



---

## 2013 Analyst Day

February 27, 2013

# Coin Business Review

**Mike Skinner**

President, Coin

## Safe Harbor for Forward-Looking Statements

Various remarks that we may make about future expectations, plans and prospects for the company constitute forward-looking statements for purposes of the safe harbor provisions under the Private Securities Litigation Reform Act of 1995. Actual results may differ materially from those indicated by these forward-looking statements as a result of various factors, including those discussed in our most recent Annual Report on Form 10-K and subsequent Quarterly Reports on Form 10-Q filed with the Securities and Exchange Commission. Coinstar, Inc. assumes no obligation and does not intend to update these forward-looking statements.

## Reconciliation of GAAP and Non-GAAP Financial Measures

This presentation contains references to both GAAP and non-GAAP financial measures. A reconciliation between GAAP and non-GAAP financial measures is available in the Appendix of this presentation, which is posted on the Investor Relations section of Coinstar's website at [www.coinstarinc.com](http://www.coinstarinc.com).

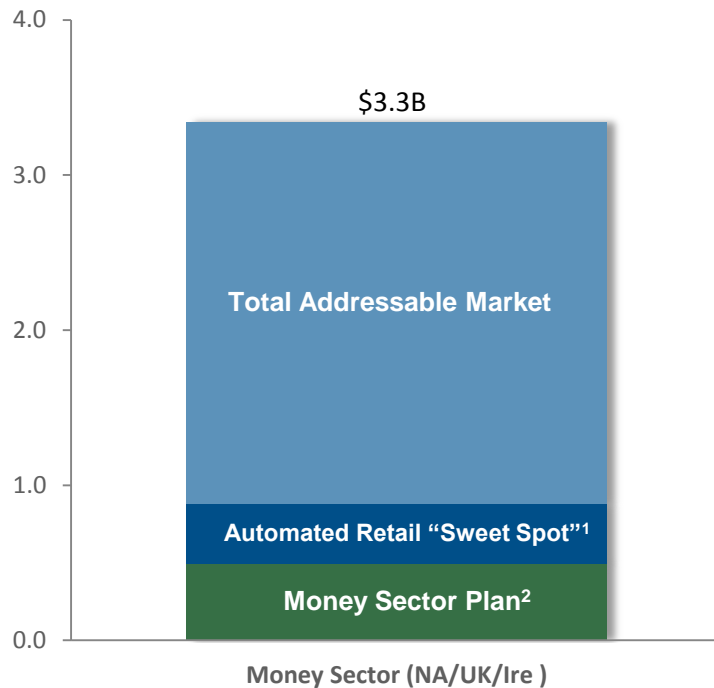


We **empower** consumers by **transforming** what they **have** into what they **want**.

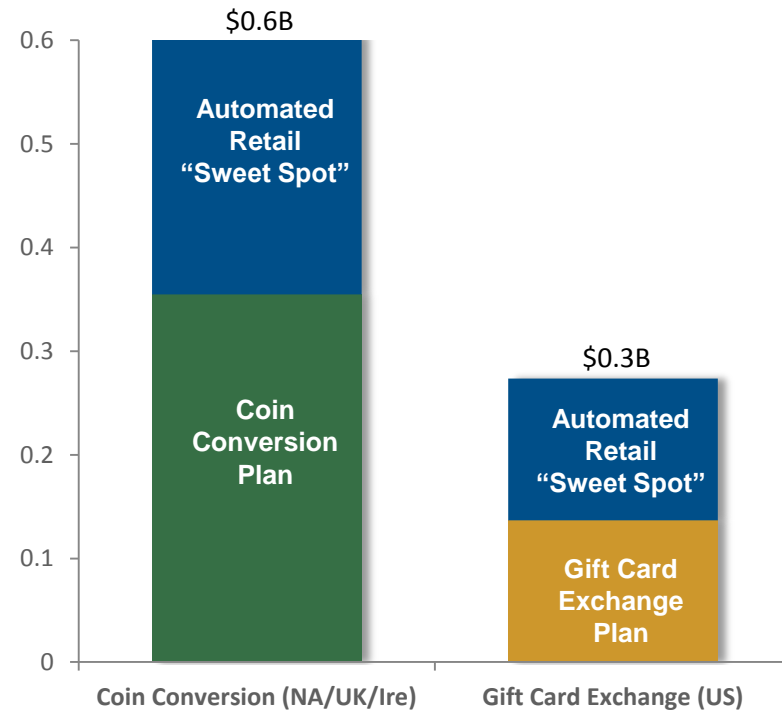
# Money Sector Worth \$3B+ Today

## Automated Retail “Sweet Spot” of \$1B

Money Sector Total Addressable Market



Money Sector Automated Retail “Sweet Spot” Revenue



Source: Bureau of Economic Analysis, 2011; PSE Consulting “European Prepaid 2010; Coinstar Proprietary Market Research 2010, Coinstar Analysis

1. Automated Retail “Sweet Spot” estimates are based on the core markets (Coin conversion and Gift Card Exchange)

2. Money Sector business includes Coin NA/UK/Ire and Gift Card Exchange in U.S. only



# The Big Green Machine

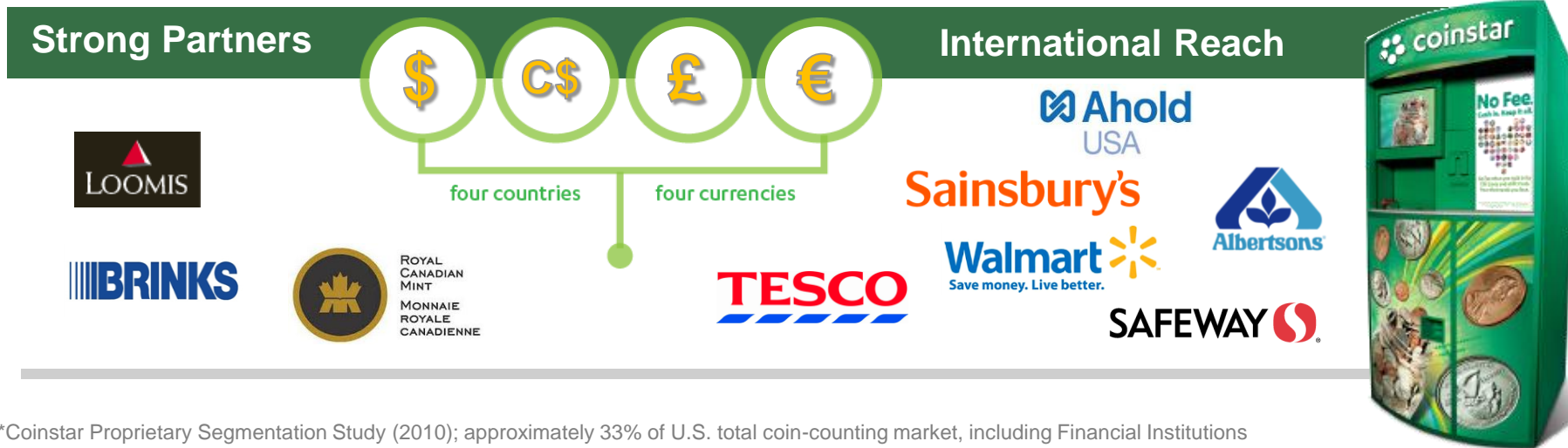
❖ A great business!

- Proud history, changing the way coin is valued
- Proven model, well positioned consumer access point
- Solid financial performance and cash flow
- Superior value proposition to consumers and retailers



# A Leader in Coin-Counting Services

- 80% share of U.S. automated retail coin market\*
- 4 countries and 4 currencies
- Within 5 miles of 90% of U.S. population<sup>†</sup>
- \$65MM donated to charities through our kiosks since 1997<sup>‡</sup>
- 100+ worldwide patents related to coin kiosks



\*Coinstar Proprietary Segmentation Study (2010); approximately 33% of U.S. total coin-counting market, including Financial Institutions

<sup>†</sup>Coinstar Internal GIS Analysis (Q2 2012)

<sup>‡</sup>As of 12/31/2012

# Serving a Diverse Consumer Base

Upside exists across all consumer segments in the U.S.

## Core

**1** Convenience Seeker



**2** The Trip Combiner



**3** Carefree



## Coin Conversion

**Uncaptured coin volume**

- \$1.3B\*

**Needs**

- Cash
- Time

## Gift Card Exchange

**Uncaptured gift card volume**

- \$7B-\$8B†

**Needs**

- Cash
- Convenience

## Opportunity

**4** The Fee Avoider



**5** The Financial Institutional



**Uncaptured coin volume**

- \$3.6B\*

**Needs**

- Choice
- Value

\*Coinstar Proprietary Segmentation Study (2010)

†Coinstar Estimate 2012



# High Value Footprint

➤ Growing number of revenue opportunities

- \$3.1B coins
- 45MM+ consumers
- 77MM transactions/year
- 355MM impressions/week



- Cash voucher
- Gift & eGift cards
- Retailer cards
- Coins that Count (charity)
- Emerging segments\*
  - Financial products
  - Prepaid
  - Gift card exchange

Worldwide data as of 12/31/2012

\*Products currently on the road map for development and launch and not included in volume and transaction counts

# Financial Institutions: Unlocking an Untapped Market

• Estimated \$4B\* volume opportunity

- Developing key relationships
- Specialized kiosk
- New revenue model
- Unique product features
- Best results achieved:
  - Free coin counting to bank customers
  - Integrated into financial institutions' marketing efforts

\*Based on customer research conducted by Coinstar in 2010 and revised in 2012 (U.S. focused study)

# Innovating Towards Full Potential

Connecting the cash preferred and mobile marketplace



Consumer Focused



Transforming Currency



Market Driven





# PayPal<sup>tm</sup>

**Load and withdraw  
right here, right now.**

**Accepts coins and paper money.**



# Introducing PayPal to World of Instant Cash Access

Roll out began on February 6, 2013



## Funding

Consumers bring coin/cash to kiosk to fund PayPal accounts

“Coin In” – OR – “Cash In”  
 Fee 9.8% – Fee \$3.00\*

Fund any U.S. account

## Withdrawal

Consumers withdraw cash from their PayPal accounts

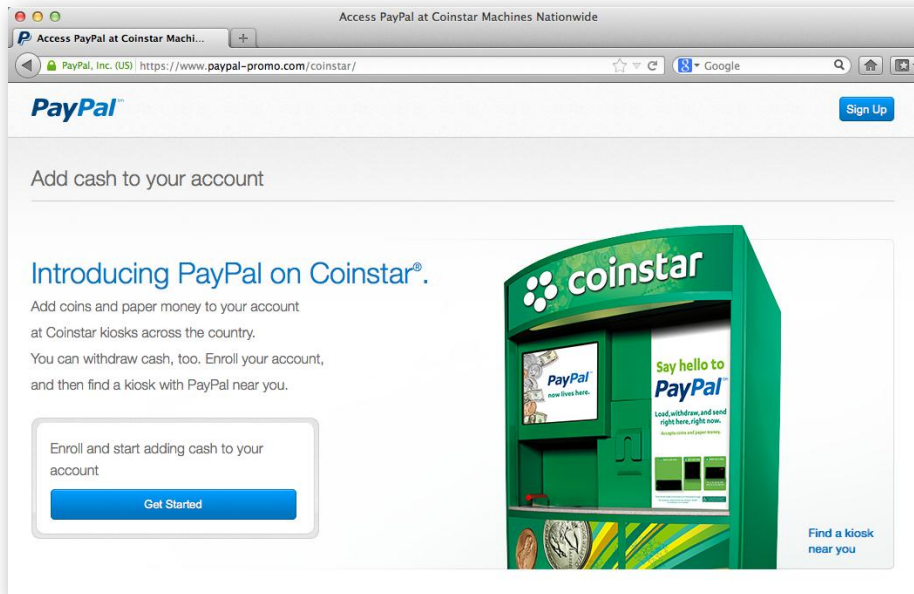
“Cash Out”  
 Fee \$3.00†

\*\$3 for loads up to \$300; \$6 for loads above \$300

†\$3 for withdrawals, up to \$200

# U.S. Launch Is Underway

## Building consumer awareness



- PayPal website
- PayPal email campaign
- “PayPal on Coinstar” landing page, banner ads
- Coinstar web, emails, store locator
- PR, articles, blogs
- In-store/retailer marketing





# Blackhawk Expands Our Product Portfolio

• A single connection can deliver up to 500 content providers



- In process
  - Gift & eGift cards
- Roadmap
  - Mobile top-up
  - Open loop reloadable credit cards
  - Open loop network branded gift cards

Source: Blackhawk Network, 2013

# Gift Card Exchange

## ❖ Providing a unique solution

- **Market Opportunity**
  - Estimated \$7B–\$8B\* of gift cards go unused every year
- **Consumer/Retailer Value Proposition**
  - Simple, convenient solution for trading gift cards for cash
  - Automated retail provides immediate access to cash
- **Current Status**
  - Partnering with Blackhawk
  - Approximately 50 locations end of 2012
  - Processed 150<sup>†</sup> unique retailer cards



\*Coinstar Estimate 2012

†Actual results as of February 2013

# Coin + Cash for Gift Cards = A Great Combination

## ❖ Leveraging the value of both businesses

- Brand promise
- Kiosk production and deployment
- Operations and field service
- Voucher payment system
- Retail partner relationships
- Future opportunity to integrate



Source: Blackhawk Network, 2013

# Well-Positioned for Growth

- Strategically positioned footprint
- Enhanced value proposition
- Expanded product offering
- Turnkey solution
- Enhanced consumer engagement
- Proven international model



# Putting Our Automated Retail Strategy to Work



## What we have to achieve

- Increasing comps
- Servicing broader geography with fewer kiosks
- 3–5 new revenue streams
- New international markets
- \$50MM–\$100MM in new revenues

## Challenges we are addressing

- Increasing competition
- Changes in the grocery/mass retailer landscape
- Elimination of lower value coins
- Changes in regulatory environment
- Consumer adoption of automated retail product use



# Appendix



# Use of Non-GAAP Financial Measures

Non-GAAP measures may be provided as a complement to results provided in accordance with United States generally accepted accounting principles (“GAAP”).

We use the following non-GAAP financial measures to evaluate our financial results:

- Core adjusted EBITDA from continuing operations;
- Core diluted earnings per share (“EPS”) from continuing operations;
- Free cash flow from continuing operations; and
- Return on Invested Capital (“ROIC”).

These measures, the definitions of which are presented below, are non-GAAP because they exclude certain amounts which are included in the most directly comparable measure calculated and presented in accordance with GAAP. Our non-GAAP financial measures are not meant to be considered in isolation or as a substitute for our GAAP financial measures and may not be comparable with similarly titled measures of other companies.

## Core and Non-Core Results

We distinguish our core activities, those associated with our primary operations, from non-core activities. Non-core activities are primarily nonrecurring events or events we do not control. Our non-core adjustments include i) deal fees primarily related to the NCR asset acquisition, ii) income or loss from equity method investments, which represents our share of income or loss from entities we do not consolidate or control, and iii) a gain on the grant of a license to use certain Redbox trademarks to Redbox Instant™ by Verizon (“Non-Core Adjustments”). We believe investors should consider our core results because they are more indicative of our ongoing performance and trends and are more consistent with how management evaluates our operational results and trends.

# Reconciliation of GAAP and Non-GAAP Financial Measures

## Core Adjusted EBITDA from Continuing Operations

Our non-GAAP financial measure core adjusted EBITDA from continuing operations is defined as earnings before depreciation, amortization and other; interest expense, net; income taxes; share-based payments expense; and Non-Core Adjustments.

A reconciliation of core adjusted EBITDA from continuing operations to income from continuing operations, the most comparable GAAP financial measure, is presented in the following table:

Dollars in thousands	Twelve Months Ended December 31,	
	2012	2011
Income from continuing operations	\$ 150,230	\$ 114,951
Depreciation, amortization, and other	184,525	148,218
Interest expense, net	15,648	23,822
Income taxes	91,516	69,777
Share-based payments expense <sup>(1)</sup>	19,362	16,211
Adjusted EBITDA from continuing operations	461,281	372,979
Non-core adjustments:		
Deal fees	3,235	1,603
Loss from equity method investments	24,684	1,591
Gain on formation of Redbox Instant by Verizon	(19,500)	-
Core adjusted EBITDA from continuing operations	\$ 469,700	\$ 376,173

(1) Includes non-cash share-based compensation for executives, non-employee directors and employees as well as share-based payments for content arrangements.

# Reconciliation of GAAP and Non-GAAP Financial Measures

## Core Diluted EPS from Continuing Operations

Our non-GAAP financial measure core diluted EPS from continuing operations is defined as diluted earnings per share from continuing operations excluding Non-Core Adjustments, net of applicable taxes.

A reconciliation of core diluted EPS from continuing operations to diluted EPS from continuing operations, the most comparable GAAP financial measure, is presented in the following table:

	Twelve Months Ended	
	December 31,	
	2012	2011
Diluted EPS from continuing operations	\$ 4.67	\$ 3.61
Non-core adjustments, net of tax: <sup>(1)</sup>		
Deal fees	0.06	0.03
Loss from equity method investments	0.48	0.03
Gain on formation of Redbox Instant by Verizon	(0.38)	-
Core diluted EPS from continuing operations	<u>\$ 4.83</u>	<u>\$ 3.67</u>

(1) Non-Core Adjustments are presented after-tax using the applicable effective tax rate for the respective periods.

# Reconciliation of GAAP and Non-GAAP Financial Measures

## Free Cash Flow from Continuing Operations

Our non-GAAP financial measure free cash flow from continuing operations is defined as net cash provided by operating activities from continuing operations after capital expenditures. We believe free cash flow from continuing operations is an important non-GAAP measure as it provides additional information to users of the financial statements regarding our ability to service, incur or pay down indebtedness and repurchase our common stock.

The table below provides a reconciliation of net cash provided by operating activities from continuing operations, the most comparable GAAP financial measure, to free cash flow from continuing operations:

Dollars in thousands	Twelve Months Ended	
	December 31,	
	2012	2011
Net cash provided by operating activities from continuing operations	\$ 463,906	\$ 406,516
Purchase of property and equipment	(208,054)	(179,236)
Free cash flow from continuing operations	<u>\$ 255,852</u>	<u>\$ 227,280</u>

# Reconciliation of GAAP and Non-GAAP Financial Measures

## Return on Invested Capital (ROIC)\*

We use the non-GAAP financial measure ROIC, which is net operating profits after tax (NOPAT) divided by average invested capital, as we believe it is an important measure of our return on capital.

## Net Operating Profits after Tax (NOPAT)

The table below provides a reconciliation of CapitalIQ's NOPAT calculation to our income from continuing operations, the most comparable GAAP financial measure:

	2009	2010	2011	2012
Income from Continuing Operations	\$ 43.7	\$ 65.9	\$ 115.0	\$ 150.2
Income Taxes	25.7	43.0	69.8	91.5
Other income (expense)	35.3	34.3	25.2	21.0
Operating Income	\$ 104.7	\$ 143.2	\$ 209.9	\$ 262.8
<u>Adjustments:</u>				
Legal settlement		\$ 5.4		
Depreciation adjustment		5.5		
G&A adjustment				\$ 3.2
Subtotal	\$ 104.7	\$ 154.1	\$ 209.9	\$ 266.0
Minus constant corporate tax rate of 37.5%	(39.3)	(57.8)	(78.7)	(99.7)
<b>NOPAT</b>	<b>\$ 65.4</b>	<b>\$ 96.3</b>	<b>\$ 131.2</b>	<b>\$ 166.2</b>

\*Source of ROIC: CapitalIQ, which we use as it is readily available to investors

# Reconciliation of GAAP and Non-GAAP Financial Measures

## Breakdown of Invested Capital

	Dec-31-2008	Dec-31-2009	Dec-31-2010	Dec-31-2011	Dec-31-2012
Total Stockholders' Equity <sup>(1)</sup>	\$ 320.0	\$ 412.4	\$ 443.1	\$ 513.9	\$ 549.1
Minority Interest	31.1	-	-	-	-
Current Portion of Long Term Debt	19.1	6.8	181.6	14.0	15.5
Current Portion of Capital Leases	20.3	26.3	17.2	12.1	13.4
Long term Portion of Long Term Debt	295.9	402.9	153.3	339.6	317.2
Long term Portion of Capital Leases	23.5	26.2	12.2	11.8	15.7
<b>Invested Capital (current period)</b>	<b>\$ 709.9</b>	<b>\$ 874.7</b>	<b>\$ 807.4</b>	<b>\$ 891.3</b>	<b>\$ 910.9</b>
<b>Invested Capital (2 period avg.)</b>		<b>\$ 792.3</b>	<b>\$ 841.0</b>	<b>\$ 849.4</b>	<b>\$ 901.1</b>
<b>NOPAT</b>		<b>\$ 65.4</b>	<b>\$ 96.3</b>	<b>\$ 131.2</b>	<b>\$ 166.2</b>
<b>ROIC (NOPAT/Avg. Invested Capital)</b>		<b>8.3%</b>	<b>11.5%</b>	<b>15.4%</b>	<b>18.4%</b>

(1) The 2009 and 2010 Total Stockholders' Equity numbers do not reflect the \$17.1 million immaterial tax error correction for the worthless stock deduction related to the divested entertainment services business as noted in Coinstar's 2012 10-K.

Source of ROIC: CapitalIQ, which we use as it is readily available to investors