

Outerwall Inc.

2014 Analyst Day

February 26, 2014



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, subsequent Quarterly Reports on Form 10-Q and other documents (including regarding our tender offer) filed with the Securities and Exchange Commission. Outerwall Inc. assumes no obligation and does not intend to update these forward-looking statements.

Reconciliation of GAAP and Non-GAAP Financial Measures

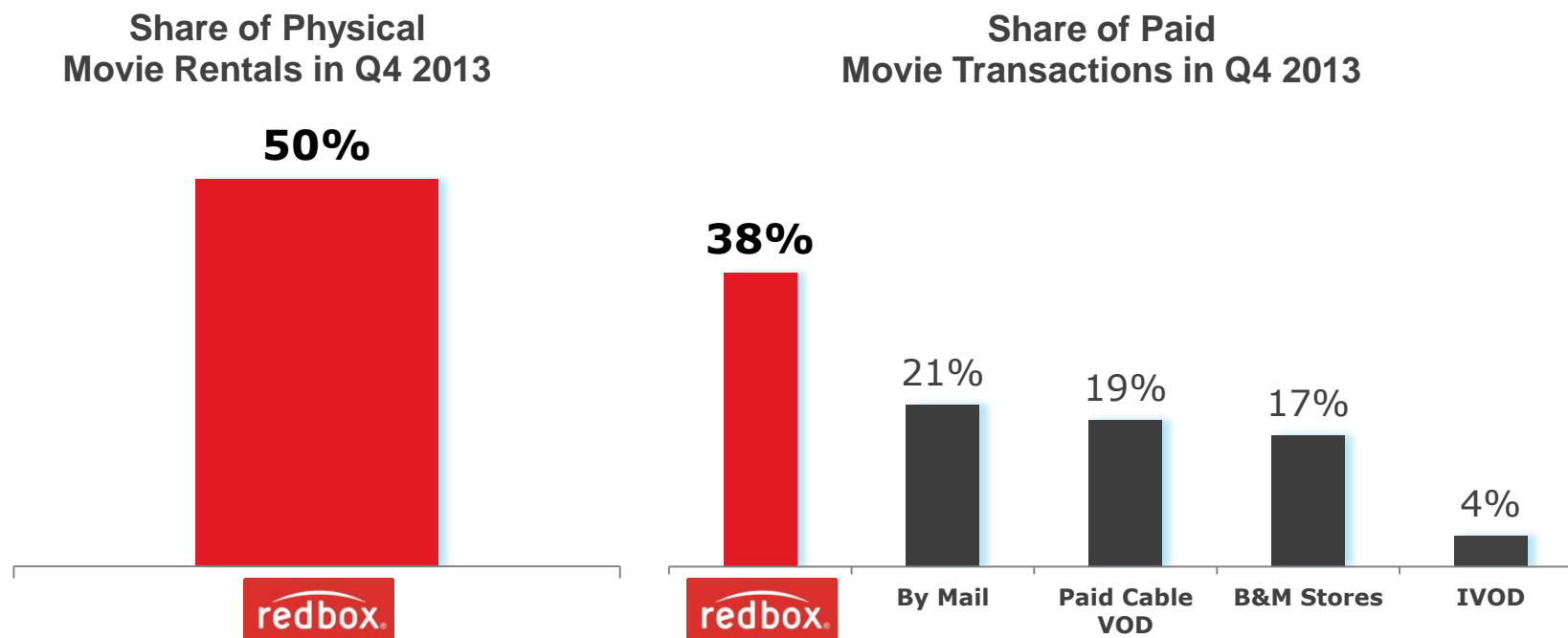
This presentation contains references to both GAAP and non-GAAP financial measures. Reconciliations between GAAP and non-GAAP financial measures and definitions of non-GAAP financial measures are available in Appendix A to this presentation, which is posted on the Investor Relations section of Outerwall's website at ir.outerwall.com.

J. Scott Di Valerio



America's Destination for New Release Movies

Redbox is the leading provider of paid movie transactions across both physical and digital

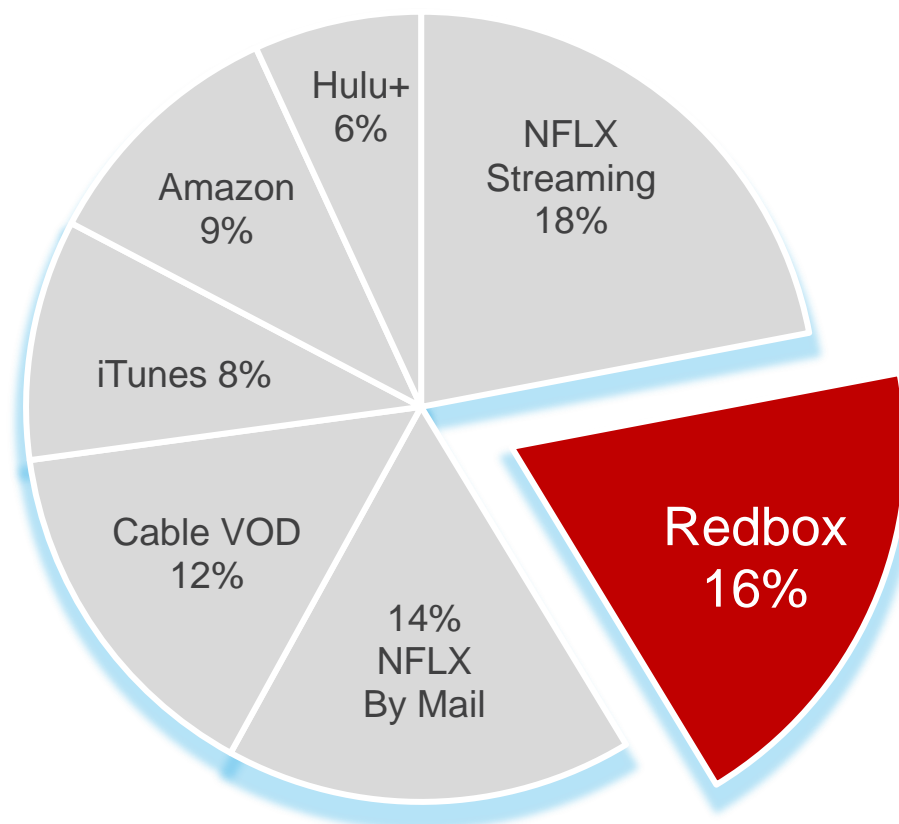


Source: Nielsen Total Home Entertainment Panel

Strong Position in Home Entertainment Market

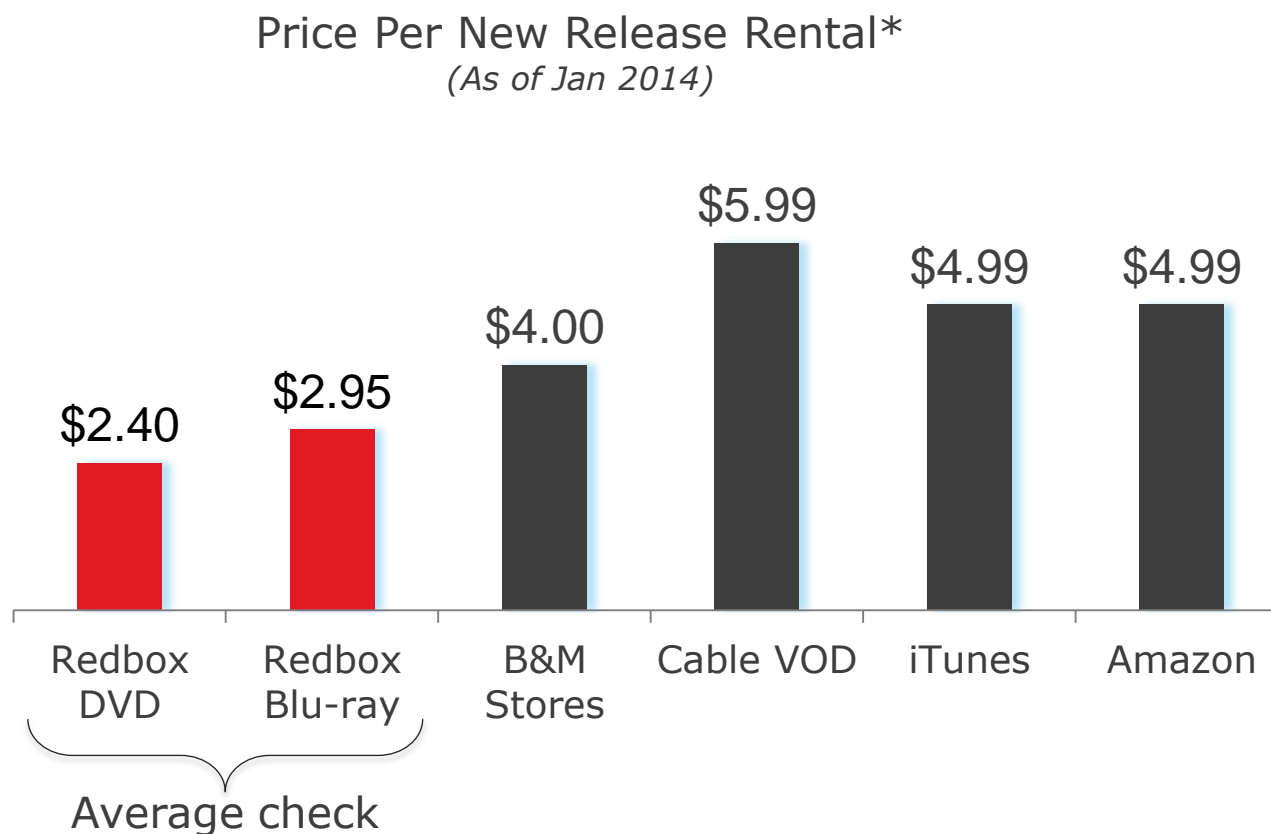
...and we believe there is ample room for growth

Share of
Home Entertainment
Rental & Streaming Wallet
Q3 2013*
(Excludes spending on cable)



* Source: Prophet Segmentation Study (Oct 2013); share of customer-reported 3-month spending, excluding cable bill

Redbox Pricing Is a Competitive Advantage



*Reflects price to rent *Captain Phillips* on release week; non-Redbox prices do not reflect HD

Engaged Customers Drive Traffic Across Channels



15MM monthly visitors* to redbox.com



24MM app downloads / **4MM** SMS list



5.5MM fans engaged with Redbox on Facebook

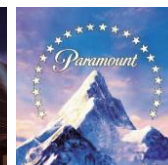
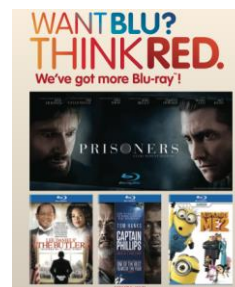


32MM+ people want emails from Redbox

Data as of 12/31/13 except monthly visitors in Q4 2013

Studio Relationships Form Strong Foundation

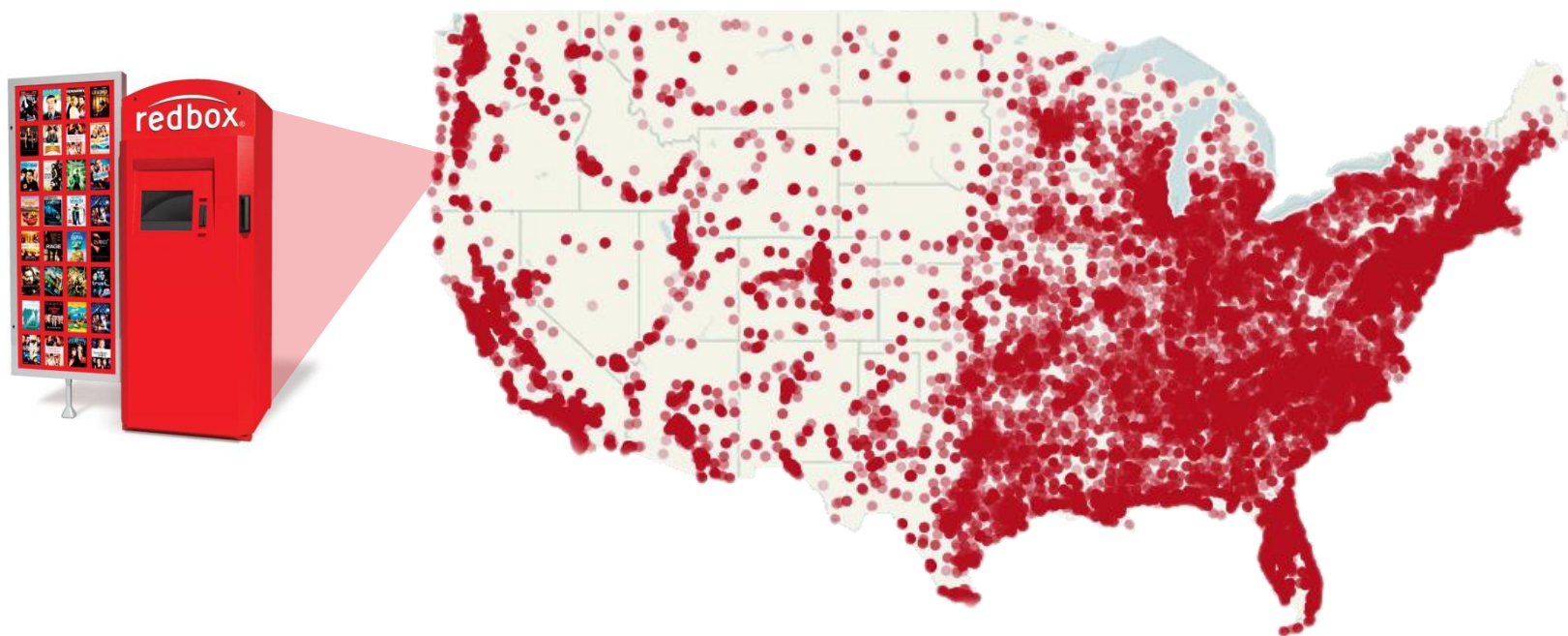
- Redbox is an increasingly **important profit source** for **studio partners**
 - Second or third largest profit source in home entertainment for several studios*
- Collaborating with studios to **drive category growth**
 - Blu-ray messaging
 - Value-add programs that benefit studios and customers
 - Exclusive content
 - Cross promotion in studio TV spots
 - Social campaigns



*Source: Studio executives, Jan 2014

Optimizing Redbox Network to Increase Returns

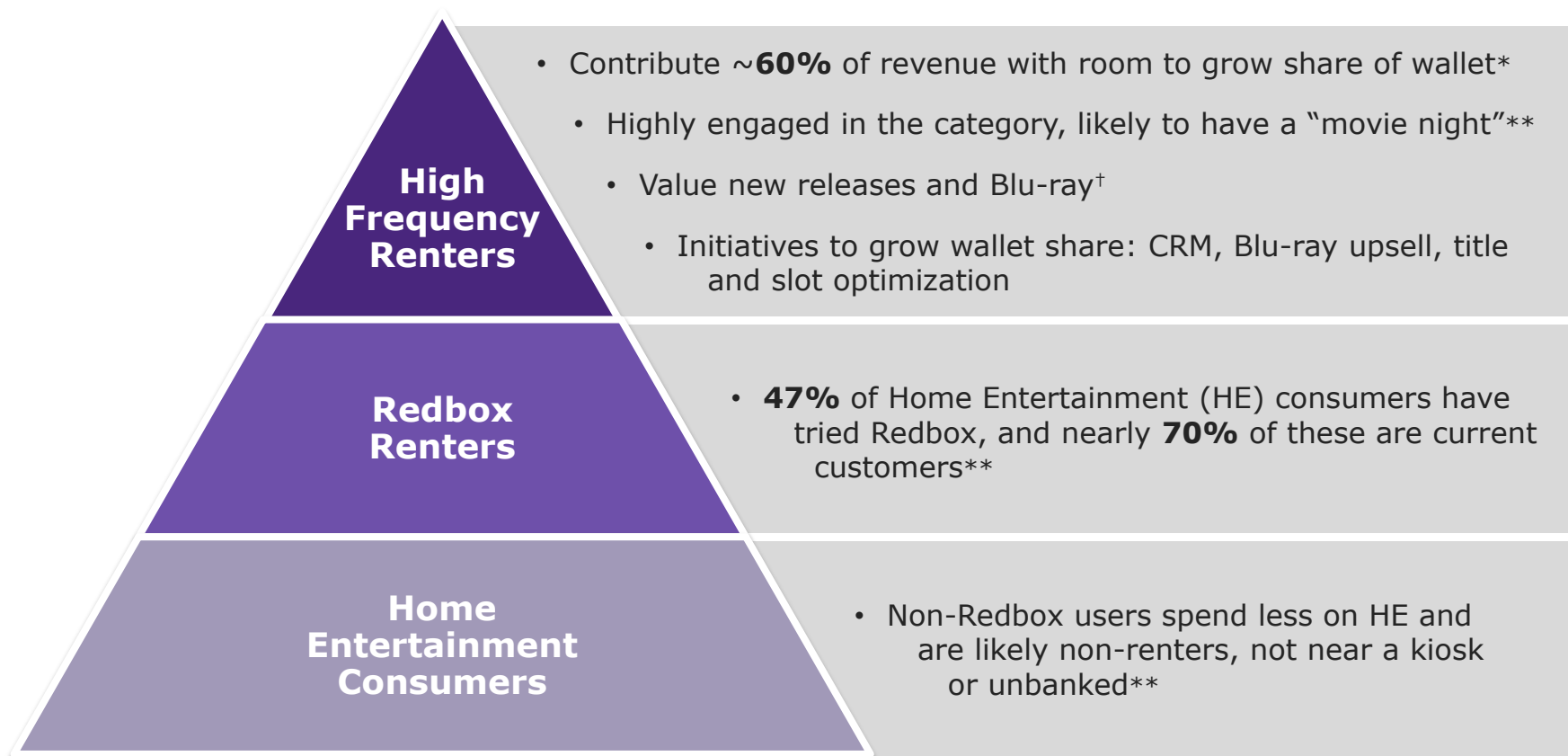
~70% of U.S. remains within a five minute drive of a Redbox[®] kiosk*



*Source: Redbox analysis, Dec 2013

Driving Revenue Per Consumer Segment

We plan to drive revenue growth from our current customer base

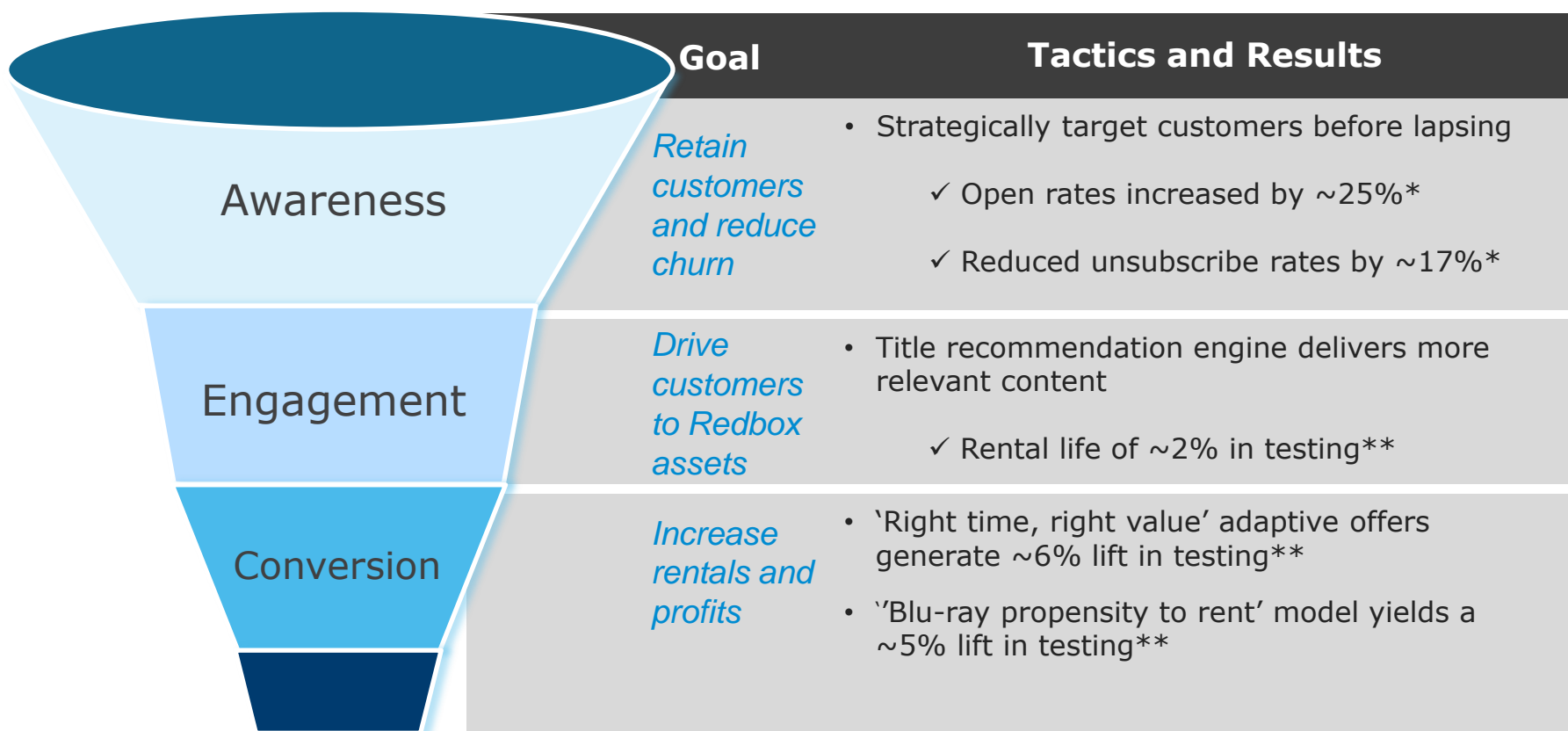


Note: Current customer defined as a customer who rented from a Redbox® kiosk in the last 3 months (self reported)

Sources: *Redbox data; **Interpret HE Market Study (May 2013); †Prophet Segmentation Study (Oct 2013)

CRM and Channel Scale Drive Effective Marketing

Tuesday and Friday email example



*2013 vs. 2012

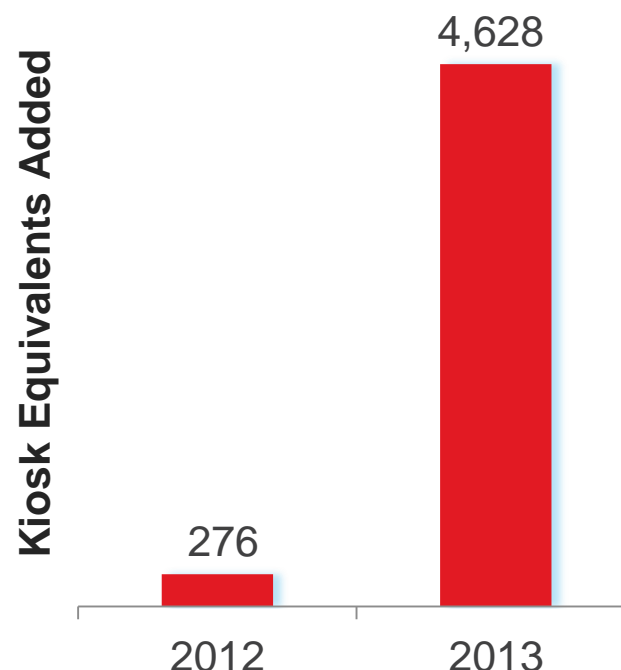
**Redbox internal

VMZ Driving 1-2% Rental Lift*

VMZ Roll-Out Completed in 2013 Adding Equivalent** of 5,000 Kiosks

VMZ kiosks realize the following benefits:

- Increased kiosk capacity driving additional turns
- Expanded product breadth and depth available to customers
- Improved merchandising efficiency
- Enables future product optimization to correct for title migration



*For titles in VMZ slot

**~39,500 kiosks retrofitted with VMZ (80 slots)

Growth in 2014 from Driving Core Assets

Invest in improvements to drive growth and profit through outstanding execution



VMZ opens up title and slot optimization



CRM makes Redbox more relevant to consumers, reducing costs and increasing rents



Blu-ray differentiates Redbox and extends life of physical

Canada Focused on Key Geographies



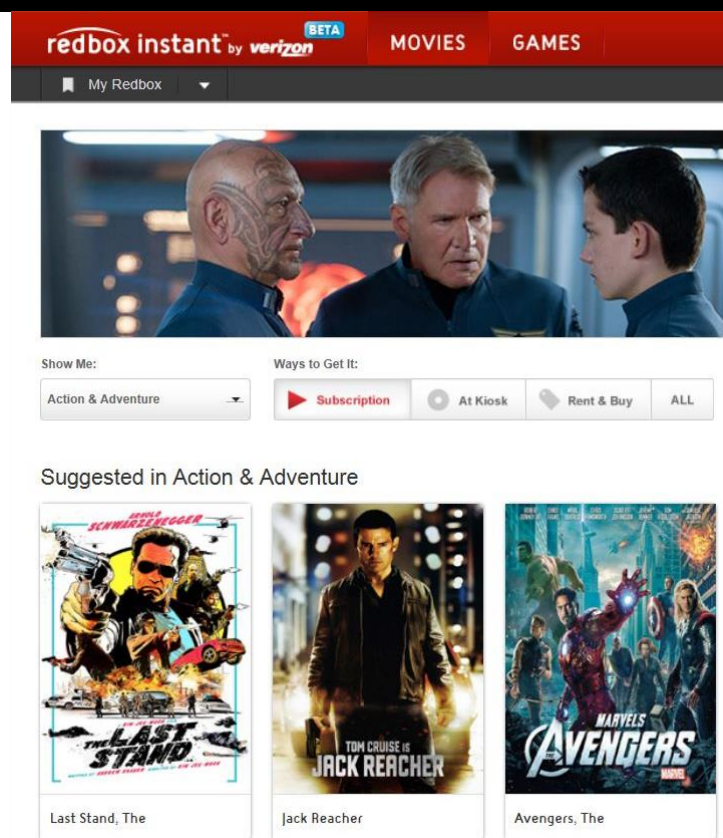
- Approximately **1,100 kiosks installed by 2013** year end
- Anticipate **1,600 total kiosks by 1H'14**
- **Retail partners** include: Wal-Mart, Safeway, Loblaws, Sobeys, Petro Canada, Giant Tiger, Couche-Tard, 7-Eleven, Tim Horton's, and Shopper's Drug Mart
- Focus on **kiosk density in the right geographies** (e.g., Greater Toronto/ Greater Vancouver)



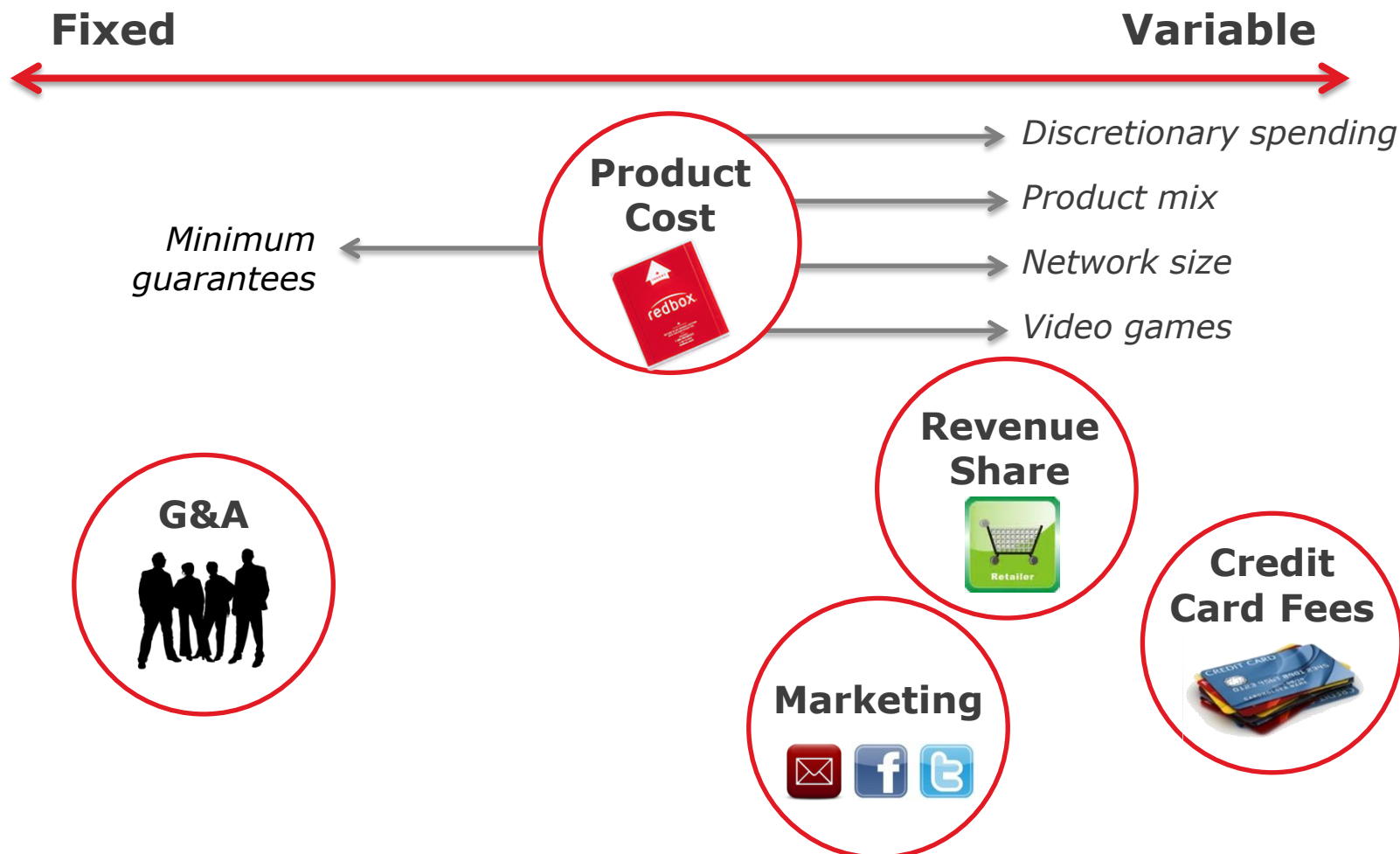
Progress at Redbox Instant™ by Verizon

redbox instant™ by verizon

- Solid execution, **refining the offer**
- Supported on **25+ devices**
- **8,000+ digital movies** across the subscription library available to rent and purchase
- Monthly increases in **time spent** and **frequency** in viewing
- Increasing levels of **customer acquisition**

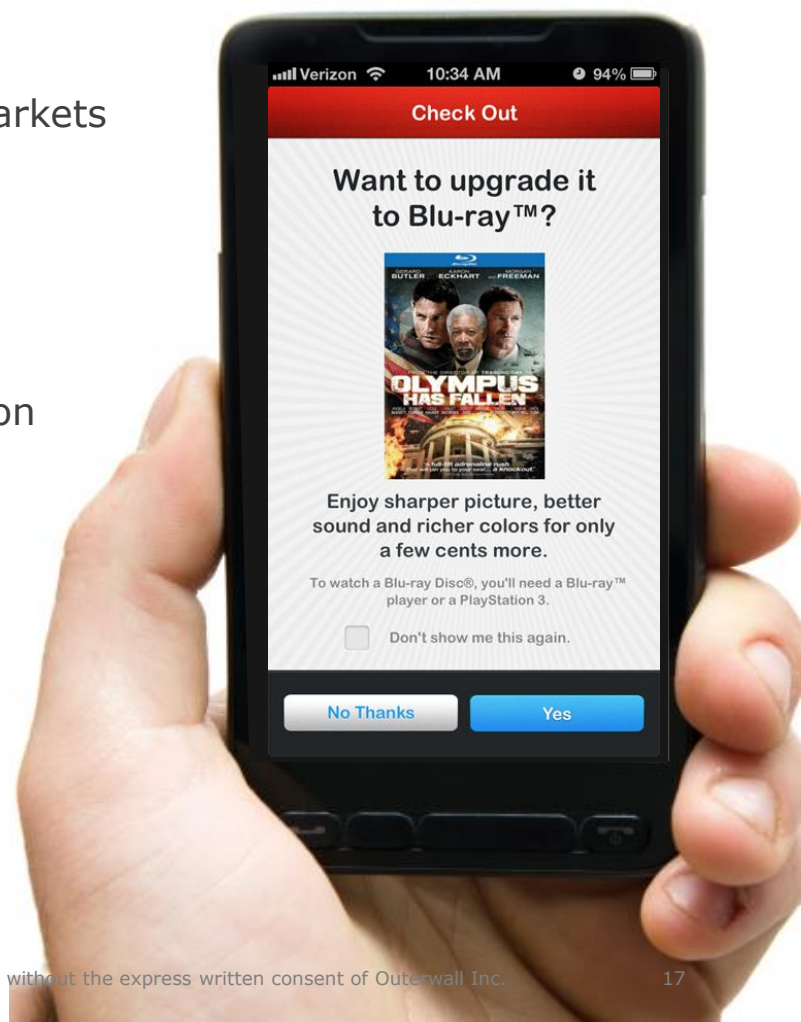


Operating Costs Are Largely Variable



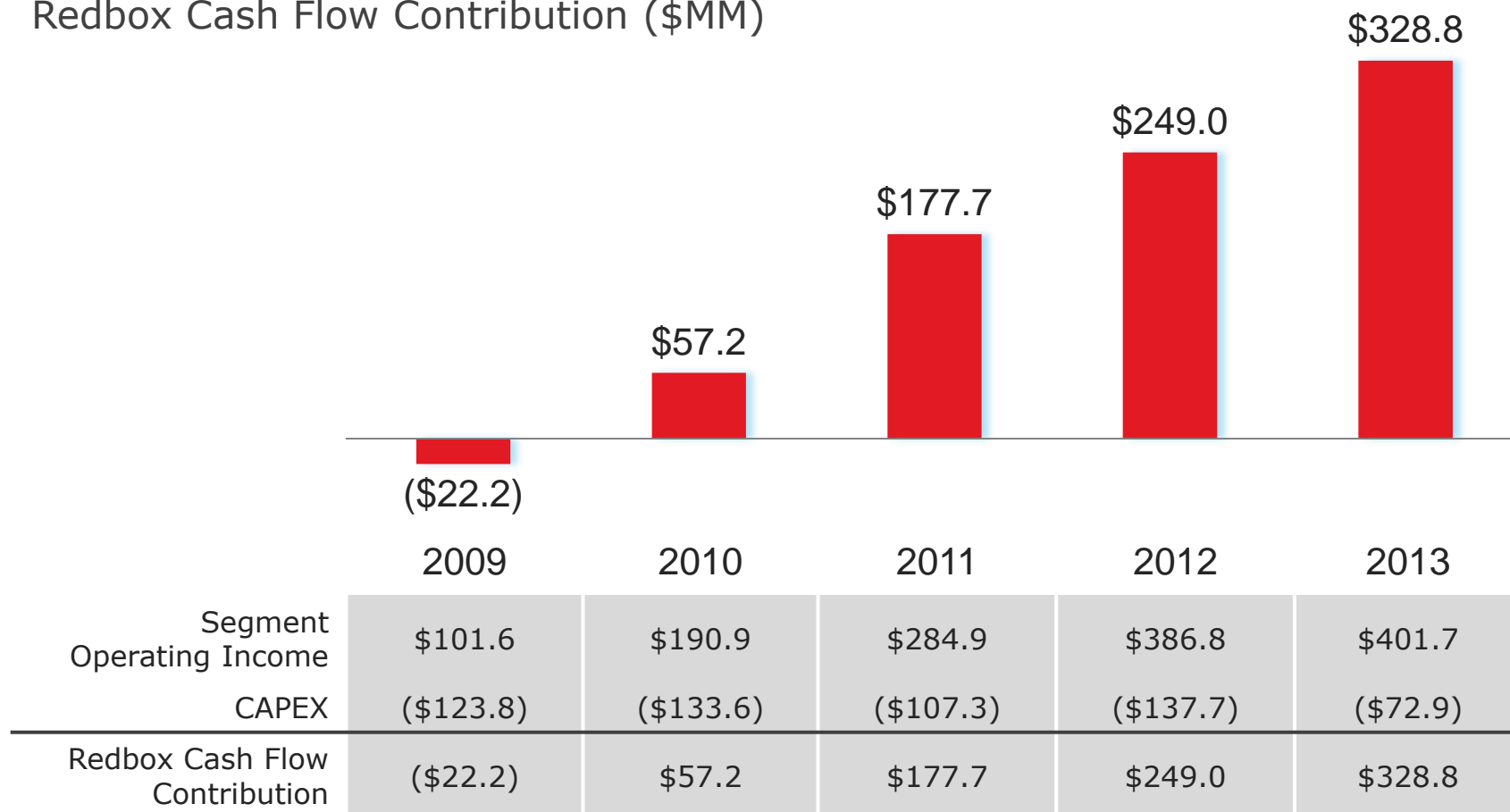
Managing Content to Drive Margin

- **Control discretionary spending**
 - Higher margin target on purchases
 - Testing some direct-to-video product in select markets before purchasing network-wide
- **Grow Blu-ray**
 - Maximize revenue and margin at title level
 - Satisfy core, high-revenue customers
 - Capitalize on increasing Blu-ray device penetration
 - Blu-ray upsell on web/mobile with 7-12% take rates
- **Transition games to Next Generation consoles**
 - Maintaining customer engagement on current generation with smaller quantity of new releases
 - Testing next generation titles to determine mix strategy



Managing Business to Drive Cash Flow

Redbox Cash Flow Contribution (\$MM)



Note: Does not reflect changes in working capital which would reduce total cash flow generation

Redbox Advantages Will Drive Future Growth



- Market leader in physical rental
- Unmatched value for new release movies
- Large and active customer base
- Blu-ray best viewing experience
- Solid studio relationships
- Manageable margins and strong cash flow
- VMZ / network optimization improves profitability
- Frequent customer interaction via direct marketing



Outerwall™

NASDAQ:OUTR



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>