

RPX Corporation Q4 2013 Earnings Call

February 11, 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,
 - 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.

Q4 2013 and FY 2013 Financial Summary

- ▶ **Total revenue of \$60.3 million, up 17% year over year**
 - Subscription revenue of \$57.9 million, up 18% year over year
 - Fee-related revenue of \$2.4 million
- ▶ **FY 2013 total revenue of \$237.5 million, up 20% over prior year**
 - Subscription revenue of \$224.7 million, up 21% over prior year
 - Fee-related revenue of \$12.8 million
- ▶ **8 net client adds in Q4 2013 and 28 in FY 2013**
 - Total 168 clients
- ▶ **25 active insurance clients**
- ▶ **Renewals above 90%**
- ▶ **Cash, cash equivalents and short-term investments of \$290.7 million^[1]**

^[1] As of December 31, 2013

Guidance

(in millions)

	Q1 2014	FY 2014
Subscription revenue	\$60.8 - \$61.3	\$246 – \$258
Fee-related revenue	\$1.1	\$8 – \$10
Total revenue	\$61.9 - \$62.4	\$254 - \$268
Cost of revenue ^[1]	--	\$120 – \$124
SG&A ^[1]	--	\$51 – \$55
Net income ^[1]	\$11.8 – \$12.4	\$53 – \$57
Effective tax rate	36%	36%
Pro forma WA diluted shares	54.3	54.6
Net acquisition spend	--	\$135

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

Q4 and FY 2013 Consolidated P&L

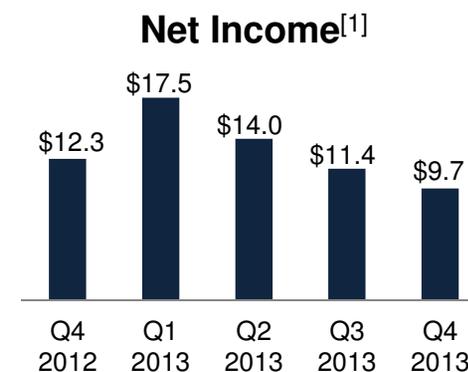
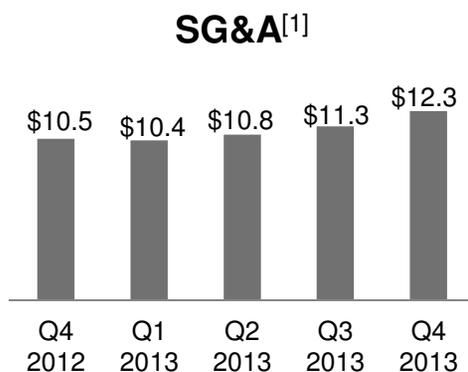
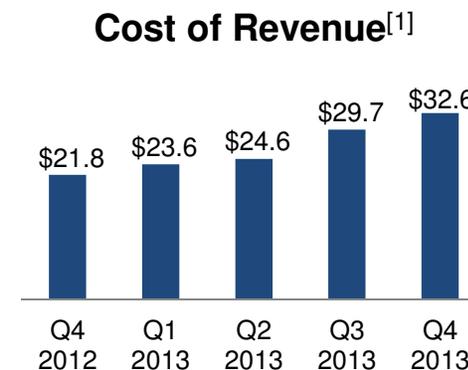
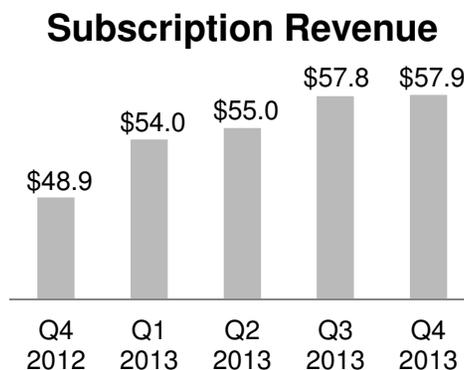
(in millions, except per share data)

	Q4 2013	Q4 2012	FY 2013	FY 2012
Revenue	\$60.3	\$51.6	\$237.5	\$197.7
Subscription Revenue	\$57.9	\$48.9	\$224.7	\$185.6
Cost of Revenue ^[1]	\$32.6	\$21.8	\$110.5	\$82.1
SG&A ^[1]	\$12.3	\$10.5	\$44.7	\$41.9
Effective Tax Rate	37%	36%	36%	36%
Net Income ^[1]	\$9.7	\$12.3	\$52.7	\$47.1
Pro Forma Diluted EPS	\$0.18	\$0.24	\$0.98	\$0.90
Pro Forma WA Diluted Shares	54.3	52.1	53.7	52.5

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

Q4 2013 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)

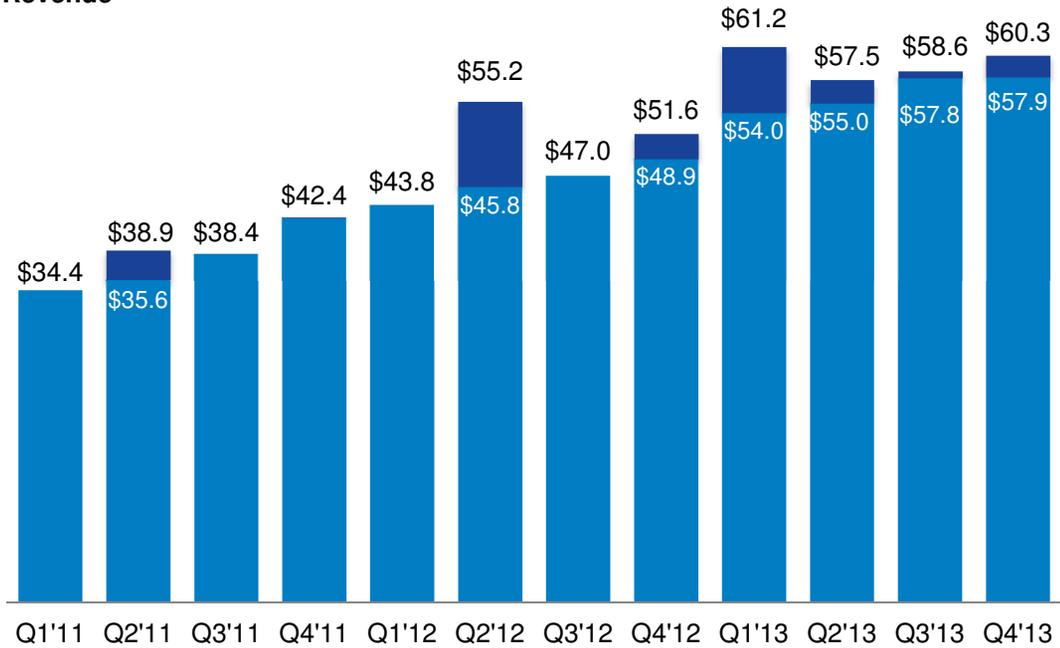
Total Revenue



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

Quarterly (\$ in millions)

Total Revenue

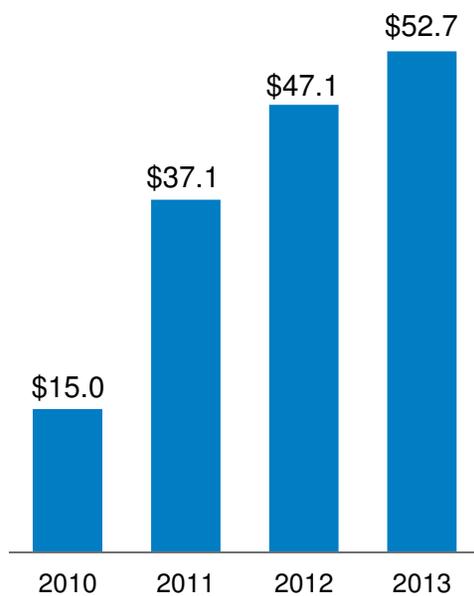


Net Clients Added	Q1'11	Q2'11	Q3'11	Q4'11	Q1'12	Q2'12	Q3'12	Q4'12	Q1'13	Q2'13	Q3'13	Q4'13
Net Clients Added	9	15	7	9	4	4	8	12	6	11	3	8

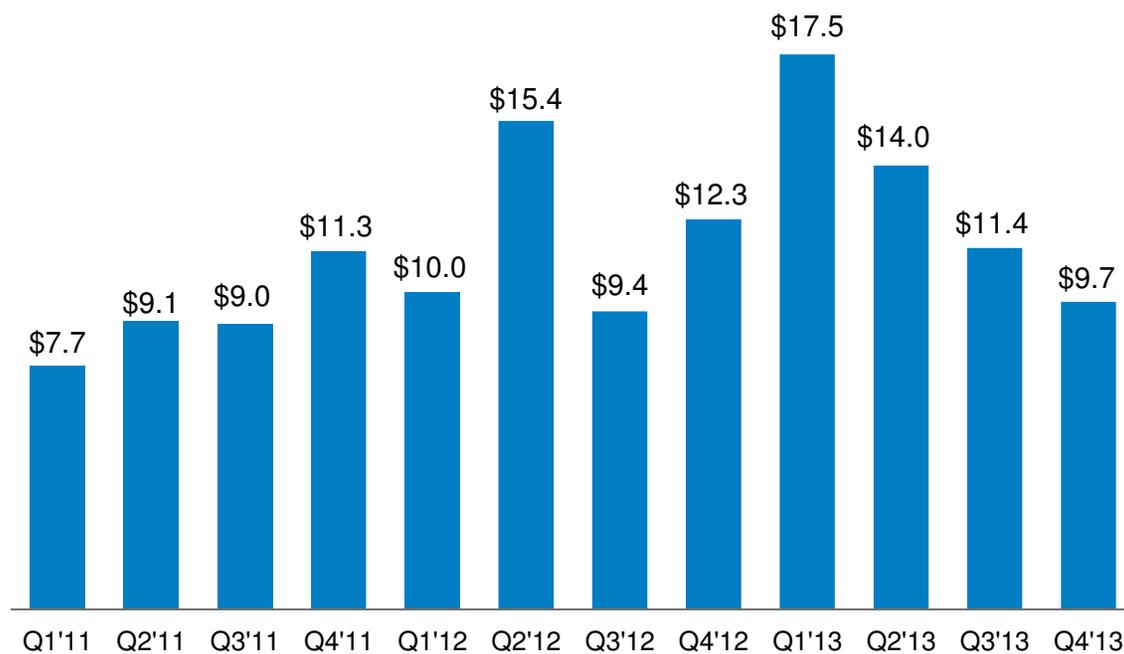
■ Subscription revenue
 ■ Fee-related revenue

Non-GAAP Net Income

Annual
(\$ in millions)

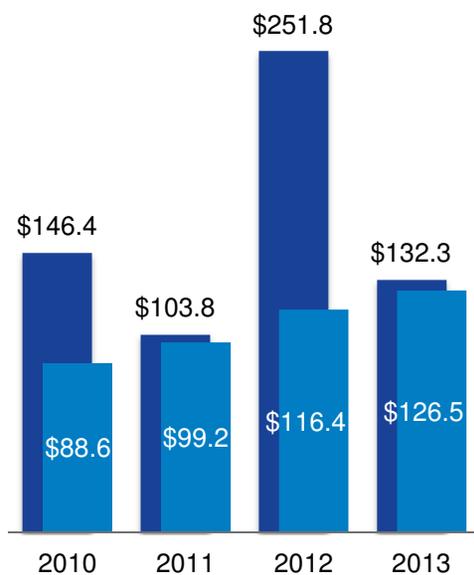


Quarterly
(\$ in millions)

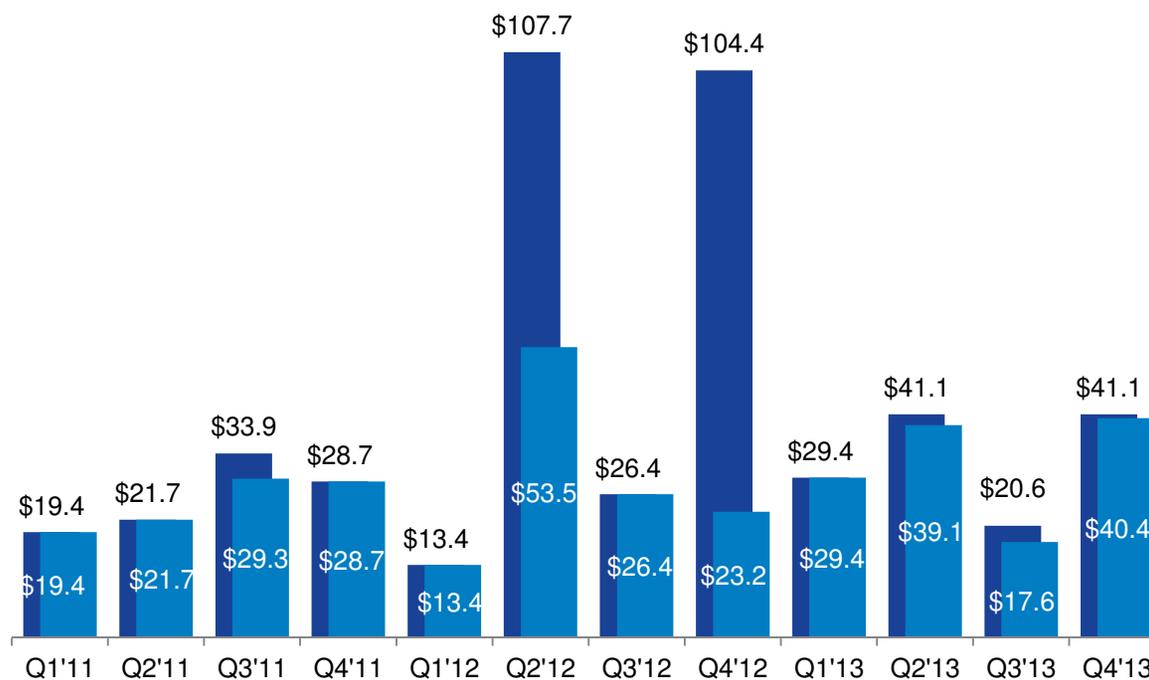


Patent Acquisition Spend

Annual
(\$ in millions)



Quarterly
(\$ in millions)



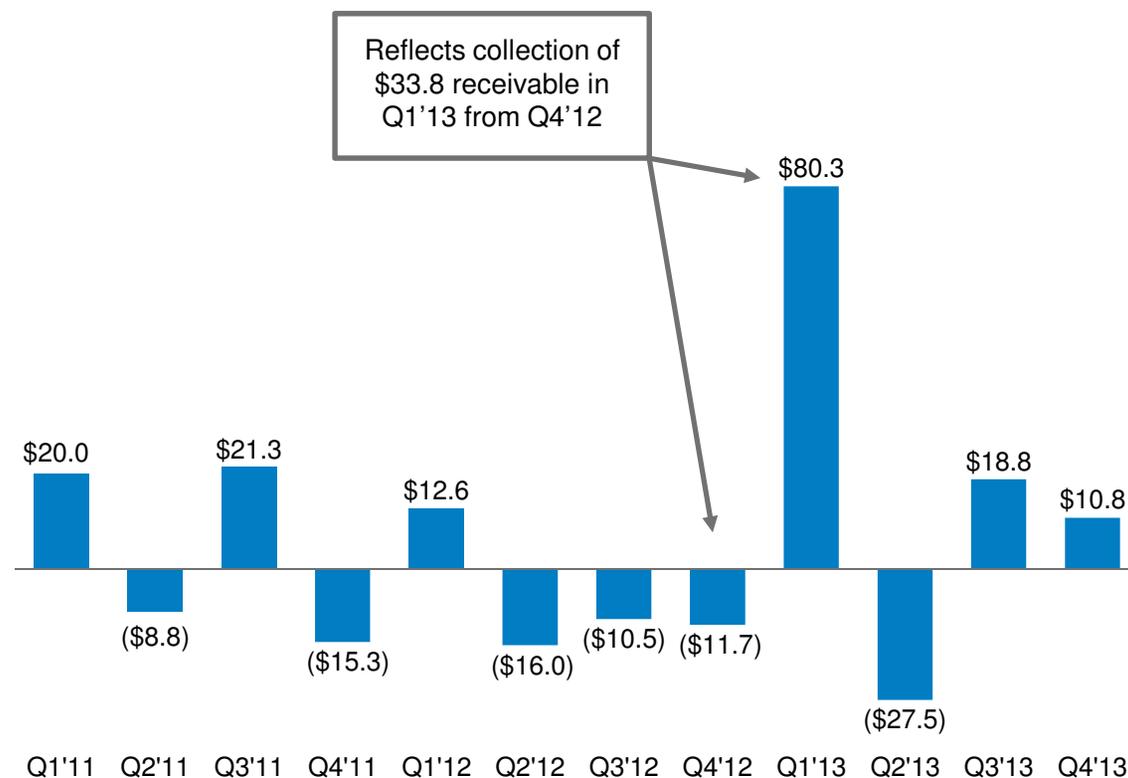
■ Net ■ Gross

Free Cash Flow

Annual
(\$ in millions)



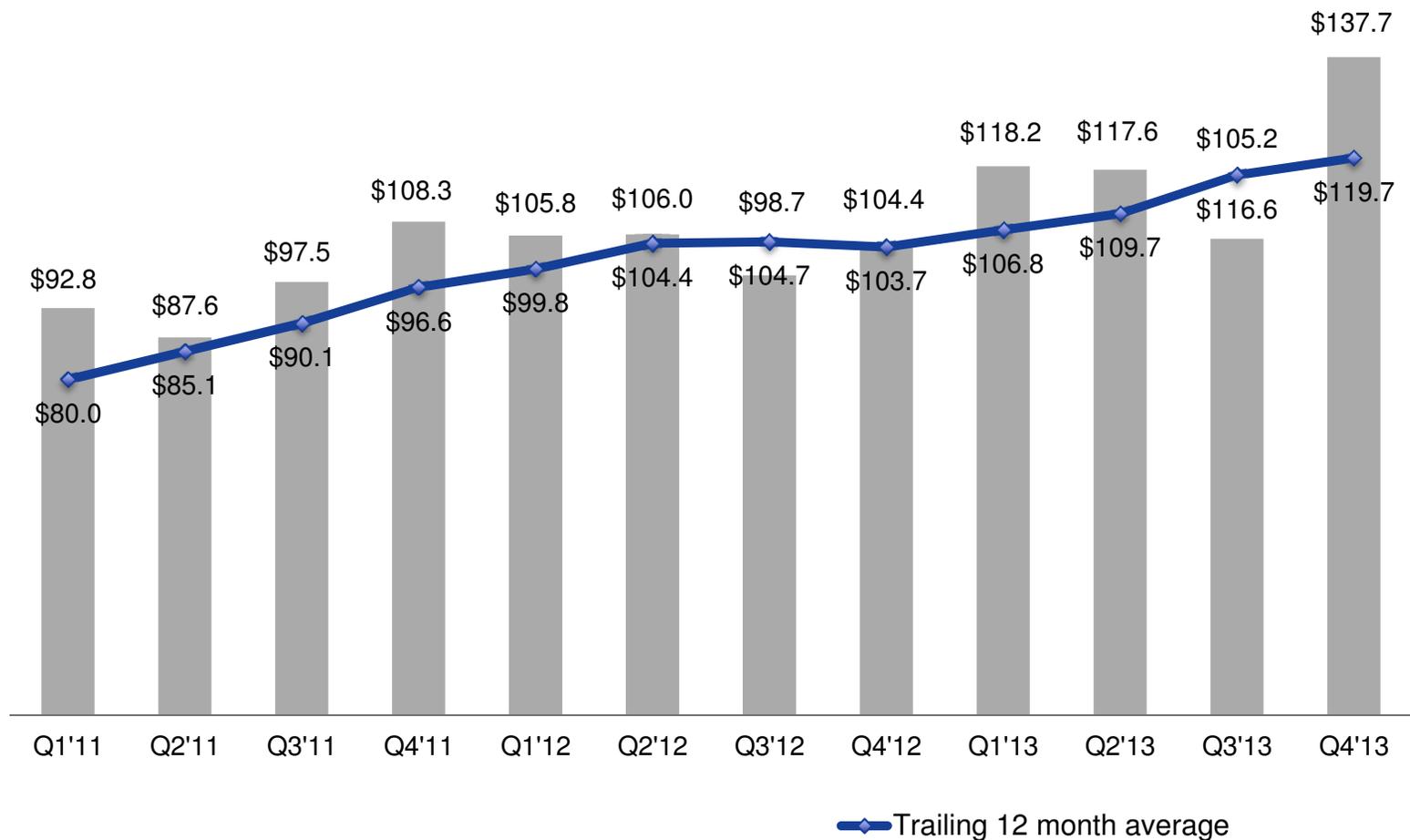
Quarterly
(\$ in millions)



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.

Deferred Revenue

(\$ in millions)



Q4 2013 GAAP to Non-GAAP Reconciliation

(\$M)	Q4 2013	Q4 2012
Net Income	\$7.0	\$10.1
Stock-based compensation	\$4.1	\$2.9
Amortization of acquired intangible assets	\$0.4	\$0.4
Income tax adjustments	(\$1.7)	(\$1.1)
Non-GAAP net income	\$9.7	\$12.3
Pro forma non-GAAP net income per share		
Basic	\$0.19	\$0.24
Diluted	\$0.18	\$0.24
Pro forma weighted-average shares		
Basic	52.6	49.1
Diluted	54.3	52.2

(\$M)	Q4 2013	Q4 2012
Cost of Revenue	\$32.6	\$21.8
Amortization of acquired intangible assets	(\$0.0)	(\$0.0)
Non-GAAP cost of revenue	\$32.6	\$21.8

(\$M)	Q4 2013	Q4 2012
Selling, general and administrative expenses	\$16.7	\$13.7
Stock-based compensation	(\$4.1)	(\$2.9)
Amortization of acquired intangible assets	(\$0.3)	(\$0.3)
Non-GAAP selling, general and administrative expenses	\$12.3	\$10.5

FY 2013 GAAP to Non-GAAP Reconciliation

(\$M)	FY 2013	FY 2012
Net Income	\$40.7	\$39.0
Stock-based compensation	\$16.6	\$10.7
Amortization of acquired intangible assets	\$1.4	\$1.2
Income tax adjustments	(\$6.1)	(\$3.8)
Non-GAAP net income	\$52.7	\$47.1
Pro forma non-GAAP net income per share		
Basic	\$1.01	\$0.93
Diluted	\$0.98	\$0.90
Pro forma weighted-average shares		
Basic	52.0	50.4
Diluted	53.7	52.5

(\$M)	FY 2013	FY 2012
Cost of Revenue	\$110.8	\$82.3
Amortization of acquired intangible assets	(\$0.2)	(\$0.2)
Non-GAAP cost of revenue	\$110.6	\$82.1

(\$M)	FY 2013	FY 2012
Selling, general and administrative expenses	\$62.5	\$53.6
Stock-based compensation	(\$16.6)	(\$10.7)
Amortization of acquired intangible assets	(\$1.2)	(\$1.0)
Non-GAAP selling, general and administrative expenses	\$44.7	\$41.9

Thank You
