

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

ASSETS	June 30, 2020	December 31, 2019
Current assets:		
Cash and cash equivalents	\$ 72,672	\$ 37,952
Restricted cash	333	436
Accounts receivable, net of allowance of \$1,191 and \$1,608, respectively	63,475	111,574
Deferred contract costs, current	12,061	11,754
Prepaid expenses and other	12,517	15,205
Total current assets	161,058	176,921
Long-term assets:		
Property and equipment, net of accumulated depreciation and amortization of \$10,562 and \$9,847, respectively	3,339	3,667
Operating lease right-of-use assets	17,403	—
Deferred contract costs, noncurrent	17,323	16,295
Deposits and other	1,521	3,089
Deferred income taxes, net	1,197	1,248
Total assets	\$ 201,841	\$ 201,220
LIABILITIES, REDEEMABLE PREFERRED STOCK AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Accounts payable	\$ 4,646	\$ 2,303
Accrued compensation, benefits and commissions	28,913	27,918
Other accrued liabilities	19,207	23,347
Operating lease liabilities, current	4,165	—
Deferred revenue, current	195,603	205,771
Total current liabilities	252,534	259,339
Long-term liabilities:		
Deferred revenue, noncurrent	22,903	29,727
Operating lease liabilities, noncurrent	14,125	—
Accrued PIK dividends payable	1,175	1,156
Other long-term liabilities	865	2,275
Total liabilities	291,602	292,497
Redeemable Series A Preferred Stock:		
Authorized 180 shares; issued and outstanding 158 shares and 155 as of June 30, 2020 and December 31, 2019, respectively. Liquidation preference of \$157,554, net of discount of \$20,801 and \$155,231, net of discount of \$23,915, as of June 30, 2020 and December 31, 2019, respectively	136,753	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 68,530 and 67,503 shares as of June 30, 2020 and December 31, 2019, respectively	7	7
Additional paid-in capital	83,959	93,484
Accumulated other comprehensive loss	(1,840)	(1,429)
Accumulated deficit	(308,640)	(314,655)
Total stockholders' deficit	(226,514)	(222,593)
Total liabilities, redeemable preferred stock and stockholders' deficit	\$ 201,841	\$ 201,220

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

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2020	2019	2020	2019
Revenue	\$ 78,402	\$ 69,869	\$ 156,434	\$ 135,742
Cost of revenue	30,437	25,034	60,636	48,871
Gross profit	47,965	44,835	95,798	86,871
Operating expenses:				
Sales and marketing	26,836	26,899	55,248	50,854
General and administrative	13,133	10,630	25,134	23,618
Litigation costs and related recoveries:				
Professional fees and other costs of litigation	2,722	444	5,474	2,485
Litigation appeal refunds	—	—	—	(12,775)
Insurance costs and recoveries, net	141	(300)	1,062	4,339
Litigation costs and related recoveries, net	2,863	144	6,536	(5,951)
Total operating expenses	42,832	37,673	86,918	68,521
Operating income	5,133	7,162	8,880	18,350
Non-operating income and (expenses):				
Interest expense	(12)	(116)	(25)	(348)
Other expenses, net	(567)	(343)	(785)	(300)
Income before income taxes	4,554	6,703	8,070	17,702
Income tax expense	(1,084)	(621)	(2,055)	(1,326)
Net income	\$ 3,470	\$ 6,082	\$ 6,015	\$ 16,376
Net income (loss) attributable to common stockholders	\$ (3,217)	\$ (238)	\$ (7,302)	\$ 3,285
Net income (loss) per share attributable to common stockholders:				
Basic	\$ (0.05)	\$ —	\$ (0.11)	\$ 0.05
Diluted	\$ (0.05)	\$ —	\$ (0.11)	\$ 0.05
Weighted average number of shares of Common Stock outstanding:				
Basic	68,290	65,535	68,076	65,080
Diluted	68,290	65,535	68,076	69,202

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

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2020	2019	2020	2019
Non-GAAP operating income reconciliation:				
Operating income	\$ 5,133	\$ 7,162	\$ 8,880	\$ 18,350
Non-GAAP adjustments:				
Litigation costs and related recoveries, net	2,863	144	6,536	(5,951)
Stock-based compensation expense	1,726	1,052	3,236	2,208
Non-GAAP operating income	<u>\$ 9,722</u>	<u>\$ 8,358</u>	<u>\$ 18,652</u>	<u>\$ 14,607</u>
Non-GAAP net income reconciliation:				
Net income	\$ 3,470	\$ 6,082	\$ 6,015	\$ 16,376
Non-GAAP adjustments:				
Litigation costs and related recoveries, net	2,863	144	6,536	(5,951)
Post-judgment interest in litigation awards	—	—	—	(212)
Stock-based compensation expense	1,726	1,052	3,236	2,208
Non-GAAP net income	<u>\$ 8,059</u>	<u>\$ 7,278</u>	<u>\$ 15,787</u>	<u>\$ 12,421</u>
Non-GAAP Adjusted EBITDA reconciliation:				
Net income	\$ 3,470	\$ 6,082	\$ 6,015	\$ 16,376
Non-GAAP adjustments:				
Interest expense	12	116	25	348
Income tax expense	1,084	621	2,055	1,326
Depreciation and amortization expense	438	474	886	966
EBITDA	<u>5,004</u>	<u>7,293</u>	<u>8,981</u>	<u>19,016</u>
Non-GAAP adjustments:				
Litigation costs and related recoveries, net	2,863	144	6,536	(5,951)
Post-judgment interest in litigation awards	—	—	—	(212)
Stock-based compensation expense	1,726	1,052	3,236	2,208
Adjusted EBITDA	<u>\$ 9,593</u>	<u>\$ 8,489</u>	<u>\$ 18,753</u>	<u>\$ 15,061</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, 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, 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 is net income adjusted to exclude: litigation costs and related recoveries, net, post-judgment interest in litigation awards, and stock-based compensation expense. 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.

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, and stock-based compensation expense, as discussed above.