



May 15, 2017

Apple Royalty Monetization Analysis Overview

The Royalty Monetization Analysis illustrates the implied value owed to Voip-Pal.com, Inc. (“Voip-Pal”) by Apple, Inc. under three separate licensing methodologies:

- 1.) Apportioned Profits Monetization Analysis;
- 2.) Gross Revenue Monetization Analysis; and
- 3.) Market Value Appreciation Monetization Analysis

Each methodology is based upon Apple’s actual historical financial performance and other verifiable historical data. The methodology underlying the Apportioned Profits and Gross Revenue analyses follows the methodologies of recent court cases including *VirnetX v. Apple*, *Summit 6 v. Samsung* and others in which a reasonable royalty rate is applied to apportioned profits (those specific to infringing features) on devices and services that are found to have infringed.

We have selected a 9.05% royalty rate (applied to apportioned profit) based upon our analysis of ten (10) recent major patent infringement court decisions. The weighted average court award (or settlement) as a percentage of apportioned profits in the analyzed cases is by our calculations 12.07%. As such, we believe that a 9.05% royalty rate on apportioned profits (which is 25% less than this weighted average) is reasonable if not conservative, particularly considering the very foundational nature of the Voip-Pal patents.

Apple Royalty Monetization Analysis

This analysis illustrates Apple’s estimated historical profit from its iPhone, iPad and Mac devices (for conservatism, any figures from sales of iPod, Watch or Apple TV, and iTunes/App Store have been excluded), and applies a royalty rate to historical apportioned profits from infringing products and services sold by Apple over the period FY 2007 to Q1 2017. To remain further conservative, the sale price for each device is based upon the “least expensive device” or “base model” for each infringing device, which is identical to methodology argued by Apple in recent litigation proceedings with Qualcomm.

Then, an estimated profit margin percentage is applied for each device, based upon best available public information and research. An apportionment factor is then applied as follows, based upon

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estimated end consumer usage of key infringing features for each device, including iMessage, voice calling, WiFi calling and Facetime:

- iPhone – 55% apportionment
- iPad – 35% apportionment
- Mac – 10% apportionment

This results in an estimated apportioned profit per device. The 9.05% royalty rate is then applied to such apportioned profits to arrive at a royalty figure per device, and this figure is multiplied by units sold for each device to arrive at total royalties.

The table below provides a summary of the Apple Apportioned Profits Monetization Analysis:

	For Period Beginning FY 2007			
	iPhone	iPad	Mac	TOTAL
Sales (\$)	\$709,156,000,000	\$166,722,000,000	\$202,118,000,000	\$1,077,996,000,000
Sales (Units)	1,102,943,000	350,699,000	155,409,000	1,609,051,000
Est. Least Expensive Device Average Price	\$623.49	\$439.79	\$1,154.26	\$669.96
Est. Average Profit Margin (%)	62.50%	50.00%	25.00%	56.15%
Est. Average Profit (\$)	\$389.68	\$219.90	\$288.57	\$376.21
Apportionment	55.00%	35.00%	10.00%	46.29%
Apportioned Profit Per Device	\$214.32	\$76.96	\$28.86	\$174.16
Royalty Rate on Apportioned Profit	9.05%	9.05%	9.05%	9.05%
Royalty per Device	\$19.40	\$6.97	\$2.61	\$15.07
TOTAL ROYALTIES	\$21,392,958,929	\$2,442,703,016	\$405,853,341	\$24,241,515,286

This analysis does not reflect any amounts for royalties that may be owed to Voip-Pal by Apple for iPod, Watch, Apple TV, and iTunes and App Store revenues.

As an overall methodology note, we have applied these apportionments and rates to Apple figures on a global basis, based upon (i) the place of device invention/design and (ii) the location of company data centers that handle various data communications. In terms of invention and design, all of Apple’s devices are designed in Cupertino, California (notably Apple’s headquarters is in close proximity to the Silicon Valley USPTO). As far as data center locations, all of Apple’s data centers are located within the United States Maiden, NC; Newark, Cupertino, and Santa Clara, CA; Reno, NV; and Prineville, OR.

Gross Revenue Monetization Analysis

This analysis applies a royalty rate of 2.00% to Apple’s historical gross revenues from iPhone, iPad and Mac devices (for conservatism, any figures from sales of iPod, Watch or Apple TV, and iTunes/App Store have been excluded) sold by Apple over the period FY 2007 to Q1 2017. To remain further conservative, the sale price for each device is based upon the “least expensive device” or “base model” for each infringing device, which is identical to methodology argued by Apple in recent litigation proceedings with Qualcomm.

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The 2.00% royalty rate is applied to this least expensive device sale price to arrive at a royalty figure per device, and this figure is multiplied by units sold for each device to arrive at total royalties.

The table below provides a summary of the Apple Gross Revenue Monetization Analysis:

	For Period Beginning FY 2007			TOTAL
	iPhone	iPad	Mac	
Sales (\$)	\$709,156,000,000	\$166,722,000,000	\$202,118,000,000	\$1,077,996,000,000
Sales (Units)	1,102,943,000	350,699,000	155,409,000	1,609,051,000
Est. Least Expensive Device Average Price	\$623.49	\$439.79	\$1,154.26	\$669.96
Royalty Rate on Apportioned Profit	2.00%	2.00%	2.00%	2.00%
Royalty per Device	\$12.47	\$8.80	\$23.09	\$12.69
TOTAL ROYALTIES	\$13,753,383,942	\$3,084,707,834	\$3,587,653,844	\$20,425,745,620

Market Value Appreciation Monetization Analysis

This monetization analysis illustrates the application of a straight royalty rate to the growth in Apple's market capitalization (enterprise value) since the iPhone was released on June 29, 2007. **Since this time, Apple's market capitalization has increased by nearly \$697 billion.**

In order to account for multiple infringing features on Apple's iPhone, iPad and desktop/laptop computer products, we first apply an apportionment factor of 46.3%, which is equivalent to the weighted average apportionment factor of the Apportioned Profits Monetization Analysis.

We then apply the royalty rate to the apportioned value. As a variety of Apple's products contain numerous features that infringe Voip-Pal's technology, in order to remain conservative, we have selected a royalty rate of twenty percent (20.0%).

The table below provides a summary of the Market Value Appreciation Monetization Analysis:

	<u>Value</u>
Apple Market Capitalization - June 25, 2007 ⁽¹⁾	\$105,820,000,000
Apple Market Capitalization - May 11, 2017 ⁽¹⁾	\$802,670,000,000
Increase in Apple Market Capitalization	\$696,850,000,000
Apportionment Factor ⁽²⁾	46.3%
Voip-Pal Selected Royalty Rate	10.0%
Implied Value Due to Voip-Pal	\$32,260,412,614

(1) Data per ycharts.com as of May 11, 2017. June 25, 2007 start date selected as this date was first day of the week in which Apple introduced the iPhone (iPhone introduced June 29, 2007).

(2) Apportionment factor equivalent to weighted average apportionment calculated in apportioned profit royalty monetization analysis.

Conclusion

Apple has enjoyed massive sales of a variety of infringing products and significant increase in market value, largely since the release of the iPhone in June 2007.

The table below details the total implied value owed by Apple to Voip-Pal based upon the three Royalty Monetization methodologies as detailed above. The average of the three monetization methodologies totals \$25.643 billion.

Royalty Calculation Methodology	Period FY 2007 - Q1 2017			TOTAL
	iPhone	iPad	Mac	
Apportioned Profits	\$21,392,958,929	\$2,442,703,016	\$405,853,341	\$24,241,515,286
Gross Revenue	13,753,383,942	3,084,707,834	3,587,653,844	\$20,425,745,620
Market Value Appreciation	N/A	N/A	N/A	\$32,260,412,614
Value Owed to Voip-Pal (Average)				\$25,642,557,840

The analyses above do not reflect any amounts for punitive/treble damages. As Voip-Pal has been in communication with Apple for several years regarding Apple's use of Voip-Pal's technology, Voip-Pal fully expects it will be entitled to additional damages for Apple's willful infringement. The table below illustrates the potential maximum damages owed by Apple based upon Voip-Pal being awarded the damages sought plus 3.00x punitive damages.

Total Royalties Owed to Voip-Pal	<u>\$25,642,557,840</u>
Est. Total Damages (Incl. Punitive)	\$102,570,231,360
Apple - Current Cash Position	\$246,090,000,000
<i>Damages as % of Apple Cash Position</i>	41.68%

Including punitive damages of 3.00x, the potential maximum damages owed to Voip-Pal by Apple total \$102.57 billion.