

## Acacia Research (ACTG)

Price:	\$29.57	Net Tang. Bk Value Incl.	\$601,310,000.00	Net Tang. Book Yr. 5 (Inc. Cash):	\$895,989,627.31
Market Cap:	\$1,415,220,200	Cash (NTBVIC):		Avg. Year FCF/Share:	\$96,546,014.20
Cash:	\$327,450,000	Market Price/NTBVIC:	2.35	Year 5 Disposition FCF Multiple:	3.0
Debt:	\$0	Op. Cash Flow:	\$91,721,027	Year 5 Disposition Price:	\$1,185,627,669.91
Net Cash:	\$327,450,000	Implied Years to Fill Gap:	8.87		
Enterprise Value:	\$1,087,770,200	Today's Equity if 5x Op. CF:	\$876,473,081		
		Net Tang. Book+5 FCF+ Gain Disposition:			\$1,185,627,669.91
Shares Outstanding:	47,860,000	IRR:			-3.48%
		Price:			\$24.77
		Target Market Cap:			\$1,185,627,670
		Target Enterprise Value:			\$858,177,670

\* Our future intrinsic value measures the total return, which includes both capital appreciation and dividend income.

The accounting for new share issuance will add balance to 1) cash, 2) additional paid in capital. Asset will increase and equity will increase. So, its all good right? What harm can come of the new share issuance?

We came across this question as we looked into a patent portfolio management company, Acacia Research (ACTG). The co. price plummeted 20% to a market cap of \$1BB and we wanted to know more about the co. We learned they acquire patents from inventors and license them to other companies, thereby locking in a royalty stream with 60% Gross margins. We thought the co.'s cash flow and existing tangible book value including the patent portfolio were priced at the market price, so we were looking to add this name to our portfolio.

However, we were uncomfortable with the capital raises through equity, which was primarily issued to purchase more patents. We wondered what the issuances did to the current, existing shareholders. With new share issuance, the actual value of a company doesn't increase except for the amount of cash raised. However, we knew issuances are dilutive to ownership stake and confirmed our assumption when we read the report by MIT Sloan Professor Hadzima's article.

Share issuance are not dilutive, unless they are issued below the book value. For example, if a co. has 100 shares outstanding with a book value of \$1,000, then the BV/share is \$10. If the co. issues 1 additional share, or a 1% stake for \$1 Billion, the existing shareholders may forfeit 1% of ownership, but the value of their stake increases from \$10/share to \$10,000,10/share. This particular share issuance is very accretive to existing shareholders, and vice versa if the stock is issued below the book value.

As such, we must not write off share issuances as a negative practice since it can be beneficial for the new incoming shareholders as well as the loyal existing shareholders.

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Our operating subsidiaries acquire, develop, license and enforce patented technologies. Our operating subsidiaries generate revenues and related cash flows from the granting of intellectual property rights for the use of patented technologies that our operating subsidiaries own or control. Our operating subsidiaries assist patent owners with the prosecution and development of their patent portfolios, the protection of their patented inventions from unauthorized use, the generation of licensing revenue from users of their patented technologies and, if necessary, with the enforcement against unauthorized users of their patented technologies.

We are a leader in licensing patented technologies and have established a proven track record of licensing success with over 1,225 license agreements executed to date, across 143 of our technology licensing programs. Currently, on a consolidated basis, our operating subsidiaries own or control the rights to over 250 patent portfolios, which include U.S. patents and certain foreign counterparts covering technologies used in a wide variety of industries.

Company Name:		Acacia Research			Income Statement	
Ticker Symbol:	ACTG	Market Capitalization:	\$1,415,220,200.00	Revenue:	\$228,550,000.00	100.0%
Last Price:	\$29.57	Total Debt:	\$0.00	Cost of Goods Sold:	-\$22,180,000.00	-9.7%
Net Cash/Share:	\$6.84	Total Cash:	\$327,450,000.00	Gross Profit:	\$250,730,000.00	109.7%
Net Cash to Last Price:	23.14%	Net Cash/(Debt):	\$327,450,000.00	EBITDA:	\$68,950,000.00	30.2%
Shares Outstanding:	47,860,000	Enterprise Value:	\$1,087,770,200.00	Net Income:	\$14,640,000.00	6.4%
Industry:	Business Services	Current EV/Share:	\$22.73			
Sector:	Industrials	EBITDA:	\$119,590,000.00	<b>Balance Sheet</b>		
Institutional Ownership:	#VALUE!	EV/EBITDA Multiple:	9.10	Cash:	\$193,160,000.00	
Mutual Fund Ownership:	#VALUE!	EV/EBITDA Multiple Average Year 1-5:	7.76	Short Term Investment:	\$134,290,000.00	
Insider Ownership:	#VALUE!	EV/FCF Multiple (excluding acquisition):	-14.72	A/R:	\$45,000,000.00	
Retail Ownership:	#VALUE!	EV/FCF Multiple Average Year 1-5 (excluding acquisition):	11.27	PP&E:	\$0.00	
Float:	#VALUE!	<b>Upper Range</b>		Assets:	\$713,650,000.00	
		<b>DCF: EV/EBITDA Terminal Value</b>		A/P:	\$13,060,000.00	
		Implied TV from 3 X EV/EBITDA Multiple	\$314,966,474.39	Deferred Tax:	\$27,830,000.00	
		Enterprise Value	\$314,966,474.39	Other Liabilities:	\$41,300,000.00	
		Cash at Year 5:	\$810,180,071.01	Short term Debt:	\$0.00	
		Debt at Year 5:	\$0.00	Long Term Debt:	\$0.00	
		Equity Value Year 5:	\$1,125,146,545.40	Liabilities:	\$82,190,000.00	
		<b>Equity/Share at Year 5:</b>	<b>\$23.51</b>	Retained Earnings:	\$15,000,000.00	
		Annualized Return:	-4.48%	Paid-In Capital:	\$645,030,000.00	
		<b>Lower Range</b>		Treasury Stock:	-\$26,000,000.00	
		<b>DCF: Net Tangible Asset excluding Cash/Debt Terminal Value</b>		Stockholder's Equity:	\$632,860,000.00	
		Year 5 Net Tangible Assets excluding cash and debt	-\$43,780,000.00	<b>Cash Flow</b>		
		Enterprise Value	-\$43,780,000.00	Net Income:	59,290,000.00	
		Cash at Year 5:	\$810,180,071.01	Depreciation/Amortization:	39,170,000.00	
		Debt at Year 5:	\$0.00	Change in Working capital:	-16,180,000.00	
		Equity Value Year 5:	\$766,400,071.01	Cash from Operating Activities:	104,600,000.00	
		<b>Equity/Share at Year 5:</b>	<b>\$16.01</b>	Capital Expenditures:	-178,530,000.00	
		Annualized Return:	-11.54%	Cash from Investing Activities:	-408,790,000.00	
		<b>EVA</b>		Total Cash Dividends Paid:	0.00	
		EVA today:	\$621,857,591.76	Issuance (Retirement) of Stock:	192,570,000.00	
		EVA in 5 Years:	\$580,769,518.24	Issuance (Retirement) of Debt:	0.00	
		EVA/Share:	\$12.13	Cash from Financing Activities:	211,260,000.00	
		Cash at Year 5:	\$810,180,071.01	<b>Profitability Margins</b>		
		Debt at Year 5:	\$0.00	Debt to Equity:	0.00%	
		Equity Value Year 5:	\$1,390,949,589.25	Return on Assets:	8.33%	
		<b>Equity/Share at Year 5:</b>	<b>\$29.06</b>	Return on Capital:	9.39%	
		Annualized return	-1.36%	Return on Equity:	9.39%	
		<b>Current Net Tangible Asset</b>				
		<b>Net Tangible Asset/Share:</b>	<b>\$6.17</b>			
		<b>Net Tangible Asset/Share in Year 5:</b>	<b>\$12.33</b>			
		Annualized return	14.84%			
		Average EV to EBITA:	N/A			
		Company EV to EBITA:	9.10			
		Average EV to EBIT:	N/A			
		Company EV to EBITA:	13.53			
		Current Equity Price:	\$29.57			
		Selling at Discount?	Premium			
		Appreciation Potential:	-79.12%			
		<b>Dividend Model</b>				
		<b>Next Year Dividend</b>	<b>\$0.00</b>			
		<b>WACC:</b>	<b>11.00%</b>			
		Dividend:	\$0.00			
		Net Income:	\$14,640,000.00			

SN VALUATION

LBO Pro Forma Income Statement

Name:

Acacia Research

Ticker:

ACTG

	Historical				Forecasted				
	12 months ending 2009-12-31	12 months ending 2010-12-31	12 months ending 2011-12-31	12 months ending 2012-12-31	2013	2014	2015	2016	2017
Revenue	67.34	131.83	172.26	250.73	275.80	303.38	333.72	367.09	403.80
COGS	36.25	52.13	93.75	89.70	110.32	121.35	133.49	146.84	161.52
Gross margin	31.09	79.70	78.51	161.03	165.48	182.03	200.23	220.26	242.28
SG&A	21.07	25.07	35.69	54.08	60.68	66.74	73.42	80.76	88.84
R&D	1.69	2.12	4.34	4.94	5.52	6.07	6.67	7.34	8.08
Unusual expense	14.05	13.89	13.01	21.59	27.58	30.34	33.37	36.71	40.38
Other operating expense	0.00	0.00	-4.79	0.00	0.00	0.00	0.00	0.00	0.00
Depreciation is: Excluded from COGS					0.00	0.00	0.00	0.00	0.00
Operating Income (EBITA)	-5.72	38.62	30.26	80.42	71.71	78.88	86.77	95.44	104.99
Interest income/(expense)	0.31	0.14	0.09	0.44	3.11	3.11	3.11	3.11	3.11
Gain (loss) on sale of asset	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other	0.00	0.00	0.00	0.50	0.00	0.00	0.00	0.00	0.00
Income before tax	-5.42	38.76	30.35	81.35	74.82	81.99	89.88	98.56	108.10
Tax	0.21	1.74	0.71	22.06	26.19	28.70	31.46	34.50	37.84
Income after tax	-5.63	37.02	21.64	59.29	48.63	53.30	58.42	64.06	70.27
Minority Interest	-5.66	-2.96	-0.54	0.16	0.00	0.00	0.00	0.00	0.00
Equity in affiliates	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Net income	-11.29	34.05	21.11	59.45	48.63	53.30	58.42	64.06	70.27
*Figures are in millions (\$)									
EPS (based off today's share count)	-\$0.24	\$0.71	\$0.44	\$1.24	\$1.02	\$1.11	\$1.22	\$1.34	\$1.47
P/E (historical today's price; forecasted intrinsic price)	-125.35	41.56	67.04	23.81	27.94	24.48	21.44	18.77	16.43
Revenue Growth		95.77%	N/A	45.55%	10.00%	10.00%	10.00%	10.00%	10.00%
Tax Rate	-3.87%	4.49%	28.70%	27.12%	35.00%	35.00%	35.00%	35.00%	35.00%
Implied Debt Interest Rate	0.00%	0.00%	0.00%	0.00%	NA	NA	NA	NA	NA
Margins									
COGS	53.83%	39.54%	54.42%	35.78%	40.00%	40.00%	40.00%	40.00%	40.00%
Gross margin	46.17%	60.46%	45.58%	64.22%	60.00%	60.00%	60.00%	60.00%	60.00%
SG&A	31.29%	19.02%	20.72%	21.57%	22.00%	22.00%	22.00%	22.00%	22.00%
R&D	2.51%	1.61%	2.52%	1.97%	2.00%	2.00%	2.00%	2.00%	2.00%
Unusual expense	20.86%	10.54%	7.55%	8.61%	10.00%	10.00%	10.00%	10.00%	10.00%
Other operating expense	0.00%	0.00%	-2.78%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Depreciation is: Excluded from COGS	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Operating Income (EBITA)	-8.49%	29.30%	17.57%	32.07%	26.00%	26.00%	26.00%	26.00%	26.00%
Interest income/(expense)	0.46%	0.11%	0.05%	0.18%	1.13%	1.03%	0.93%	0.85%	0.77%
Gain (loss) on sale of asset	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Other	0.00%	0.00%	0.00%	0.20%	0.00%	0.00%	0.00%	0.00%	0.00%
Income before tax	-8.05%	29.40%	17.62%	32.45%	27.13%	27.03%	26.93%	26.85%	26.77%
Tax	0.31%	1.32%	5.06%	8.80%	9.50%	9.46%	9.43%	9.40%	9.37%
Income after tax	-8.36%	28.08%	12.56%	23.65%	17.63%	19.32%	21.18%	23.23%	25.48%
Minority Interest	-8.41%	-2.25%	-0.31%	0.06%	0.00%	0.00%	0.00%	0.00%	0.00%
Equity in affiliates	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Net income	-16.77%	25.83%	12.25%	23.71%	17.63%	17.57%	17.51%	17.45%	17.40%

	As of					Adjustment		Adjusted Proforma	2011	2012	2013	2014	2015
	2009-12-31	2010-12-31	2011-12-31	2012-12-31	2013-03-31	+	-						
Cash	51.73	102.52	314.73	221.81	193.16			193.16	269.88	355.57	451.13	557.54	675.89
Short term investment	0.00	0.00	6.60	89.47	134.29			134.29	134.29	134.29	134.29	134.29	134.29
<b>Cash and Short term</b>	<b>51.73</b>	<b>102.52</b>	<b>321.33</b>	<b>311.28</b>	<b>327.45</b>			<b>327.45</b>	<b>404.17</b>	<b>489.86</b>	<b>585.42</b>	<b>691.83</b>	<b>810.18</b>
Accounts Receivable	5.11	7.99	2.92	9.84	45.00			45.00	45.00	45.00	45.00	45.00	45.00
Other receivables	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
<b>Total Receivables</b>	<b>5.11</b>	<b>7.99</b>	<b>2.92</b>	<b>9.84</b>	<b>45.00</b>			<b>45.00</b>	<b>45.00</b>	<b>45.00</b>	<b>45.00</b>	<b>45.00</b>	<b>45.00</b>
Total Inventory	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Prepaid Expenses	1.08	1.68	0.80	3.44	5.10			5.10	5.10	5.10	5.10	5.10	5.10
Other Current Assets	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
<b>Current Assets</b>	<b>57.92</b>	<b>112.19</b>	<b>325.05</b>	<b>324.56</b>	<b>377.55</b>	<b>0.00</b>	<b>0.00</b>	<b>377.55</b>	<b>454.27</b>	<b>539.96</b>	<b>635.52</b>	<b>741.93</b>	<b>860.28</b>
PP&E, Gross	0.95	1.00	0.96	1.00	1.00			1.00	16.00	31.00	46.00	61.00	76.00
Change in Depreciation		7.02	9.85	39.17	39.17			39.17	43.09	47.40	52.14	57.35	63.08
Accumulated Depreciation	0.78	0.87	0.74	1.00	1.00			1.00	44.09	91.48	143.62	200.97	264.05
<b>PP&amp;E, Net</b>	<b>0.17</b>	<b>0.13</b>	<b>0.22</b>	<b>0.00</b>	<b>0.00</b>			<b>0.00</b>	<b>-28.09</b>	<b>-60.48</b>	<b>-97.62</b>	<b>-139.97</b>	<b>-188.05</b>
Goodwill	0.00	0.00	0.00	30.15	30.15	0.00		30.15	30.15	30.15	30.15	30.15	30.15
Intangibles	17.51	19.80	25.19	313.53	305.81			305.81	305.81	305.81	305.81	305.81	305.81
Long term investments	2.15	2.00	1.96	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Other long term assets	0.51	0.66	0.47	0.14	0.14			0.14	0.14	0.14	0.14	0.14	0.14
<b>Long Term Assets</b>	<b>20.34</b>	<b>22.59</b>	<b>27.84</b>	<b>343.82</b>	<b>336.10</b>			<b>336.10</b>	<b>308.01</b>	<b>275.62</b>	<b>238.48</b>	<b>196.13</b>	<b>148.05</b>
<b>Total Assets</b>	<b>78.26</b>	<b>134.78</b>	<b>352.89</b>	<b>668.38</b>	<b>713.65</b>	<b>0.00</b>	<b>0.00</b>	<b>713.65</b>	<b>762.28</b>	<b>815.58</b>	<b>874.00</b>	<b>938.06</b>	<b>1,008.33</b>
Accounts Payable	12.78	13.12	23.86	13.06	13.06			13.06	13.06	13.06	13.06	13.06	13.06
Accrued Expense	6.84	5.80	5.36	7.11	7.11			7.11	7.11	7.11	7.11	7.11	7.11
Other current Liabilities	2.29	0.94	0.91	1.81	0.00			0.00	0.00	0.00	0.00	0.00	0.00
<b>Total Current Liabilities</b>	<b>21.91</b>	<b>19.86</b>	<b>30.13</b>	<b>21.98</b>	<b>20.17</b>	<b>0.00</b>	<b>0.00</b>	<b>20.17</b>	<b>20.17</b>	<b>20.17</b>	<b>20.17</b>	<b>20.17</b>	<b>20.17</b>
Notes Payables/Short Term Debt	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Current port. Of LT Debt/Capital Leases	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Long term Debt	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Capital Lease Obligations	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
<b>Total Interest Earning Debt</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
Deferred Income tax	0.00	0.00	0.00	27.83	27.83			27.83	27.83	27.83	27.83	27.83	27.83
Minority Interest	2.51	2.98	2.16	6.98	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Other liabilities	0.37	1.07	0.63	0.41	34.19			34.19	34.19	34.19	34.19	34.19	34.19
<b>Total Liabilities</b>	<b>24.79</b>	<b>23.91</b>	<b>32.92</b>	<b>57.20</b>	<b>82.19</b>	<b>0.00</b>	<b>0.00</b>	<b>82.19</b>	<b>82.19</b>	<b>82.19</b>	<b>82.19</b>	<b>82.19</b>	<b>82.19</b>
Redeemable Preferred Stock	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Non-redeemable Preferred Stock	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Common Stock	0.03	0.04	0.04	0.05	0.05		0.00	0.05	0.05	0.05	0.05	0.05	0.05
Additional Paid-in capital	173.67	197.03	386.82	644.98	644.98	0.00	0.00	644.98	644.98	644.98	644.98	644.98	644.98
Dividends Paid	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Retained Earnings	-120.24	-86.19	-65.08	-5.63	15.00		0.00	15.00	63.63	116.93	175.35	239.41	309.68
Treasury Stock	0.00	0.00	0.00	-26.73	-26.00			-26.00	-26.00	-26.00	-26.00	-26.00	-26.00
Other Equity	0.00	0.00	-1.83	-1.17	-1.17		0.00	-1.17	-1.17	-1.17	-1.17	-1.17	-1.17
<b>Total Equity</b>	<b>53.46</b>	<b>110.88</b>	<b>319.95</b>	<b>611.50</b>	<b>632.86</b>	<b>0.00</b>	<b>0.00</b>	<b>632.86</b>	<b>681.49</b>	<b>734.79</b>	<b>793.21</b>	<b>857.27</b>	<b>927.54</b>
<b>Liability + Equity</b>	<b>78.25</b>	<b>134.79</b>	<b>352.87</b>	<b>668.70</b>	<b>713.65</b>	<b>0.00</b>	<b>0.00</b>	<b>713.65</b>	<b>763.68</b>	<b>816.98</b>	<b>875.40</b>	<b>939.46</b>	<b>1,009.73</b>
<b>Variance</b>	0.01	-0.01	0.02	-0.32	-1.40			-1.40	-1.40	-1.40	-1.40	-1.40	-1.40
<b>Debt/Equity</b>	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Inventory Turnover	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!			#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Inventory Turnover Days	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!			#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Days Inventory Outstanding	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Accounts Receivable Turnover	13.18	16.50	58.99	25.48	6.13			5.57	6.13	6.74	7.42	8.16	8.97
Accounts Receivable Turnover Days	27.70	22.12	6.19	14.32	59.55			65.51	59.55	54.14	49.22	44.74	40.68
Days Payable Outstanding	128.68	91.86	92.89	53.14	43.21			53.14	43.21	39.28	35.71	32.46	29.51
Days Sales Outstanding	27.70	22.12	6.19	14.32	59.55			14.32	65.51	59.55	54.14	49.22	44.74
Cash Conversion Cycle	-100.98	-69.74	-86.71	-38.82	16.34			-38.82	22.30	20.27	18.43	16.75	15.23
Net tangible assets/share	\$1.12	\$2.32	\$6.69	\$12.14	\$12.56				\$13.58	\$14.69	\$15.91	\$17.25	\$18.72

	12 months ending 2009-12-31	12 months ending 2010-12-31	12 months ending 2011-12-31	12 months ending 2012-12-31	2011	2012	2013	2014	2015
Net Income	-5.63	37.02	21.64	59.29	48.63	53.30	58.42	64.06	70.27
Depreciation	4.76	7.02	9.85	39.17	43.09	47.40	52.14	57.35	63.08
<b>Net Income + Depreciation</b>	<b>-0.87</b>	<b>44.04</b>	<b>31.49</b>	<b>98.46</b>	<b>91.72</b>	<b>100.69</b>	<b>110.56</b>	<b>121.41</b>	<b>133.35</b>
Amortization	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Deferred Taxes	0.00	0.00	0.00	6.55	0.00	0.00	0.00	0.00	0.00
Non Cash Items	7.08	7.09	13.56	15.78	0.00	0.00	0.00	0.00	0.00
Change in Working capital	9.91	-6.20	15.53	-16.18	0.00	0.00	0.00	0.00	0.00
Accounts Receivable	0.00	-2.58	5.07	-6.92	0.00	0.00	0.00	0.00	0.00
Other Receivables	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Inventory	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Prepaid Expenses	0.00	-0.60	0.88	-2.64	0.00	0.00	0.00	0.00	0.00
Accounts Payable	0.00	0.34	10.74	-10.80	0.00	0.00	0.00	0.00	0.00
<b>Cash from Operating Activities</b>	<b>16.12</b>	<b>44.93</b>	<b>60.58</b>	<b>104.61</b>	<b>91.72</b>	<b>100.69</b>	<b>110.56</b>	<b>121.41</b>	<b>133.35</b>
Capital Expenditures Expenditures	-9.69	-8.28	-14.87	-178.53	-15.00	-15.00	-15.00	-15.00	-15.00
Long term investment	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other Investing Activities	1.04	0.18	-8.37	-230.26	0.00	0.00	0.00	0.00	0.00
<b>Cash from Investing Activities</b>	<b>-8.65</b>	<b>-8.10</b>	<b>-23.24</b>	<b>-408.79</b>	<b>-15.00</b>	<b>-15.00</b>	<b>-15.00</b>	<b>-15.00</b>	<b>-15.00</b>
Financing Cash flow items	-3.15	-1.11	-0.78	18.69	0.00	0.00	0.00	0.00	0.00
Total Cash Dividends Paid	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Issuance (Retirement) of Stock	-0.86	15.07	175.64	192.57	0.00	0.00	0.00	0.00	0.00
Issuance (Retirement) of Current Portion Debt	-	-	-	-	0.00	0.00	0.00	0.00	0.00
Issuance (Retirement) of Long Term Debt	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>Cash from Financing Activities</b>	<b>-4.01</b>	<b>13.96</b>	<b>174.86</b>	<b>211.26</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
Foreign Exchange effect	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Beginning Cash Balance	48.27	51.73	102.52	314.73	193.16	269.88	355.57	451.13	557.54
<b>Net Change in Cash</b>	<b>3.46</b>	<b>50.78</b>	<b>212.22</b>	<b>-92.93</b>	<b>76.72</b>	<b>85.69</b>	<b>95.56</b>	<b>106.41</b>	<b>118.35</b>
Ending Cash Balance	51.73	102.52	314.74	221.80	269.88	355.57	451.13	557.54	675.89
Capex to Revenue	14.39%	6.28%	8.63%	71.20%	5.44%	4.94%	4.49%	4.09%	3.71%
Depreciation to Sales	7.07%	5.33%	5.72%	15.62%	15.62%	15.62%	15.62%	15.62%	15.62%
Amortization to Sales	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
A/R to Sales	7.59%	6.06%	1.70%	3.92%	3.57%	3.24%	2.95%	2.68%	2.44%
Distributable FCF Yield	0.69%	3.39%	3.43%	-27.96%	7.05%	7.88%	8.78%	9.78%	10.88%
Dividend Yield	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
<b>FCF (Ops-Investing-Dividends)</b>	<b>6.43</b>	<b>36.65</b>	<b>45.71</b>	<b>-73.92</b>	<b>76.72</b>	<b>85.69</b>	<b>95.56</b>	<b>106.41</b>	<b>118.35</b>

# SN VALUATION

# LBO Debt Schedule

Ticker:

ACTG

	Proforma	2013	2014	2015	2016	2017
<b>Net Change in Cash</b>	<b>-92.93</b>	<b>76.72</b>	<b>85.69</b>	<b>95.56</b>	<b>106.41</b>	<b>118.35</b>
Current Portion Debt Repayment						
Long Term Debt Repayment						
<b>Outstanding Debt</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
Current Portion Debt Balance	0.00	0.00	0.00	0.00	0.00	0.00
Long Term Debt Balance	0.00	0.00	0.00	0.00	0.00	0.00
Forward Libor Curve		3.00%	3.00%	3.00%	3.00%	3.00%
Spread		4.00%	4.00%	4.00%	4.00%	4.00%
<b>Interest Rate</b>		<b>7.00%</b>	<b>7.00%</b>	<b>7.00%</b>	<b>7.00%</b>	<b>7.00%</b>
<b>Interest Expense</b>		<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
Cash Balance		311.28				
Interest @ 1.0%		3.11	3.11	3.11	3.11	3.11
<b>Net Interest Expense/(Income)</b>		<b>(3.11)</b>	<b>(3.11)</b>	<b>(3.11)</b>	<b>(3.11)</b>	<b>(3.11)</b>
<b>Net Interest Rate</b>		<b>#DIV/0!</b>	<b>#DIV/0!</b>	<b>#DIV/0!</b>	<b>#DIV/0!</b>	<b>#DIV/0!</b>
EBITDA		71.71	78.88	86.77	95.44	104.99
<b>EBITDA/Interest Expense Coverage</b>		<b>#DIV/0!</b>	<b>#DIV/0!</b>	<b>#DIV/0!</b>	<b>#DIV/0!</b>	<b>#DIV/0!</b>

## Interest Rate Coverage Table

Debt Rating	2013	2014	2015	2016	2017
AAA	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
AA	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
A+	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
A	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
A-	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
BBB	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
BB+	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
BB	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
B+	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
B	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
B-	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
CCC	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
CC	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
C	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
D	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!

\*Source: NYU; Professor Damodaran

# Altman Z Score

Company Name:

Acacia Research

Ticker:

ACTG

Period	2009	2010	2011	2012	2013	2014	2015	2016	2017
Working Capital	36.01	92.33	294.92	357.38	434.10	519.79	615.35	721.76	840.11
Total Assets	78.26	134.78	352.89	713.65	762.28	815.58	874.00	938.06	1,008.33
<b>X1</b>	<b>0.46</b>	<b>0.69</b>	<b>0.84</b>	<b>0.50</b>	<b>0.57</b>	<b>0.64</b>	<b>0.70</b>	<b>0.77</b>	<b>0.83</b>
Retained Earnings	-120.24	-86.19	-65.08	15.00	63.63	116.93	175.35	239.41	309.68
Total Assets	78.26	134.78	352.89	713.65	762.28	815.58	874.00	938.06	1,008.33
<b>X2</b>	<b>-1.54</b>	<b>-0.64</b>	<b>-0.18</b>	<b>0.02</b>	<b>0.08</b>	<b>0.14</b>	<b>0.20</b>	<b>0.26</b>	<b>0.31</b>
EBITDA	-5.72	38.62	30.26	80.42	71.71	78.88	86.77	95.44	104.99
Total Assets	78.26	134.78	352.89	713.65	762.28	815.58	874.00	938.06	1,008.33
<b>X3</b>	<b>-0.07</b>	<b>0.29</b>	<b>0.09</b>	<b>0.11</b>	<b>0.09</b>	<b>0.10</b>	<b>0.10</b>	<b>0.10</b>	<b>0.10</b>
Market Value of Equity	1,415.22	1,415.22	1,415.22	1,415.22	1,358.72	1,304.48	1,252.40	1,202.41	1,154.41
Total Liabilities	24.79	23.91	32.92	82.19	82.19	82.19	82.19	82.19	82.19
<b>X4</b>	<b>57.09</b>	<b>59.19</b>	<b>42.99</b>	<b>17.22</b>	<b>16.53</b>	<b>15.87</b>	<b>15.24</b>	<b>14.63</b>	<b>14.05</b>
Net Sales	67.34	131.83	172.26	250.73	275.80	303.38	333.72	367.09	403.80
Total Assets	78.26	134.78	352.89	713.65	762.28	815.58	874.00	938.06	1,008.33
<b>X5</b>	<b>0.86</b>	<b>0.98</b>	<b>0.49</b>	<b>0.35</b>	<b>0.36</b>	<b>0.37</b>	<b>0.38</b>	<b>0.39</b>	<b>0.40</b>
<b>Altman Z Score</b>	<b>33.27</b>	<b>37.36</b>	<b>27.31</b>	<b>11.68</b>	<b>11.39</b>	<b>11.18</b>	<b>10.98</b>	<b>10.79</b>	<b>10.60</b>

$$Z = 1.2 \times X1 + 1.4 \times X2 + 3.3 \times X3 + 0.6 \times X4 + 1.0 \times X5$$

Z-SCORE ABOVE 3.0 –The company is considered 'Safe' based on the financial figures only.

Blue

Z-SCORE BETWEEN 2.7 and 2.99 – 'On Alert'. This zone is an area where one should 'Exercise Caution'.

Green

Z-SCORE BETWEEN 1.8 and 2.7 – Good chance of the company going bankrupt within 2 years.

Yellow

Z-SCORE BELOW 1.80- Probability of Financial Catastrophe is Very High.

Red