VALUE X VAIL

2018

Rimini Street

(RMNI / RMNIW)

LAUGHING WATER CAPITAL

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LAUGHING WATER CAPITAL

About Laughing Water Capital

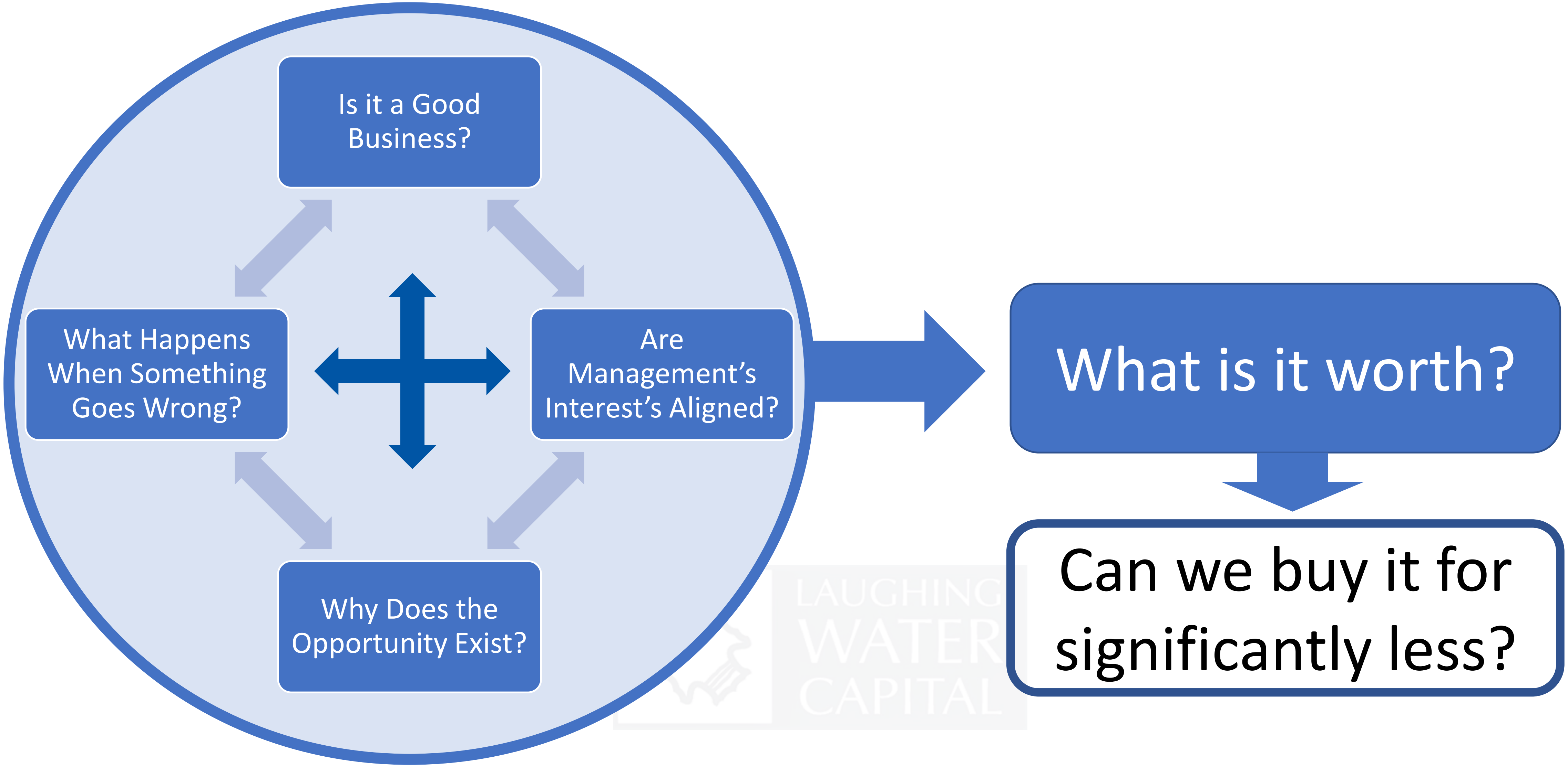
- Private partnership formed in February, 2016
- We have no intention of competing with the giants of the investment world: the goal is to maximize our competitive advantages
  - Stay small
  - Patient capital that understands that volatility is not risk
- We are not re-inventing the wheel – we are simply following the same strategy that most of the world's best investors followed when they were small
  - Long biased, concentrated portfolio of ~15 good businesses that are dealing with structural and/or operational problems that are likely easily solved by an incentivized management team given enough time

Net Returns

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	LWC YTD	LWC Cum.
2016	-	9.5%	10.2%	2.1%	-1.1%	-1.9%	9.6%	2.5%	.4%	-1.5%	2.7%	.4%	37.1%	-
2017	6.1%	-.2%	1.6%	1.9%%	-3.3%	2.9%	-.4%	1.5%	8.4%	5.8%	3.0%	2.3%	33.2%	82.5%
2018	3.9%	-2.2%	5.9%	4.4%	.3%	-	-	-	-	-	-	-	12.8%	105.8%

- Too short to be significant, but for those that can step away from the herd, the strategy is timeless

LWC's 5 Part Framework



Context

"You cannot protect yourself against lawsuits, and there are certainly a lot of frivolous ones."

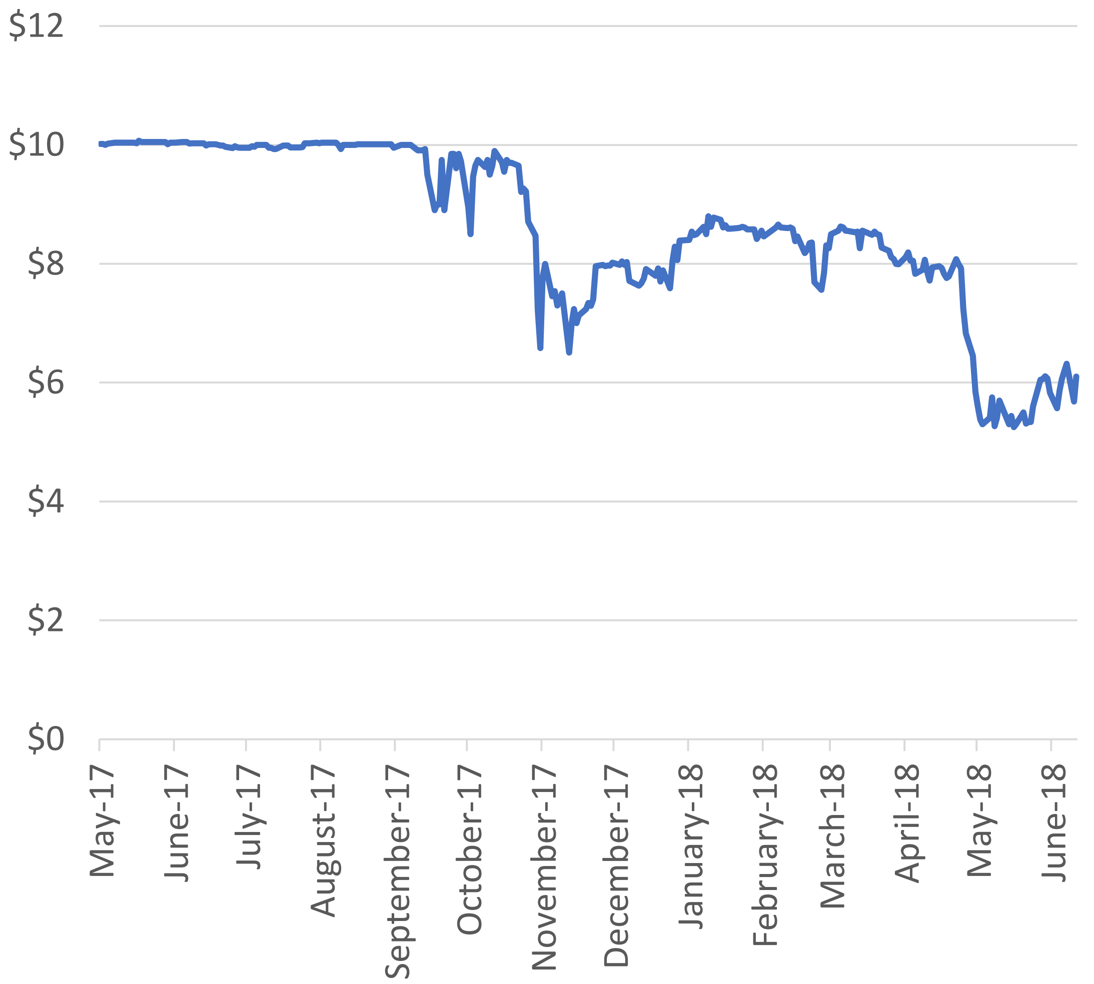
~Warren Buffett, 1995 Berkshire Annual meeting

Investment Basics

- ✓ Easy To Understand
- ✓ Predictable, counter-cyclical recurring revenue
- ✓ Secular Tail Winds
- ✓ Competitive advantages
- ✓ Large customer value proposition
- ✓ Long runway for future growth
- ✓ Low cap-ex
- ✓ Off the beaten path / does not screen well
- ✓ Temporary Problems
- ✓ Properly incentivized management team

Stock Basics

(Millions, except share price)	
Stock Symbol	RMNI
Stock Price	$6
Basic Shares Out	~62*
Market Cap	~$373
Cash	~37
Convert PFD	~140
Enterprise Value	~$476
% Owned By Insiders	73%
Current Yield	N/A
52 Week Range	$5.00 - $10.40

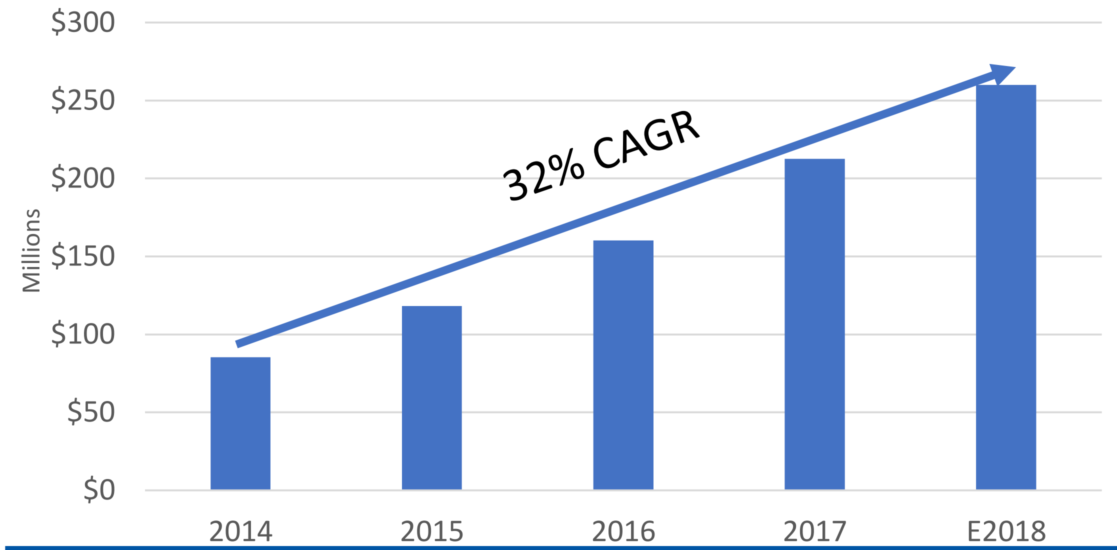


*Includes additional common shares attached to recent preferred offering. Significant future dilution exists due to options, RSUs, warrants, and PFD convert.

Company Basics

- Leading provider of third party maintenance (3PM) for enterprise software
- Founded in 2005, came public through the backdoor via a transaction with a SPAC (GPIA) in October of 2017
- 1,500+ customers including 70 Fortune 500 and 20 Fortune Global 100
- Target all industries, including healthcare, retail, TMT, manufacturing, and government
- Global reach

Revenue Growth



Targeted Products

Hyperion
JD EDWARDS
IBM DB2
ORACLE AGILE
ORACLE ATG WEB COMMERCE
ORACLE E-BUSINESS SUITE
ORACLE FUSION MIDDLEWARE
ORACLE RETAIL
Microsoft SQL Server
SAP
SAP BusinessObjects
SAP HANA
SAP Sybase
ORACLE DATABASE
PeopleSoft
SIEBEL
salesforce

Industry Landscape

Any organization that runs enterprise software relies on periodic maintenance and upgrades to keep the software running smoothly and effectively

Traditionally the software vendor has provided this service, at very high margin

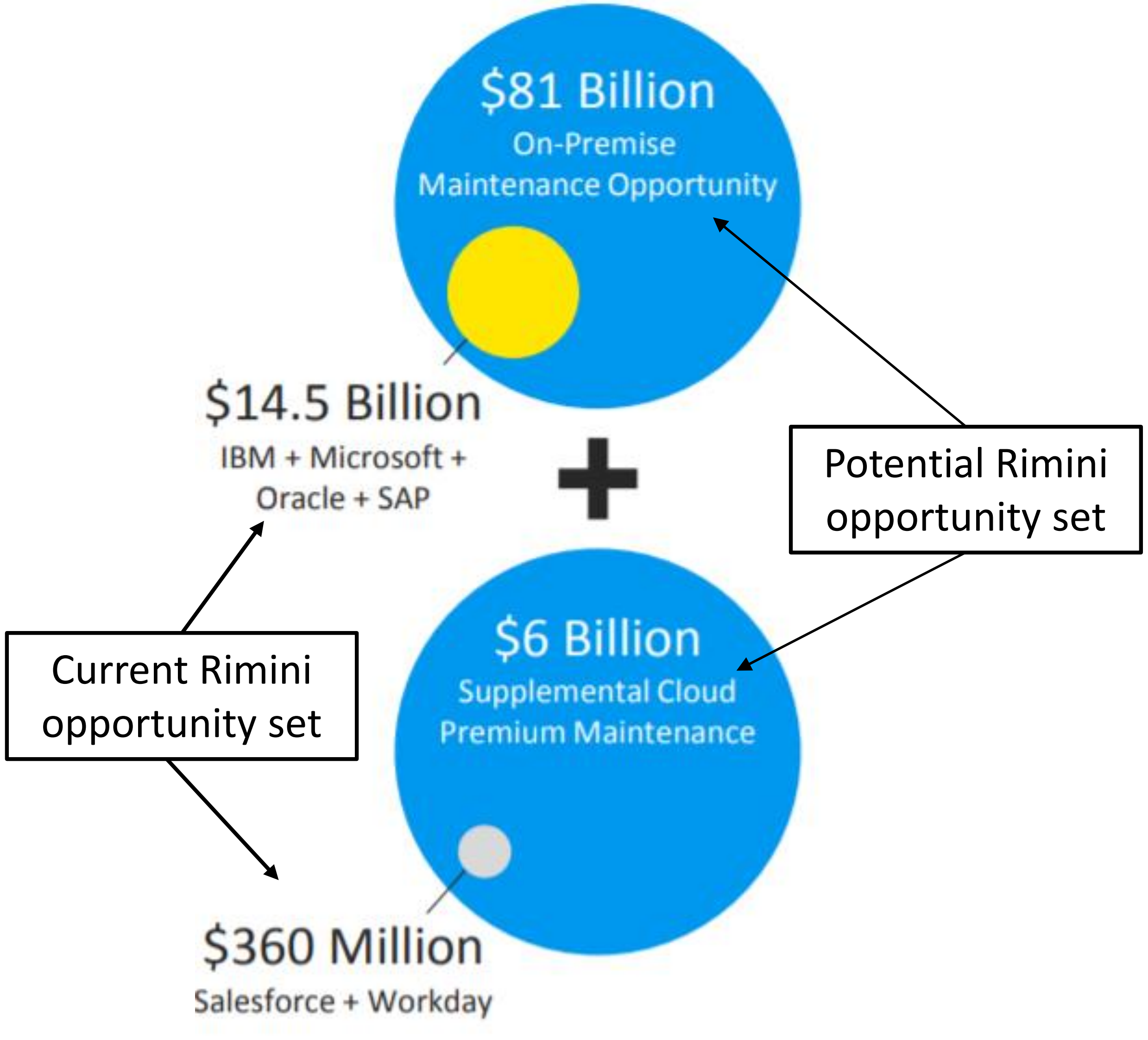
- Example: Oracle @ ~90% margin

Customers often end up resenting vendors due to poor service, forced upgrades / sunsets, and assorted add on charges

Rimini is the leading 3rd party provider of enterprise software maintenance, essentially cutting out the vendor, providing better service at a lower cost

Most vendors are indifferent or supportive of 3PM… Oracle is fiercely litigious

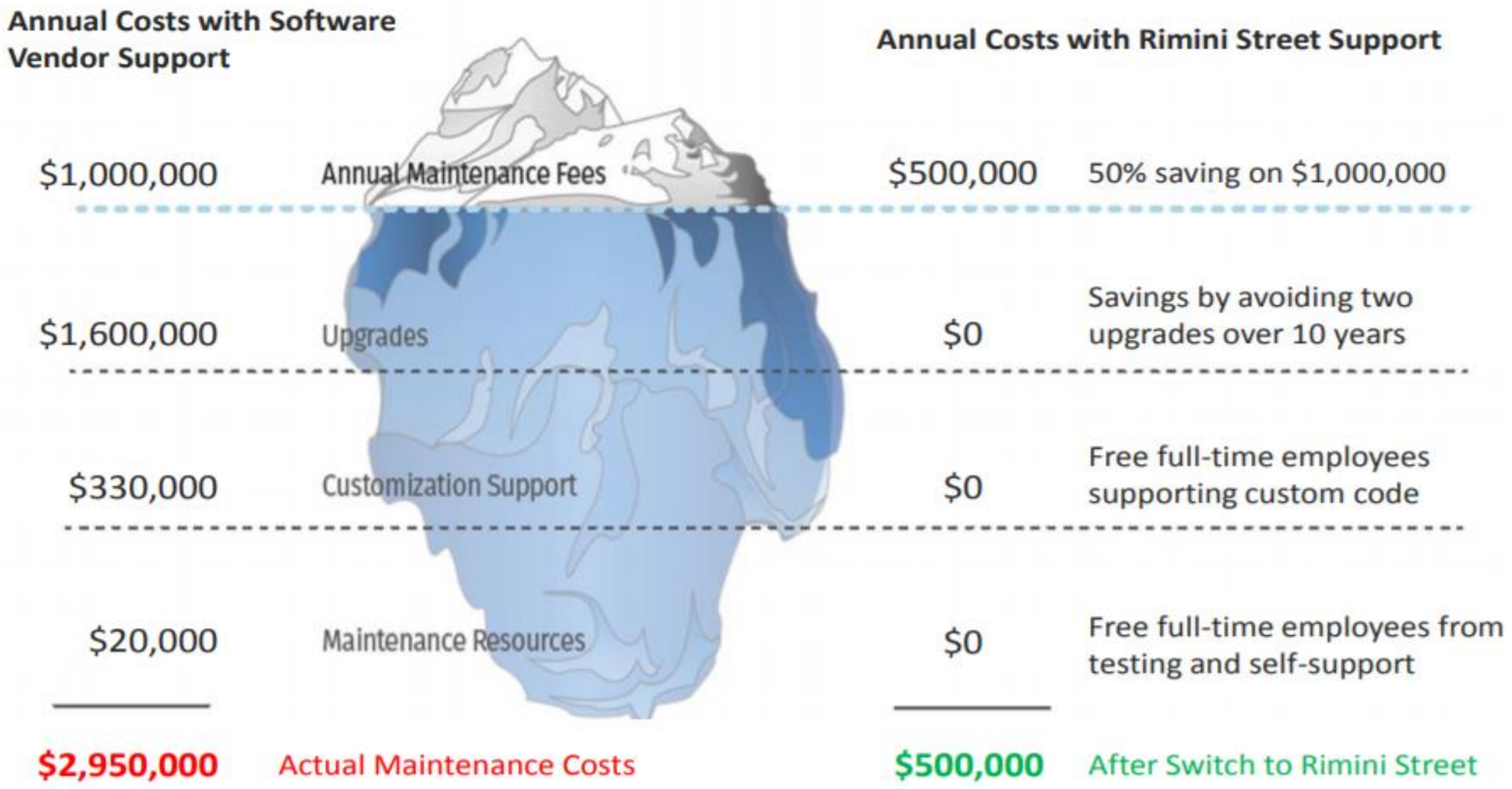
Scratching the Surface of Massive TAM



Source: Company Presentation

Is it a Good Business?

Customer Value Proposition



For businesses that are happy with the status quo of their ERP, RMNI is an excellent alternative to vendor supported software

- To date Rimini has saved customers ~$3B
- Average customer satisfaction score of 4.8/5

Source: Company presentation

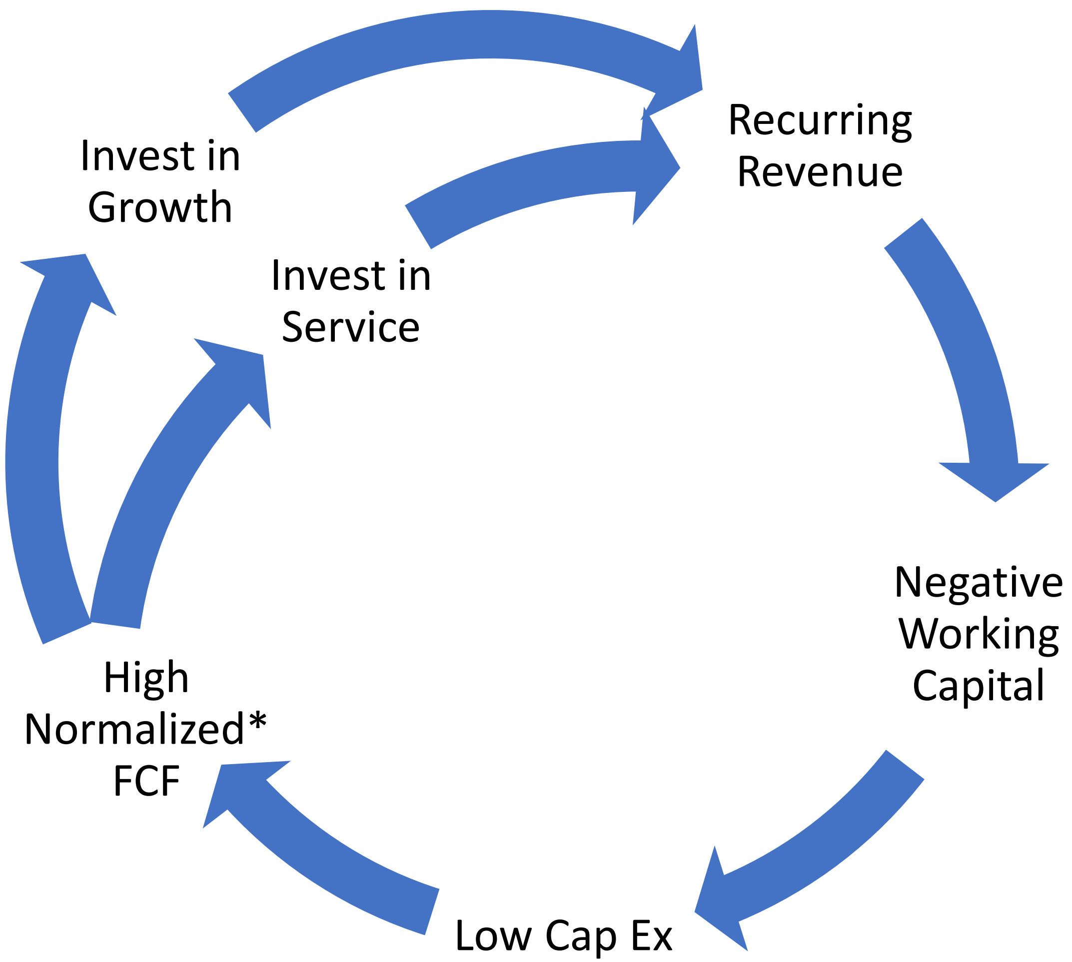
Is it a Good Business?

Long Road for Reinvestment and Growth

Rimini is currently facing some problems, but on a normalized basis, the opportunity is attractive:

Legitimate value proposition
+ 100% subscription revenue
+ 93% revenue retention
+ Limited normalized cash needs
+ Large TAM

= Favorable odds for success



Is it a Good Business?

Competitive Advantages

Name recognition

- Choosing to go with a 3rd party maintenance support provider entails career risk for CTOs. This risk is mitigated for the leading provider.

Scale

- Limited barriers to entry on the lower end. Larger multi-jurisdictional clients require scale and specialized local knowledge.

Quality service

- Average customer facing employee is an engineer with 15 years of experience, vs. book trained help desk at competition.

Operating Leverage?

We do not expect the same level of operating leverage going forward, but there should still be flex in the model

	2015	2016	2017
Net revenue	$118,163	$160,175	$212,633
Gross profit	65,397	93,130	129,735
gross margin %	*55.3%*	*58.1%*	*61.0%*
General and administrative	24,220	36,212	36,144
% of revenue	*20.5%*	*22.6%*	*17.0%*
Legal costs ?	*See*	*More*	*Below*

What Happens When Something Goes Wrong?

Defensive Revenues

Rimini provides a mission critical service to its customers that cannot be easily eliminated during recessionary periods

- ORCL grew Support Revenues straight through the great recession

Counter-Cyclical Demand

Rimini is in the business of saving money for their clients. During recessionary periods when CTOs / CIOs need to trim their budgets, moving away from vendor based solutions and toward Rimini's 50% discount pricing model is a logical step.

Predictable, defensive, counter-cyclical revenues are valuable, and deserve a high multiple.

Why Does the Opportunity Exist: Small Picture

Off the Radar

RMNI is far off the radar of most Wall Street participants

- No IPO roadshow
- Weak initial shareholder base
- Only 1 sell side analyst
- Only 129 Seeking Alpha followers, vs 113,886 for ORCL
- Never written up on VIC, SumZero, Seeking Alpha, COBF etc

GAAP Inefficiencies

- Customer acquisition costs are expensed up front, but revenue is recognized annually over the life of the relationship
- Life Time Value/Customer Acquisition Cost >5x
- It makes sense to lose money up front if you are creating an annuity stream, but mechanical screeners cannot make this distinction

Limited Liquidity / Non-economic Selling

- Only ~10% of shares are free floating - average volume ~30k shares per day
- Following Q1 earnings, the trading window opened for the first time ever for employees
- Small buying by management, but rank and file – some of whom have worked for 10+ years with no opportunity to monetize their shares – sold shares indiscriminately

Why Does the Opportunity Exist: Small Picture

Operational Stumbles

Growth Disappointments

- May of 2017 - Initial deal deck guided to FY'17 revenue of $220M, and FY'18 revenue of $295M
- Actual FY'17 revenue = $212M (~33% YoY)
- FY'18 revenue guide is now ~$260M (~22% YoY)

The growth slowdown is easily explained by reduced spending on sales and marketing, which is set to rebound in the coming Qs

Softening Metrics?

While still impressive, LTV / CAC has softened

Q1'17	Q3'17	Q1'18
7.7x	7.4x	5.8x

Difficult to pinpoint the reason for this decline, but there are a few possible explanations

- LTV is a backwards looking number, not a forecast. RMNI's longest tenured clients are simply rolling off. Eventually they do a full upgrade of their software, rather than continuing in maintenance mode, and some have been acquired
- Ongoing litigation (more on this below) is lengthening the sales cycle and increasing CAC

Why Does the Opportunity Exist: Big Picture

Problematic Litigation

Oracle is attempting to litigate the company to death claiming copyright infringement etc.

The battles are on-going, but highlights include:

- **2010 - "Rimini I":** ORCL sues Rimini and wins ~$75-$100M (net of first appeal, counter-appeal pending) for "Innocent Infringement" for the period 2006 - 2014. Rimini was not permitted to counter-sue for unfair competition, and Rimini amended its processes no later than July of 2014. ~$22M of the damages is interest calculated at ~5% (T rate in 2006)
- **2014 - "Rimini II":** RMNI sues ORCL for declaratory judgement contending that revised processes in place since July, 2014 do not infringe on ORCL's copyrights. Rimini is permitted to sue for unfair competition. ORCL countersues alleging infringement from 2011-2014, and that Rimini's revised processes are unacceptable.
- The company has also received a federal subpoena requesting documents related to their operational practices. This is not unexpected given ORCL's earlier claims.

Problematic Debt

In order to finance the initial Rimini I judgement of $124.4M, RMNI took on $125M in debt with <u>horrendous</u> terms

- 15% stated rate, effective rate of 40+% including issuance discounts and costs
- Covenants allowed lenders to restrict RMNI's ability to spend on growth, which led to the recent decline

On June 19th RMNI announced a convertible preferred offering and retired legacy debt

- Expected to save $95M in cash flow over the next 3 years
- No covenants restricting growth spending

Legal Problems: LWC's Take

Reasons We Gain Comfort

All parties in the ecosystem knew in advance that Oracle is extremely litigious – management has been prepared for this since day 1

- The legal departments of 70+ Fortune 500 companies have reviewed their license agreements with ORCL, and agreed to work with RMNI
- 2 large PE funds have reviewed the legal situation and invested in equity
- 1 large PE fund reviewed the legal situation and acted as a lender
- No other vendors are suing, and some (Salesforce) are collaborating. The pie is huge, and RMNI should grow past any ORCL problem within a few years.

The court has ruled that the right to provide 3PM is not in question, only the process by which it is provided. Processes can be changed. The outcome is not binary.

In Rimini I, RMNI was not allowed to sue for anti-competitive behavior… now they are. It is possible that Rimini receives judgement.

Adjusted for interest rates, judgement for Rimini I equates to $65-90M. We assume a $100M present liability tied to Rimini II in our valuation, which we believe is conservative. By the time a trial is concluded, RMNI's revenue will likely be 200+% more than today, making a potential $100M settlement manageable.

Ultimately, legal expense is just another line item for operating leverage.

Legal Problems?

"Invert, always invert"

Litigation Defense as a (temporary) Source of Moat?

- While litigation defense is costly and time consuming, it also has the effect of keeping competition at bay.
    - Under-capitalized new entrants to 3PM would be crushed by litigation
- Rimini is thus able to establish relationships and take market share with limited competition in a business that will likely eventually face margin pressure due to low barriers to entry on the bottom end of the spectrum (although there are switching costs)
- Rimini has also been able to firmly establish itself as the market leader at the top end of the spectrum (more complex multi-jurisdictional maintenance)

Are insiders properly incentivized?

Management

CEO & Founder Seth Ravin

- Owns ~23%, worth ~$80M
- Previously founded TomorrowNow, a similar business that was sold to SAP, and subsequently litigated to death by Oracle. Hard to imagine Ravin isn't doing things differently this time to reduce litigation risk

CIO and Co-Founder Thomas Shay

- Owns ~9%, worth ~$31M

SPAC Sponsor

GP Investments

- Owns 21%, ~$84M
- Latin American PE fund publicly traded in Luxembourg
- Co-founded by Jorge Paolo Lemann, who left in 2004 to start 3G

PE Backer

Adams Street Partners

- Own ~39%, worth ~$141M
- $30B PE fund, invested since 2009
- Participated in recent PFD

Rimini is essentially a private company with some public shares.
Insiders are incentivized to think long term… but the stock will be volatile in the short term.

Valuation: Current

Price to Sales

GAAP is a poor tool for capturing the economics of rapidly growing recurring revenue, as customer acquisition is expensed up front, but cash flow continues for several years.

It *makes sense* to lose money on sales and marketing up front if you can enjoy annuity like cash flows in future years.

EV / Sales is not a favorite metric, but it is useful when current earnings are (rightfully) depressed.

Small cap software companies often trade at 4-8x revenue… but RMNI is not pure play software and won't enjoy the same operating leverage, so a discount is appropriate.

Technology consulting and BPO companies often trade at 2-3x revenue… but RMNI is growing much faster, has much higher gross margins, and the potential for higher normalized net margins, justifying a premium.

At $10, (66% upside), RMNI would trade at 2.7X 2019E revenue, an undemanding multiple given its normalized margin and growth profile. Note that future dilution exists in the form of $11.50 strike 2022 warrants.

	Millions	except share price
Shares	79	include ITM options RSUs warrants
Price	6.00	
Market Cap	$474	
- Cash	37	no credit for ORCL cash in escrow
- Options cash	44	
-$5.64 warrant cash	19	
+13% PFD CNVT	140	
+ Litigation Reserve	100	LWC estimate – likely punitive
EV	$613	no credit for ~$200M in NOLs

Year	**2018**		**2019**	
Revenue	260	Guidance	340	LWC est.
EV / Sales	2.4x		1.8x	

Valuation: Current

Steady State

Reimagining the income statement with reduced spending on sales and marketing to reflect a theoretical steady state paints a more useful valuation picture than GAAP

~9x steady state EBIT is cheap for 30+% growth w/ an enormous TAM, w/o cash taxes, w/ upside optionality tied to positive litigation outcomes

Small cap software companies often trade at >20x EV/EBIT, and technology consulting companies often trade at high teens EV/EBIT

At $10 (66% upside), RMNI would trade at ~14x EV/ steady state EBIT assuming legal costs continue indefinitely (not likely) and RMNI is hit with a $100M settlement (not likely), which we believe is an undemanding multiple for a high growth, counter-cyclical business with a free option on the possibility of favorable legal outcomes. Note that future dilution exists in the form of $11.50 strike 2022 warrants.

	Millions	except share price
Net revenue	$239	Q1'18 annualized
growth	*0.0%*	
Cost of revenue	89	
Gross profit	$150	
gross margin	*62.6%*	adjusts for growth spend
Operating expenses:		
Sales and marketing	24	
% of revenue	*10.0%*	~32% of FY17$ (FY17 growth = 33%)
General and administrative	34	FY17 -internal legal + puclic co costs
Pre litigation expense EBIT	$92	
- Est. run rate legal costs	25	High end of guidance
Post litigation expense EBIT	$67	
Shares	79	include ITM options and warrants
Price	6.00	
Market Cap	$474	
- Cash	37	no credit for ORCL cash in escrow
- Options cash	44	
-$5.64 warrant cash	19	
+13% PFD CNVT	140	
+ Litigation Reserve	100	LWC estimate – likely punitive
EV	$613	no credit for ~$200M in NOLs
EV/Pre litigation expense EBIT	6.7x	
EV/Post litigation expense EBIT	9.2x	

Valuation: 2022

A Wide Variety of Potential Outcomes

All long range forecasts should be taken with a shaker of salt as they are guaranteed to be wrong in some way, but examining various scenarios can be illustrative.

At this point, the damage from Rimini I is accounted for, and potential damage from Rimini II is not likely until 2H 2021, putting 2022 in focus…

A wide range of outcomes is possible due to:

- A complicated cap structure with multiple avenues to dilution
- The ability to offset future dilution through cost effectively repurchasing warrants
- Unknown litigation liabilities
- The ability to simply focus on cash flow rather than growth

Valuation: 2022 Disappointment

Growth Disappoints / Adverse Legal Outcome

Income statement assumptions:

Despite growth of 35+% through Rimini I, clients are gun-shy during Rimini II, and growth flatlines at 22%. RMNI is forced to revise their processes, and gross margins decline substantially. Legal costs are on-going. Growth spending is reduced during process refinement, which elevates cash flow

Balance sheet & EV assumptions:

SPAC warrant dilution is limited by low price, PFD is retired/converted, options exercised, $150M litigation hit with additional $50M needed to finance settlement, 7% annual dilution.

Key Takeaway:

Even if growth disappoints and Rimini II is worse than expected, the company has levers to pull to generate current income, and permanent loss of capital is unlikely

Back of envelope	Millions	Except share price
Revenue	$575	Growth never recovers from 2017 level
Cost of revenue	230	
Gross profit	$345	
gross margin	60%	Assume process impairment
Operating expenses:		
Sales and marketing	115	
% of revenue	20.0%	Choose to slow growth
General and administrative	86	
% of revenue	15.0%	Assume slight operating leverage
Pre external legal EBIT	$144	
External legal	20	Continued appeals etc.
Post external legal EBIT	$124	
Per Share Value		
@ 8x EBIT	~$8.2	
@10x EBIT	~$10.5	Low mult. b/c of process impairment etc.
@12x EBIT	~$12.3	
Upside @ 8x EBIT	36%	
Upside @ 10x EBIT	74%	
Upside @ 12x EBIT	106%	Assumes warrants exercised

Valuation: 2022 Continued Growth

Large TAM, Long Runway For Growth, Pursue Growth Over Cash Flow

Income statement assumptions:

The massive TAM allows RMNI to continue pushing for high 20s growth, while legal problems persist.

Balance sheet & EV assumptions:

No credit for cash accumulation or cost-effectively reducing dilution through warrant repurchases. Options & warrants exercised, PFD converted, 7% annual dilution, $100M litigation reserve.

Key Takeaway:

RMNI has a long road to reinvest in growth which will drive value, even if the legal overhang persists for several years. The company has levers to pull to maximize cash flow if that becomes necessary.

Back of envelope	Millions	Except share price
Revenue	$725	Growth at low 30s declining to high 20s
Cost of revenue	261	
Gross profit	$464	
gross margin	64%	Assume slight operating leverage
Operating expenses:		
Sales and marketing	272	
% of revenue	37.5%	Current guidance, fueling continued high 20s
General and administrative	94	
% of revenue	13.0%	Assume moderate operating leverage
Pre external legal EBIT	$98	
External legal	20	Continued appeals etc.
Post external legal EBIT	$78	
Per Share Value		
@ 2.0x EV/Sales	~$13	Draconian for this growth / margin profile
@ 3.0x EV/Sales	~$19	Reasonably conservative
@ 4.0x EV/Sales	~$24	Not unreasonable given characteristics
Upside @ 2.0x	117%	
Upside @ 3.0x	217%	
Upside @ 4.0x	300%	

Valuation: 2022 Focus on Cash Flow

RMNI… Just Another Tech Consultant / BPO Company?

Income statement assumptions:

In 2022 RMNI decides to forgo its 20+% annual growth opportunity and allocates to sales & marketing inline with tech consultant / BPO peers in pursuit of 5-6% growth and cash flow. Legal costs are on-going.

Balance sheet & EV assumptions:

No credit for cash accumulation or cost-effectively reducing dilution through warrant repurchases. Options & warrants exercised, PFD converted, 7% annual dilution, $100M litigation hit.

Key Takeaway:

Even if the legal overhang is still present and RMNI does not get a peer multiple, upside is significant. In our view, focusing on continued growth at lower margin is the more likely (and better) plan, but the model provides options to generate income (and drive valuation) at any time.

Back of envelope	Millions	Except share price
Revenue	$725	Growth at low 30s declining to high 20s
Cost of revenue	261	
Gross profit	$464	
gross margin	64%	Assume slight operating leverage
Operating expenses:		
Sales and marketing	109	
% of revenue	15.0%	Conservative for 5-6% future growth
General and administrative	94	
% of revenue	13.0%	Assume moderate operating leverage
Pre external legal EBIT	$261	
External legal	20	Continued appeals etc.
Post external legal EBIT	$241	
Per Share Value		
@14x Post legal EBIT	~$28	
@ 16x Post legal EBIT	~$32	Reasonable range for consulting / BPO
@18x Post legal EBIT	~$36	
Upside @ 14x	367%	
Upside @ 16x	433%	
Upside @ 18x	500%	

Valuation: 2022 Disaster

Unlikely, but….

As the court has already ruled that 3PM has the right to exist, and the Rimini I settlement provides a reasonable benchmark for future settlements, we view it as very unlikely that RMNI will be litigated to death.

However, there is a non-zero chance that we are wrong.

SPAC warrants (RMNIW) are thus an attractive security to favorably skew potential outcomes.

Unlikely, but….

2022 Outcomes:	Disaster	Continued Growth	Focus on CF
Stock Price	$0	~$19	~$32
Upside / Downside	*-100%*	*217%*	*433%*
Warrant Price	$0	~$6.50	~$6.50
Upside / Downside	*-100%*	*900%*	*900%*

*note: an earlier version of this presentation failed to note that warrant upside is essentially capped at $18.00 stock price

What Could Go Wrong?

Risk	Mitigant
• Legal situation could be worse than expected	• A known unknown, but rulings to date provide comfort
• Legal resolution will likely bring new competition	• There are benefits to scale, and the TAM is massive. There is room for more players
• Future dilution is significant, and will result in some concavity to per share equity value	• Current price is far below levels where dilution is significant, and repurchasing warrants in the future should be a cost effective offset
• PE sponsors will seek liquidity at some point	• Price risk, not business risk. Increased float could lead to multiple expansion.

If you are a patient, open minded, accredited investor that is not afraid to stand away from the crowd, we should talk. Please join our mailing list at:

www.LaughingWaterCapital.com