

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.

Maria Stipp

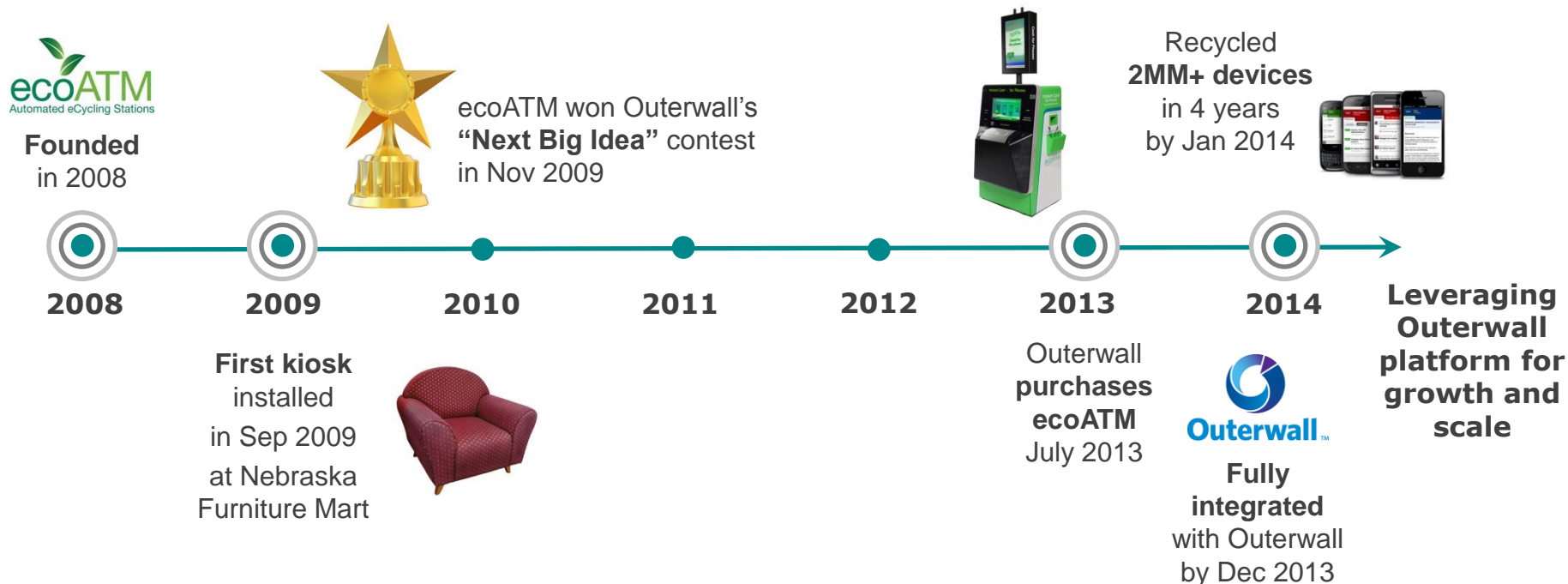
President, ecoATM



The Device Ecosystem



Outerwall and ecoATM



Value Proposition and Growth Pillars

Best in class automated solution that offers consumers a **safe and trustworthy** way to recycle and receive **instant value** for their **devices**



Convenience

IP/technology

**Eco-focused
and certified**

**Proactive
compliance**




























Instant value

**Multiple device
collection**

**Partnership
with law
enforcement**

Simplicity

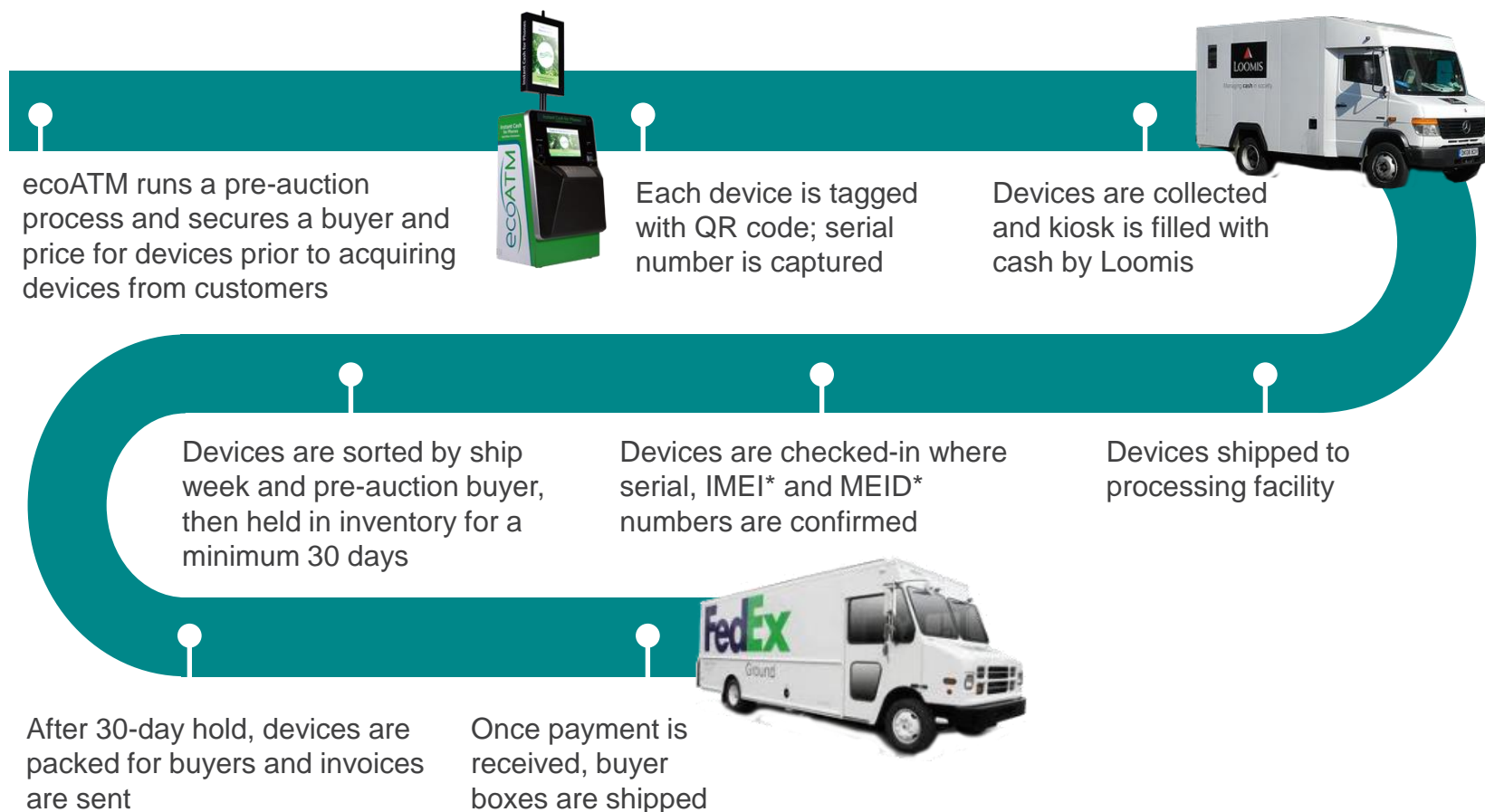
The Best Consumer Solution

	ecoATM	Retailers	Carriers	Online
Program Requirements	 Open to anyone 18 or over; no payout limits*	 Generally open to anyone; payout limits 	 Generally have to be subscriber	 Generally no payout limits
Customer Experience	 Fast, no pressure; broad range of devices; no hooks	 Not always fast; pushed to upgrade 	 Generally fast; pushed to upgrade; limited devices 	 Long wait; consumer has to mail in device 
Monetary Incentive	 Instant cash	 Currency for retailer purchase only	 Currency for carrier purchase only	 Value could change upon review; long wait for payment
Second Hand Dealer Compliance	 Proactive compliance and outreach to law enforcement	 Mixed approach 	 Clear gaps	 Clear gaps
Environmental Standards Certifications	 ISO 14001 and R2 Certified	 Mixed approach 	 No clear approach	 Mixed approach 

Source: Compass Intelligence, Feb 2014

*Subject to guidelines from law enforcement in certain jurisdictions

How ecoATM Works



*The International Mobile Equipment Identity (IMEI) is a unique 17 or 15 digit code used to identify an individual mobile station to a GSM or UMTS network; Mobile Equipment Identifier (MEID) is a globally unique number identifying a physical piece of CDMA mobile station equipment

Buyer Channel Strong and Growing

Domestic



- **Mobile phone insurance providers** – Approximately 133MM devices in the U.S. are insured*. Refurbished devices can be 50% or less than new in most instances.
- **Mobile phone warranty** – similar to insurance
- **Direct to consumer sellers** – such as Overstock.com and eBay
- **Scrap devices** – Waste Management

International



- **Offshore carriers and dealers** sourcing refurbished devices for price sensitive markets
- **Offshore direct-to-consumer** sellers sourcing refurbished for their channel

*Warranty Week estimate, Nov 2013

Industry Leading Processes and Technology



**Dual Hi-Resolution Cameras
for Remote Observation**

ID Scanner

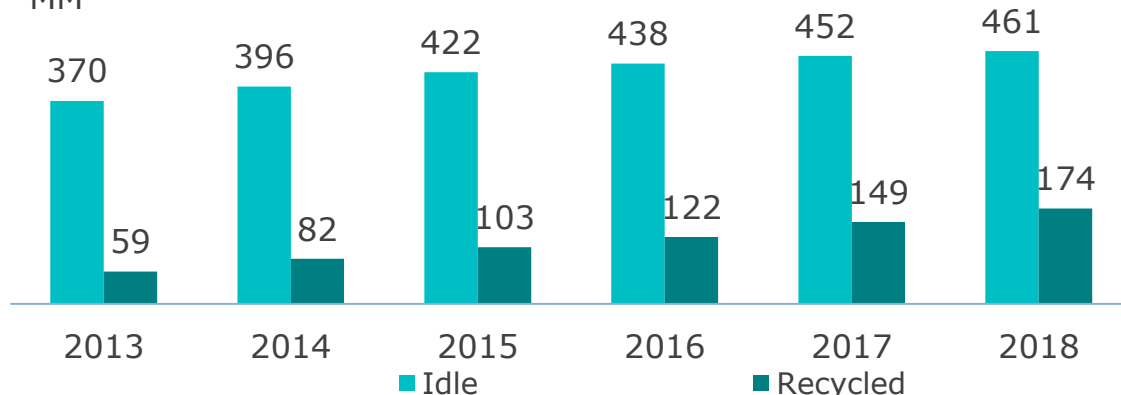
Thumbprint Scanner

Serial Number Capture

Large Market Opportunity

Idle and recycled devices

MM

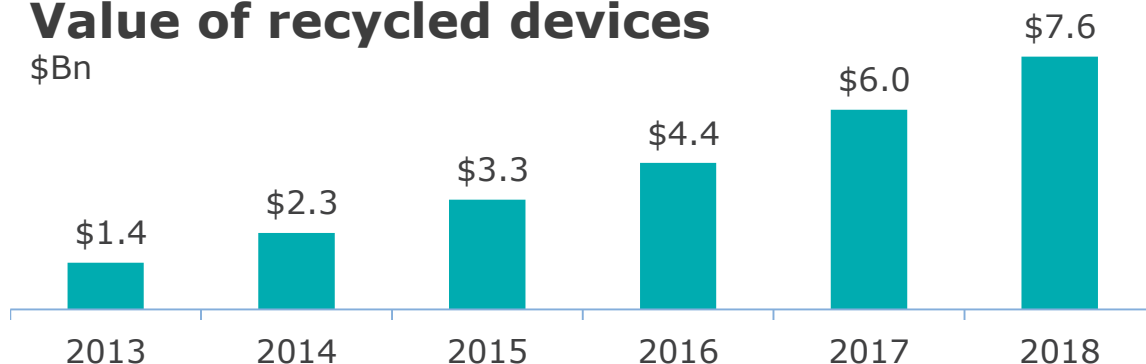


In 2013, the **revenue size of buy backs and trade-ins was over \$1.4Bn**

By **2018**, it could grow into a **\$7.6Bn industry***

Value of recycled devices

\$Bn



Smart phone and tablet growth and changing industry models drive significant revenue

Source: Compass Intelligence Feb 2014

*Value that ecoATM, carriers, online, and retailers would pay consumers for their recycled phones

Trends Continue to Drive Opportunity



Significant media attention over the coming years as recycling regulations increase



Non-subsidized, no contract plans and data sharing will spur the need for gently-used devices rather than purchasing at full price



New market programs have increased exposure of device recycling



81% of mobile users surveyed said they **would either recycle or trade in** a device in the future

Attractive Economics



- Approximately **900 kiosks currently installed**, primarily in the mall channel
- Annual revenue of **\$100,000–\$120,000**
- Average ramp of **6–8 months**
- Operating cash flow positive in **0–3 months**
- Segment operating margin of **20%–25%** at scale
- Approximately **\$35,000 CAPEX** per kiosk installed
- CAPEX payback in **14–22 months**

Expectations as of Feb 26, 2014

Summary of 2014 Objectives

Leverage Outerwall retailer relationships to expand outside the mall channel

Expect approximately 2,000 total kiosks in market by 2014 year end

Invest in technology and compliance – our competitive advantages

Continue enhancing our buyer network

Generate greater brand awareness



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,	
Dollars in thousands	2013	2012
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>