15.0	-	15.0	18.6	-	18.6
Depreciation and amortization	168.1	(27.3)	140.8	171.6	(32.9)	138.8
Non-GAAP adjusted EBITDA <sup>[3]</sup>	219.4	(37.1)	182.3	225.6	(23.2)	202.4
Net patent spend	(106.0)	8.1	(97.9)	(117.4)	17.0	(100.4)
Non-GAAP adjusted EBITDA less net patent spend	<u>\$ 113.4</u>	<u>\$ (29.0)</u>	<u>\$ 84.4</u>	<u>\$ 108.2</u>	<u>\$ (6.2)</u>	<u>\$ 102.0</u>

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

<sup>[2]</sup> RPX excludes non-cash impairment losses from its non-GAAP financial measures.

<sup>[3]</sup> RPX calculates non-GAAP adjusted EBITDA as GAAP earnings before other income or expenses, net, provision for income taxes, depreciation, amortization, non-cash impairment losses, and stock-based compensation expenses (inclusive of related employer payroll taxes).

<sup>[4]</sup> 2017 and 2016 ASC 606 numbers are preliminary estimates and subject to change

# Reconciliation of Net Income (loss) to Non-GAAP Net Income, as adjusted for ASC 606

Preliminary estimate, Unaudited<sup>[7]</sup>  
(\$ in millions)

	2017	2016
Net income (loss)	\$ (79.1)	\$ 18.2
Stock-based compensation <sup>[1]</sup>	15.0	18.6
Amortization of acquired intangible assets <sup>[2]</sup>	8.9	9.6
Fair value adjustment on deferred payment obligations <sup>[3]</sup>	-	(1.9)
Gain on extinguishment of deferred payment obligations <sup>[3]</sup>	-	(0.5)
Realized loss on exchange of short-term investments <sup>[3]</sup>	-	0.2
Accelerated debt issuance costs <sup>[3]</sup>	1.3	-
Impairment losses <sup>[4]</sup>	94.1	-
Income tax adjustments <sup>[5][6]</sup>	0.6	(8.5)
Non-GAAP net income	<u>\$ 40.7</u>	<u>\$ 35.7</u>

	2017	2016
Non-GAAP net income	\$ 40.7	\$ 35.7
New revenue standard adjustments <sup>[7]</sup>	(9.8)	6.1
New revenue standard adjustments related to the tax effects of Tax Cuts and Jobs Act <sup>[7]</sup>	3.6	-
Non-GAAP net income, as adjusted for ASC 606	<u>\$ 34.6</u>	<u>\$ 41.8</u>

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

<sup>[2]</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>[3]</sup> RPX excludes fair value adjustments and gains on extinguishment related to its deferred payment obligations, realized losses on exchanges on short-term investments, acceleration of debt issuance costs from the early repayment of term debt from its non-GAAP financial measures.

<sup>[4]</sup> RPX excludes non-cash impairment losses from its non-GAAP financial measures.

<sup>[5]</sup> Amount reflects income taxes associated with the above noted non-GAAP exclusions.

<sup>[6]</sup> RPX excludes one-time impacts of the Tax Cuts and Jobs Act from its non-GAAP financial measures, specifically as it relates to the revaluation of deferred tax assets and repatriation toll charges.

<sup>[7]</sup> The Company is providing annual adjustments from ASC 605 to ASC 606 for additional transparency. These adjustments for the years ended December 31, 2017 and 2016 are preliminary estimates and subject to change. These adjustments do not have an impact on the items excluded for non-GAAP presentation except the one-time tax effects of the Tax Cuts and Jobs Act relating to the revaluation of deferred taxes for the fourth quarter and year ended December 31, 2017 which increases the Company's provision for income taxes by \$3.6 million.

# Reconciliation of GAAP to Non-GAAP Under ASC 606

Preliminary estimate, Unaudited<sup>[7]</sup>  
(\$ in millions)

	2017	2016
Cost of revenue	\$ 203.7	\$ 197.3
Stock-based compensation <sup>[1]</sup>	(0.5)	-
Amortization of acquired intangible assets <sup>[2]</sup>	(2.1)	(2.1)
Non-GAAP cost of revenue	201.2	195.1
New revenue standard adjustments <sup>[7]</sup>	(27.3)	(32.3)
Non-GAAP cost of revenue, as adjusted for ASC 606	\$ 173.9	\$ 162.8

	2017	2016
Selling, general and administrative expenses	\$ 90.5	\$ 100.5
Stock-based compensation <sup>[1]</sup>	(14.5)	(18.6)
Amortization of acquired intangible assets <sup>[2]</sup>	(6.9)	(7.5)
Non-GAAP selling, general and administrative expenses	69.1	74.4
New revenue standard adjustments <sup>[7]</sup>	0.6	(0.6)
Non-GAAP selling, general and administrative expenses, as adjusted for ASC 606	\$ 69.8	\$ 73.8

	2017	2016
Provision for income taxes	\$ 20.1	\$ 14.1
Tax effects of other non-GAAP exclusions <sup>[5]</sup>	14.0	8.5
Tax effects of Tax Cuts and Jobs Act <sup>[6]</sup>	(14.6)	-
Non-GAAP provision for income taxes	19.5	22.5
New revenue standard adjustments <sup>[7]</sup>	0.0	3.6
New revenue standard adjustments related to the tax effects of Tax Cuts and Jobs Act <sup>[7]</sup>	(3.6)	-
Non-GAAP provision for income taxes, as adjusted for ASC 606	\$ 15.9	\$ 26.2

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

<sup>[2]</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>[3]</sup> RPX excludes fair value adjustments and gains on extinguishment related to its deferred payment obligations, realized losses on exchanges on short-term investments, acceleration of debt issuance costs from the early repayment of term debt from its non-GAAP financial measures.

<sup>[4]</sup> RPX excludes non-cash impairment losses from its non-GAAP financial measures.

<sup>[5]</sup> Amount reflects income taxes associated with the above noted non-GAAP exclusions.

<sup>[6]</sup> RPX excludes one-time impacts of the Tax Cuts and Jobs Act from its non-GAAP financial measures, specifically as it relates to the revaluation of deferred tax assets and repatriation toll charges.

<sup>[7]</sup> The Company is providing annual adjustments from ASC 605 to ASC 606 for additional transparency. These adjustments for the years ended December 31, 2017 and 2016 are preliminary estimates and subject to change. These adjustments do not have an impact on the items excluded for non-GAAP presentation except the one-time tax effects of the Tax Cuts and Jobs Act relating to the revaluation of deferred taxes for the fourth quarter and year ended December 31, 2017 which increases the Company's provision for income taxes by \$3.6 million.

# Guidance

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# FY 2018 Guidance

<i>In millions</i>	Guidance for FY 2018	
	Guidance (ASC 606)	Illustrative (ASC 605)
Subscription Revenue		\$200 - \$210
Fee Revenue		\$5 - \$10
<b>Total Patent Risk Management Revenue</b>	<b>\$170 - \$195</b>	<b>\$205 - \$220</b>
Discovery Revenue	\$62 - \$71	\$62 - \$71
<b>Total Revenue</b>	<b>\$232 - \$266</b>	<b>\$267 - \$291</b>
Cost of Revenue <sup>[1]</sup>	\$140 - \$149	\$159 - \$167
SG&A <sup>[1]</sup>	\$66 - \$72	\$66 - \$72
<b>Operating Income<sup>[1]</sup></b>	<b>\$27 - \$40</b>	<b>\$42 - \$52</b>
<b>Net Income<sup>[1]</sup></b>	<b>\$18 - \$28</b>	<b>\$30 - \$38</b>
Patent risk management adjusted EBITDA <sup>[1]</sup>	\$120 - \$140	\$155 - \$169
Discovery services adjusted EBITDA <sup>[1]</sup>	\$13 - \$17	\$13 - \$17
<b>Total adjusted EBITDA<sup>[1]</sup></b>	<b>\$133 - \$157</b>	<b>\$168 - \$186</b>
Net Patent Spend (NPS)	\$70 - \$90	\$80 - \$100
<b>Consolidated adjusted EBITDA less net patent spend <sup>[1]</sup></b>	<b>\$53 - \$77</b>	<b>\$78 - \$96</b>
<b>Free cash flow<sup>[1][2]</sup></b>	<b>\$65 - \$85</b>	<b>\$65 - \$85</b>
Gross Patent Spend (GPS)	>\$150	>\$150
Effective Tax Rate <sup>[1]</sup>	32%	29%
WA Diluted Shares	51	51

<sup>[1]</sup> Cost of Revenue, SG&A, operating income, net income, Adjusted EBITDA, Free cash flow, and effective tax rate are non-GAAP metrics.

<sup>[2]</sup> Operating cash flow less capital expenditures including on patents