RMNI Q1 2021 GAAP TO NON-GAAP RECONCILIATION

RIMINI STREET, INC.
Unaudited Condensed Consolidated Balance Sheets
(In thousands, except per share amounts)

ASSETS	March 31, 2021	December 31, 2020
Current assets:		
Cash and cash equivalents	$ 153,163	$ 87,575
Restricted cash	334	334
Accounts receivable, net of allowance of $1,088 and $723, respectively	83,928	117,937
Deferred contract costs, current	13,989	13,918
Prepaid expenses and other	15,746	13,456
Total current assets	267,160	233,220
Long-term assets:		
Property and equipment, net of accumulated depreciation and amortization of $11,508 and $10,985, respectively	4,743	4,820
Operating lease right-of-use assets	16,068	17,521
Deferred contract costs, noncurrent	20,511	21,027
Deposits and other	1,453	1,476
Deferred income taxes, net	1,633	1,871
Total assets	$ 311,568	$ 279,935
LIABILITIES, REDEEMABLE PREFERRED STOCK AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Accounts payable	$ 2,372	$ 3,241
Accrued compensation, benefits and commissions	33,840	38,026
Other accrued liabilities	19,063	21,154
Operating lease liabilities, current	3,806	3,940
Deferred revenue, current	219,453	228,967
Total current liabilities	278,534	295,328
Long-term liabilities:		
Deferred revenue, noncurrent	30,544	27,966
Operating lease liabilities, noncurrent	15,023	15,993
Accrued PIK dividends payable	1,051	1,193
Liability for redeemable warrants	6,790	2,122
Other long-term liabilities	2,514	2,539
Total liabilities	334,456	345,141
Redeemable Series A Preferred Stock:		
Authorized 180 shares; issued and outstanding 146 shares and 155 as of March 31, 2021 and December 31, 2020, respectively. Liquidation preference of $146,104, net of discount of $14,497 and $154,911, net of discount of $17,057, as of March 31, 2021 and December 31, 2020, respectively	131,607	137,854
Stockholders' Deficit:		
Preferred Stock, $0.0001 par value per share. Authorized 99,820 shares (excluding 180 shares of Series A Preferred Stock); no other series has been designated	—	—
Common Stock, $0.0001 par value. Authorized 1,000,000 shares; issued and outstanding 85,140 and 76,406 shares as of March 31, 2021 and December 31, 2020, respectively	9	8
Additional paid-in capital	152,762	98,258
Accumulated other comprehensive loss	(2,682)	(318)
Accumulated deficit	(304,584)	(301,008)
Total stockholders' deficit	(154,495)	(203,060)
Total liabilities, redeemable preferred stock and stockholders' deficit	$ 311,568	$ 279,935

RIMINI STREET, INC.
Unaudited Condensed Consolidated Statements of Operations
(In thousands, except per share amounts)

	Three Months Ended March 31, 2021	Three Months Ended March 31, 2020
Revenue	$ 87,895	$ 78,032
Cost of revenue	33,836	30,199
Gross profit	54,059	47,833
Operating expenses:		
Sales and marketing	30,383	28,412
General and administrative	16,603	12,001
Impairment charge related operating right of use assets	393	—
Litigation costs and related recoveries:		
Professional fees and other costs of litigation	4,763	2,752
Insurance costs and recoveries, net	—	921
Litigation costs and related recoveries, net	4,763	3,673
Total operating expenses	52,142	44,086
Operating income	1,917	3,747
Non-operating income and (expenses):		
Interest expense	(47)	(13)
Loss on change in fair value of redeemable warrants	(4,668)	—
Other income (expenses), net	772	(218)
Income (loss) before income taxes	(2,026)	3,516
Income tax expense	(1,550)	(971)
Net income (loss)	$ (3,576)	$ 2,545
Net loss attributable to common stockholders	$ (9,845)	$ (4,085)
Net loss per share attributable to common stockholders:		
Basic and diluted	$ (0.13)	$ (0.06)
Weighted average number of shares of Common Stock outstanding:		
Basic and diluted	78,733	67,863

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

	Three Months Ended March 31, 2021	Three Months Ended March 31, 2020
Non-GAAP operating income reconciliation:		
Operating income	$ 1,917	$ 3,747
Non-GAAP adjustments:		
Litigation costs and related recoveries, net	4,763	3,673
Stock-based compensation expense	2,233	1,510
Impairment charge related to operating right-of-use assets	393	—
Non-GAAP operating income	$ 9,306	$ 8,930
Non-GAAP net income reconciliation:		
Net income (loss)	$ (3,576)	$ 2,545
Non-GAAP adjustments:		
Litigation costs and related recoveries, net	4,763	3,673
Loss on change in fair value of redeemable warrants	4,668	—
Stock-based compensation expense	2,233	1,510
Impairment charge related to operating right-of-use assets	393	—
Non-GAAP net income	$ 8,481	$ 7,728
Non-GAAP Adjusted EBITDA reconciliation:		
Net income (loss)	$ (3,576)	$ 2,545
Non-GAAP adjustments:		
Interest expense	47	13
Income tax expense	1,550	971
Depreciation and amortization expense	584	449
EBITDA	(1,395)	3,978
Non-GAAP adjustments:		
Litigation costs and related recoveries, net	4,763	3,673
Loss on change in fair value of redeemable warrants	4,668	—
Stock-based compensation expense	2,233	1,510
Impairment charge related to operating right-of-use assets	393	—
Adjusted EBITDA	$ 10,662	$ 9,161
Billings:		
Revenue	$ 87,895	$ 78,032
Deferred revenue, current and noncurrent, as of the end of the period	249,997	222,654
Deferred revenue, current and noncurrent, as of the beginning of the period	256,933	235,498
Change in deferred revenue	(6,936)	(12,844)
Billings	$ 80,959	$ 65,188

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, Annual Recurring 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, EBITDA, adjusted EBITDA and Billings. 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.

Billings represents the change in deferred revenue for the current period plus revenue for the current period.

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.

Annual Recurring 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 Annual Recurring 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, stock-based compensation expense and impairment charge related to operating right-of-use assets. The exclusions are discussed in further detail below.

Non-GAAP Net Income is net income adjusted to exclude: litigation costs and related recoveries, net, loss on change in fair value of redeemable warrants, stock-based compensation expense and impairment charge related to operating right-of-use assets. 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.

Loss on Change in Fair Value of Redeemable Warrants: We have determined to exclude the gains and losses on redeemable warrants related to the change in fair value of these instruments given the financial nature of this fair value requirement. We are not able to manage these amounts as part of our business operations nor are the costs core to servicing our clients and have excluded them.
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.

Impairment charge related to operating lease right-of-use assets: This relates to an impairment charge related to our leased assets for a portion of one of our locations as we no longer use the space.

EBITDA is net income 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, loss on change in fair value on redeemable warrants, stock-based compensation expense and impairment charge related to operating right-of-use assets, as discussed above.