RIMINI STREET, INC.
GAAP to Non-GAAP Reconciliations
(In thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	**2018**	**2019**	**2018**
Non-GAAP operating income reconciliation:				
Operating income	$ 2,546	$ 2,522	$ 20,431	$ 21,774
Non-GAAP adjustments:				
Litigation costs and related recoveries, net	3,303	6,990	(2,648)	(3,866)
Stock-based compensation expense	1,621	1,178	3,829	3,143
Non-GAAP operating income	$ 7,470	$ 10,690	$ 21,612	$ 21,051
Non-GAAP net income (loss) reconciliation:				
Net income (loss)	$ 1,739	$ (48,368)	$ 17,650	$ (70,307)
Non-GAAP adjustments:				
Litigation costs and related recoveries, net	3,303	6,990	(2,648)	(3,866)
Post-judgment interest in litigation awards	—	—	(212)	(199)
Write-off of deferred debt financing costs	—	—	—	704
Extinguishment charges upon payoff of Credit Facility:				
Write-off of debt discount and issuance costs	—	47,367	—	47,367
Make-whole applicable premium	—	7,307	—	7,307
Stock-based compensation expense	1,621	1,178	3,829	3,143
Gain from change in fair value of embedded derivatives	—	(7,800)	—	(1,600)
Non-GAAP net income (loss)	$ 6,663	$ 6,674	$ 18,619	$ (17,451)
Non-GAAP Adjusted EBITDA reconciliation:				
Net income (loss)	$ 1,739	$ (48,368)	$ 17,650	$ (70,307)
Non-GAAP adjustments:				
Interest expense	27	9,499	375	32,231
Income tax expense	451	510	1,777	1,573
Depreciation and amortization expense	496	449	1,462	1,399
EBITDA	2,713	(37,910)	21,264	(35,104)
Non-GAAP adjustments:				
Litigation costs and related recoveries, net	3,303	6,990	(2,648)	(3,866)
Post-judgment interest in litigation awards	—	—	(212)	(199)
Write-off of deferred debt financing costs	—	—	—	704
Stock-based compensation expense	1,621	1,178	3,829	3,143
Gain from change in fair value of embedded derivatives	—	(7,800)	—	(1,600)
Other debt financing expenses	—	48,375	—	58,331
Adjusted EBITDA	$ 7,637	$ 10,833	$ 22,233	$ 21,409

About Non-GAAP Financial Measures and Certain Key Metrics

To provide investors and others with additional information regarding Rimini Street's results, we have disclosed the following non-GAAP financial measures and certain key metrics. We have described below Active Clients, Annualized Subscription Revenue and Revenue Retention Rate, each of which is a key operational metric for our business. In addition, we have disclosed the following non-GAAP financial measures: non-GAAP operating income, non-GAAP net income (loss), EBITDA, and adjusted EBITDA. Rimini Street has provided in the tables above a reconciliation of each non-GAAP financial measure used in this earnings release to the most directly comparable GAAP financial measure. Due to a valuation allowance for our deferred tax assets, there were no tax effects associated with any of our non-GAAP adjustments. These non-GAAP financial measures are also described below.

The primary purpose of using non-GAAP measures is to provide supplemental information that management believes may prove useful to investors and to enable investors to evaluate our results in the same way management does. We also present the non-GAAP financial measures because we believe they assist investors in comparing our performance across reporting periods on a consistent basis, as well as comparing our results against the results of other companies, by excluding items that we do not believe are indicative of our core operating performance. Specifically, management uses these non-GAAP measures as measures of operating performance; to prepare our annual operating budget; to allocate resources to enhance the financial performance of our business; to evaluate the effectiveness of our business strategies; to provide consistency and comparability with past financial performance; to facilitate a comparison of our results with those of other companies, many of which use similar non-GAAP financial measures to supplement their GAAP results; and in communications with our board of directors concerning our financial performance. Investors should be aware however, that not all companies define these non-GAAP measures consistently.

Active Client is a distinct entity that purchases our services to support a specific product, including a company, an educational or government institution, or a business unit of a company. For example, we count as two separate active clients when support for two different products is being provided to the same entity. We believe that our ability to expand our active clients is an indicator of the growth of our business, the success of our sales and marketing activities, and the value that our services bring to our clients.

Annualized Subscription Revenue is the amount of subscription revenue recognized during a fiscal quarter and multiplied by four. This gives us an indication of the revenue that can be earned in the following 12-month period from our existing client base assuming no cancellations or price changes occur during that period. Subscription revenue excludes any non-recurring revenue, which has been insignificant to date.

Revenue Retention Rate is the actual subscription revenue (dollar-based) recognized over a 12-month period from customers that were clients on the day prior to the start of such 12-month period, divided by our Annualized Subscription Revenue as of the day prior to the start of the 12-month period.

Non-GAAP Operating Income is operating income adjusted to exclude: litigation costs and related recoveries, net, and stock-based compensation expense. The exclusions are discussed in further detail below.

Non-GAAP Net Income (Loss) is net income (loss) adjusted to exclude: litigation costs and related recoveries, net, post-judgment interest in litigation awards, write-off of deferred debt financing costs, extinguishment charges upon payoff of credit facility, stock-based compensation expense, and gain from change in fair value of embedded derivatives. These exclusions are discussed in further detail below.

Specifically, management is excluding the following items from its non-GAAP financial measures, as applicable, for the periods presented:

Litigation Costs and Related Recoveries, Net: Litigation costs and the associated insurance and appeal recoveries relate to outside costs of litigation activities. These costs and recoveries reflect the ongoing litigation we are involved with, and do not relate to the day-to-day operations or our core business of serving our clients.

Stock-Based Compensation Expense: Our compensation strategy includes the use of stock-based compensation to attract and retain employees. This strategy is principally aimed at aligning the employee interests with those of our stockholders and to achieve long-term employee retention, rather than to motivate or reward operational performance for any particular period. As a result, stock-based compensation expense varies for reasons that are generally unrelated to operational decisions and performance in any particular period.

Post-judgment interest in litigation awards: Post-judgment interest resulted from our appeals of ongoing litigation and does not relate to the day-to-day operations or our core business of serving our clients.

Write-off of Deferred Debt Financing Costs: The write-off of deferred financing costs related to certain costs that were expensed in 2018 due to an unsuccessful debt financing.

Extinguishment charges upon payoff of Credit Facility: These costs included interest expense and other debt financing expenses, including the make-whole applicable premium and the write-off of debt discount and issuance costs that resulted from the payoff of our former credit facility on July 19, 2018. Since these amounts related to our debt financing structure, we have excluded them since they do not relate to the day-to-day operations or our core business of serving our clients.

Gain from Change in Fair Value of Embedded Derivatives: Our former credit facility included features that were determined to be embedded derivatives requiring bifurcation and accounting as separate financial instruments. We have determined to exclude the gains and losses on embedded derivatives related to the change in fair value of these instruments given the financial nature of this fair value requirement. We were not able to manage these amounts as part of our business operations, nor were the costs core to servicing our clients, so we have excluded them.

Other Debt Financing Expenses: Other debt financing expenses included non-cash write-offs (including write-offs due to payoff), accretion, amortization of debt discounts and issuance costs, and collateral monitoring and other fees payable in cash related to our former credit facility. Since these amounts related to our debt financing structure, we have excluded them since they do not relate to the day-to-day operations or our core business of serving our clients.

EBITDA is net income (loss) adjusted to exclude: interest expense, income tax expense, and depreciation and amortization expense.

Adjusted EBITDA is EBITDA adjusted to exclude: litigation costs and related recoveries, net, write-off of deferred debt financing costs, post-judgment interest in litigation awards, write-off of deferred debt financing costs, stock-based compensation expense, gain from change in fair value of embedded derivatives, and other debt financing expenses, as discussed above.