



# **Blackhawk Network Holdings, Inc.**

Investor Conference

February 20, 2014

# Forward Looking Statements

This presentation may contain certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements are indicated by words or phrases such as "guidance," "believes," "expects," "anticipates," "estimates," "plans," "continuing," "ongoing," and similar words or phrases and the negative of such words and phrases. Forward-looking statements are based on our current plans and expectations and involve risks and uncertainties which are, in many instances, beyond our control, and which could cause actual results to differ materially from those included in or contemplated or implied by the forward-looking statements. Such risks and uncertainties include the following: our ability to complete negotiation of the contemplated credit facility, our ability to grow adjusted operating revenues and adjusted net income as anticipated, our ability to grow at historic rates or at all, the consequences should we lose one or more of our top distribution partners or fail to attract new distribution partners to our network or if the financial performance of our distribution partners' businesses decline, our reliance on our content providers, the demand for their products and our exclusivity arrangements with them, our reliance on relationships with card issuing banks, the consequences to our future growth if our distribution partners fail to actively and effectively promote our products and services, the requirement that we comply with applicable laws and regulations, including increasingly stringent money-laundering rules and regulations, risks related to our ongoing relationship with Safeway and other risks and uncertainties described in our reports and filings with the Securities and Exchange Commission, including the registration statement filed in connection with our initial public offering and our subsequent Quarterly Reports on Form 10-Q. We undertake no obligation to update forward-looking statements to reflect developments or information obtained after the date hereof and disclaim any obligation to do so other than as may be required by law.

# Blackhawk Management

## In attendance at conference today



Bill Tauscher, Chairman  
and CEO



Jerry Ulrich, Chief Financial  
and Administrative Officer



Joan Lockie, Corporate  
Controller and CAO



Patrick Cronin, VP Finance  
and Investor Relations



Talbott Roche, President



David Durant, General  
Counsel



David Tate, Sr. VP  
Products & Marketing



Christopher Crum, Sr. VP  
Sales & Account Management

## Other Executive Officers

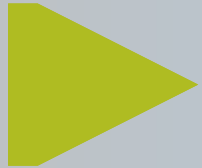
# Capital Structure as of December 28, 2013

| Shares in thousands             | # Shares | % Outstanding |
|---------------------------------|----------|---------------|
| Shares sold at IPO on 4/18/13   | 11,500   |               |
| Additional shares sold post IPO | 638      |               |
| Total float                     | 12,138   | 23.1%         |
| Safeway                         | 37,839   | 72.2%         |
| Other (partners, management)    | 2,463    | 4.7%          |
| Total Outstanding (1)           | 52,440   | 100.0%        |

(1) Class A Shares = 12,138 (2.9% voting), Class B Shares = 40,302 (97.1% voting)

- On 2/19/14, Safeway announced their intention to distribute the remainder of their Blackhawk shares to Safeway Inc. stockholders; further information to follow re: timing, etc.

# Blackhawk Overview - Investment Highlights



**A Leading Prepaid Payment Network**



**Growth Track Record**



**Diversified Revenue Base, Good Visibility**



**History Of Innovation**

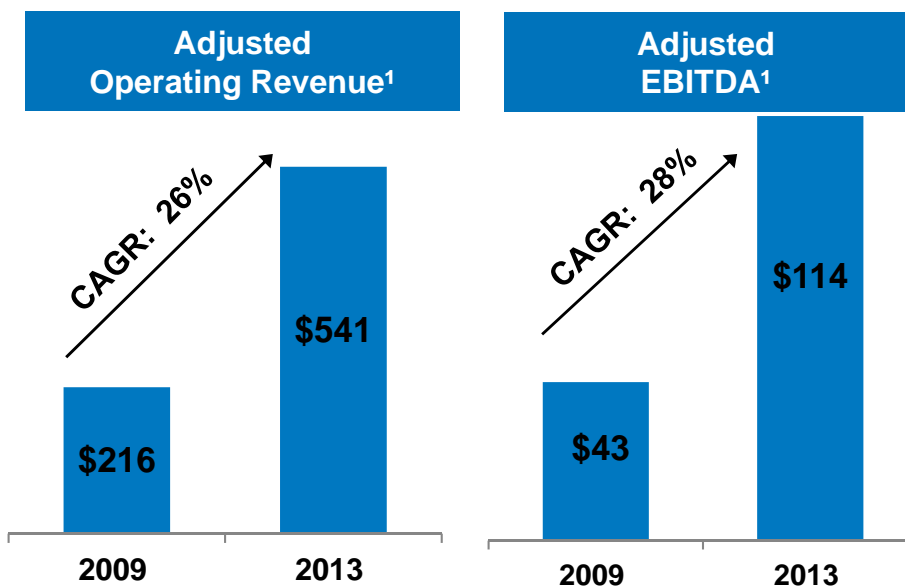
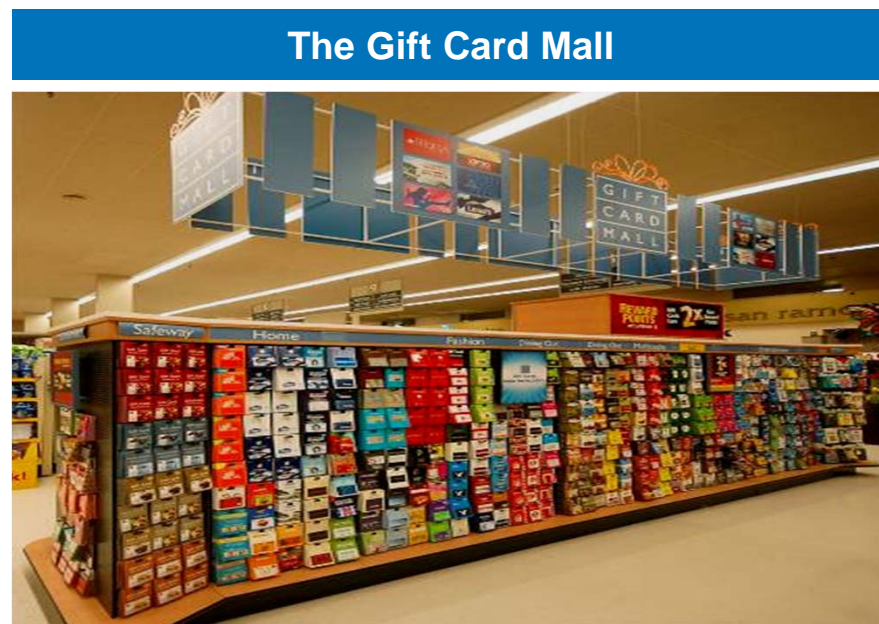


**Expanding Market Opportunities**

# Blackhawk Overview

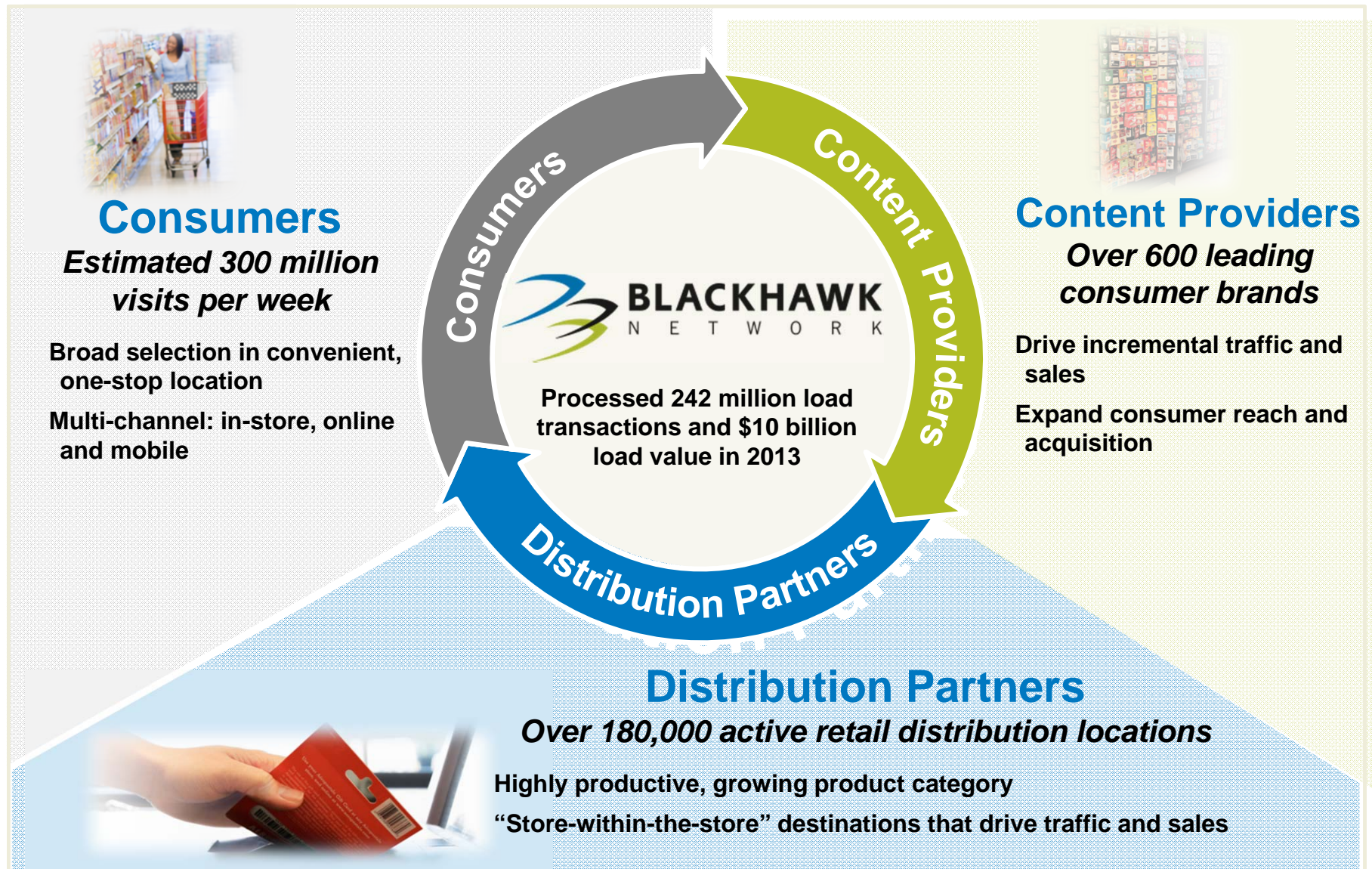
- Full range of prepaid products
- Broadest gift card selection
- Distribution in 21 countries -- 400 retail partners
- Proprietary activation/ processing/ settlement platform
- API-based solutions for digital and mobile channels
- Corporate incentives and rewards channel

Note 1: Adjusted for non-cash and non-recurring items including Safeway commission changes through 2013. See appendix A for reconciliation to GAAP measures.





# Blackhawk Overview – Network Benefits



# Blackhawk Overview - Diversified Prepaid Products

## Closed Loop Gift Cards (69% of 2013 Revenues)



## Open Loop Cards (16%)



## Telecom (6%)



## Financial (1%)



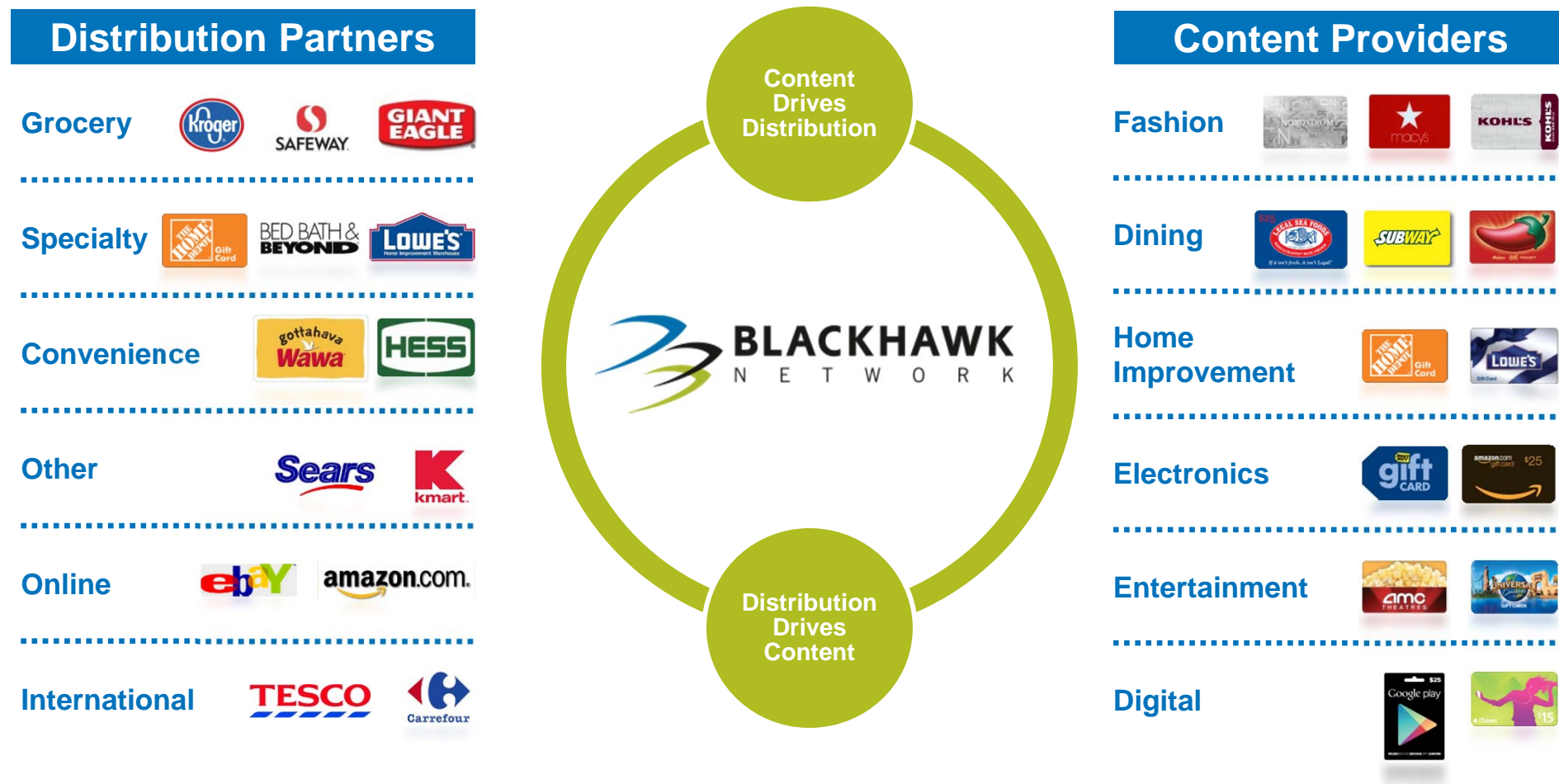
## Exchange Services (5%)



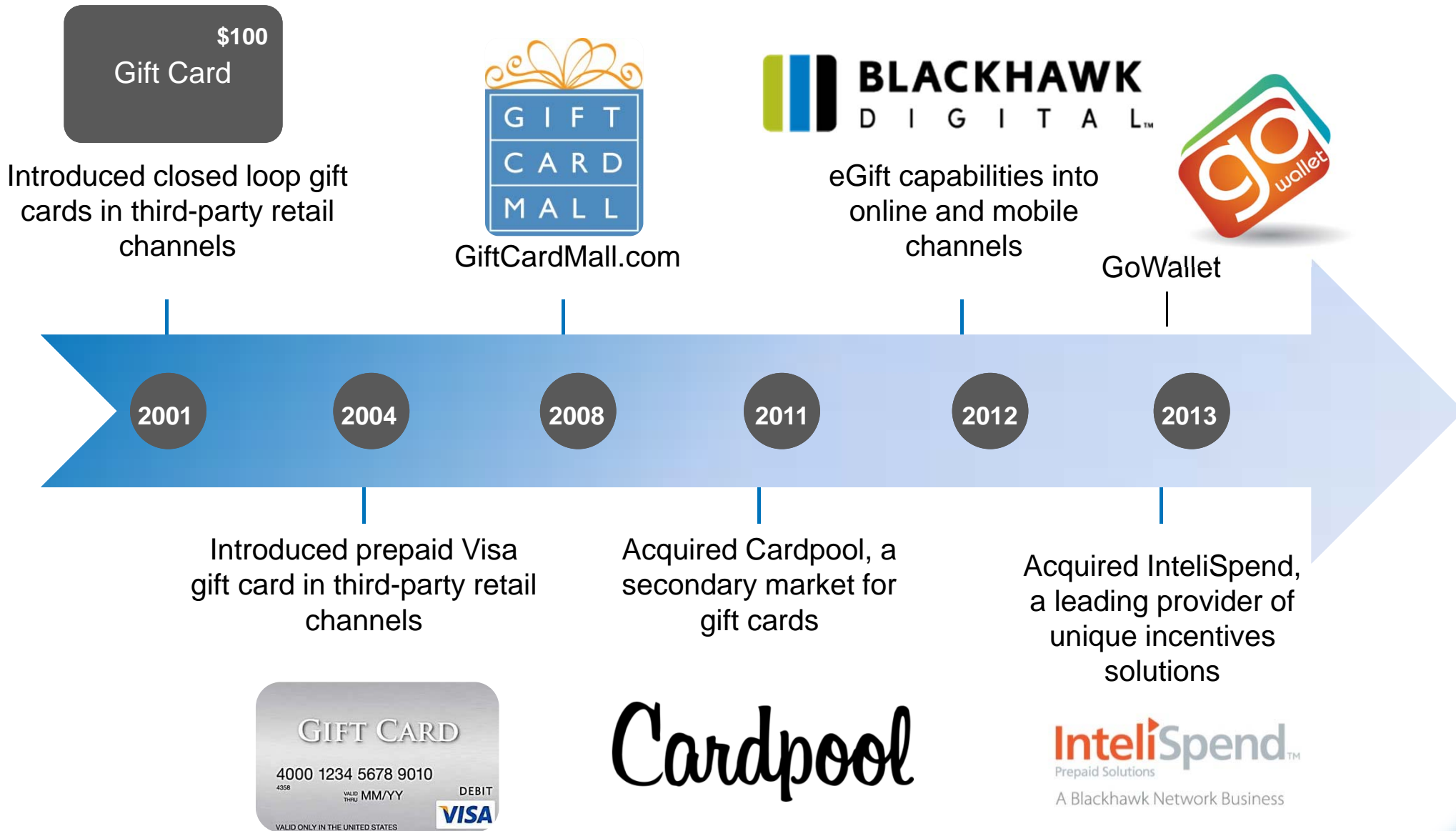
Note: Other Services accounts for 3% of 2013 Revenues.



# Blackhawk Overview – Strong Partner Relationships

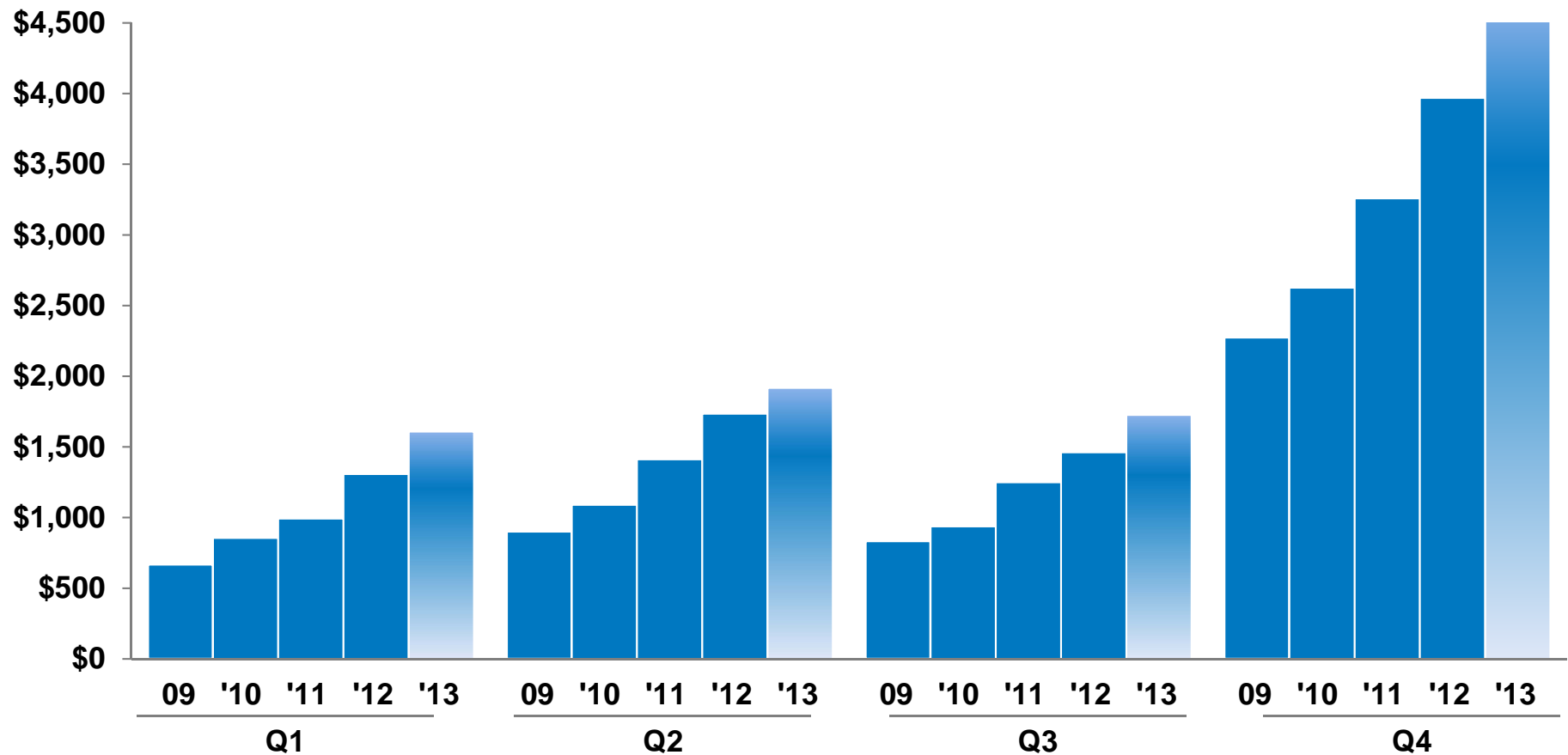


# Blackhawk Overview - History of Innovation



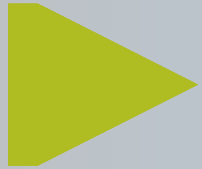
# Blackhawk Overview – Seasonal Business with Consistent Trends

Load Value by Quarter (\$M)



Notes: Q1 through Q3 are 12 weeks and Q4 is 16 weeks; Q4 represented 47% of total 2013 Load Value.

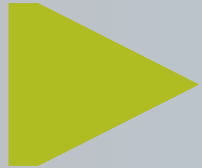
# Blackhawk Overview – Revenue Growth



**Enhance Productivity at Retail**



**Expand Content, Products and Services**



**Expand Domestic Distribution**



**Grow International Business**



**Addressing New Payment Markets**

# 2013 REVIEW



# 2013 Review – Income Statement

| <i>(amounts in millions except EPS)</i> | 2013    | 2012    | % Change | Pro forma<br>% change |
|---|---------|---------|----------|-----------------------|
| Adjusted Operating Revenues             | \$ 541  | \$ 448  | 21%      | 23%                   |
| Adjusted EBITDA                         | \$ 114  | \$ 100  | 15%      | 24%                   |
| Adjusted Net Income                     | \$ 58   | \$ 51   | 14%      | 27%                   |
| Adjusted EPS                            | \$ 1.09 | \$ 0.98 | 11%      | 24%                   |

- Pro forma % change reflects Safeway commission adjustment (see S-1)
  - Pro forma Adjusted EPS for 2012 was \$0.88
- See Appendix for reconciliation of GAAP Adjusted and Pro forma measures

# 2013 Review – Ratios

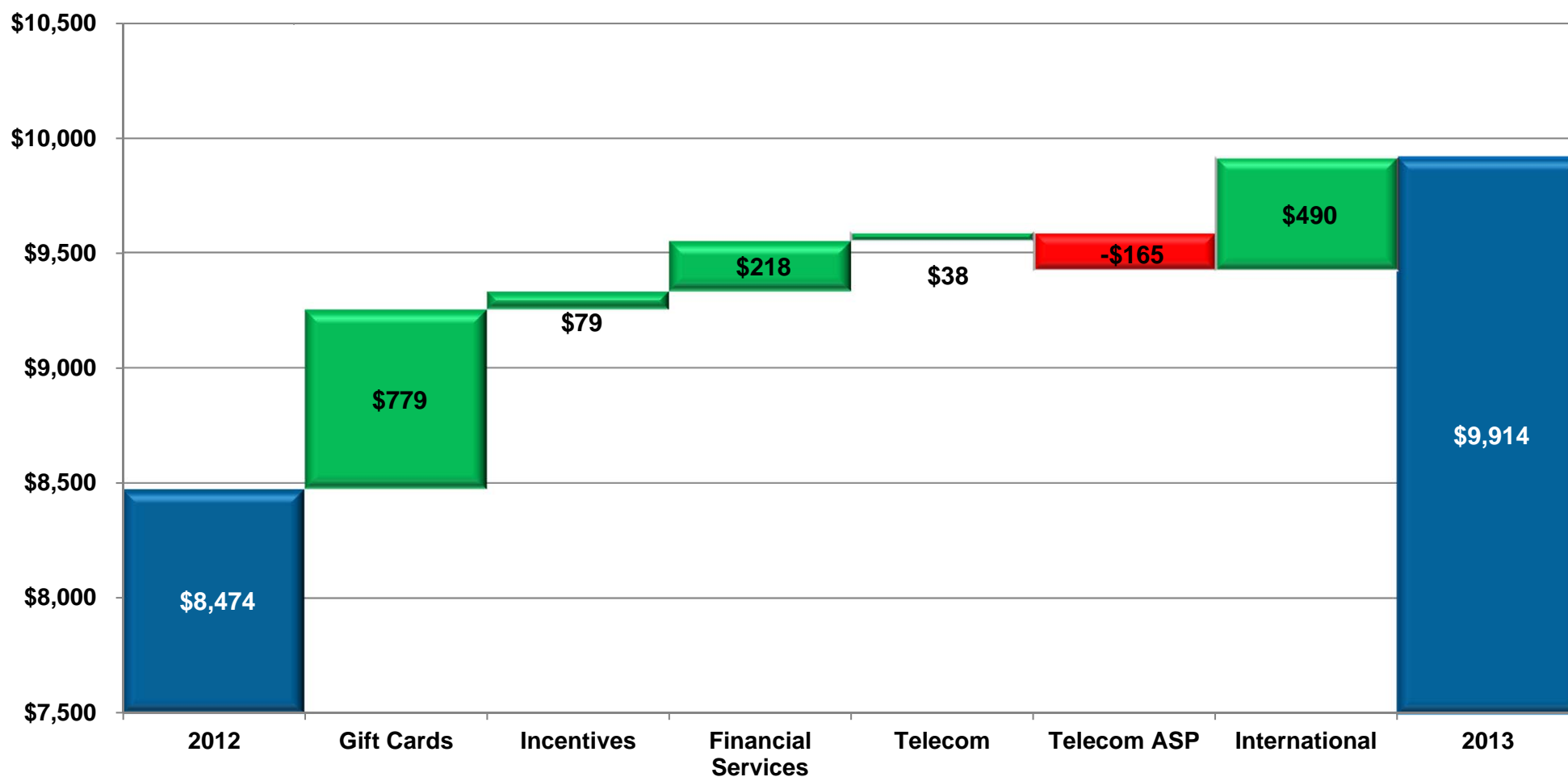
|  | 2013  | 2012  | % Change |
|--|-------|-------|----------|
| Commissions and Fees as % of LV                                    | 9.1%  | 9.3%  | -0.2%    |
| Distribution Partner Commission Expense as % of Commissions & Fees | 66.0% | 64.9% | +1.1%    |
|  |       |       |          |
| Processing & Services % of Pro forma Revenues*                     | 39.9% | 40.9% | -1.0%    |
| Sales & Marketing % of Pro forma Revenues*                         | 25.4% | 26.3% | -0.9%    |
| General & Administrative % of Pro forma Revenues*                  | 12.0% | 11.6% | +0.4%    |

**\*Notes:**

- “Pro forma Revenues” is Pro forma Adjusted Operating Revenues excluding Marketing Revenue and Product Sales
- Expense lines above exclude stock compensation expense
- Sales and Marketing expenses exclude non-cash mark-to-market and warrant amortization expense and is reduced by pass-through marketing revenues

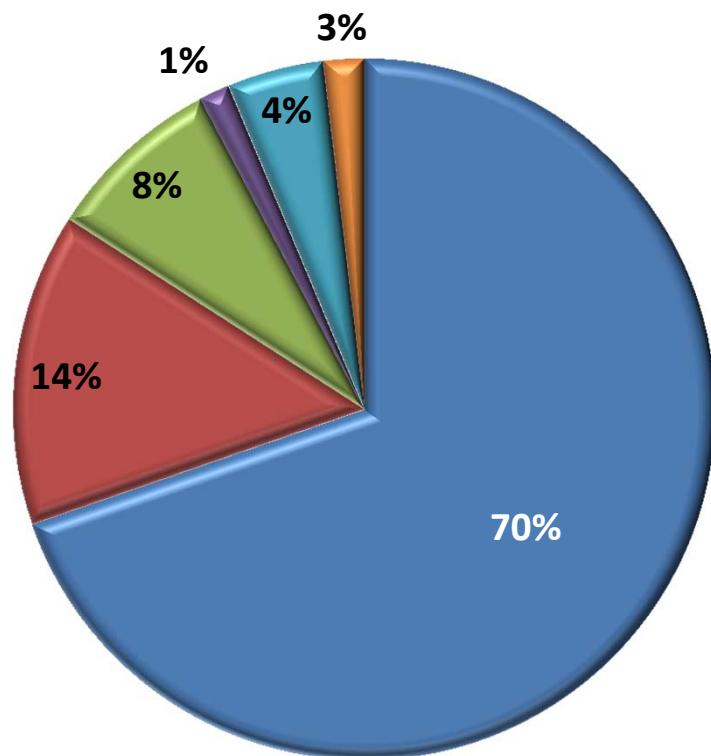
# 2013 Review – Load Value Growth +17%

\$ Millions



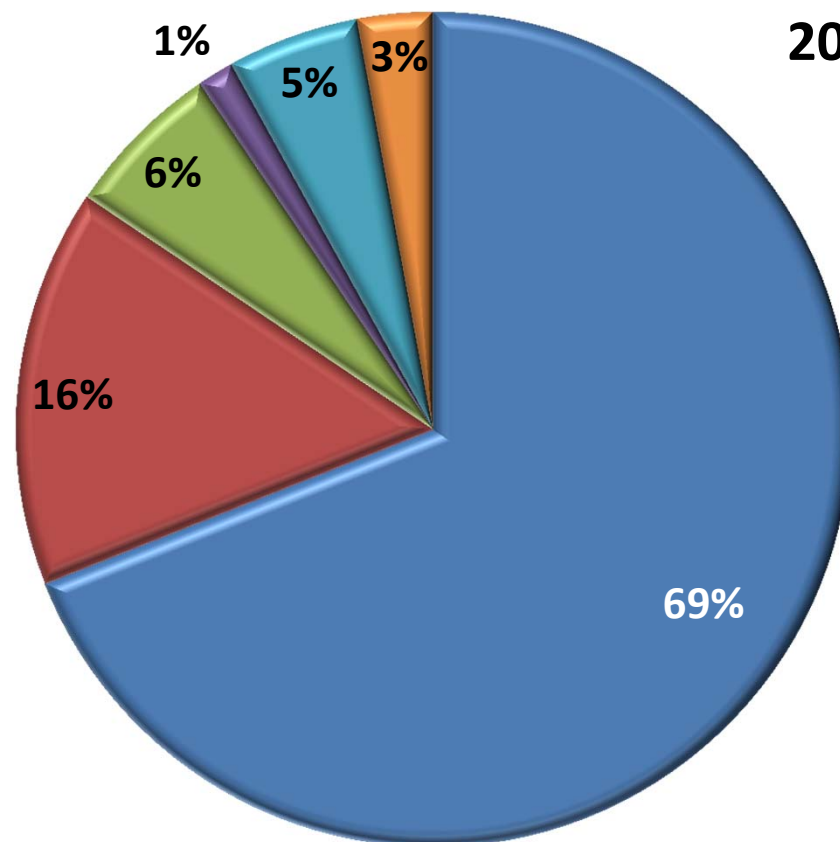
# 2013 Review – Revenues by Product

**2012**



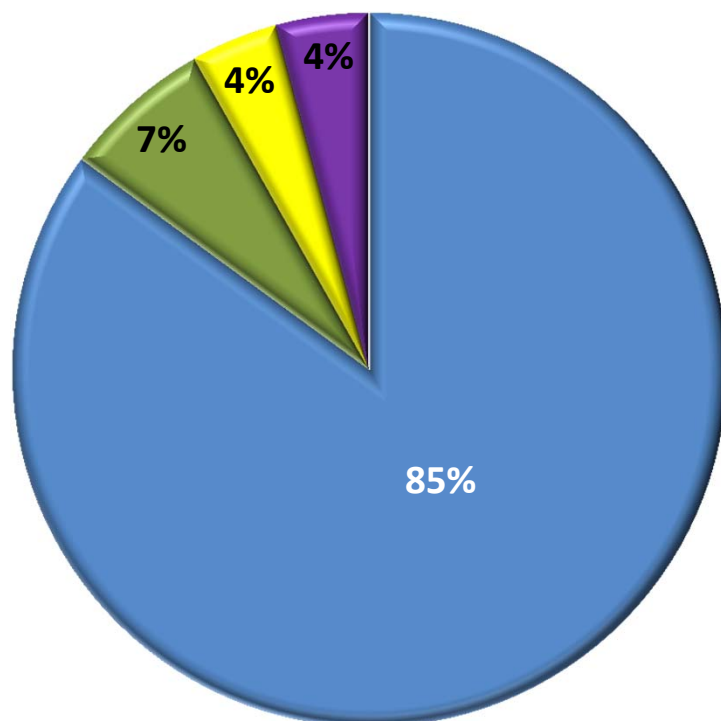
- Closed Gift
- Open Gift
- Telecom
- Financial Services
- Cardpool
- Product Sales

**2013**

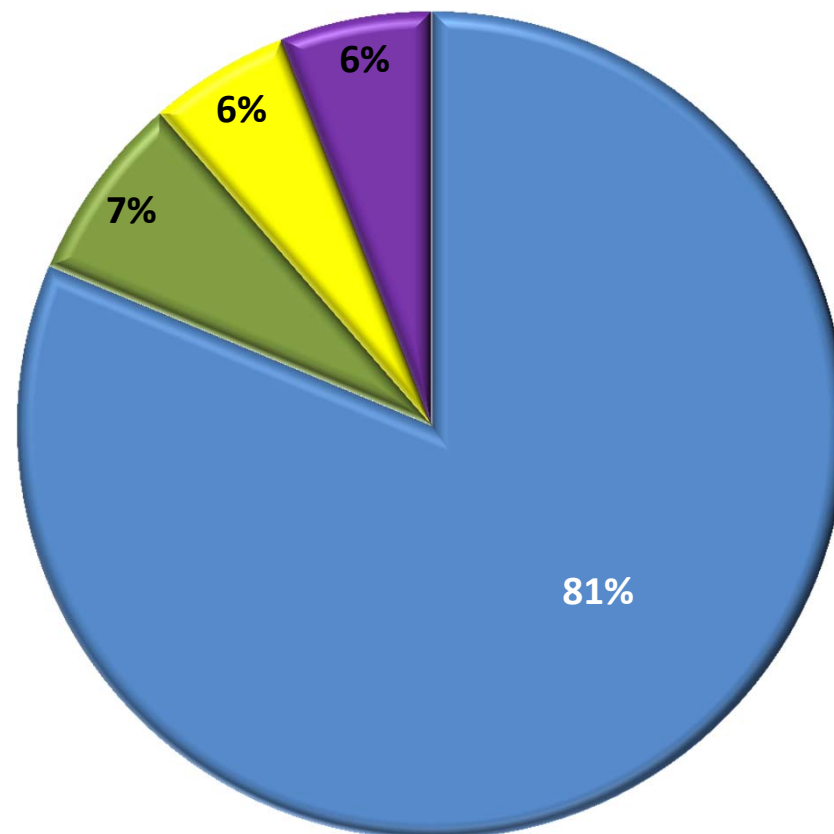


# 2013 Review – Revenue by Region

2012



2013



■ U.S. ■ Americas ■ EMEA ■ Asia Pac



# 2013 Review – Holiday Gift Card Sales Outperform Retail

|  | 2013  |
|--|-------|
| Retailer holiday sales growth (National Retail Federation) | < 4%  |
| Blackhawk U.S. gift card LV growth*                        | +12%  |
| Blackhawk's GiftCardMall.com LV growth*                    | +88%  |
| Blackhawk's total online LV growth*                        | +195% |

\* Note: Load Value ("LV") for last 8 weeks of fiscal 2013 ended 12/28/13

# 2013 Review – U.S. Gift Card Developments

- Renewed Top 5 Distribution Partners
  - All top 5 accounts contracted to September 2017 or later
- Launched The Home Depot as a Distribution Partner
- Expanded Open Loop distribution
  - Added Home Depot, Macerich and Stage Stores
  - Added MasterCard at Publix, Giant Eagle and Wawa
- Added over 100 new content partner brands
- 200 brands now available for electronic delivery (“e-gift”)
- Signed 16 additional digital distribution deals

## 2013 Review – U.S. Distribution Productivity

- 2M pegs added in U.S. distribution ~20% increase
- Some reduction in fuel loyalty-linked promotions in 2013
- Expect 2014 programs to be more comparable year-over-year

|  | 2011     | 2012     | 2013    |
|--|----------|----------|---------|
| U.S. Grocery selling store count             | 18,303   | 18,066   | 19,338  |
| U.S. Grocery per store LV index adjusted (1) | 100.0    | 122.5    | 134.0   |
| Increase in per same store LV adjusted (1)   | + 26.6 % | + 22.5 % | + 9.4 % |

(1) Excludes LV from fuel cards used as loyalty reward in certain programs

# 2013 Review – Productivity Case Study

- 1,300+ store chain shift from *Basic* to *Best Practices*
  - Added 145,000 display pegs and secondary displays
  - Expanded content
  - Marketing program participation increased 50%
- Results:
  - 4Q13 average per store LV - up 30%
  - 1st 5 weeks 2014 - up 36%
  - Indexes at low end of range in *Best Practices*

Note: See Form S-1 for definition of *Basic*, *Best Practices* and *Loyalty*-based programs

# 2013 Review - Telecom

- Exited wholesale distribution channel (-\$165M LV)
- Developed telecom handset distribution program
  - Wide selection of smartphones
  - Direct-to-store logistics management
- Dedicated telecom displays in 3,900 locations
  - Marketing funds from carriers and DP's
- Developed online prepaid top-up application
- Introduced SIM card product
- Achieving double digit growth entering 2014





# 2013 Review – Financial Services

- 73% load value growth
- Full category
  - Proprietary PayPower GPR (general purpose reloadable)
  - Distributed GreenDot and NetSpend brands
  - Private label for some distribution partners
- Expanded distribution – now over 15,000 retail locations
- Integration with TaxAct for tax refunds
  - Drives new account volume but lower margins
- Contracted with T-Mobile for private label Mobile Money



# 2013 Review – Cardpool

- 38% YOY growth to \$58M in revenue
  - Slower rollout of new channels
  - Added 1,000 ACE Cash Express locations near year-end
- Coinstar card purchase kiosk – 250 locations
  - Good productivity at mature kiosks
- GAAP non-cash fair value credit adjustment for contingent consideration liability of \$15M
  - based on forecast for final “earnout” period that ends 3Q14
- New GM in 4Q13



# 2013 Review – International



- Now in 20 countries either directly or through partnership
  - Germany: Purchased Retailo AG in late November
  - Opened South Africa in late October
  - Korea and Brazil still in early stages
- YOY growth of 41% LV and 48% Adjusted Operating Revenue
- New digital content - Google Play, Sony, Microsoft, Amazon
- Implemented first two digital-only distributors

## 2013 Review – Incentives

- Completed acquisition of Intelispend mid - November
  - Operates in U.S. and Canada
  - Open Loop products with IP for restricted access cards
  - \$569M in LV for all 2013 (12% YOY growth rate)
- Earnings neutral in 2013
  - Excluding amortization of intangibles of \$2.7M pre-tax
  - Including acquisition related expenses of \$1.0M pre-tax
  - Lower 2013 revenue recognition due to Blackhawk fiscal year-end of 12/28 versus card expiration date of 12/31

# 2014 INITIATIVES – U.S.



# 2014 U.S. Load Value Growth Targets

|                        | 2014       | 2013       | 2012       |
|------------------------|------------|------------|------------|
| Gift Cards             | 16%        | 11%        | 24%        |
| Telecom                | 16%        | -25%       | -22%       |
| Financial Services     | 153%       | 72%        | 89%        |
| Incentives and Rewards | 480%       | 137%       | 63%        |
| <b>Total U.S.</b>      | <b>33%</b> | <b>13%</b> | <b>21%</b> |

- Year-over-year “smoothing” from effect of fuel loyalty programs
- Telecom without drag from ASP exit and gaining traction from destination displays and handset expansion
- High volume but lower margined financial services programs
- Incentives and rewards growth due to full year of IntelliSpend and growth from direct Blackhawk programs

# 2014 Initiatives – Key Focus Areas in U.S.

- Grow per store productivity in all categories
- Execution of incentives and rewards strategy
  - Add closed loop, digital, and international capabilities
- Continue development of partners and technology to win in digital and mobile channels
- Expand distribution
- Contract renewals – continue excellent history

# 2014 Initiatives - U.S. Gift Cards

- Continue migrating U.S. grocery stores into Best Practices
- One additional top 10 distribution partner with fuel loyalty
- Add local/regional content and more discount deals
- New planogramming and data analysis tools
- Expand distribution – currently four targets each with potential to be Top 15 Partner (potential for 5%-7% incremental LV)

# 2014 Initiatives – U.S. Telecom

- Add Telecom destination displays
- Expand channels for online top-up
- Exploit competitive advantage of handset distribution
- Leverage new SIM cards and contract buyouts offers
  - Low cost way for mainstream contract users to switch
  - Heavily promoted by carriers especially T-Mobile

# 2014 Initiatives – U.S. Financial Services

- Full launch of T-Mobile's Mobile Money solution
- Add 1,500 additional distribution locations
- New Reloadit capabilities – extend “card life” and increase active accounts
- Introduce products with features tailored for specific retail environments e.g. office stores

# 2014 Initiatives – Products and Services

- Cardpool target revenue growth of 40% - 50%
  - Expand partnerships with Outerwall (Coinstar), ACE Cash Express and other assisted sale financial services businesses
  - Expand digital exchange capabilities in order to integrate into mobile and online “wallets”

# 2014 INITIATIVES – INTERNATIONAL



# 2014 Load Value Growth Targets - International

|                      | 2014       | 2013       | 2012       |
|----------------------|------------|------------|------------|
| Total U.S.           | 33%        | 13%        | 21%        |
| <b>International</b> | <b>59%</b> | <b>41%</b> | <b>33%</b> |
| <b>Worldwide</b>     | <b>38%</b> | <b>17%</b> | <b>23%</b> |

- Full year of Retailo (Germany) acquisition
- High load value growth with lower revenue margin programs in certain international geographies
- Assumes no sales in China in 2014

# 2014 Initiatives – America's



- Canada opportunities
  - Sobeys adopts Safeway best practices
  - Loblaws acquiring Shoppers Drug Mart
  - Expand distribution of GPR and local content
  - Sell digital services into additional carriers and FIs
- Mexico's growth tied to continuing productivity gains in OXXO
- Brazil dependent on launch of Google and Microsoft

## 2014 Initiatives – EMEA



- Retailo acquisition significant contributor to growth and profit
- Continue to drive best practices in major retailers e.g. Tesco and Albert Heijn
- Extend Open Loop (currently limited offering in UK)
- Introduce digital product and services capabilities
- Forecast load value over \$1 billion

## 2014 Initiatives – AsiaPac

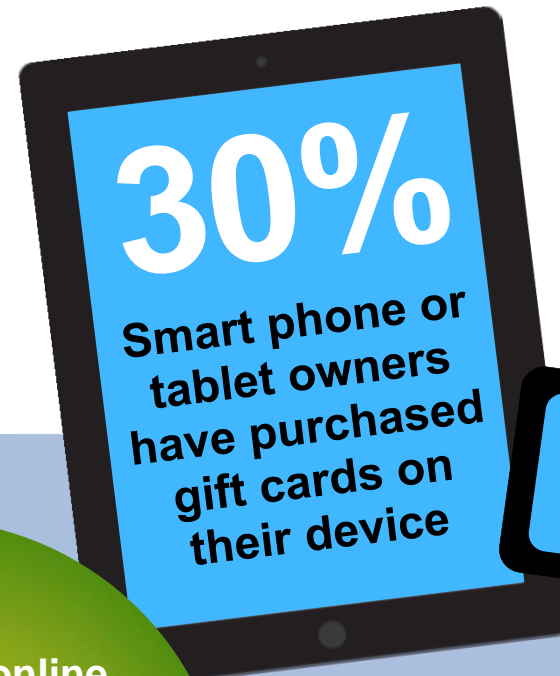


- Australia managing uneven breakage revenue and margin pressure due to pre-existing DP and CP relationship
- Significant LV growth opportunities in Japan but lower margin
- Korea continuing to build out distribution and global content
- Expect to launch Singapore with iTunes
- Negotiate China partnership to allow launch – still uncertain

# **DIGITAL AND MOBILE UPDATE**

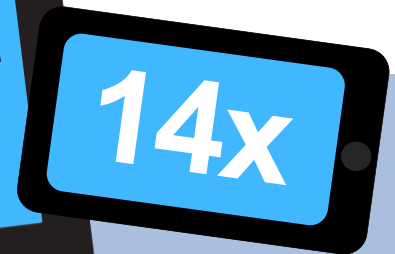
# Consumers Expect Omni-Channel Experience

## Digital Complements Physical

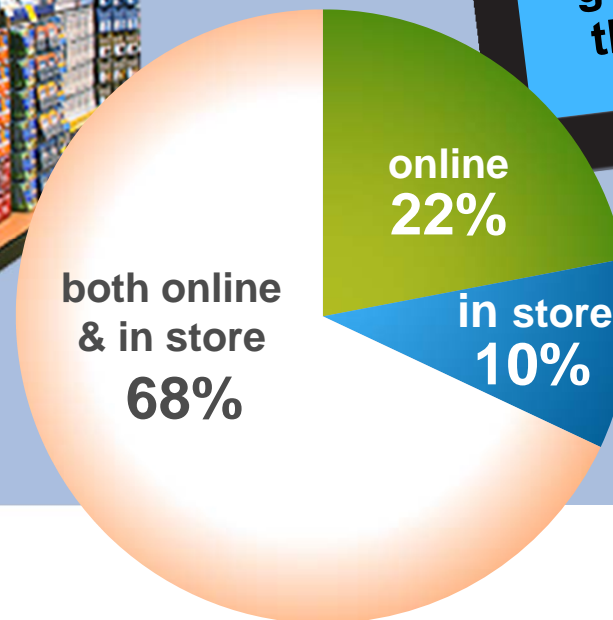


Sources: Mercator, Consumers & Prepaid: More Tools Please, 11/12

Source: emarketer. Prosper Mobile insights; 2/13

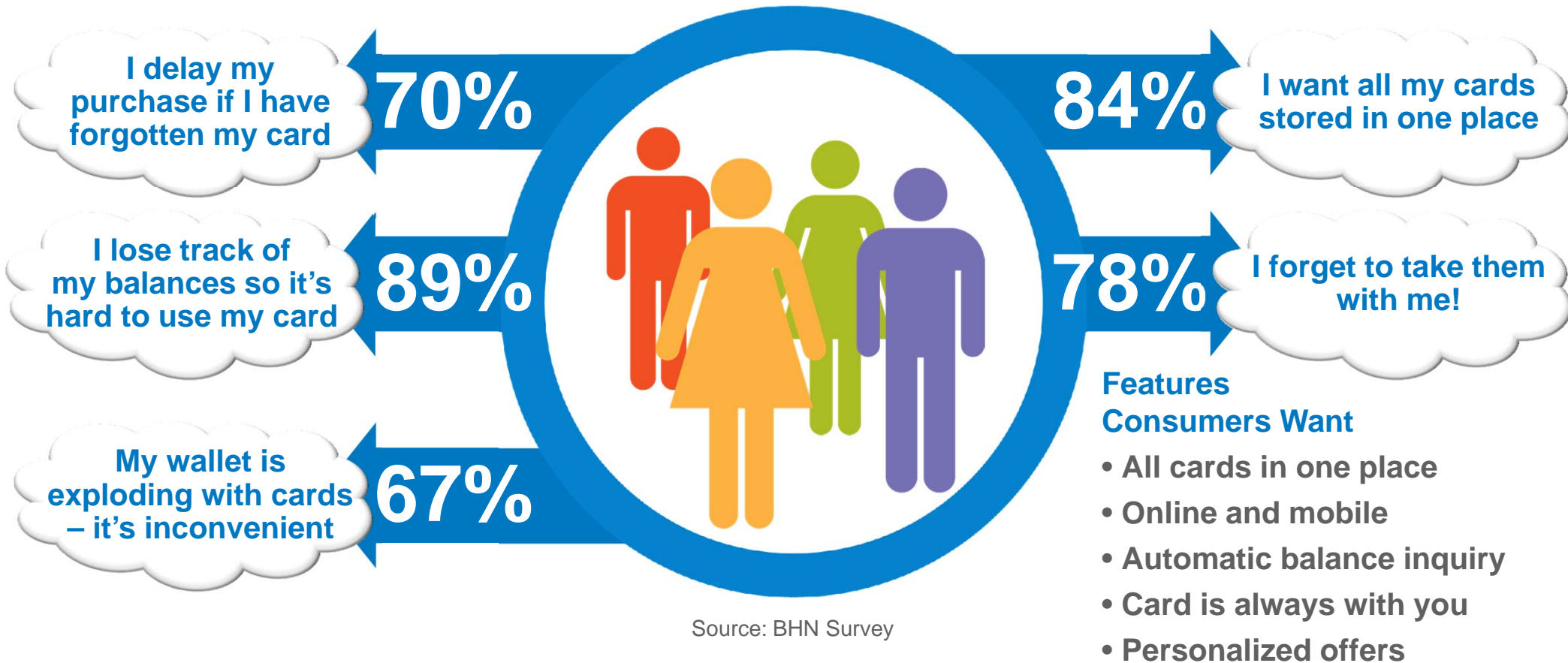


Amount of time spent with mobile devices growing 14x rate with desktop



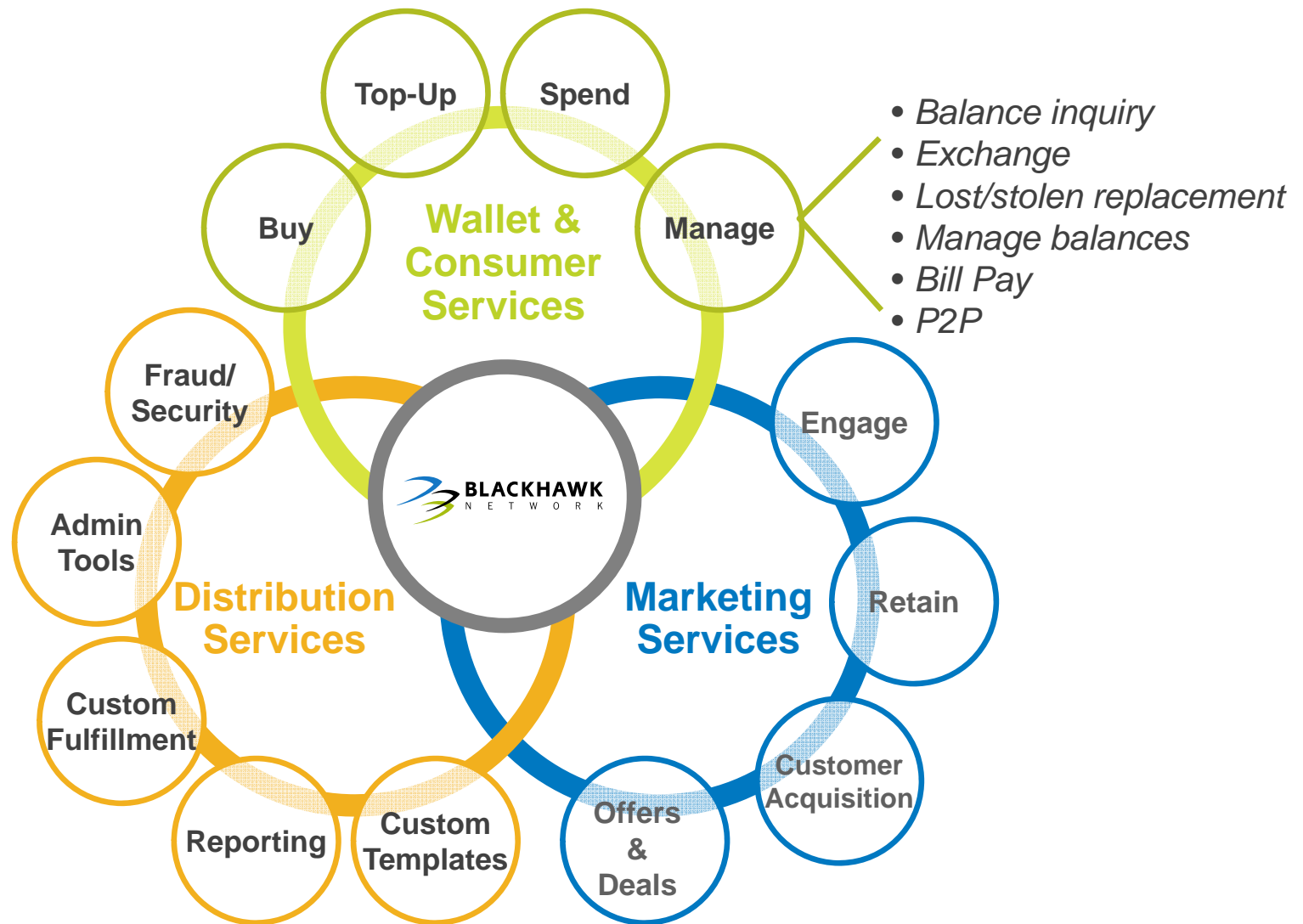
Source: MWW. National Consumer Survey

# Digital Service Platform Increases Consumer Satisfaction



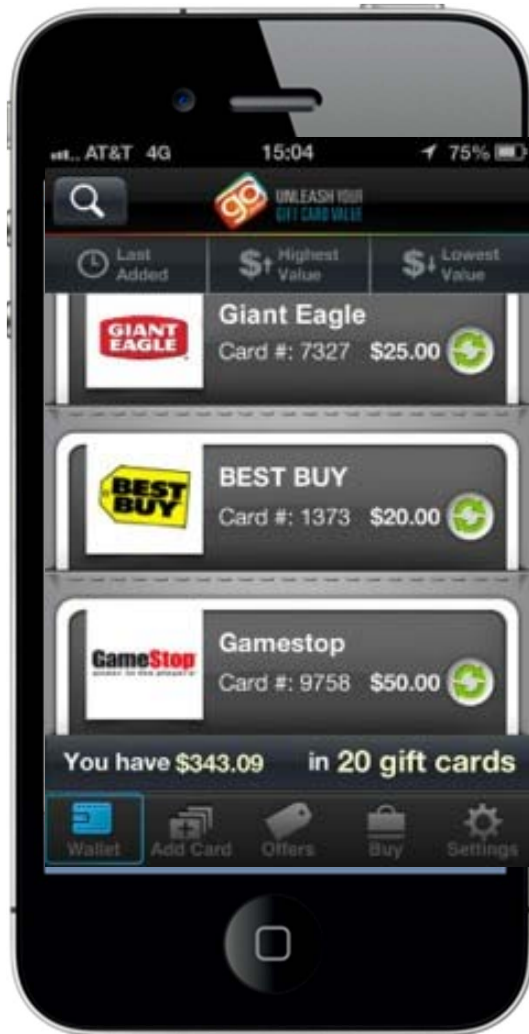


# Blackhawk Platform - Physical & Digital in One Centralized Program



# Mobile Delivery

## Wallet



## eGift



## Offers



# Blackhawk Digital and Online 28 Distribution Partners

amazon.com®

STAPLES®.com

PayPal™

ebay™

OfficeMax®

CapitalOne™

Coinstar®

ROGERS™  
WIRELESS

Google wallet

perks   
the science of motivation®

TwoSmiles by hp

  
FNB

giftcloud™

GIANT  
EAGLE®

  
GIFT  
CARD  
MALL

go   
wallet

 First Data™



Wrapp

monitise™

fiserv.

*Selling physical and digital (eGift) gift cards*

# Blackhawk + Amazon



- World's largest e-Commerce site
- 100 million unique visitors/month
- Offer price promotions and free shipping

## Blackhawk Services

- Sell eGift cards and physical gift cards
- Manage digital gift cards



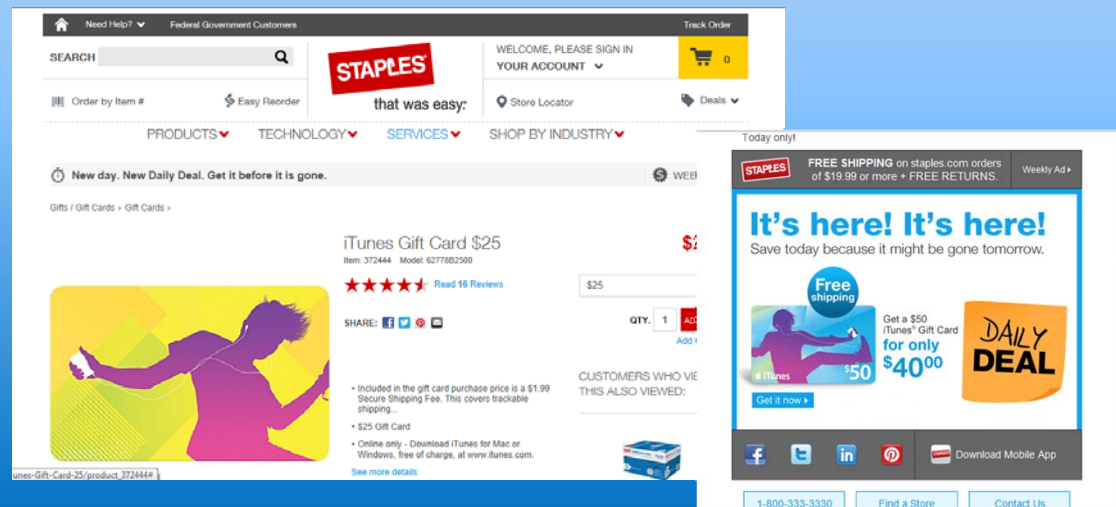
# Blackhawk + Staples.com



- World's largest office products company and second largest internet retailer
- Staples has a broad and loyal audience of 9.5 million unique visitors
- Ideal small business market for gift cards as incentives

## Blackhawk Services

- Staples was the first 3rd party eTailer to launch eGift
- Triple digit growth rate since launch
- Successful promotional programs; selling out thousands of units in a 24 hour period





# Blackhawk + eBay



- World's largest online marketplace to 116M users
- With 1.8M subscribers, the Daily Deals program promotes 3,000+ special consumer deals every day

## Blackhawk Services

- Fulfills gift cards through GiftCardMall.com
- Launching eGift cards
- Our signature eBay Gift Card Deal programs have resulted in significant sales – example \$2.4M LV within 24 hours



# Blackhawk + United



- Industry's largest database, most developed loyalty program
- 70M members
- Members earn points for flights and other products; now adding gift cards to catalog



## Blackhawk Services

- Exclusive eGift card sales opportunity
- Select eGifts offered, members earn miles
- Incremental: increases purchase frequency, shifts share, builds loyalty



# Blackhawk + PayPal



- 60+M active accounts in the US, 132M globally
- 75% online shoppers have PayPal accounts
- One third of all mobile commerce takes place on PayPal
- Connects effortlessly to bank accounts, credit/debit cards and now... to Gift Cards as well

The screenshot shows the PayPal 'Send as a Gift' interface for a \$75 StubHub Gift Card. The header includes the PayPal logo, 'Digital Gifts', and a US flag. The main heading is 'Send as a Gift', followed by a note: 'This \$75 StubHub Gift Card is redeemable in United States store only.' Below this are input fields for 'To: Email', 'Sender: Your Name', and 'From: Your Email'. There is also a text area for an 'Optional Message (600 characters max)'. Under the 'Send Gift:' section, there are two options: 'Now' (selected with a blue checkmark) and 'Schedule (Up to a year)'. At the bottom are 'Next' and 'Cancel' buttons. The background of the interface shows a blurred view of the gift card itself.

## Blackhawk Services

- Variable-load and fixed denomination digital gift products will be available to buy, sell, and share
- Consumers able to buy, store, manage, check balance, gift and re-gift
- Immediately deliver the Digital Gift to recipient's e-mail or deposit into user's account

# Blackhawk + Coinstar



- Leader in changing coins into cash and eGift cards
- > 19,000 high traffic locations reaching up to 150M customers a week
- Allows customers to turn coins into an eGift card with no service fee

## Blackhawk Services

- Leverages the BHN eGift platform to deliver eGift codes to Coinstar kiosks
- Upsell and increase the average Gift Card load—Coinstar has an average load value of >\$55 per transaction



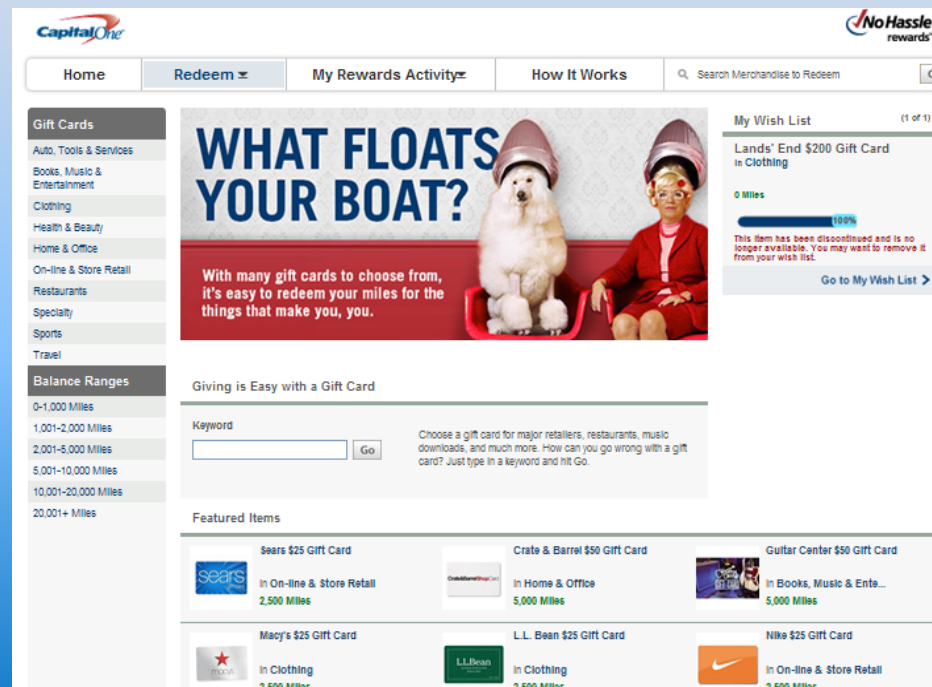
# Blackhawk + Capital One



- 69M account holders
- \$149B annual spend
- \$100M gift card LV
- High level of sensitivity towards customer experience and fraud management

## Proposed Blackhawk Services

- Allow customers to purchase gift cards with points
- Create innovative fraud management solutions



# **INCENTIVES AND REWARDS STRATEGY**

# Rewards and Incentives: B2B Ecosystem



- Incentives & Rewards Solutions
- Loyalty Solutions
- Wellness Solutions
- Program Management
- Training
- Communications

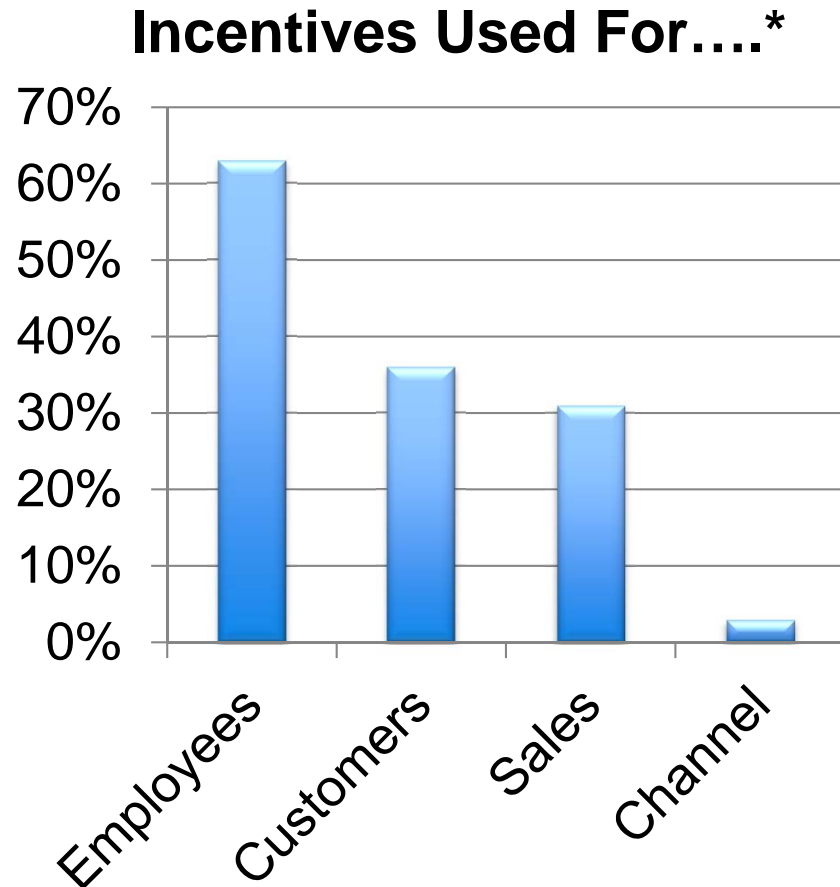
- Peer-to-Peer
- Sales Tracking
- Rebates
- Loyalty
- Payroll

- Solution Bundling
- Product Features
- Fulfillment
- Client Services
- Customer Service

- Card Networks
- ATM Networks
- Processors
- Issuing Banks



# Incentives and Rewards Market Characteristics

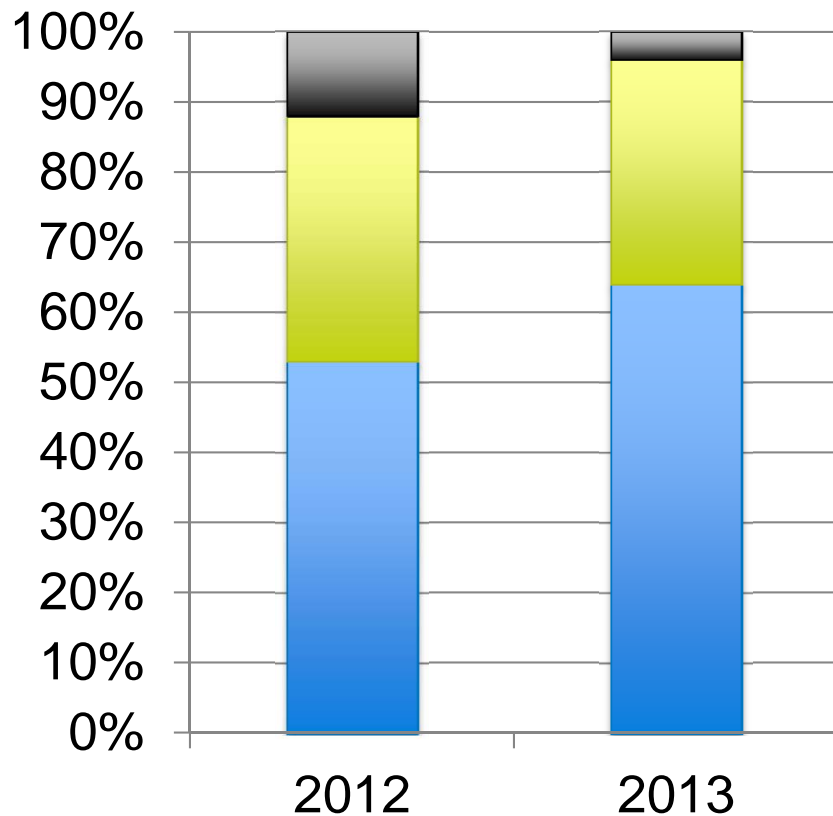


- Mercator estimated ~10% growth for 2013
  - Would result in market size of approximately \$40B
- Estimates vary on Open Loop vs. Closed Loop breakdown
  - Open Loop use between 40% and 60% and growing faster

\* Aspect Market Intelligence October 2012 Survey

# Incentives and Rewards Market Characteristics

## Increasing Budgets for Prepaid Cards



- 74% of surveyed companies\* have multiple award types
- Only 52% of companies\* currently use gift cards for incentives
- Nearly half of companies source prepaid cards direct from merchant

\* Aspect Market Intelligence October 2012 Survey

■ Stay Same ■ Increase ■ Decrease

# IntelISpend Acquisition



- Good potential for revenue growth and expanding EBITDA margins
- Corporate customers complementary to Blackhawk's consumer focused retail gift card market
- Opportunity to leverage Blackhawk's investments in digital product solutions and international markets
- Eventual infrastructure and back office synergies
- Less seasonal business and good revenue visibility



# InteliSpend Industry Recognition

## TharpeRobbins Award 2013

**Vendor  
of the Year**



## 2013 Paybefore Awards

**Best Business-to-Business Prepaid Card Program**

- Expense Visa Prepaid Card

## 2012 Prepaid Awards Canada

**Best Prepaid B2B Service**



## 2012 Paybefore Awards

**Most Effective Prepaid Marketing Program**

- Firestone

**Most Effective Prepaid Solution**

- MasterCard® Wellness Prepaid Card
- Monsanto Rapid Recognition



# InteliSpend Customers and Partners

- 1,500 Direct Customers
- Broad variety of programs and solutions
- High retention rate



- 300 Channel Partners
- Open Loop Prepaid solution provider
- Program integration and compliance



# InteliSpend Solutions

## Corporate Incentives



Dealer and Sales Incentives

Holiday & Year-End Gifting

Wellness Incentives

Service Anniversaries

## Consumer Promotions



Rebates

Consumer Loyalty

Referrals, Research & Other

Event Marketing

Tailored and integrated services to meet needs of wide variety of customers and channel partners

# InteliSpend Merchant Network



- Strong participation in patented restricted authorization network (“RAN”) card programs
- Delivers extra value to customers, their employees and awards recipients
- Good synergies with Blackhawk’s broad content provider network

# Blackhawk's Incentives and Rewards Vision

- Comprehensive portfolio of prepaid solutions
  - Integrated closed and open loop gift and eGift catalog
  - Integrated mobile app for enhanced recipient experience
  - Prepaid provider of choice for channel partners with complete program management toolset
- Execute international solution for large global accounts
- Fully leverage Blackhawk cross marketing opportunities

# ACQUISITION PURCHASE PRICE ACCOUNTING

# Purchase Price Accounting (“PPA”)

| <i>(amounts in millions)</i>             |       |               |
|--|-------|---------------|
| Net tangible assets                      |       | \$ 7          |
| Intangible assets and technology         |       | 85            |
| Customer and partner relationships       | \$ 68 |               |
| Backlog and other intangibles            | 17    |               |
| Goodwill                                 |       | 90            |
| Deferred taxes (NOL \$7M less DTL \$14M) |       | (7)           |
| Non-controlling interest                 |       | (7)           |
| <b>Total purchase price</b>              |       | <b>\$ 168</b> |

- Step up in basis for IntelliSpend results in future tax benefit not reflected in purchase price allocation (NPV ~\$18 million)

# Purchase Price Accounting (“PPA”)

- Revenue and expense accounting for expired cards - change from previous IntelliSpend accounting to deferred methodology (-\$4M impact in 2014)
- Intangible amortization of \$13.9M (2014) and \$8.7M (2015)



# 2014 FINANCIAL GUIDANCE

# 2014 Outlook - Summary

- Continuing growth in core prepaid products in U.S.
- Strong growth outlook for International
- Execute on key initiatives in incentive and rewards
  - B2B channel significantly increases addressable market
  - Leverage IntelliSpend acquisition
- Well positioned for digital and mobile evolution
  - Gaining new partners, content and services

# 2014 Outlook – Profitability Comments

- Adjusted Operating Revenue growth mid-point 26%
  - IntelliSpend, International and T-Mobile
- Adjusted EBITDA growth mid-point 22%
  - T-Mobile launch investment, deferred revenue accounting on IntelliSpend and higher display and program development exp
- Adjusted Net Income growth mid-point 13%
  - Interest expense (separation from Safeway)
  - Higher depreciation on technology investments
  - Tax rate increase of ~2% due to higher state taxes
- 2015 would not expect these YOY negative impacts

# 2014 Financial Guidance

|                               | 2014              | 2013    | % increase |
|-------------------------------|-------------------|---------|------------|
| Adjusted Operating Revenue    | \$ 670M - \$ 690M | \$ 541M | 24% - 28%  |
| Adjusted EBITDA               | \$ 137M - \$ 142M | \$ 114M | 20% - 24%  |
| Adjusted Net Income           | \$ 64M - \$ 67M   | \$ 58M  | 11% - 16%  |
| Adjusted Net Income per Share | \$ 1.19 - \$ 1.24 | \$ 1.09 | 9% - 14%   |

- Adjusted Net Income growth impacted by
  - Depreciation increase of \$5.7M or 26%
  - Interest expense of \$5.0M-\$5.2M (nil previously)
  - Higher tax rate to 40.2% versus 38.2% due to increased state taxes and limitations on stock compensation expense deduction
- Forecast 54.0 million weighted average shares (diluted) +3%

# APPENDIX

## Reconciliation of GAAP to Non-GAAP and Pro-forma Results

### Prior Quarter Changes

# Adjusted Operating Revenues Reconciliation (including Pro forma)

| <i>(amounts in millions)</i>                 | 2013          | 2012          |
|--|---------------|---------------|
| Total Operating Revenues                     | \$ 1,138      | \$ 959        |
| Less: Distribution Partner Commissions       | (597)         | (511)         |
| <b>Adjusted Operating Revenues</b>           | <b>\$ 541</b> | <b>\$ 448</b> |
| Adjust for Safeway commission change         | -             | (8)           |
| <b>Pro forma Adjusted Operating Revenues</b> | <b>\$ 541</b> | <b>\$ 440</b> |

# Adjusted EBITDA Reconciliation (including Pro forma)

| <i>(amounts in millions)</i>                     | 2013          | 2012          |
|--|---------------|---------------|
| Net income before allocation to NCI              | \$ 54         | \$ 48         |
| Interest income and other income, net            | -             | (1)           |
| Interest expense                                 | -             | -             |
| Income tax expense                               | 30            | 30            |
| Depreciation and amortization                    | 28            | 18            |
| <b>EBITDA</b>                                    | <b>\$ 112</b> | <b>\$ 95</b>  |
| Adjustments to EBITDA:                           |               |               |
| Employee stock-based compensation                | 8             | 5             |
| Distribution partner mark-to-market expense      | 9             | 3             |
| Change in fair value of contingent consideration | (15)          | (3)           |
| <b>Adjusted EBITDA</b>                           | <b>\$ 114</b> | <b>\$ 100</b> |
| Adjust for Safeway commission change             | -             | (8)           |
| <b>Pro forma adjusted EBITDA</b>                 | <b>\$ 114</b> | <b>\$ 92</b>  |

# Adjusted Net Income Reconciliation (including Pro forma)

| <i>(amounts in millions)</i>                                      | 2013         | 2012         |
|---|--------------|--------------|
| <b>Net income before allocation to NCI</b>                        | <b>\$ 54</b> | <b>\$ 48</b> |
| Employee stock-based compensation                                 | 8            | 5            |
| Distribution partner mark-to-market expense                       | 9            | 3            |
| Change in fair value of contingent consideration                  | (15)         | (3)          |
| Amortization of intangibles                                       | 7            | 1            |
| Total pre-tax adjustments   | 9            | 6            |
| Tax expense on adjustments  | (6)          | (3)          |
| Adjusted net income before allocation to Non-controlling Interest | 57           | 51           |
| NCI (net of tax)  | 1            | -            |
| <b>Adjusted net income</b>  | <b>\$ 58</b> | <b>\$ 51</b> |
| Safeway commission adjustment (net of tax)                        | -            | (6)          |
| <b>Pro forma adjusted net income</b>                              | <b>\$ 58</b> | <b>\$ 45</b> |



# Adjusted EPS Reconciliation

| <i>(amounts in millions except EPS)</i>                 | 2013           | 2012           |
|---|----------------|----------------|
| Net income before allocation to NCI                     | \$ 54          | \$ 48          |
| Income allocated to participating securities            | (1)            | (1)            |
| Net income attributable to common shareholders          | \$ 53          | \$ 47          |
| Diluted weighted-average shares outstanding             | 52.4           | 50.0           |
| <b>Diluted EPS</b>                                      | <b>\$ 1.02</b> | <b>\$ 0.93</b> |
|   |                |                |
| Adjusted net income                                     | \$ 58          | \$ 51          |
| Adjusted income allocated to participating securities   | (1)            | (2)            |
| Adjusted net income attributable to common shareholders | \$ 57          | \$ 49          |
| Diluted weighted-average shares outstanding             | 52.4           | 50.0           |
| <b>Adjusted diluted EPS</b>                             | <b>\$ 1.09</b> | <b>\$ 0.98</b> |

# Pro forma Adjusted EPS Reconciliation

| <i>(amounts in millions except EPS)</i>                 | 2013           | 2012           |
|---|----------------|----------------|
| Pro forma adjusted net income                           | \$ 58          | \$ 45          |
| Adjusted income allocated to participating securities   | (1)            | (1)            |
| Adjusted net income attributable to common shareholders | \$ 57          | \$ 44          |
| Diluted weighted-average shares outstanding             | 52.4           | 50.0           |
| <b>Pro forma adjusted diluted EPS</b>                   | <b>\$ 1.09</b> | <b>\$ 0.88</b> |
|   |                |                |

# Prior Quarter Adjustments

- Reclass Q4 tax expense item to Q2 (\$1.36 million)
- Reclass acquisition related expenses to separate line item
- Below are the adjusted amounts only for Q1 through Q3

| <i>Amounts in 000s</i>               | 1Q13     | 2Q13     | 3Q13     |
|--------------------------------------|----------|----------|----------|
| Sales & marketing                    | \$28,325 | \$39,932 | \$30,486 |
| Cost of products sold                | 15,850   | 18,509   | 21,423   |
| General & administrative             | 11,780   | 11,015   | 10,320   |
| Acquisition related expenses         | 677      | (1,384)  | (255)    |
| Income tax expense                   |          | 3,470    |          |
| Net income before NCI                |          | 2,005    |          |
| Net income attributable to Blackhawk |          | 2,131    |          |
| EPS Basic                            |          | \$0.04   |          |
| EPS Diluted                          |          | \$0.04   |          |



**Thank You**