

Marathon Patent Group Announces Third Quarter Financial Results

Conference Call Scheduled Today at 4:30 p.m. Eastern Time

LOS ANGELES, CA -- (Marketwired) -- 11/14/16 -- Marathon Patent Group, Inc. (NASDAQ: MARA) ("Marathon" or "Company"), an IP licensing and commercialization company, today announced its operating results for the quarter ended September 30, 2016, as published in its Quarterly Report on Form 10-Q filed today with the Securities and Exchange Commission.

Operating Results for the Quarter Ended Sept 30, 2016 / Subsequent and Other Year to Date Events

- YTD revenue of \$36.5 million for the nine months ended September 30, 2016.
- We generated total revenue of \$43 thousand and \$6.4 million for the three months ended September 30, 2016 and September 30, 2015, respectively.
- Net operating loss was approximately \$10.7 million (including non-cash expenses) for the three months ended September 30, 2016 compared to \$3.1 million for the three months ended September 30, 2015. The net operating loss includes non-cash operating expenses, which primarily relate to share based compensation and amortization and impairment of patents, in the amounts of \$8.1 million and \$3.8 million for the three months ended September 30, 2016 and September 30, 2015, respectively.
- With 15,047,141 shares outstanding, on a per share basis, our GAAP net loss was \$(0.42) per basic and diluted share for the three months ended September 30, 2016, compared to a GAAP net loss of \$(0.15) per basic and diluted share for the three months ended September 30, 2015.
- On a per share basis, our Non-GAAP net loss was \$(0.21) per basic and diluted share for the three months ended September 30, 2016, compared to a Non-GAAP net loss of \$(0.01) per basic and diluted share for the three months ended September 30, 2015.

Doug Croxall, Chief Executive Officer of Marathon, stated, "While pleased with our record year to date revenues, our third quarter was unsurprisingly very light. While there were revenue opportunities, we remain unwilling to compromise what we believe to be reasonable licenses to try and impact a particular quarter. It's for that reason we've always advised that our financial performance should be evaluated on an annual basis, as opposed to quarterly.

Croxall concluded, "As discussed on our previous earnings call, we continue to refocus our revenue generation on licenses that provide a recurring revenue feature. The recurring

revenue may take the form of fixed quarterly or annual payments by licensees to Marathon and should help investors better model future revenue potential."

Conference Call

Marathon will host a corresponding conference call to discuss the results with Chief Executive Officer Doug Croxall and Chief Financial Officer Frank Knuettel II on Monday November 14, 2016 at 4:30 PM ET/1:30 PM PT. To participate in the conference call, investors from the U.S. and Canada should dial (877) 407-4018 ten minutes prior to the scheduled start time. International calls should dial (201) 689-8471.

In addition, the call will be broadcast live over the Internet and can be accessed through the Investor Relations section of the Company's website at www.marathonpg.com. The broadcast will be archived online upon completion of the conference call. A telephonic replay of the conference call will also be available until 11:59 p.m. ET on Monday, November 28, 2016 by dialing (844) 512-2921 in the U.S. and Canada and (412) 317-6671 internationally and entering the pin number: 13649802.

About Marathon Patent Group

Marathon is an IP licensing and commercialization company. The Company acquires and manages IP rights from a variety of sources, including large and small corporations, universities and other IP owners. Marathon has a global focus on IP acquisition and management. The Company's commercialization division is focused on the full commercialization lifecycle which includes discovering opportunities, performing due diligence, providing capital, managing development, protecting and developing IP, assisting in execution of the business plan, and realizing shareholder value. To learn more about Marathon Patent Group, visit www.marathonpg.com.

Safe Harbor Statement

Certain statements in this press release constitute "forward-looking statements" within the meaning of the federal securities laws. Words such as "may," "might," "will," "should," "believe," "expect," "anticipate," "estimate," "continue," "predict," "forecast," "project," "plan," "intend" or similar expressions, or statements regarding intent, belief, or current expectations, are forward-looking statements. While the Company believes these forward-looking statements are reasonable, undue reliance should not be placed on any such forward-looking statements, which are based on information available to us on the date of this release. These forward looking statements are based upon current estimates and assumptions and are subject to various risks and uncertainties, including without limitation those set forth in the Company's filings with the Securities and Exchange Commission (the "SEC"), not limited to Risk Factors relating to its patent business contained therein. Thus, actual results could be materially different. The Company expressly disclaims any obligation to update or alter statements whether as a result of new information, future events or otherwise, except as required by law.

| | | <u>September 30, 2016</u> | <u>December 31, 2015</u> |
|----------------|--------|---------------------------|--------------------------|
| | ASSETS | (Unaudited) | (Audited) |
| Current Assets | | | |
| Cash | | \$ 1,294,950 | \$ 2,555,151 |

| | | |
|--|---------------|---------------|
| Accounts receivable - net of allowance for bad debt of \$387,976 and \$375,750 for September 30, 2016 and December 31, 2015 | 81,865 | 136,842 |
| Bonds posted with courts | 980,919 | 1,748,311 |
| Prepaid expenses and other current assets, net of discounts of \$2,483 for September 30, 2016 and \$3,414 for December 31, 2015 | 153,388 | 338,598 |
| Total current assets | \$ 2,511,122 | \$ 4,778,902 |
| Other assets: | | |
| Property and equipment, net of accumulated depreciation of \$98,347 and \$67,052 for September 30, 2016 and December 31, 2015 | \$ 38,389 | \$ 61,297 |
| Intangible assets, net of accumulated amortization of \$16,438,642 and \$15,557,353 for September 30, 2016 and December 31, 2015 | 19,551,678 | 25,457,639 |
| Deferred tax assets | 11,918,920 | 12,437,741 |
| Other non current assets, net of discounts of \$2,969 and \$4,831 for September 30, 2016 and December 31, 2015 | 201,031 | 9,169 |
| Goodwill | 4,483,129 | 4,482,845 |
| Total other assets | \$ 36,193,147 | \$ 42,448,691 |
| Total Assets | \$ 38,704,269 | \$ 47,227,593 |

LIABILITIES AND STOCKHOLDERS' EQUITY

| | | |
|---|---------------|---------------|
| Current liabilities: | | |
| Accounts payable and accrued expenses | \$ 6,054,015 | \$ 6,534,825 |
| Clouding IP earn out - current portion | 110,100 | 33,646 |
| Notes payable, net of discounts of \$818,919 and \$730,945 for September 30, 2016 and December 31, 2015 | 11,139,623 | 10,383,177 |
| Total current liabilities | \$ 17,303,738 | \$ 16,951,648 |
| Long-term liabilities | | |
| Notes payable, net of discount of \$798,966 and \$1,425,167 for September 30, 2016 and December 31, 2015 | \$ 6,456,740 | \$ 12,223,884 |
| Clouding IP earn out | 1,082,586 | 3,281,238 |
| Deferred tax liability | 438,709 | 1,044,997 |
| Revenue share liability | 1,000,000 | 1,000,000 |
| Other long term liability | 45,763 | 50,084 |
| Total long-term liabilities | \$ 9,023,798 | \$ 17,600,203 |
| Total Liabilities | \$ 26,327,536 | \$ 34,551,851 |
| Stockholders' Equity: | | |
| Preferred stock Series B, \$.0001 par value, 50,000,000 shares authorized: 782,004 issued and outstanding at September 30, 2016 and December 31, 2015 | \$ 78 | \$ 78 |
| Common stock, \$.0001 par value; 200,000,000 shares authorized; 15,047,141 and 14,867,141 at September 30, 2016 and December 31, 2015 | 1,505 | 1,487 |
| Additional paid-in capital | 44,901,535 | 43,217,513 |
| Accumulated other comprehensive income (loss) | (959,401) | (1,265,812) |
| Accumulated deficit | (31,539,066) | (29,277,524) |
| Total Marathon Patent Group stockholders' equity | \$ 12,404,651 | \$ 12,675,742 |
| Noncontrolling interests | (27,918) | - |
| Total Stockholders' Equity | \$ 12,376,733 | \$ 12,675,742 |
| Total liabilities and stockholders' equity | \$ 38,704,269 | \$ 47,227,593 |

| | For The Three Months Ended September 30, 2016 (Unaudited) | For The Three Months Ended September 30, 2015 (Unaudited) | For The Nine Months Ended September 30, 2016 (Unaudited) | For The Nine Months Ended September 30, 2015 (Unaudited) |
|----------|--|---|--|--|
| Revenues | 43,113 | 6,407,997 | 36,452,551 | 11,870,851 |
| Expenses | | | | |

| | | | | |
|--|----------------------|---------------------|---------------------|----------------------|
| Cost of revenues | 1,094,378 | 4,002,040 | 19,202,118 | 12,190,415 |
| Amortization of patents and website | 2,030,886 | 2,884,269 | 6,018,196 | 8,511,730 |
| Compensation and related taxes | 1,252,571 | 903,685 | 3,406,841 | 3,571,817 |
| Consulting fees | 257,420 | 643,702 | 903,032 | 1,869,326 |
| Professional fees | 432,496 | 882,213 | 1,336,201 | 2,230,748 |
| General and administrative | 183,771 | 177,494 | 612,284 | 681,951 |
| Goodwill impairment | - | - | 83,000 | - |
| Patent impairment | 5,531,383 | - | 6,525,273 | 766,498 |
| Total Operating Expenses | <u>10,782,905</u> | <u>9,493,403</u> | <u>38,086,945</u> | <u>29,822,485</u> |
| Operating loss | <u>(10,739,792)</u> | <u>(3,085,406)</u> | <u>(1,634,394)</u> | <u>(17,951,634)</u> |
| Other income (expenses) | | | | |
| Other expense | (37,116) | 6,646 | (68,647) | 14,085 |
| Foreign exchange gain (loss) | (175,850) | (20,090) | (238,073) | (57,593) |
| Change in fair value adjustments of Clouding IP earn out | 1,954,378 | 597,047 | 2,122,208 | 2,901,348 |
| Interest Income | 931 | 135 | 2,793 | 137 |
| Interest expense. | (649,065) | (1,078,615) | (2,500,321) | (3,587,238) |
| Loss on debt extinguishment | - | (654,000) | - | (654,000) |
| Total Other income (expenses) | <u>1,093,278</u> | <u>(1,148,877)</u> | <u>(682,040)</u> | <u>(1,383,261)</u> |
| | - | - | | |
| Loss before (provision for) benefit from income taxes | (9,646,514) | (4,234,283) | (2,316,434) | (19,334,895) |
| (Provision for) benefit from income taxes | <u>3,347,909</u> | <u>483,815</u> | <u>26,974</u> | <u>6,300,159</u> |
| Net loss | (6,298,605) | (3,750,468) | (2,289,460) | (13,034,736) |
| Net loss attributable to noncontrolling interests | <u>24,195</u> | - | <u>27,918</u> | - |
| | - | - | | |
| Net loss attributable to Marathon Patent Group, Inc. common shareholders | <u>(6,274,410)</u> | <u>(3,750,468)</u> | <u>(2,261,542)</u> | <u>(13,034,736)</u> |
| Loss per common share: | | | | |
| Basic and fully diluted | <u>(0.42)</u> | <u>(0.26)</u> | <u>(0.15)</u> | <u>(0.92)</u> |
| WEIGHTED AVERAGE COMMON SHARES OUTSTANDING: | | | | |
| Basic and fully diluted | <u>15,047,141</u> | <u>14,376,118</u> | <u>14,944,852</u> | <u>14,094,891</u> |
| Other comprehensive income (loss) | | | | |
| Foreign currency translation adjustments | <u>209,159</u> | <u>45,628</u> | <u>306,415</u> | <u>(584,706)</u> |

| | | |
|--|--------------------|--------------------|
| | For The Nine | For The Nine |
| | Months Ended | Months Ended |
| | September 30, 2016 | September 30, 2015 |
| | (Unaudited) | (Unaudited) |

Cash flows from operating activities:

| | | | | |
|---|----|--------------|----|---------------|
| Net loss attributable to Marathon Patent Group, Inc common shareholders | \$ | (2,261,542) | \$ | (13,034,736) |
|---|----|--------------|----|---------------|

Adjustments to reconcile net loss to net cash provided by (used in) operating activities:

| | | | | |
|-------------------------------------|--|------------|--|--------------|
| Depreciation | | 3,780 | | 5,668 |
| Amortization of patents and website | | 6,018,196 | | 8,511,730 |
| Allowance for doubtful accounts | | 12,226 | | - |
| Deferred tax asset | | 531,757 | | (5,579,418) |
| Deferred tax liability | | (638,268) | | (709,280) |

| | | |
|--|---------------------|---------------------|
| Impairment of intangible assets | 6,525,273 | 766,498 |
| Impairment of goodwill | 83,000 | - |
| Stock based compensation | 1,541,615 | 1,961,505 |
| Stock issued for services | 136,000 | 1,084,834 |
| Loss on debt extinguishment | - | 654,000 |
| Non-cash interest, discount, and financing costs | 952,231 | 1,926,865 |
| Change in fair value of Clouding earnout | (2,122,198) | (2,901,348) |
| Non-controlling interest | (27,918) | - |
| Other non-cash adjustments | 96,996 | (13,244) |
| Changes in operating assets and liabilities | | |
| Accounts receivable | 43,763 | (2,109,984) |
| Prepaid expenses and other assets | (6,652) | 60,938 |
| Bonds posted with court | 883,695 | - |
| Accounts payable and accrued expenses | (557,832) | 6,454,467 |
| Net cash provided by (used in) operating activities | <u>11,214,122</u> | <u>(2,921,505)</u> |
| Cash flows from investing activities: | | |
| Acquisition of patents | (3,552,656) | - |
| Purchase of property, equipment, and other intangible assets | (8,387) | (22,520) |
| Net cash provided by (used in) investing activities | <u>(3,561,043)</u> | <u>(22,520)</u> |
| Cash flows from financing activities: | | |
| Payment on note payable in connection with the acquisition of Medtech and Orthophoenix | (2,953,779) | (4,200,000) |
| Payment on note payable in connection with the acquisition of Orthophoenix | - | (5,000,000) |
| Payment on note payable in connection with the acquisition of Sarif | - | (276,250) |
| Payment on note payable in connection with the acquisition of IP Liquidity | - | (1,109,375) |
| Payment on note payable in connection with the acquisition of Dynamic Advances | - | (2,624,375) |
| Payment on MdR Escrow TLI | - | (50,000) |
| Cash received upon issuance of notes payable (net of issuance costs) | - | 19,600,000 |
| Repayment of notes payable | (5,379,105) | - |
| Cash received upon exercise of warrants | - | 18,751 |
| Repayment of convertible notes payable | - | (5,050,000) |
| Payment on note payable | (578,804) | (42,500) |
| Net cash provided (used in) by financing activities | <u>(8,911,688)</u> | <u>1,266,251</u> |
| Effect of exchange rate changes on cash | <u>(1,592)</u> | <u>4,044</u> |
| Net decrease in cash | (1,260,201) | (1,673,730) |
| Cash at beginning of period | <u>2,555,151</u> | <u>5,082,569</u> |
| Cash at end of period | <u>\$ 1,294,950</u> | <u>\$ 3,408,839</u> |

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:

| | | |
|----------------------------------|--------------|--------------|
| Cash paid for: | | |
| Interest expense | \$ 1,391,567 | \$ 1,660,372 |
| Taxes paid | \$ 36,218 | \$ 54,437 |
| Loan fees | \$ - | \$ 400,000 |
| Cash invested in 3DNano | \$ 115,000 | \$ - |
| Cash invested in PG Technologies | \$ 1,000,000 | \$ - |

SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:

| | | |
|--|--------------|--------------|
| Common stock issued in conjunction with note payable | \$ - | \$ 1,000,000 |
| Warrant issued in conjunction with note payable | \$ - | \$ 318,679 |
| Revenue share liability incurred in conjunction with note payable | \$ - | \$ 1,000,000 |
| Note payable issuance in conjunction with the acquisition of GE patent | \$ 1,000,000 | \$ - |

| | | |
|--|--------------|---------------|
| Non-cash interest increase in debt assumed in the Orthophoenix acquisition | \$ - | \$ 750,000 |
| Note payable issuance in conjunction with the acquisition of BATO patent | \$ - | \$ 10,000,000 |
| Note payable issuance in conjunction with the acquisition of Seimens patent | \$ 1,755,635 | \$ - |
| Note payable issuance in conjunction with the acquisition of 3Dnano Liscense | \$ 200,000 | \$ - |
| Conversion from AP to NP | \$ - | \$ 705,093 |

| | Non-GAAP Reconciliation | | | |
|---|---|---|--|--|
| | For the Three Months Ended September 30, 2016 | For the Three Months Ended September 30, 2015 | For the Nine Months Ended September 30, 2016 | For the Nine Months Ended September 30, 2015 |
| Net income (loss) attributable to Marathon Patent Group, Inc. common shareholders | (6,274,410) | (3,750,468) | (2,261,542) | (13,034,736) |
| Non-GAAP | | | | |
| Amortization of intangible assets | 2,030,886 | 2,884,269 | 6,018,196 | 8,511,730 |
| Equity-based compensation | 478,819 | 901,446 | 1,677,616 | 3,111,498 |
| Impairment of Intellectual Property | 5,531,383 | - | 6,608,273 | 766,498 |
| Change in Earn Out Liability | (1,954,378) | (597,047) | (2,122,208) | (2,901,348) |
| Non-cash interest expense | 288,049 | 301,544 | 952,231 | 1,926,866 |
| Deferred tax (benefit) / Tax expense | (3,347,909) | (483,815) | (26,974) | (6,300,159) |
| Loss on note payable | - | 654,000 | - | 654,000 |
| Clawback on Medtronic debt | - | - | - | 750,000 |
| Other | 12,468 | 1,631 | 28,448 | 14,458 |
| Non-GAAP net income (loss) | (3,235,092) | (88,440) | 10,874,040 | (6,501,193) |
| Weighted average common shares outstanding: | | | | |
| Basic | 15,047,141 | 14,376,118 | 14,944,852 | 14,094,891 |
| Fully diluted | 15,047,141 | 14,376,118 | 15,984,269 | 14,094,891 |
| Non-GAAP net income (loss) per common share - basic and diluted | | | | |
| Basic | \$ (0.21) | \$ (0.01) | \$ 0.73 | \$ (0.46) |
| Fully diluted | \$ (0.21) | \$ (0.01) | \$ 0.68 | \$ (0.46) |

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Source: Marathon Patent Group