

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

ASSETS	December 31, 2020	December 31, 2019
Current assets:		
Cash and cash equivalents	\$ 87,575	\$ 37,952
Restricted cash	334	436
Accounts receivable, net of allowance of \$723 and \$1,608, respectively	117,937	111,574
Deferred contract costs, current	13,918	11,754
Prepaid expenses and other	13,456	15,205
Total current assets	233,220	176,921
Long-term assets:		
Property and equipment, net of accumulated depreciation and amortization of \$10,985 and \$9,847, respectively	4,820	3,667
Operating lease right-of-use assets	17,521	—
Deferred contract costs, noncurrent	21,027	16,295
Deposits and other	1,476	3,089
Deferred income taxes, net	1,871	1,248
Total assets	\$ 279,935	\$ 201,220
LIABILITIES, REDEEMABLE PREFERRED STOCK AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Accounts payable	\$ 3,241	\$ 2,303
Accrued compensation, benefits and commissions	38,026	27,918
Other accrued liabilities	21,154	23,347
Operating lease liabilities, current	3,940	—
Deferred revenue, current	228,967	205,771
Total current liabilities	295,328	259,339
Long-term liabilities:		
Deferred revenue, noncurrent	27,966	29,727
Operating lease liabilities, noncurrent	15,993	—
Accrued PIK dividends payable	1,193	1,156
Other long-term liabilities	2,539	2,275
Total liabilities	343,019	292,497
Redeemable Series A Preferred Stock:		
Authorized 180 shares; issued and outstanding 155 shares and 155 as of December 31, 2020 and 2019, respectively. Liquidation preference of \$154,911, net of discount of \$17,057 and \$155,231, net of discount of \$23,915, as of December 31, 2020 and 2019, respectively	137,854	131,316
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 76,406 and 67,503 shares as of December 31, 2020 and 2019, respectively	8	7
Additional paid-in capital	101,047	93,484
Accumulated other comprehensive loss	(318)	(1,429)
Accumulated deficit	(301,675)	(314,655)
Total stockholders' deficit	(200,938)	(222,593)
Total liabilities, redeemable preferred stock and stockholders' deficit	\$ 279,935	\$ 201,220

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

	Three Months Ended		Year Ended	
	December 31,		December 31,	
	2020	2019	2020	2019
Revenue	\$ 87,828	\$ 76,128	\$ 326,780	\$ 281,052
Cost of revenue	33,584	30,320	126,211	105,106
Gross profit	54,244	45,808	200,569	175,946
Operating expenses:				
Sales and marketing	30,298	29,670	114,741	107,280
General and administrative	14,063	12,705	52,222	47,364
Impairment charges related to operating lease right-of-use assets	1,167	—	1,167	—
Litigation costs and related recoveries:				
Professional fees and other costs of litigation	4,246	1,875	13,493	8,002
Litigation appeal refunds	—	—	—	(12,775)
Insurance costs and recoveries, net	—	(61)	1,062	3,939
Litigation costs and related recoveries, net	4,246	1,814	14,555	(834)
Total operating expenses	49,774	44,189	182,685	153,810
Operating income	4,470	1,619	17,884	22,136
Non-operating income and (expenses):				
Interest expense	(42)	(23)	(77)	(398)
Other income (expenses), net	473	(866)	(258)	(1,495)
Income before income taxes	4,901	730	17,549	20,243
Income tax expense	(1,242)	(937)	(4,569)	(2,714)
Net income (loss)	\$ 3,659	\$ (207)	\$ 12,980	\$ 17,529
Net loss attributable to common stockholders	\$ (3,086)	\$ (6,780)	\$ (13,829)	\$ (7,914)
Net loss per share attributable to common stockholders:				
Basic and diluted	\$ (0.04)	\$ (0.10)	\$ (0.19)	\$ (0.12)
Weighted average number of shares of Common Stock outstanding:				
Basic and diluted	76,325	67,310	71,231	66,050

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

	Three Months Ended		Year Ended	
	December 31,		December 31,	
	2020	2019	2020	2019
Non-GAAP operating income reconciliation:				
Operating income	\$ 4,470	\$ 1,619	\$ 17,884	\$ 22,136
Non-GAAP adjustments:				
Litigation costs and related recoveries, net	4,246	1,814	14,555	(834)
Stock-based compensation expense	2,036	1,704	7,461	5,532
Impairment charge related to operating lease right-of-use assets	1,167	—	1,167	—
Non-GAAP operating income	<u>\$ 11,919</u>	<u>\$ 5,137</u>	<u>\$ 41,067</u>	<u>\$ 26,834</u>
Non-GAAP net income reconciliation:				
Net income (loss)	\$ 3,659	\$ (207)	\$ 12,980	\$ 17,529
Non-GAAP adjustments:				
Litigation costs and related recoveries, net	4,246	1,814	14,555	(834)
Post-judgment interest in litigation awards	—	—	—	(212)
Stock-based compensation expense	2,036	1,704	7,461	5,532
Impairment charge related to operating lease right-of-use assets	1,167	—	1,167	—
Non-GAAP net income	<u>\$ 11,108</u>	<u>\$ 3,311</u>	<u>\$ 36,163</u>	<u>\$ 22,015</u>
Non-GAAP Adjusted EBITDA reconciliation:				
Net income (loss)	\$ 3,659	\$ (207)	\$ 12,980	\$ 17,529
Non-GAAP adjustments:				
Interest expense	42	23	77	398
Income tax expense	1,242	937	4,569	2,714
Depreciation and amortization expense	493	452	1,813	1,913
EBITDA	<u>5,436</u>	<u>1,205</u>	<u>19,439</u>	<u>22,554</u>
Non-GAAP adjustments:				
Litigation costs and related recoveries, net	4,246	1,814	14,555	(834)
Post-judgment interest in litigation awards	—	—	—	(212)
Stock-based compensation expense	2,036	1,704	7,461	5,532
Impairment charge related to operating lease right-of-use assets	1,167	—	1,167	—
Adjusted EBITDA	<u>\$ 12,885</u>	<u>\$ 4,723</u>	<u>\$ 42,622</u>	<u>\$ 27,040</u>
Calculated Billings:				
Revenue	\$ 87,828	\$ 76,128	\$ 326,780	\$ 281,052
Deferred revenue, current and noncurrent, end of the period	256,933	235,498	256,933	235,498
Deferred revenue, current and noncurrent, beginning of the period	204,297	186,925	235,498	196,706
Change in deferred revenue	<u>52,636</u>	<u>48,573</u>	<u>21,435</u>	<u>38,792</u>
Calculated billings	<u>\$ 140,464</u>	<u>\$ 124,701</u>	<u>\$ 348,215</u>	<u>\$ 319,844</u>

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 Calculated 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.

Calculated 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 charges related to 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, post-judgment interest in litigation awards, stock-based compensation expense and impairment charges related to operating lease 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.

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

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.

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, post-judgment interest in litigation awards, stock-based compensation expense and impairment charges related to operating lease right-of-use assets, as discussed above.

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