

# RPX Corporation Q2 2014 Earnings Call

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July 29, 2014

John Amster, Chief Executive Officer and Co-founder  
Ned Segal, 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 report on Form 10-Q 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.

# Q2 2014 Financial Summary

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▶ **Total revenue of \$64.3 million**

- Subscription revenue of \$64.3 million, up 17% year over year

▶ **6 net client adds**

- Total 184 clients

▶ **33 active insurance clients**

▶ **Renewal rate above 90%**

▶ **Cash, cash equivalents and short-term investments of \$317.6 million<sup>[1]</sup>**

<sup>[1]</sup> As of June 30, 2014

# Guidance

(in millions)

|                                | Q3 2014         | FY 2014       |
|--------------------------------|-----------------|---------------|
| Subscription revenue           | \$62.3 - \$63.0 | \$246 – \$258 |
| Fee-related revenue            | \$0.8           | \$8 – \$10    |
| Total revenue                  | \$63.1 - \$63.8 | \$254 - \$268 |
| Cost of revenue <sup>[1]</sup> | --              | \$120 – \$124 |
| SG&A <sup>[1]</sup>            | --              | \$51 – \$55   |
| Net income <sup>[1]</sup>      | \$12.0 - \$12.6 | \$53 – \$57   |
| Effective tax rate             | 37%             | 37%           |
| Pro forma WA diluted shares    | 55.0            | 54.6          |
| Net acquisition spend          | --              | \$135         |

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

# Q2 2014 Consolidated P&L

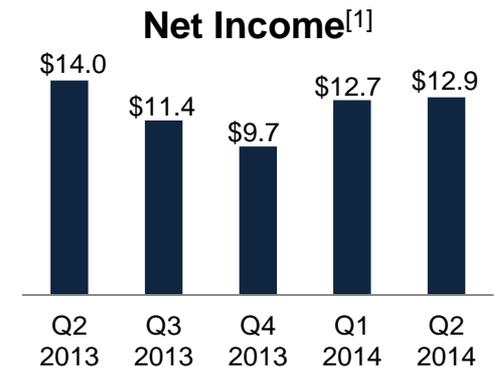
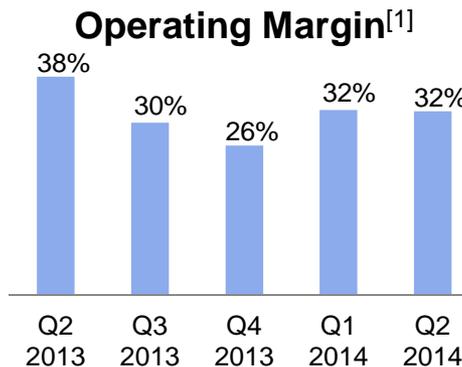
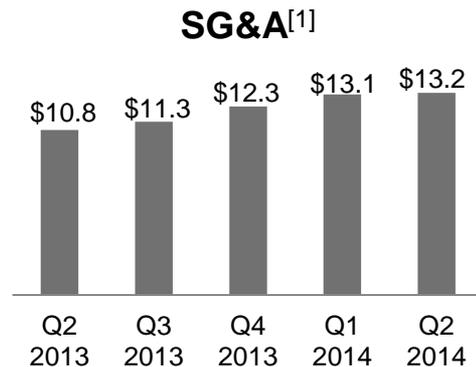
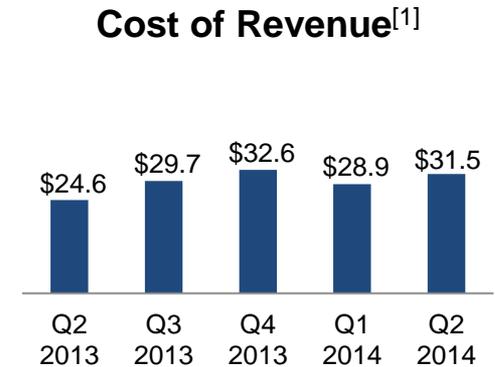
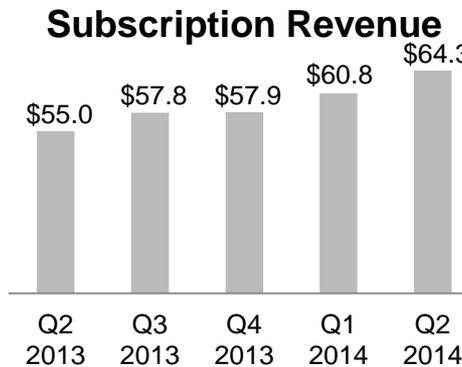
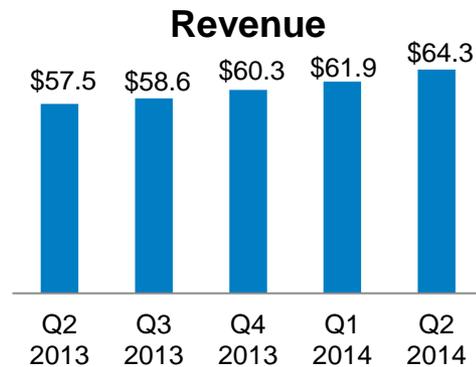
(in millions, except per share data)

|                                | Q2 2014 | Q2 2013 |
|--------------------------------|---------|---------|
| Revenue                        | \$64.3  | \$57.5  |
| Subscription Revenue           | \$64.3  | \$55.0  |
| Cost of Revenue <sup>[1]</sup> | \$31.5  | \$24.7  |
| SG&A <sup>[1]</sup>            | \$13.2  | \$10.8  |
| Effective Tax Rate             | 36%     | 36%     |
| Net Income <sup>[1]</sup>      | \$12.9  | \$14.0  |
| Pro Forma Diluted EPS          | \$0.24  | \$0.26  |
| Pro Forma WA Diluted Shares    | 54.8    | 53.5    |

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

# Q2 2014 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)

Revenue

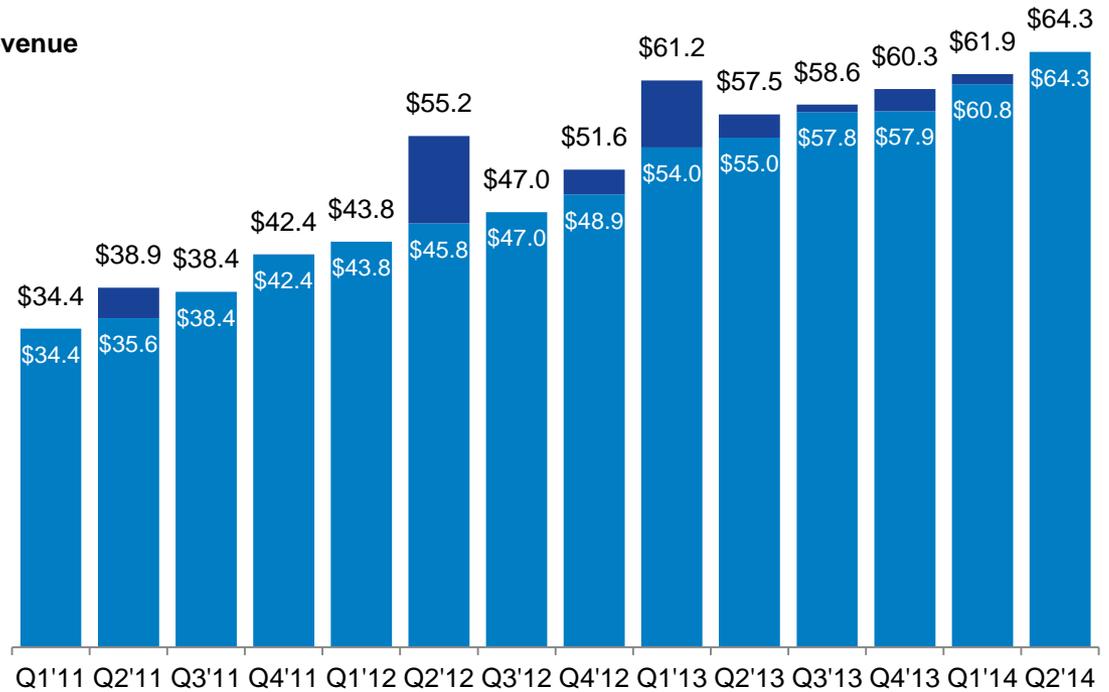


Net  
Clients  
Added

49    40    28    28

## Quarterly (\$ in millions)

Revenue



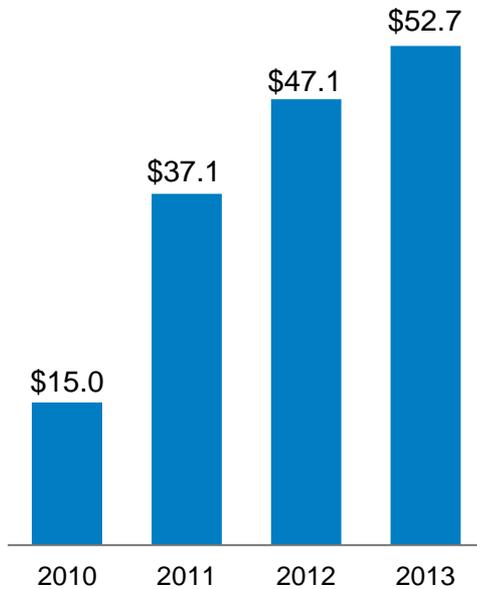
Net  
Clients  
Added

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

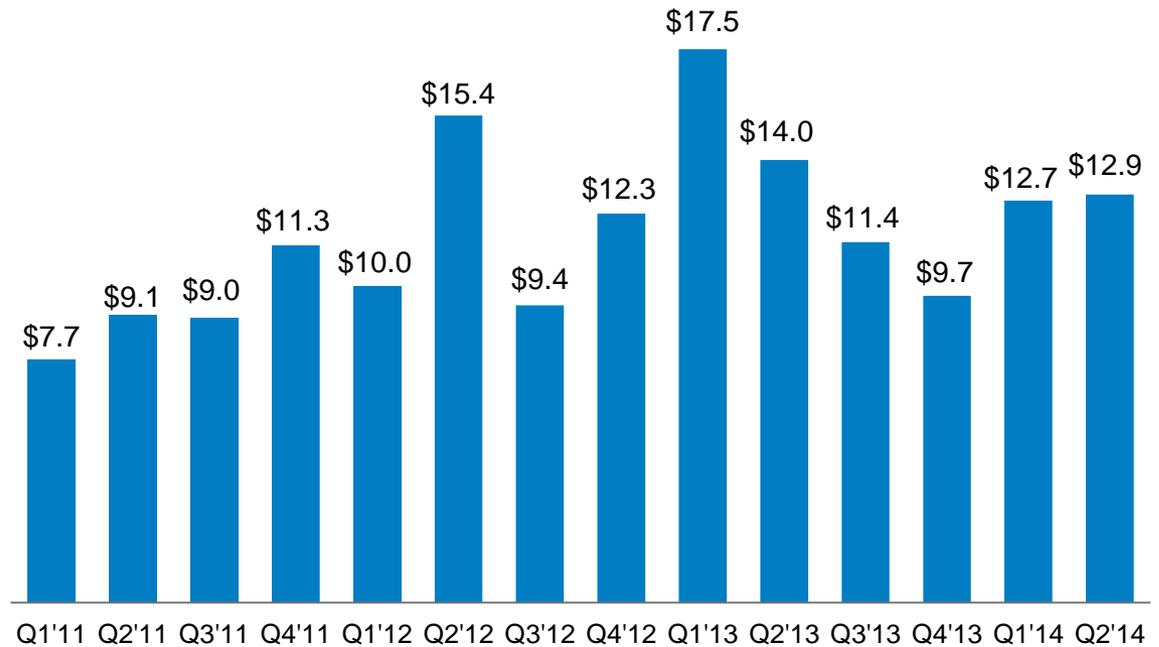
Subscription revenue    Fee-related revenue

# Non-GAAP Net Income

**Annual**  
(\$ in millions)

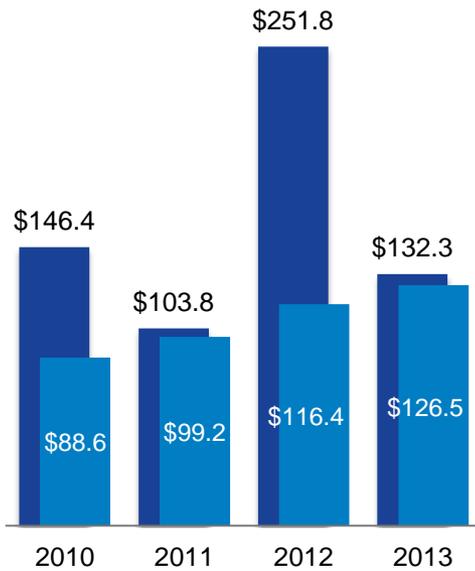


**Quarterly**  
(\$ in millions)

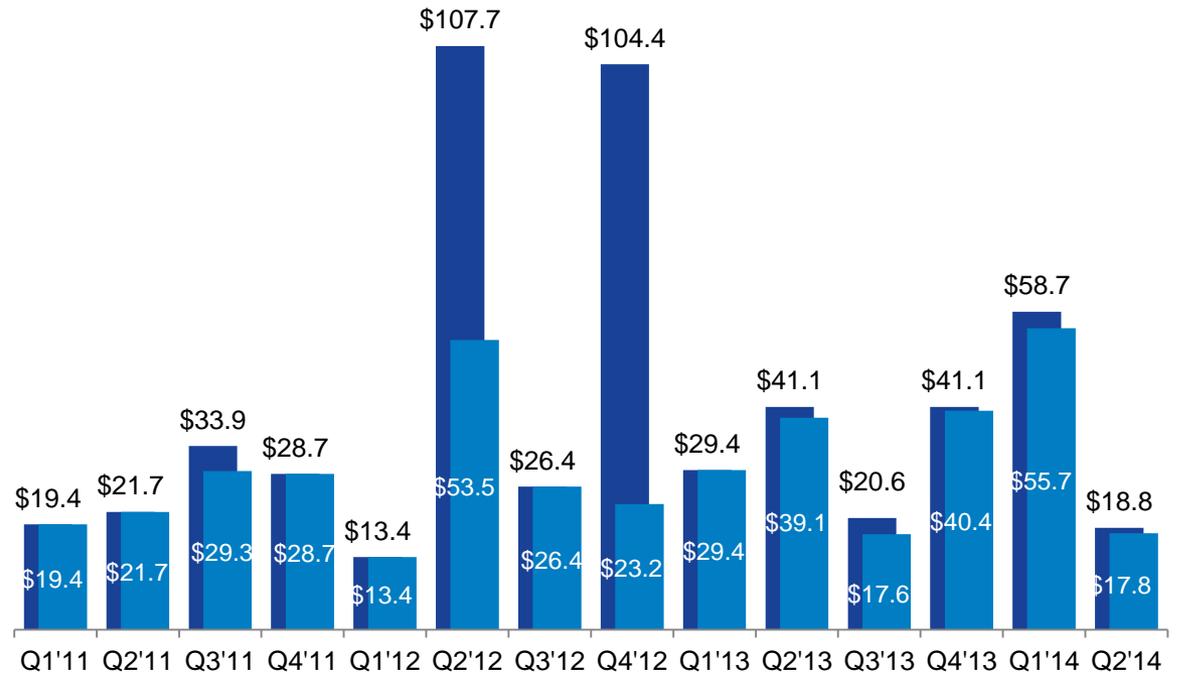


# Patent Acquisition Spend

**Annual**  
(\$ in millions)



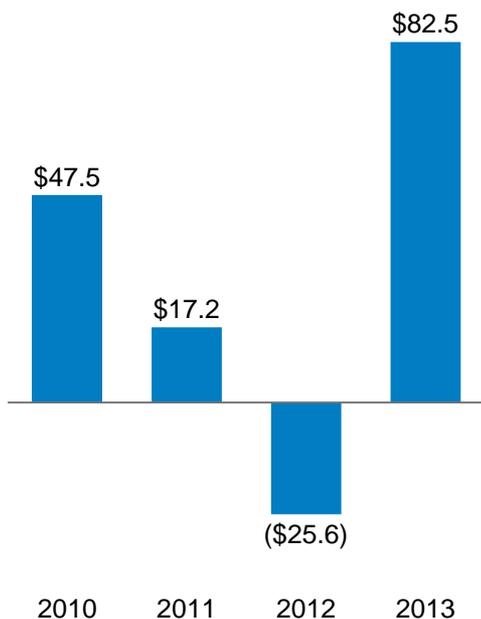
**Quarterly**  
(\$ in millions)



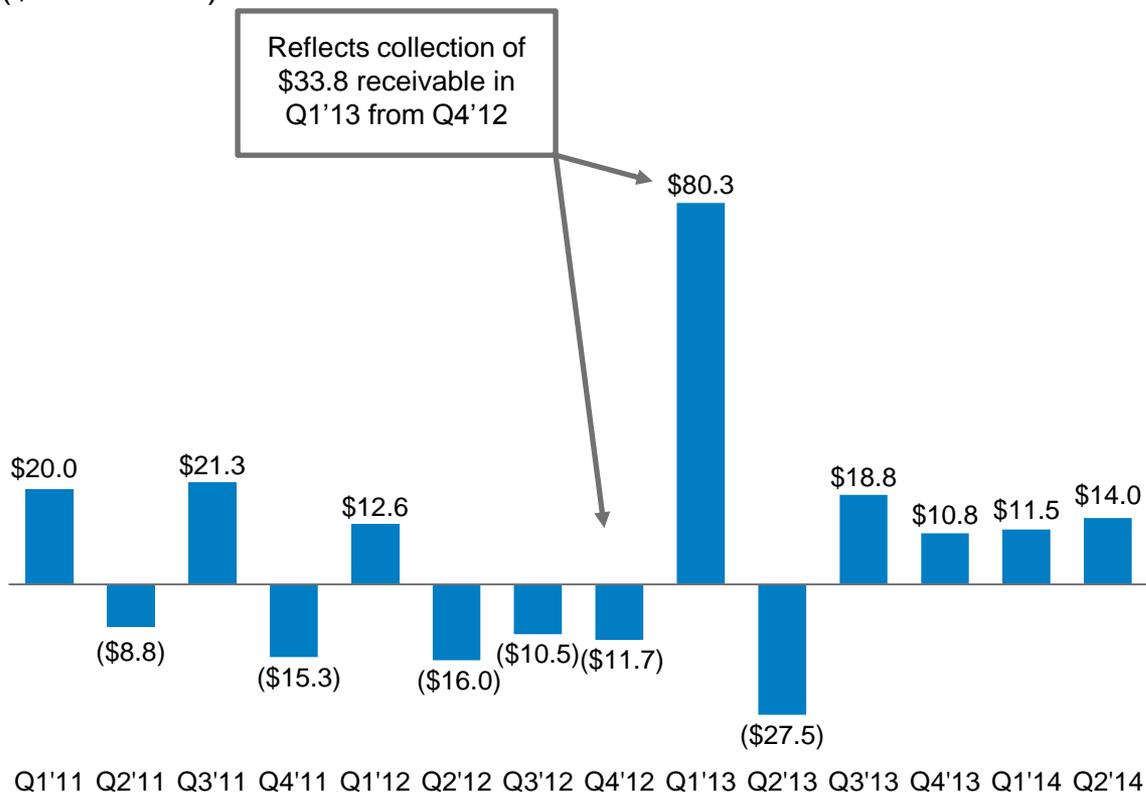
■ Net ■ Gross

# Free Cash Flow

## Annual (\$ in millions)



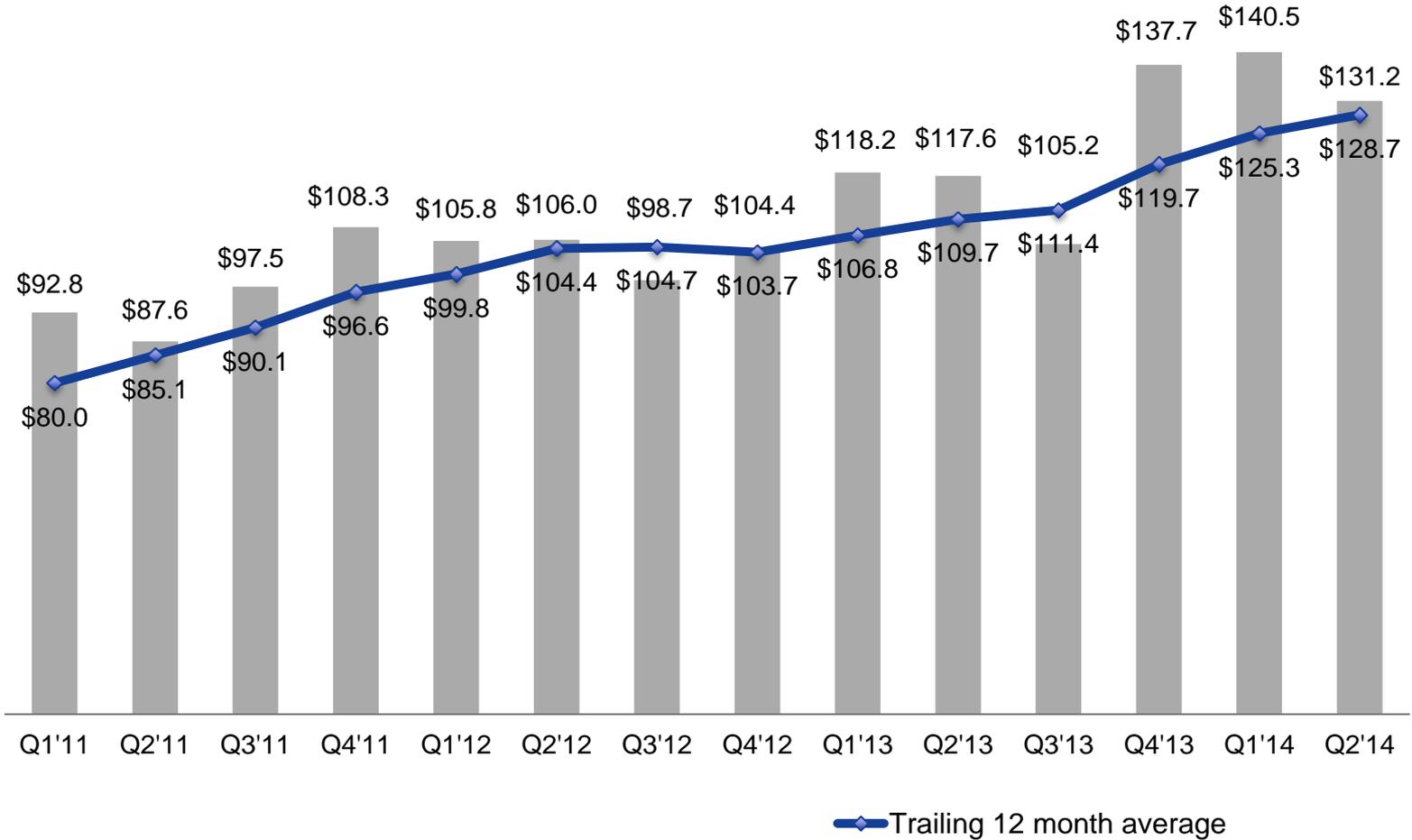
## Quarterly (\$ in millions)



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)



# Q2 2014 GAAP to Non-GAAP Reconciliation

| (\$M)                                      | Q2 2014 | Q2 2013 |
|--|---------|---------|
| Net Income                                 | \$9.4   | \$10.7  |
| Stock-based compensation                   | \$5.2   | \$4.7   |
| Amortization of acquired intangible assets | \$0.3   | \$0.4   |
| Income tax adjustments                     | (\$1.9) | (\$1.7) |
| Non-GAAP net income                        | \$12.9  | \$14.0  |
| Pro forma non-GAAP net income per share    |         |         |
| Basic                                      | \$0.24  | \$0.27  |
| Diluted                                    | \$0.24  | \$0.26  |
| Pro forma weighted-average shares          |         |         |
| Basic                                      | 53.2    | 51.8    |
| Diluted                                    | 54.8    | 53.5    |

| (\$M)                                      | Q2 2014 | Q2 2013 |
|--|---------|---------|
| Cost of Revenue                            | \$31.5  | \$24.7  |
| Amortization of acquired intangible assets | --      | (\$0.1) |
| Non-GAAP cost of revenue                   | \$31.5  | \$24.6  |

| (\$M)   | Q2 2014 | Q2 2013 |
|---|---------|---------|
| Selling, general and administrative expenses          | \$18.6  | \$15.7  |
| Stock-based compensation                              | (\$5.2) | (\$4.7) |
| Amortization of acquired intangible assets            | (\$0.2) | (\$0.3) |
| Non-GAAP selling, general and administrative expenses | \$13.2  | \$10.8  |

# Thank You

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