



Appendix A

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; and
- Free cash flow.

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 which we directly control, from non-core activities. Non-core activities are primarily nonrecurring events or events we do not directly control. Our non-core adjustments include i) restructuring costs associated with actions to reduce costs in our continuing operations primarily through workforce reductions across the Company, ii) acquisition costs primarily related to the NCR Asset Acquisition and acquisition of ecoATM, iii) compensation expense for rights to receive cash issued in conjunction with our acquisition of ecoATM and attributable to post-combination services as they are fixed amount acquisition related awards and not indicative of the directly controllable future business results, iv) income or loss from equity method investments, which represents our share of income or loss from entities we do not consolidate or control and the impact of the gain on re-measurement of our previously held equity interest in ecoATM upon acquisition, v) a gain on the grant of a license to use certain Redbox trademarks to Redbox Instant™ by Verizon, vi) benefits from release of indemnification reserves upon settlement of the Sigue Note and vii) a tax benefit related to the recognition of a worthless stock deduction in a corporate subsidiary (“Non-Core Adjustments”).

We believe investors should consider our core results because they are more indicative of our ongoing performance and trends, are more consistent with how management evaluates our operational results and trends, provide meaningful supplemental information to investors through the exclusion of certain expenses which are either non-recurring or may not be indicative of our directly controllable business operating results, allow for greater transparency in assessing our performance, help investors better analyze the results of our business and assist in forecasting future periods.

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 from continuing operations 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 net income from continuing operations, the most comparable GAAP financial measure, is presented in the following table:

	Twelve Months Ended	
	December 31,	
	2013	2012
Dollars in thousands		
Net income from continuing operations	\$ 208,091	\$ 160,452
Depreciation, amortization and other	203,094	184,405
Interest expense, net	32,801	15,648
Income taxes	34,477	97,941
Share-based payments expense ⁽¹⁾	16,831	19,362
Adjusted EBITDA from continuing operations	495,294	477,808
Non-Core Adjustments:		
Restructuring costs	4,495	—
Acquisition costs	5,669	3,235
Rights to receive cash issued in connection with the acquisition of ecoATM	8,664	—
Loss from equity method investments	48,448	24,684
Sigue indemnification reserve releases	(2,542)	—
Gain on previously held equity interest on ecoATM	(68,376)	—
Gain on formation of Redbox Instant by Verizon	—	(19,500)
Core adjusted EBITDA from continuing operations	\$ 491,652	\$ 486,227

(1) Includes both 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 operation to diluted EPS from continuing operations, the most comparable GAAP financial measure, is presented in the following table:

	Twelve Months Ended	
	December 31,	
	2013	2012
Diluted EPS from continuing operations	\$ 7.33	\$ 4.99
Non-core adjustments, net of tax: ⁽¹⁾		
Restructuring costs	0.10	—
Acquisition costs	0.17	0.06
Rights to receive cash issued in connection with the acquisition of ecoATM	0.25	—
Loss from equity method investments	1.04	0.47
Sigue indemnification reserve releases	(0.05)	—
Gain on previously held equity interest on ecoATM	(2.33)	—
Gain on formation of Redbox Instant by Verizon	—	(0.37)
Tax benefit on recognition of outside basis difference	(0.59)	—
Core diluted EPS from continuing operations	\$ 5.92	\$ 5.15

(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

Our non-GAAP financial measure free cash flow is defined as net cash provided by operating activities after capital expenditures. We believe free cash flow 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 securities.

A reconciliation of free cash flow to net cash provided by operating activities, the most comparable GAAP financial measure, is presented in the following table:

	Twelve Months Ended	
	December 31,	
Dollars in thousands	2013	2012
Net cash provided by operating activities	\$ 324,091	\$ 463,906
Purchase of property and equipment	(157,669)	(208,054)
Free cash flow	<u>\$ 166,422</u>	<u>\$ 255,852</u>