

RPX Corporation Q2 2015 Earnings Call

July 28, 2015

John Amster, Chief Executive Officer and Co-founder
Robert Heath, 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 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.

Q2 2015 Financial Summary

- ▶ **Total revenue of \$67.6 million, up 5% year over year**
 - Subscription revenue of \$67.6 million, up 5% year over year

- ▶ **1 net client add**
 - Total 225 clients

- ▶ **62 active insurance clients**

- ▶ **Renewal rate above 90%**

- ▶ **Cash, cash equivalents and short-term investments of \$381.2 million^[1]**

^[1] As of June 30, 2015

Guidance

(in millions)

	Q3 2015	FY 2015
Subscription revenue	\$67.7 - \$68.2	\$265.0 - \$275.0
Fee-related revenue	\$0.0	\$20.0 - \$25.0
Total revenue	\$67.7 - \$68.2	\$285.0 - \$300.0
Cost of revenue ^[1]	--	\$145.0 - \$150.0
SG&A ^[1]	--	\$60.0 - \$64.0
Net income ^[1]	\$7.8 - \$8.5	\$50.0 - \$54.0
Effective tax rate ^[1]	37%	37%
WA diluted shares	56.2	55.9
Net acquisition spend	--	\$170.0

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

Q2 2015 Consolidated P&L

(in millions, except per share data)

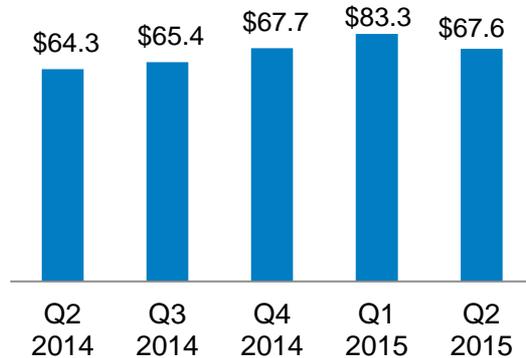
	Q2 2015	Q2 2014
Total Revenue	\$67.6	\$64.3
Subscription Revenue	\$67.6	\$64.3
Cost of Revenue ^[1]	\$36.9	\$31.5
SG&A ^[1]	\$13.8	\$13.2
Effective Tax Rate ^[1]	37%	37%
Net Income ^[1]	\$11.2	\$12.9
Diluted Non-GAAP EPS	\$0.20	\$0.24
WA Diluted Shares	55.7	54.8

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

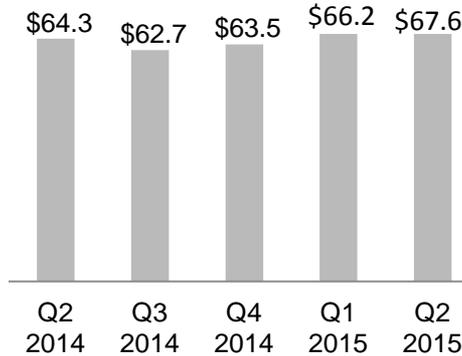
Q2 2015 Key Performance Metrics

(\$ in millions)

Total Revenue



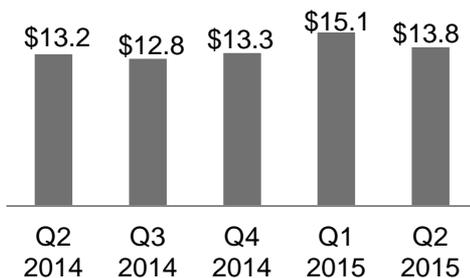
Subscription Revenue



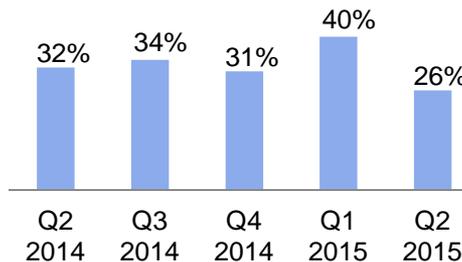
Cost of Revenue^[1]



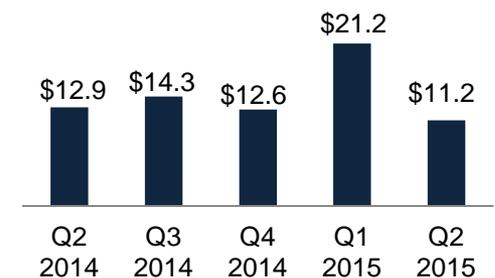
SG&A^[1]



Operating Margin^[1]



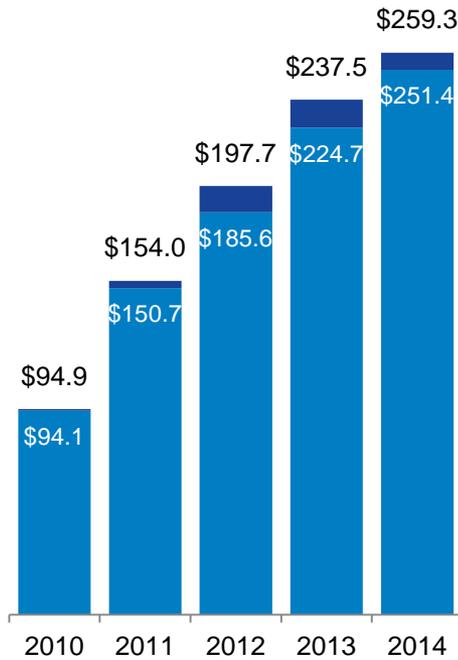
Net Income^[1]



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

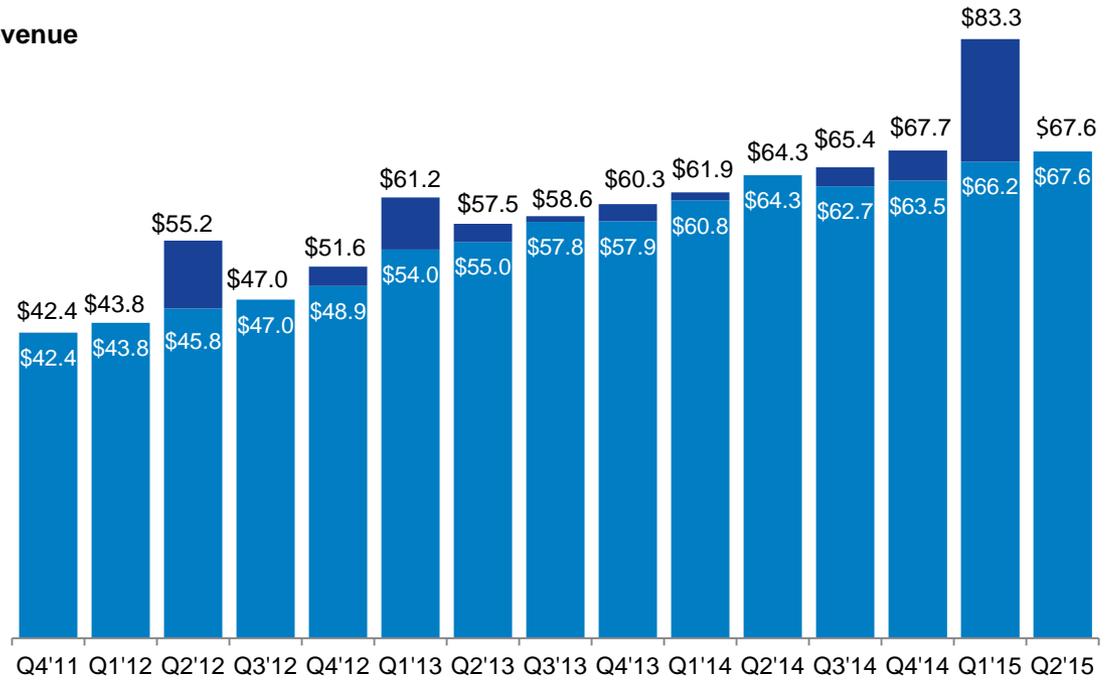
Revenue

Annual (\$ in millions)



Quarterly (\$ in millions)

Revenue



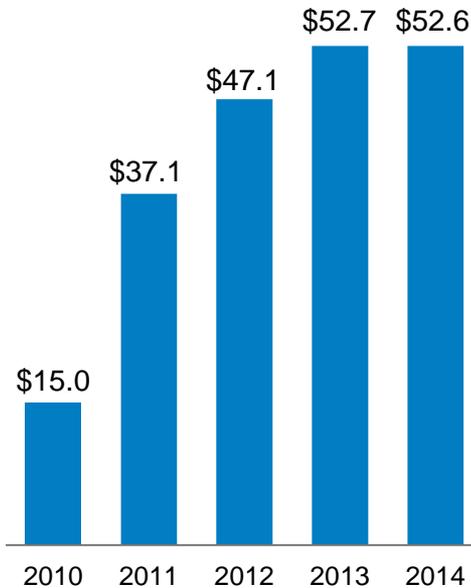
Net Clients Added
49
40
28
28
36

Net Clients Added
9
4
4
8
12
6
11
3
8
10
6
11
9
20
1

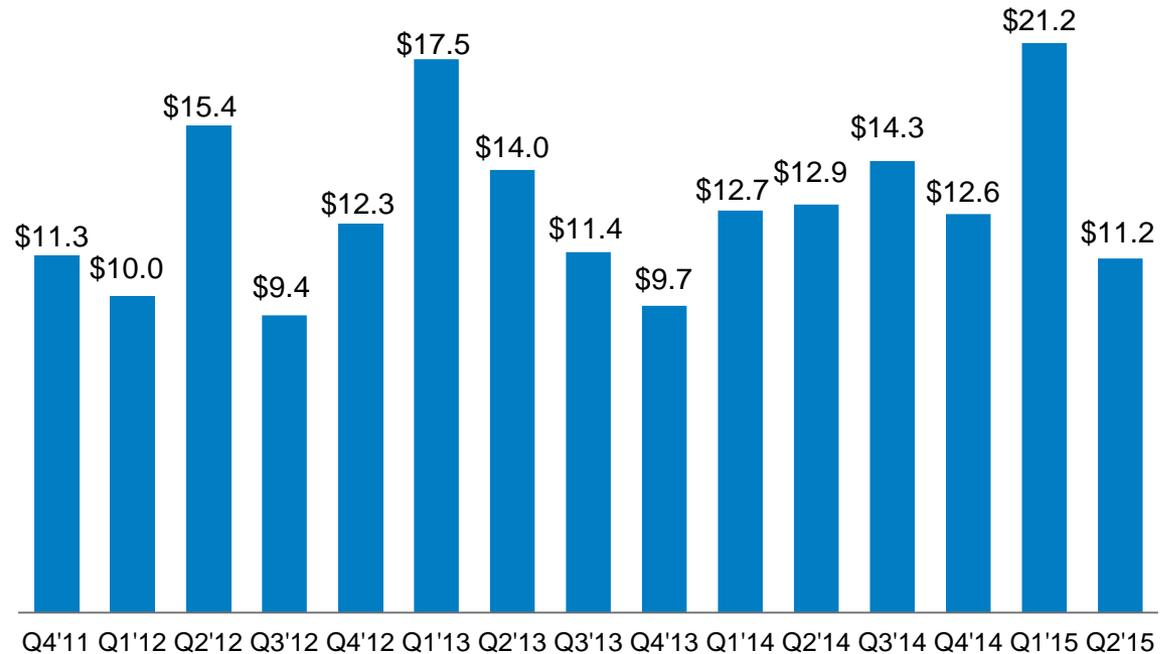
■ Subscription revenue
 ■ Fee-related revenue

Non-GAAP Net Income

Annual
(\$ in millions)



Quarterly
(\$ in millions)

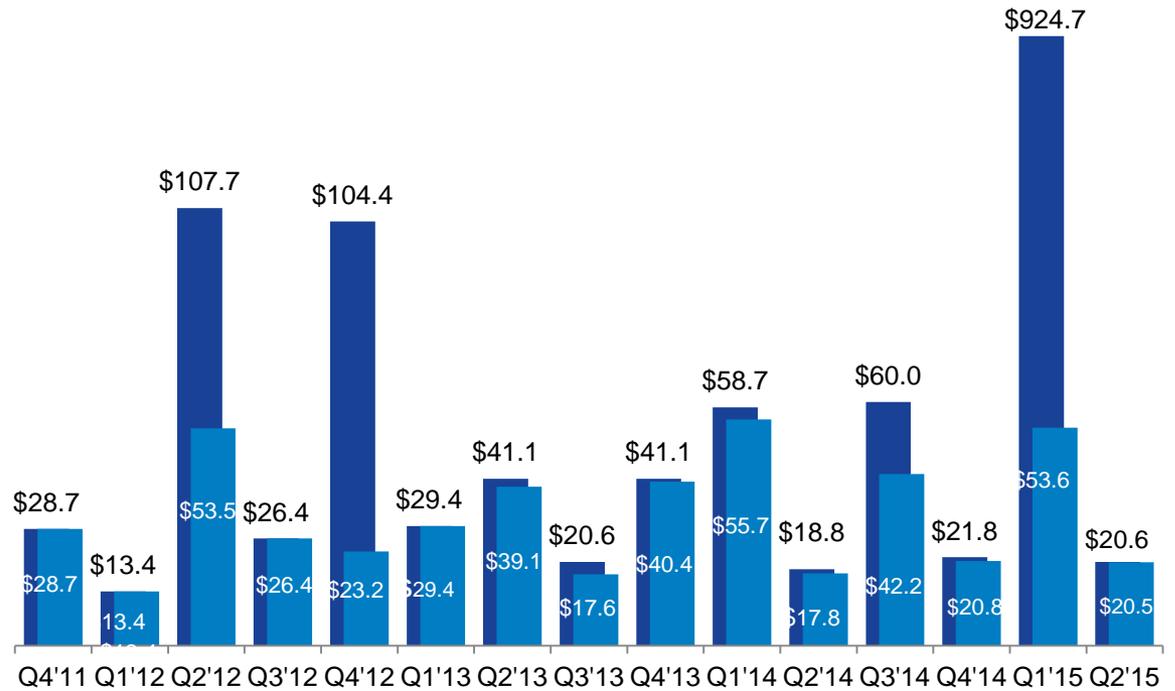


Patent Acquisition Spend

Annual
(\$ in millions)



Quarterly
(\$ in millions)



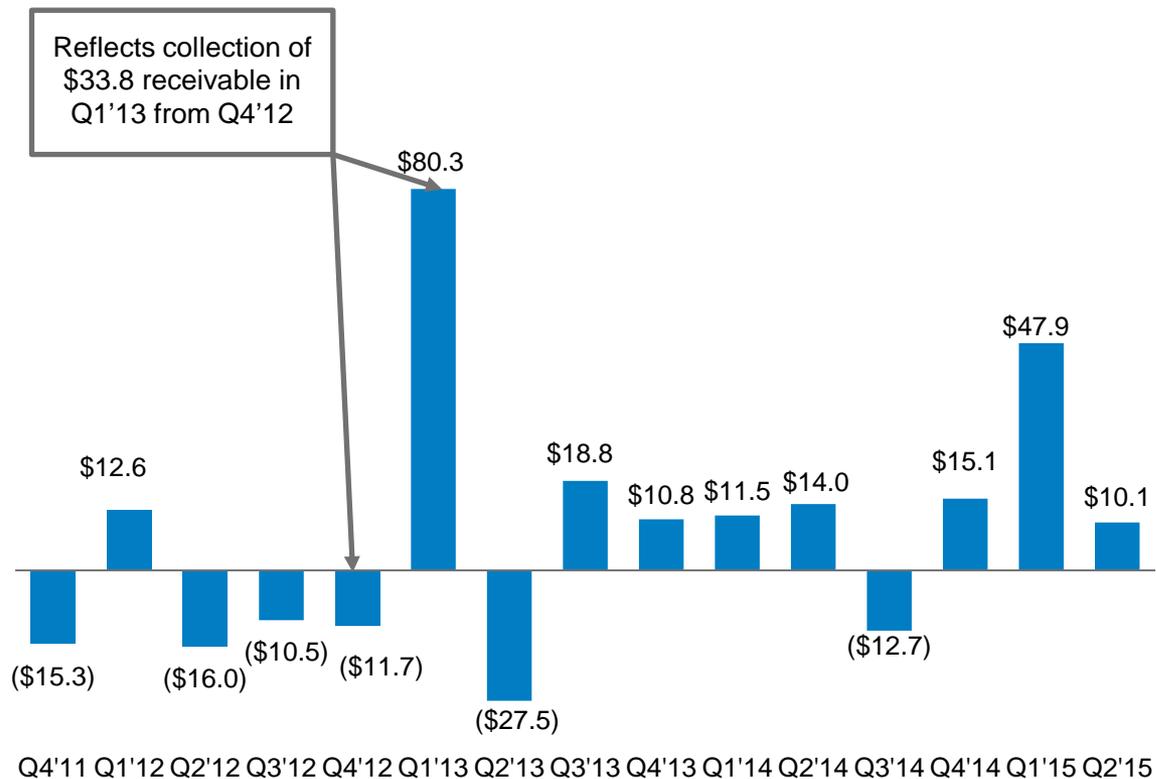
■ Net ■ Gross

Free Cash Flow

Annual (\$ in millions)



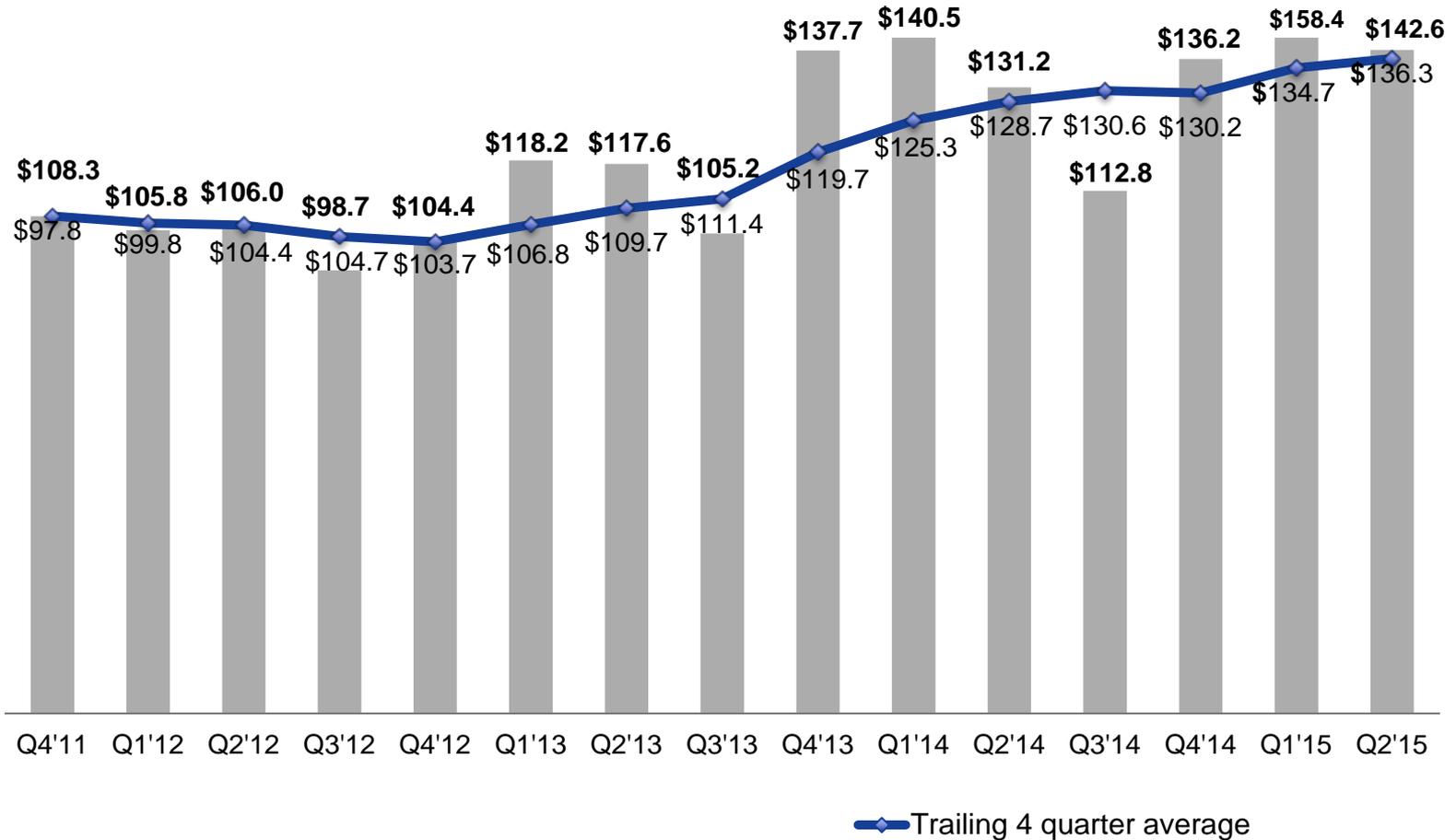
Quarterly (\$ in millions)



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)



Q2 2015 GAAP to Non-GAAP Reconciliation

(\$M)	Q2 2015	Q2 2014
Net Income	\$8.0	\$9.4
Stock-based compensation	\$4.8	\$5.2
Amortization of acquired intangible assets	\$0.4	\$0.3
Fair value adjustment on deferred payment obligations	(\$0.7)	-
Income tax adjustments	(\$1.4)	(\$1.9)
Non-GAAP net income	\$11.2	\$12.9
Non-GAAP net income per share:		
Basic	\$0.20	\$0.24
Diluted	\$0.20	\$0.24
Weighted-average shares:		
Basic	54.5	53.2
Diluted	55.7	54.8

(\$M)	Q2 2015	Q2 2014
Cost of Revenue	\$37.0	\$31.5
Amortization of acquired intangible assets	(\$0.1)	(\$0.1)
Non-GAAP cost of revenue	\$36.9	\$31.5

(\$M)	Q2 2015	Q2 2014
Selling, general and administrative expenses	\$19.0	\$18.6
Stock-based compensation	(\$4.8)	(\$5.2)
Amortization of acquired intangible assets	(\$0.4)	(\$0.2)
Non-GAAP selling, general and administrative expenses	\$13.8	\$13.2

(\$M)	Q2 2015	Q2 2014
Other income, net	\$0.9	\$0.1
Fair value adjustment on deferred payment obligations	(\$0.7)	-
Non-GAAP other income, net	\$0.2	\$0.1

Thank You
