

EQUITY RESEARCH

November 2, 2023

Price: \$2.40 (11/1/2023)

Price Target: \$3.00

MARKET PERFORM (2)

ESG SCORE: 61/100

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Key Data

Symbol	NASDAQ: RMNI
Beta:	0.98
52-Week Range:	\$5.44-\$2.01
Market Cap:	\$213.8MM
Net Debt (MM):	\$(55.0)
Cash/Share:	\$(0.10)
Dil. Shares Out (MM):	89.3
Enterprise Value (MM):	\$159.3
BV/Share:	\$(0.70)
Dividend:	\$0.00
Yield:	0.00%

FY (Dec)	2022A	2023E	2024E
EPS			
Q1	\$0.10	\$0.12A	\$0.13
Prior Q1	-	-	-
Q2	\$0.07	\$0.10A	\$0.12
Prior Q2	-	-	-
Q3	\$0.09	\$0.13A	\$0.14
Prior Q3	-	\$0.11	\$0.12
Q4	\$0.17	\$0.11	\$0.13
Prior Q4	-	-	-
Year	\$0.44	\$0.47	\$0.52
Prior Year	-	\$0.43	\$0.50
Revenue (MM)			
Year	\$409.6	\$429.5	\$454.1
Prior Year	-	\$427.0	\$451.3

EARNINGS UPDATE

GOOD 3Q; GTM MOTION GAINING TRACTION, THOUGH LITIGATION REMAINS AN OVERHANG

THE TD COWEN INSIGHT

RMNI reported a slight rev beat w/ growth of 5.4% above our 4.7% est, and ST billings growth ran slightly higher at +6% (though below our est). Mgmt noted growing strength in its SAP business, as well as ~\$250-\$500k deal activity. RMNI is gradually improving its N.A. GTM motions, though we remain cautious on the RMNI II litigation overhang. Our ests go slightly higher. Maintain Market Perform.

Key Takes

- 3Q revenue of \$107.5m (+5.4% Y/Y) was slightly above our estimate of \$106.7m (+4.7%). Gross margin of 62.7% was above our 62.0% estimate, and operating income of \$16.5m was well above our estimate of \$12.2m, delivering a strong 15.3% operating margin (up ~480bp Y/Y), above our 11.4% estimate.
- Billings grew 22% Y/Y (vs. 3% last qtr) against a highly favorable comp, though lower multi-year invoicing continues to be a headwind, and results were below our 40% est. ST billings growth of 6% (vs. 0% last qtr) was below our 17% est. Cash flow of (\$8.1m) was in-line with our (\$8.4m) est. U.S. revenue growth was +4% Y/Y (vs. flat last qtr), while Int'l grew 7% (vs. +11% last qtr). Rev retention rate was 94% (vs. 94% last qtr). RMNI ended the qtr with 3,090 customers (+3% vs. +4% last qtr).
- Mgmt noted solid execution from 1) its SAP business due to stronger marketing/messaging into the 3Q renewal cycle (SAP bookings up 60% Y/Y); 2) strong increases in both its Salesforce & Security practices; and 3) better deal dynamics, with more \$250-\$500k deal activity, as well as 19 \$1m+ TCV deals that closed. Conversely, mgmt also called out weakness in ORCL bookings (-9% Y/Y), attributed to litigation as well as increased focus on SAP selling.
- RMNI unveiled new support for several SAP products, incl. SAP S/4 Hana, as well as expansion of RMNI managed services for SAP Cloud. We think that this could present a sizable incremental market opportunity, but we are in wait-and-see mode on execution.
- For FY23, RMNI continues to suspend guidance due to the unknown impacts of the Rimini II litigation & ORCL injunction. There is still a stay on the injunction, but that could change at any given time, which could impact its cost structure & branding efforts. Mgmt doesn't expect to get greater visibility into court rulings until 2Q24, and thus it anticipates not providing guide for at least a couple more quarters.
- Overall, RMNI seems to be executing well through the recent ORCL litigation developments, and we are encouraged that it is seeing greater success with the SAP ecosystem and looking to accelerate global sales hiring into the end of the year. That said, uncertainties surrounding the impact of the RMNI II litigation are likely to remain an overhang, as well as likely GM pressure due to increasing support headcount. Maintain Market Perform and PT of \$3.00 (~5x EV/CY24E FCF).

AT A GLANCE

Our Investment Thesis

RMNI is challenging the status quo in enterprise software; trailblazing the formation of a new market for 3rd party software support; and breaking the monopoly that software vendors have enjoyed. Market awareness is improving, on-premise products are aging and CIOs are under more pressure to reduce costs. RMNI is on a journey to scale to \$1b as the industry-leader in the space. But at the same time, market conditions are evolving as legacy ERP/Database vendors are more willing to discount to keep business and RMNI must evolve with it. This has resulted in the need to re-calibrate go-to-market strategies, and making these changes has proved to be disruptive. Investors should keep an eye on progress with new sales & marketing strategies as we see the potential to significantly accelerate growth and scale the business to an attractive rule-of-40 growth/margin structure.

Forthcoming Catalysts

- 4Q Earnings

Base Case Assumptions

- FY23 revenue growth of mid single-digits
- Gross margin of low 60%
- Operating margin of low teens

Upside Scenario

- FY23 revenue growth of mid/high single-digits
- Gross margin of mid-60%
- Operating margin of mid-teens

Downside Scenario

- FY23 revenue growth of low single-digits
- Gross margin of ~60%
- Operating margin of low double-digits

Price Performance



Source: Bloomberg

Company Description

Founded in 2005 by current CEO & Chairman Seth Ravin, and headquartered in Las Vegas, Rimini Street is a global provider of 3rd party software support & services, predominately for Oracle and SAP products. The company has disrupted the traditional enterprise support model by offering a 50% discount to annual support fees charged by the software vendor. In turn, it has focused on providing superior customer service with guaranteed 10-minute response times, as well as timely updates to tax, legal & regulatory changes. This has led to exceptional customer satisfaction ratings. As of 2020, the company had ~2,500 customers, including 180+ of the Fortune 500 and Global 100 since inception.

Analyst Top Picks

	Ticker	Price (11/1/2023)	Price Target	Rating
Adobe Systems	ADBE	\$544.50	\$625.00	Outperform
ServiceNow	NOW	\$593.48	\$670.00	Outperform
Samsara	IOT	\$22.34	\$33.00	Outperform



TD COWEN ESG SCORES

Rimini Street
NASDAQ: RMNI

ESG Score: **61/100**

ESG Industry Percentile: **44th**

Rimini Street(RMNI) ESG Material Category Rankings as of November 2, 2023

Top 3 Material ESG Categories	Dynamic Materiality TM	Score
Employee Engagement	39%	81
Business Ethics	18%	50
Data Security	14%	52

ESG MATERIALITY

Establishing **materiality** is critical to evaluating a company's ESG performance. Factors most material in one sector (or to a particular company) may not be as important to another. In addition, the factors that are material – and the degree to which factors are material – can change over time.

Applying data to frameworks established by SASB (the Sustainability Accounting Standards Board) and by Truvalue Labs, we present in the chart above the three most material ESG factors that investors should focus on for the company that is the subject of this report; the Dynamic MaterialityTM of each factor (i.e., what percentage of overall materiality the category represents for the subject company); and a Score for the subject company in each of these three categories (on a 0 to 100 basis, with 50 being average).

We also calculate an **overall ESG Score** for the subject company, which is presented above (in green) and on the cover of this report. A full explanation of how this ESG Score is derived is presented below.

HOW ARE TD COWEN'S ESG SCORES CALCULATED?



TD Cowen leverages technology from Truvalue Labs to generate our ESG scores. Truvalue Labs uses artificial intelligence to capture the stakeholder view of how companies are performing on ESG metrics, using the Sustainability Accounting Standards Board (SASB) materiality framework (www.sasb.org). These data are leveraged to calculate a score for each company, which allows TD Cowen to have a **common framework** and uniform way to approach ESG discussions with our clients. TD Cowen ESG scores appear on Company and Company Quick Take notes and are updated daily.

HOW DOES THE PROCESS WORK?

The process begins with capturing unstructured data from more than 100,000 sources, in 14 languages. These data are culled from a wide range of sources with varied perspectives, including industry publications, news outlets, NGOs, trade unions, government sources, legal and regulatory filings, and academic publications.

Natural language processing is used to interpret semantic content from the original sources and generate analytics by applying criteria consistent with established sustainability and ESG frameworks. Performance is scored on a 0 to 100 scale. **A score of 50 represents a neutral impact.** Scores above 50 indicate more positive performance, and scores below reflect more negative performance. A score of NA means not enough data is available on the company to generate a score.

Figure 1 : TD Cowen Estimates vs Consensus

\$ in millions	Q3	Q3			Est. %	Est. Value	
CURRENT QUARTER (Q3:FY23)	Estimate	Actual	Consensus	Guidance	Change	Change	
Total Revenue	\$106.7	\$107.5	\$106.5		0.7%	\$0.8	
Gross Profit	\$66.2	\$67.8	\$66.1		2.5%	\$1.6	
Gross Margin	62.0%	63.1%	62.0%		114 bp	NM	
Operating Income	\$12.2	\$16.5	\$12.1		35.6%	\$4.3	
Operating Margin	11.4%	15.4%	11.4%		395 bp	NM	
Adjusted EBITDA	\$13.1	\$18.2	\$12.8		39.0%	\$5.1	
Net Income	\$10.0	\$12.1			20.9%	\$2.1	
EPS	\$0.11	\$0.13	\$0.10		21.0%	\$0.02	
Billings	\$69.6	\$60.5	\$69.65		(13.1)%	(\$9.1)	
Cash Flow	(\$8.4)	(\$8.1)	(\$10.6)		NM	\$0.3	
NEXT QUARTER (Q4:FY23)	Old Q4 Estimate	New Q4 Estimate	Consensus	Guidance	Est. % Change	Est. Value Change	
Total Revenue	\$108.3	\$110.1	\$110.4		1.7%	\$1.8	
Gross Profit	\$66.8	\$68.0	\$67.7		1.7%	\$1.2	
Gross Margin	61.7%	61.7%	61.3%		0 bp	NM	
Operating Income	\$12.1	\$12.8	\$12.8		5.3%	\$0.7	
Operating Margin	11.2%	11.6%	11.6%		40 bp	NM	
Adjusted EBITDA	\$13.1	\$14.0	\$12.5		6.9%	\$0.9	
Net Income	\$9.6	\$10.3			6.8%	\$0.7	
EPS	\$0.11	\$0.11	\$0.09		6.9%	\$0.01	
Billings	\$163.0	\$160.2	\$163.0		(1.7)%	(\$2.8)	
Cash Flow	\$20.0	\$18.3	\$23.3		(8.8)%	(\$1.7)	
THIS FISCAL YEAR (FY:23)	Old	New	Consensus	Old Guidance	New Guidance	Est. % Change	Est. Value Change
Total Revenue	\$427.0	\$429.5	\$427.8			0.6%	\$2.5
Gross Profit	\$267.2	\$270.0	\$267.6			1.0%	\$2.8
Gross Margin	62.6%	62.9%	62.6%			28 bp	NM
Operating Income	\$54.6	\$59.6	\$55.2			9.1%	\$5.0
Operating Margin	12.8%	13.9%	12.9%			108 bp	NM
Adjusted EBITDA	\$58.5	\$64.6	\$57.7			10.3%	\$6.1
Net Income	\$38.8	\$41.6				7.1%	\$2.8
EPS	\$0.43	\$0.47	\$0.39			7.1%	\$0.04
Billings	\$429.9	\$418.1	\$429.9			(2.8)%	(\$11.8)
Cash Flow	\$33.4	\$31.9	\$44.7			(4.5)%	(\$1.5)
NEXT FISCAL YEAR (FY:24)	Old	New	Consensus	Old Guidance	New Guidance	Est. % Change	Est. Value Change
Total Revenue	\$451.3	\$454.2	\$432.4			0.6%	\$2.9
Gross Profit	\$279.3	\$280.2	\$263.3			0.3%	\$0.9
Gross Margin	61.9%	61.7%	60.9%			-20 bp	NM
Operating Income	\$58.8	\$60.5	\$41.7			2.9%	\$1.7
Operating Margin	13.0%	13.3%	9.6%			29 bp	NM
Adjusted EBITDA	\$62.8	\$65.8	\$50.8			4.8%	\$3.0
Net Income	\$45.2	\$47.0				3.9%	\$1.8
EPS	\$0.50	\$0.52	\$0.30			4.1%	\$0.02
Billings	\$466.2	\$457.7	\$466.2			(1.8)%	(\$8.5)
Cash Flow	\$50.1	\$46.6	\$60.2			(7.1)%	(\$3.5)

Source: TD Cowen; Thomson Reuters; StreetAccount; Company Reports

Figure 2 : Operating Metrics (in \$ mln)

	FY 21A	Mar Q1:22A	Jun Q2:22A	Sep Q3:22A	Dec Q4:22A	FY 22A	Mar Q1:23A	Jun Q2:23A	Sep Q3:23A	Dec Q4:23E	FY 23E	Mar Q1:24E	Jun Q2:24E	Sep Q3:24E	Dec Q4:24E	FY 24E
Revenue Breakdown																
Total Revenue	\$374.4	\$97.9	\$101.2	\$101.9	\$108.6	\$409.7	\$105.5	\$106.4	\$107.5	\$110.1	\$429.5	\$109.4	\$111.6	\$114.3	\$118.9	\$454.2
Q/Q Growth		-1%	3%	1%	7%		-3%	1%	1%	2%		-1%	2%	2%	4%	
Y/Y Growth	15%	11%	10%	7%	9%	9%	8%	5%	5%	1%	5%	4%	5%	6%	8%	6%
Deferred Revenue & Billings																
Q/Q Change	<u>\$43.3</u>	<u>(\$0.2)</u>	<u>\$0.4</u>	<u>(\$52.2)</u>	<u>\$51.7</u>	<u>(\$0.3)</u>	<u>(\$12.5)</u>	<u>(\$2.1)</u>	<u>(\$46.9)</u>	<u>\$50.1</u>	<u>(\$11.5)</u>	<u>(\$11.5)</u>	<u>\$2.8</u>	<u>(\$46.1)</u>	<u>\$58.4</u>	<u>\$3.5</u>
Deferred Revenue		\$300.0	\$300.4	\$248.2	\$299.9		\$287.4	\$285.3	\$238.4	\$288.5		\$276.9	\$279.7	\$233.5	\$291.9	
Q/Q Growth		0%	0%	-17%	21%		-4%	-1%	-16%	21%		-4%	1%	-17%	25%	
Y/Y Growth		20%	13%	2%	0%		-4%	-5%	-4%	-4%		-4%	-2%	-2%	1%	
Total Billings	\$417.8	\$97.7	\$101.6	\$49.7	\$160.4	\$409.3	\$93.0	\$104.4	\$60.5	\$160.2	\$418.1	\$97.8	\$114.3	\$68.2	\$177.3	\$457.7
Q/Q Growth		-37%	4%	-51%	222%		-42%	12%	-42%	165%		-39%	17%	-40%	160%	
Y/Y Growth	20%	21%	-5%	-33%	3%	-2%	-5%	3%	22%	0%	2%	5%	10%	13%	11%	9%
Short-Term Billings	\$398.7	\$93.2	\$108.1	\$58.6	\$162.4	\$422.3	\$97.0	\$108.2	\$62.4	\$161.5	\$429.1	\$98.8	\$115.5	\$70.5	\$177.0	\$461.8
Q/Q Growth		-37%	16%	-46%	177%		-40%	12%	-42%	159%		-39%	17%	-39%	151%	
Y/Y Growth	14%	19%	6%	-16%	9%	6%	4%	0%	6%	-1%	2%	2%	7%	13%	10%	8%
Backlog		\$558.0	\$551.0	\$533.0	\$578.0		\$556.0	\$565.0								
Q/Q Growth		-6%	-1%	-3%	8%		-4%	2%								
Y/Y Growth		4%	-4%	-4%	-3%		0%	3%								
Customer Analysis																
New Clients Signed (Net)	362	35	21	105	10	171		(10)	70							
Q/Q Growth		-38%	-40%	400%	-90%					-33%						
Y/Y Growth	-15%	-44%	-78%	-29%	-82%	-53%										
Total Active Clients		2,884	2,905	3,010	3,020			3,020	3,090							
Q/Q Growth		1%	1%	4%	0%			0%	2%							
Y/Y Growth		13%	10%	8%	6%			4%	3%							
Revenue Retention Rate (TTM)		94%	95%	94%	92%		92%	94%	94%							
Geography																
United States	\$199.8	\$52.3	\$53.9	\$53.4	\$55.8	\$215.4	\$53.4	\$54.0	\$55.7							
Q/Q Growth		0%	3%	-1%	4%		-4%	1%	3%							
Y/Y Growth	4%	10%	9%	6%	7%	8%	2%	0%	4%							
International	\$174.6	\$45.6	\$47.3	\$48.5	\$52.9	\$194.3	\$52.1	\$52.4	\$51.7							
Q/Q Growth		-3%	4%	3%	9%		-1%	1%	-1%							
Y/Y Growth	29%	13%	12%	7%	12%	11%	14%	11%	7%							
% of Revenue																
United States	53%	53%	53%	52%	51%	53%	51%	51%	52%							
International	47%	47%	47%	48%	49%	47%	49%	49%	48%							
Headcount																
Q/Q Adds	241	15	153	37	50	255	61	80	110							
Total Employees		1,681	1,834	1,871	1,921		1,860	1,940	2,050							
Q/Q Growth		1%	9%	2%	3%		-3%	4%	6%							
Y/Y Growth		12%	18%	17%	15%		11%	6%	10%							

Source: TD Cowen; Company Reports

Figure 3 : Income Statement (in \$ 000)

RMNI	FY 21A Total	Mar Q1:22A	Jun Q2:22A	Sep Q3:22A	Dec Q4:22A	FY 22A Total	Mar Q1:23A	Jun Q2:23A	Sep Q3:23A	Dec Q4:23E	FY 23E Total	Mar Q1:24E	Jun Q2:24E	Sep Q3:24E	Dec Q4:24E	FY 24E Total
Revenue																
Total Revenue	374,430	97,910	101,200	101,931	108,621	409,662	105,512	106,421	107,453	110,139	429,525	109,368	111,556	114,345	118,918	454,187
Cost of Revenue																
Total Cost of Revenue	134,990	36,699	36,771	38,736	38,127	150,333	38,930	38,841	39,607	42,183	159,561	42,326	42,949	43,680	45,070	174,024
Gross Profit	239,440	61,211	64,429	63,195	70,494	259,329	66,582	67,580	67,846	67,956	269,964	67,043	68,607	70,665	73,848	280,163
Operating Expenses																
Sales and Marketing	125,478	30,873	35,352	35,147	38,502	139,874	34,021	36,493	34,776	37,998	143,288	35,155	38,031	37,578	40,908	151,672
General and Administrative	58,954	18,235	17,129	17,333	16,973	69,670	17,122	16,215	16,573	17,182	67,092	16,763	16,216	17,064	17,957	68,001
Total Operating Expenses	184,432	49,108	52,481	52,480	55,475	209,544	51,143	52,708	51,349	55,180	210,380	51,919	54,247	54,642	58,865	219,673
Operating Income	55,008	12,103	11,948	10,715	15,019	49,785	15,439	14,872	16,497	12,776	59,584	15,124	14,360	16,023	14,984	60,490
Depreciation & Amortization	2,404	577	644	649	633	2,503	613	636	752	762	2,763	772	782	792	802	3,148
Adjusted EBITDA	55,807	12,889	11,015	10,035	18,336	52,275	16,580	15,788	18,239	14,028	64,576	16,406	15,672	17,365	16,356	65,798
Other																
Interest Expense, Net	(1,550)	(808)	(999)	(1,167)	(1,296)	(4,270)	(1,339)	(1,387)	(1,413)	(1,438)	(5,577)	(1,463)	(1,488)	(1,513)	(1,538)	(6,002)
Other Expense, Net	(5,788)	209	(1,577)	(1,329)	2,684	(13)	528	280	990	490	2,288	510	530	550	570	2,160
Interest & Other Income	(7,338)	(599)	(2,576)	(2,496)	1,388	(4,283)	(811)	(1,107)	(423)	(948)	(3,289)	(953)	(958)	(963)	(968)	(3,842)
Pre-Tax Income	51,853	11,504	9,372	8,219	16,407	45,502	14,628	13,765	16,074	11,828	56,295	14,171	13,402	15,060	14,016	56,648
Income Tax Expense	6,516	2,256	3,002	(56)	1,082	6,284	4,235	4,920	4,015	1,538	14,708	2,409	2,278	2,560	2,383	9,630
Deemed Dividend																
Net Income	45,337	9,248	6,370	8,275	15,325	39,218	10,393	8,845	12,059	10,291	41,588	11,762	11,123	12,500	11,633	47,018
Net Income (GAAP)	75,219	3,087	110	(405)	(5,272)	(2,480)	5,639	4,268	6,801	6,110	22,818	7,031	6,342	7,669	6,752	27,794
EPS (GAAP)	\$0.77	\$0.03	\$0.00	(\$0.00)	(\$0.06)	(\$0.03)	\$0.06	\$0.05	\$0.08	\$0.07	\$0.26	\$0.08	\$0.07	\$0.08	\$0.07	\$0.31
EPS	\$0.46	\$0.10	\$0.07	\$0.09	\$0.17	\$0.44	\$0.12	\$0.10	\$0.13	\$0.11	\$0.47	\$0.13	\$0.12	\$0.14	\$0.13	\$0.52
Shares Outstanding (Diluted, Estimated)	97,661	88,485	89,339	89,428	89,518	89,193	89,061	89,274	89,357	89,536	89,307	89,894	90,253	90,614	90,977	90,435
Billings	417,765	97,671	101,558	49,731	160,355	409,315	92,972	104,364	60,528	160,203	418,067	97,830	114,325	68,195	177,304	457,654
Margins																
Total Gross Margin	63.9%	62.5%	63.7%	62.0%	64.9%	63.3%	63.1%	63.5%	63.1%	61.7%	62.9%	61.3%	61.5%	61.8%	62.1%	61.7%
Sales and Marketing	33.5%	31.5%	34.9%	34.5%	35.4%	34.1%	32.2%	34.3%	32.4%	34.5%	33.4%	32.1%	34.1%	32.9%	34.4%	33.4%
General and Administrative	15.7%	18.6%	16.9%	17.0%	15.6%	17.0%	16.2%	15.2%	15.4%	15.6%	15.6%	15.3%	14.5%	14.9%	15.1%	15.0%
Operating Margin	14.7%	12.4%	11.8%	10.5%	13.8%	12.2%	14.6%	14.0%	15.4%	11.6%	13.9%	13.8%	12.9%	14.0%	12.6%	13.3%
Tax Rate	12.6%	19.6%	32.0%	-0.7%	6.6%	13.8%	29.0%	35.7%	25.0%	13.0%	26.1%	17.0%	17.0%	17.0%	17.0%	17.0%
Net Margin	12.1%	9.4%	6.3%	8.1%	14.1%	9.6%	9.9%	8.3%	11.2%	9.3%	9.7%	10.8%	10.0%	10.9%	9.8%	10.4%
Sequential Growth																
Total Revenue		-1.4%	3.4%	0.7%	6.6%		-2.9%	0.9%	1.0%	2.5%		-0.7%	2.0%	2.5%	4.0%	
Billings		-37.3%	4.0%	-51.0%	222.4%		-42.0%	12.3%	-42.0%	164.7%		-38.9%	16.9%	-40.3%	160.0%	
Gross Profit		-5.9%	5.3%	-1.9%	11.5%		-5.5%	1.5%	0.4%	0.2%		-1.3%	2.3%	3.0%	4.5%	
Operating Income		-37.5%	-1.3%	-10.3%	40.2%		2.8%	-3.7%	10.9%	-22.6%		18.4%	-5.1%	11.6%	-6.5%	
Net Income		-40.4%	-31.1%	29.9%	85.2%		-32.2%	-14.9%	36.3%	-14.7%		14.3%	-5.4%	12.4%	-6.9%	
EPS																
Year-Over-Year Growth																
Total Revenue	14.6%	11.4%	10.5%	6.6%	9.4%	9.4%	7.8%	5.2%	5.4%	1.4%	4.8%	3.7%	4.8%	6.4%	8.0%	5.7%
Billings	20.0%	20.6%	-5.3%	-32.5%	2.9%	-2.0%	-4.8%	2.8%	21.7%	-0.1%	2.1%	5.2%	9.5%	12.7%	10.7%	9.5%
Gross Profit	18.7%	12.6%	12.3%	0.9%	8.4%	8.3%	8.8%	4.9%	7.4%	-3.6%	4.1%	0.7%	1.5%	4.2%	8.7%	3.8%
Operating Income	33.9%	30.1%	21.3%	-35.1%	-22.4%	-9.5%	27.6%	24.5%	54.0%	-14.9%	19.7%	-2.0%	-3.4%	-2.9%	17.3%	1.5%
Net Income	27.3%	9.0%	-23.9%	-36.1%	-1.3%	-13.5%	12.4%	38.9%	45.7%	-32.9%	6.0%	13.2%	25.8%	3.7%	13.0%	13.1%
EPS	27.8%	27.5%	-11.4%	-34.0%	0.1%	-5.3%	11.7%	39.0%	45.8%	-32.9%	5.9%	12.1%	24.4%	2.2%	11.3%	11.6%

Source: TD Cowen; Company Reports

Figure 4 : Cash Flow Statement (in \$ 000)

	FY 21A	Mar Q1:22A	Jun Q2:22A	Sep Q3:22A	Dec Q4:22A	FY 22A	Mar Q1:23A	Jun Q2:23A	Sep Q3:23A	Dec Q4:23E	FY 23E	Mar Q1:24E	Jun Q2:24E	Sep Q3:24E	Dec Q4:24E	FY 24E
Net Income	\$75,219	\$3,087	\$110	(\$405)	(\$5,272)	(\$2,480)	\$5,639	\$4,268	\$6,801	\$6,110	\$22,818	\$7,031	\$6,342	\$7,669	\$6,752	\$27,794
Depreciation and amortization	2,404	577	645	649	633	2,504	613	636	752	834	2,835	843	893	949	998	3,683
Accretion and amortization of debt discounts and issuance costs	441	240	243	245	245	973	240	243	245	0	728	0	0	0	0	0
Stock-based compensation expense	9,710	3,051	3,159	2,443	2,242	10,895	1,976	3,949	3,131	3,181	12,237	3,231	3,281	3,331	3,381	13,224
Loss on embedded derivatives and redeemable warrants, net	4,183	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Amortization & accretion related to ROU assets	6,139	1,403	1,378	1,359	1,390	5,530	1,147	1,090	1,110	1,085	4,432	1,060	1,035	1,010	985	4,090
Deferred income taxes	(62,318)	671	(160)	(184)	(2,398)	(2,071)	496	3,919	1,848	0	6,263	0	0	0	0	0
Impairment charge related to operating right of use assets	1,649	0	0	0	3,013	3,013	0	0	0	0	0	0	0	0	0	0
Other	0	0	0	0	10	10	0	0	0	0	0	0	0	0	0	0
Changes in assets & liabilities																
Accounts receivable	(18,787)	44,980	2,910	27,178	(56,152)	18,916	26,945	4,105	23,062	(50,481)	3,631	31,162	(1,610)	20,816	(53,983)	(3,616)
Prepaid expenses, deposits and other	(3,455)	(490)	(60)	(5,867)	(199)	(6,616)	(425)	(671)	(3,243)	(617)	(4,956)	(7,311)	6,986	2,064	(3,755)	(2,016)
Deferred Contract Cost	(1,564)	(2,312)	(889)	789	(1,805)	(4,217)	1,427	(807)	54	(1,001)	(327)	411	(1,219)	(1,256)	(1,294)	(3,358)
Accounts payable	2,489	(2,277)	2,315	2,672	(314)	2,396	(2,087)	(1,464)	1,000	868	(1,683)	24	581	615	763	1,982
Accrued compensation, benefits, commissions & other	3,493	(2,815)	1,331	(2,358)	6,691	2,849	(14,844)	(2,418)	2,560	8,221	(6,481)	(8,757)	1,902	677	7,512	1,334
Deferred revenue	47,342	(266)	3,942	(50,537)	50,057	3,196	(12,484)	256	(45,456)	50,064	(7,620)	(11,539)	2,769	(46,149)	58,386	3,467
Net Cash Provided by Operating Activities	\$66,945	\$45,849	\$14,924	(\$24,016)	(\$1,859)	\$34,898	\$8,643	\$13,106	(\$8,136)	\$18,264	\$31,877	\$16,154	\$20,960	(\$10,275)	\$19,745	\$46,584
Capital expenditures	(2,108)	(485)	(1,237)	(1,422)	(1,187)	(4,331)	(1,029)	(1,066)	(1,559)	(1,548)	(5,202)	(1,368)	(1,436)	(1,508)	(1,583)	(5,895)
Payment for purchase of short term investments	0	0	0	(11,148)	(20,067)	(31,215)	(7,713)	(6,953)	(9,452)	0	(24,118)	0	0	0	0	0
Proceeds from sale of short term investments	0	0	0	0	11,101	11,101	8,396	7,225	7,993	0	23,614	0	0	0	0	0
Other investing activities	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Net Cash Provided by Investing Activities	(\$2,108)	(\$485)	(\$1,237)	(\$12,570)	(\$1,187)	(\$24,445)	(\$1,029)	(\$1,066)	(\$1,559)	(\$1,548)	(\$5,706)	(\$1,368)	(\$1,436)	(\$1,508)	(\$1,583)	(\$5,895)
Net proceeds from borrowings	\$89,313	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Payments of prof fees related to issuance of Common Stock from Aug	(1,296)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Payments to redeem shares of Series A Preferred stock	(147,802)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Make whole dividends related to shares redeemed of Series A Preferred	(2,945)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Net proceeds from equity financing	56,965	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Payments of prof fees related to issuance of Common Stock from Mar	0	(27)	0	0	0	(27)	0	0	0	0	0	0	0	0	0	0
Principal payments on borrowings	(2,250)	(1,125)	(6,125)	(1,125)	(1,125)	(9,500)	(1,125)	(1,125)	(1,688)	(1,688)	(5,626)	(1,688)	(1,688)	(1,688)	(1,688)	(6,750)
Principal payments on capital leases	(428)	(81)	(76)	(78)	(78)	(313)	(47)	(116)	(84)	(100)	(347)	(100)	(100)	(100)	(100)	(400)
Debt issuance costs paid	(4,184)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Payments to repurchase shares of Series A Preferred Stock	(8,951)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Preferred stock dividend payments	(9,735)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Payments to repurchase common stock	0	(3,240)	(508)	(992)	0	(4,740)	0	(1,014)	0	0	(1,014)	0	0	0	0	0
Payments for treasury stock	(1,116)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Proceeds from exercise of employee stock options	5,864	375	76	514	47	1,012	71	8	0	250	329	250	250	250	250	1,000
Net Cash Provided by Financing Activities	(\$26,565)	(\$4,098)	(\$6,633)	(\$1,681)	(\$1,156)	(\$13,568)	(\$1,101)	(\$2,247)	(\$1,772)	(\$1,538)	(\$6,658)	(\$1,538)	(\$1,538)	(\$1,538)	(\$1,538)	(\$6,150)
Effect of exchange rate on cash	(6,191)	(2,791)	(4,883)	(3,376)	3,609	(7,441)	(35)	(2,690)	(2,384)	0	(5,109)	0	0	0	0	0
Net increase in cash and equivalents	\$32,081	\$38,475	\$2,171	(\$41,643)	(\$593)	(\$1,590)	\$6,478	\$7,103	(\$13,851)	\$15,178	\$14,908	\$13,248	\$17,987	(\$13,320)	\$16,624	\$34,538
Cash and equivalents, beginning of period	\$87,909	\$119,990	\$158,465	\$160,636	\$118,993	\$119,990	\$118,400	\$124,878	\$131,981	\$118,130	\$118,400	\$133,308	\$146,556	\$164,543	\$151,223	\$133,308
Cash and equivalents, end of period	\$119,990	\$158,465	\$160,636	\$118,993	\$118,400	\$118,400	\$124,878	\$131,981	\$118,130	\$133,308	\$133,308	\$146,556	\$164,543	\$151,223	\$167,846	\$167,846
Operating Cash Flow	\$66,945	\$45,849	\$14,924	(\$24,016)	(\$1,859)	\$34,898	\$8,643	\$13,106	(\$8,136)	\$18,264	\$31,877	\$16,154	\$20,960	(\$10,275)	\$19,745	\$46,584
OCF Margin	18%	47%	15%	-24%	-2%	9%	8%	12%	-8%	17%	7%	15%	19%	-9%	17%	10%
Y/Y Growth	59%	87%	-34%	-3783%	-110%	-48%	-81%	-12%	-66%	-1082%	-9%	87%	60%	26%	8%	46%
Free Cash Flow	\$64,837	\$45,364	\$13,687	(\$25,438)	(\$3,046)	\$30,567	\$7,614	\$12,040	(\$9,695)	\$16,716	\$26,675	\$14,786	\$19,524	(\$11,783)	\$18,161	\$40,688
FCF Margin	17%	46%	14%	-25%	-3%	7%	7%	11%	-9%	15%	6%	14%	18%	-10%	15%	9%
Y/Y Growth	60%	98%	-38%	-87817%	-116%	-53%	-93%	-12%	-62%	-649%	-13%	94%	62%	22%	9%	53%
Operating Cash Flow Per Share	\$0.69	\$0.52	\$0.17	(\$0.27)	(\$0.02)	\$0.39	\$0.10	\$0.15	(\$0.09)	\$0.20	\$0.36	\$0.18	\$0.23	(\$0.11)	\$0.22	\$0.52
Y/Y Growth	60%	119%	-23%	-3905%	-110%	-43%	-81%	-12%	-66%	-1082%	-9%	85%	58%	25%	6%	44%
Free Cash Flow Per Share	\$0.66	\$0.51	\$0.15	(\$0.28)	(\$0.03)	\$0.34	\$0.09	\$0.13	(\$0.11)	\$0.19	\$0.30	\$0.16	\$0.22	(\$0.13)	\$0.20	\$0.45
Y/Y Growth	60%	120%	-28%	-90710%	-117%	-48%	-83%	-12%	-62%	-649%	-13%	92%	60%	20%	7%	51%

Source: TD Cowen; Company Reports

VALUATION METHODOLOGY AND RISKS

Valuation Methodology

Software:

Our valuation methodology is primarily based on Enterprise Value to Free Cash Flow (EV/FCF), followed by Price-to-Earnings (P/E). However, this varies by company; for instance, we will often use Enterprise Value to Revenue (EV/Revs) or a discounted cash flow (DCF) analysis for software companies that are primarily subscriptions-based, or for growth companies that have recently entered the public equity markets.

We make investment recommendations on certain early stage, pre-revenue companies based upon an assessment of their business model, technology, probability of market success, and the potential market opportunity, balanced by an assessment of applicable risks. Such companies may not be assigned a price target.

Investment Risks

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The global economy or specific end markets significantly worsen, contracting IT spending and impairing software growth. The rate of SaaS/Cloud adoption slows, resulting in prolonged sales cycles and higher-than-anticipated quarterly volatility across much of our coverage universe. Competition increases materially, driving deflationary pricing pressure and compressing margins. In particular, innovation by new entrants in the software sector often produces solutions with similar or better functionality at materially lower prices than incumbents' legacy offerings.

Risks To The Price Target

- Sales execution: RMNI is currently seeing sales execution challenges in the U.S. due to lower productivity from newer reps, management turnover, and elevated rep attrition. The time it takes for mgmt to address these issues and reaccelerate growth could drive upside or downside to our estimates.
- Fierce competitive tactics by ORCL & SAP: ORCL and SAP have been very aggressive on pricing, often matching RMNI's -50% off discounts, which could continue to impact win rates. ORCL has historically made it more difficult for RMNI to archive content and help customers on-board onto RMNI support. If RMNI is not able to navigate evolving competitive tactics, it could weigh on their close rates.
- Ongoing litigation with ORCL: costs could escalate above our estimate of ~\$20m per year in external legal costs or in internal legal resources required; uncertain outcome from Rimini II case which had an adverse ruling in 2023; potential for more lawsuits.

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Stocks Mentioned in Important Disclosures

Ticker	Company Name
ADBE	Adobe Systems
RMNI	Rimini Street
IOT	Samsara
NOW	ServiceNow

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TD COWEN EQUITY RESEARCH RATING DEFINITIONS

Outperform (1): The stock is expected to achieve a total positive return of at least 15% over the next 12 months

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Underperform (3): Stock is expected to achieve a total negative return of at least 10% over the next 12 months

Assumption: The expected total return calculation includes anticipated dividend yield

TD Cowen Equity Research Rating Distribution

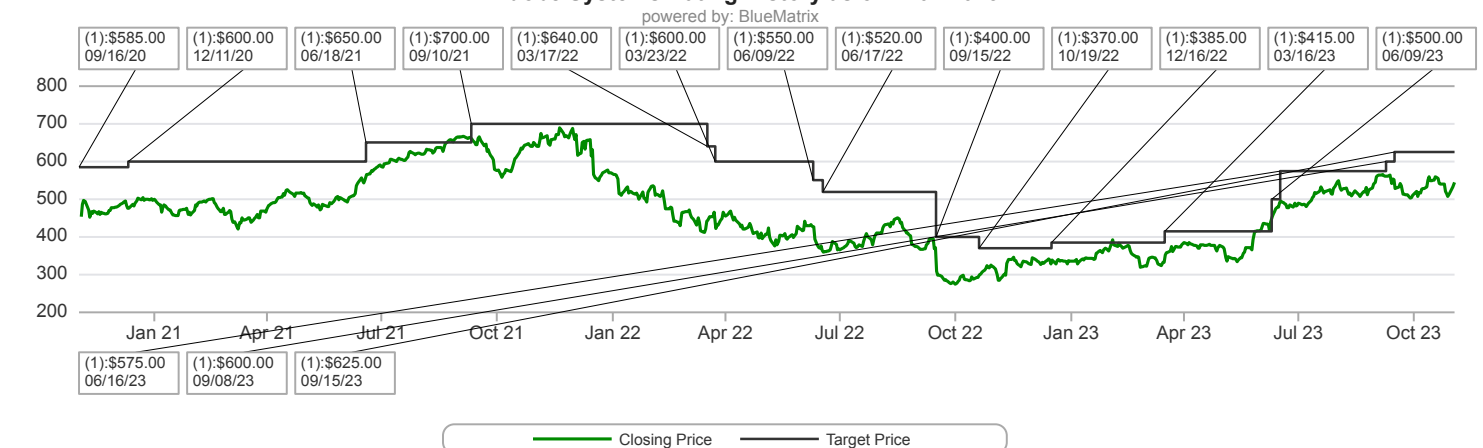
Distribution of Ratings/Investment Banking Services (IB) as of 09/30/23

Rating	Count	Ratings Distribution	Count	IB Services/Past 12 Months
Buy (a)	620	67.10%	173	27.90%
Hold (b)	298	32.25%	48	16.11%
Sell (c)	6	0.65%	2	33.33%

(a) Corresponds to "Outperform" rated stocks as defined in Cowen and Company, LLC's equity research rating definitions. (b) Corresponds to "Market Perform" as defined in Cowen and Company, LLC's equity research ratings definitions. (c) Corresponds to "Underperform" as defined in Cowen and Company, LLC's equity research ratings definitions. Cowen and Company Equity Research Rating Distribution Table does not include any company for which the equity research rating is currently suspended or any debt security followed by TD Cowen Cross-Asset Research.

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Adobe Systems Rating History as of 11/01/2023



Samsara Rating History as of 11/01/2023

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ServiceNow Rating History as of 11/01/2023

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Rimini Street Rating History as of 11/01/2023

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Legend for Price Chart:

I = Initiation | 1 = Outperform | 2 = Market Perform | 3 = Underperform | UR = Price Target Under Review | D = Discontinued Coverage | \$xx = Price Target | NA = Not Available | S=Suspended

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