

Company Name: Redbox Entertainment Inc. (RDBX)
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<<Kavita Suthar, Chief Financial Officer>>

My name is Kavita Suthar. I'm the CFO of Redbox. And I wanted to start this session with a quick video. Please enjoy.

[Video Presentation]

<<Galen C. Smith, Chief Executive Officer>>

Hi everyone, I'm Galen Smith. I'm the CEO of Redbox. Really appreciate you joining us today. Thanks for being with us. We look forward to taking you on a journey in terms of the transformation that Redbox has been undergoing the last few years and the opportunity that we have ahead.

Before we get started in terms of the formal presentation here, I just want to remind you that today I'll be sharing some forward-looking statements and I would encourage you to review our filings with the SEC in terms of any risk that that may bring about.

So let's talk a bit about Redbox. Our vision and our mission is about providing quality home entertainment for everyone. And the way that we uniquely go about doing that is by making it ridiculously cheap and easy for consumers to get the entertainment that they want most. To give a little idea in terms of what our business looks like today, we've got 40 million loyalty members. So members in our loyalty program receiving points for doing different behaviors and activities. Our kiosks, we have approximately 40,000 kiosks around the U.S. They generate about 400 million weekly retail impressions. We've got 46 million e-mail subscribers, 600 million monthly media impressions in terms of what we can drive through all our data digital assets.

And we've had over 43 million app downloads to date. What's interesting about that is that really started as a way for consumers to be able to find the latest movies that they want at the kiosk and reserve ahead of time. But as we've moved into the digital world, it's allowed us to expand our reach and opportunity to deliver content to them that way. In terms of business today, Redbox is on a powerful transformation. And it's really moving from a legacy one window DVD rental business to a multi-window, multi-faceted digital entertainment company.

We have everything in terms of the different circles that you see there starting with the premium video on demand or electronic sell through. So as soon as something moves in the home, because we have Redbox on demand, we're able to offer them a digital transaction movie at \$19.99 or \$24.99 price point, obviously with value conscious consumer that's part of our business we want to offer that choice, but doesn't actually mean that it's going to be the biggest thing that consumers do.

You next see the window after that – after that’s been out for our number of weeks, it comes to kind of that TVOD or transactional video on demand and physical rental. And so we’re able to offer the greatest value in home entertainment in terms of for less than \$2 a night, you can get the latest new release the kiosk, or if you’d prefer, you want to stay home, you don’t want to go out. We also have those same rentals available digitally for \$4.99 or \$5.99 price points similar to other digital retailers.

Then if we skip over to what we launched in 2020, it’s more the ad supported side. This includes both fast channels as well as ad supported on demand. And then as we – and so that we launched that in 2020, saw it grow in 2021. And it’s been a really exciting part of our business. And you think about we’ll talk about our customers in a second, but a value conscious consumer. They care a lot about good and great value, and there’s no better value than free when that content is supported by ads.

And then lastly, the piece that we’re building as a result of the transaction we did to go public was offerings subscription video on demand channels platform. So we didn’t think it was the best opportunity for us to move into doing a Redbox branded subscription channel. There’s a lot of competition out there. There is a lot of great players. What we do think is really unique for us to be able to do is to build an integrate experience where we can offer the Redbox consumer that’s unique and differentiated customer group. The ability to watch streaming services all in one place.

And so if you think about what we’re creating, right, we’re creating this more choice for consumers between physical and digital than any other competitor, they’re able to depending on what they feel like doing that day consume different types of content. So maybe they want to watch a linear TV, right. They want to watch a fast channel. They can just tune in and watch that for as long as they want.

And there’s ads inserted to be able to monetize it. Or maybe there’s a movie on demand with ads, or maybe there’s a brand new release that just came out that they want to watch on demand as well. Or if they prefer they can go to the kiosk and rent it, all along the way, we’re giving them Redbox Perks Points. So we’re rewarding them with loyalty points that becomes another key differentiator for what we’re able to do with our customers by giving them incremental value.

So to sum it up, if you think about the experience that we’re creating in our mobile apps, it’s a single payment, single sign on. So you don’t have to member different authentications for different apps and services that you go in and everything in one app, right. So instead of you having that experience, where you go into one app, try to find something, you can’t find something you want to watch and you go to the next app, we want to serve it up all in one place.

And that’s the transformation that we’re on. So this is an overview of where our kiosks are at today. And we think we’re uniquely positioned to convert these legacy physical customers over streaming. We’ve got these 40,000 approximately kiosks in front of high traffic storefronts, and it gives us the ability to not only tell them about the latest new releases available in the kiosks today, but also to inform them of our other services, right. We’ve talked about those 400 million

estimated weekly retail impressions that's people walking by our kiosks seeing the advertising on our kiosks.

And in fact, one of the things that we've done this year is actually begin to add digital screens on top about two-thirds will be about advertising the business. Another third of it will be to do additional advertising, generate additional ad revenue that way. And frankly, again, we're this ubiquitous presence 90% of Americans are within a five-minute drive over kiosks. And so we've got this incredible reach and that's really part of what gives us this unique opportunity, these billboards in place to be able to help these consumers move from that legacy physical world over to the digital world.

Now, talk a bit about our customers, we have these value conscious movie loving customers, right. 71% of them identify as deal hunters. They're looking for a great value. 58% of them are heavily engaged and loyalty, right. They want more out of what they're getting. And then we have over index for broadband users. And so they haven't yet made that shift from kind of that typical MVPD. And so it creates a great opportunity for us in terms of moving them over to something like our FAST or AVOD services.

And then you can see on the demographic side, right, we see a bit more female than male. We've got a bit more family and a bit more with children and our medium income is a little bit lower than other services. And so again we've got this unique connection with this value-based consumer. I think one of the other things that's really important, I think a lot of people assume that Redbox is an older crowd. But in a lot of ways, Redbox represents an entry point to home entertainment.

We make it affordable for people. And because of that, you can see that 68% of our consumers are between the ages of 18 to 44 years old. And so it's a really attractive group of consumers for us to be able to bring to advertisers and others. And then one of the keys there you see at the bottom is that 70% of our customers are late adopters of new technology. They haven't made that switch yet. And so it creates this opportunity for us to help bring them along as they make that journey by offering whatever type of digital service they may want.

As I mentioned before, again, we've got this ability to further monetize the kiosk network, right. So we started on this implementation of installing these screens on top. And you can see there not only how we're able to show the – what we can do on the screen, but also on the kiosk and the light box itself. If we were to go beyond these 4,000 that we've committed to right now and do it on every kiosk, it's a \$70 million plus potential annual revenue opportunity as we monetize that ad space. And again, the beautiful thing for us is helping move our customers from maybe a single entry point with Redbox before to a multi-product experience where they're using us for different experiences from content that we offer, free TV, ad supported on demand, transactional video on demand. And so it allows us to use that space to help educate consumers of all of our offerings.

In fact, last year in Q3, we started to offer that screen that you see on the event screen that shows you that we can help educate the consumer by giving us their email address, to educate them

about our Free Live TV and ad supported on demand. It becomes a powerful marketing tool for us differentiated from what others might have.

This is a view of what we're building and what we're going to. And I encourage anyone that's on this to check out the experience. These are our partners today. So we're on Vizio, Roku, LG, Samsung, Xbox and PlayStation. And so we're trying to get a very broad reach into the home to be able to make it as easy as possible for Redbox fans and Redbox loyal customers to be able to access this service. And you can see there on the left, we've got the different offerings, including movies and TV On Demand or Free On Demand.

And then you see that channels business. And that's where we're going to put the ability as you saw in the video to be able to subscribe to different services and watch all through one app. So we've already building out the distribution here and now it's really turning on and building out that broad experience of a channels platform as we go forward.

To give you an idea in terms of this is not all in the come we've been building this for the last couple of years. We launched our digital transactional video on demand service at the end of 2017. We had over \$15 million lifetime transactions more than 3 million customers that have used the service and have seen great growth in that business. On the Free Live TV, again, we launched in February of 2020 that are 9 million unique devices user service in the last 12 months.

We've expanded to more than 100 channels. And three of those channels today are Redbox branded channels that we syndicate out. So not only can you find it in our app, but you can also find it on Roku, Vizio and LG as part of their Free Live TV offering. So it gives us additional reach, additional ad impressions and the ability to help cascade beyond our app experience in terms of educating customers about these services that Redbox has.

And Redbox has been business around for 20 years in the entertainment business, and it's synonymous with movies. And so we're able to take that off platform and be able to syndicate it to others. Free On Demand, we just launched in December of 2020, today there's over 4,000 plus titles and shows. And we've seen significant growth in terms of ad supported hours as we've grown the business.

And then lastly, I talked about this channels business, I mean, this is something that's underway. And I think because we have these other currencies we can offer, whether it be nice the kiosk or whether it be loyalty points, we can encourage subscription as we go forward. And in fact, we did a test a while ago, and we're able to drive about 62,000 subscriptions for a provider, a digital service in about a five to six week period.

And so we're very emboldened if think about what we can do by now offering integrated experience with credit cards that we already have to be able to make it a seamless and easy experience for the consumer. So we're well underway in terms of digital transformation. Now, this is one of the things that in terms of how we think about the business and the value of the multi-product customer.

So just to kind of levels that and help explain what's happening on this slide, if a consumer only does physical rental for us, they do about \$22 in revenue per year. If they also buy previously rented movies, so we sell movies that we've rented for a number of times to the consumer at a great value. If they happen to buy those from us, that goes up to over a \$70 average revenue per user for the year.

And part of that is you're not only seeing that growth of an additional category, but growth in the underlying engagement with Redbox overall. So that consumer is now renting \$58 worth of movies in addition to the \$13 or spending on purchases. Then as we add TVOD to that, that goes to over \$100. So as we think about the future and what we're building, we look to the right hand side, where we think for a subset of our consumers, we can drive them to spending \$215 to \$295 per year.

And the way that we do that is we think that there's additional growth in our transactional video on demand business above that \$17. We think that there's opportunity to grow our ad supported business, so that's not in numbers that you see in the left hand side, so all of the ad revenue per user gets added there. And then lastly, we add onto that the subscription revenue, and one of the key things is that we all act as the merchant of record for any subscriptions that happen through our app. And so we recognize that subscription price.

So for instance, if there was subscription at \$8.99, we would recognize \$8.99 in revenue per month for each subscriber. And so you can see quickly as you add that in for maybe even \$9 is for 10 months, that's \$90 of incremental revenue and so you can see how you can get to that \$215 or \$295 somewhere in that range for again, a subset of consumers.

And if we think about what that means, right, it translates to if you take 40 million customers and convert somewhere between 10% and 15% of them or 4 million to 6 million customers at that range of \$215 to \$295, you're looking at a \$800 million to \$1.8 billion annual revenue business. And that doesn't include what all of the other customers might doing, because some won't convert to everything. Some will remain physical only rental, some will remain TVOD only or maybe all they come to us is ad supported content. However, they cut it, right, that will be added on to what we think we can drive there. So again, we think that we can grow to a very nice sustaining digital business over time.

One of the exciting things that we've done that not only helps with this, but also helps with kind of each aspect of our business is in 2019, we launched Redbox Entertainment, which is our business to license and distribute original films. Now we take a slightly different approach than a lot of the industry, because we are about maximizing the value for each individual piece of IP.

So when we acquire rights, we not only want to release it across the Redbox platform, which we do. We also want to release it broadly across every other platform. So we just release The Last Son in December is the Western movie with Sam Worthington and Machine Gun Kelly. And we took it out broadly. So you could rent it not only at Redbox on our Redbox on demand service, but you could also rent it on Apple or iTunes or you could rent it on Amazon or Voodoo.

And so we want to make it available to where consumers are at. And that way, when consumers transact, we're getting that feedback from those digital retailers. And then we bring it obviously to the kiosk and then, because we don't have our own competitive subscription service, it allows us to monetize that window by selling it to other partners. And our titles can be found today on Netflix and Amazon and Hulu and SHOWTIME and STARZ.

And so it gives us this great opportunity to partner with services that are looking for content and ones that we may eventually have on our service. And then we're creating this library of ad supported on demand content that we're going to be able to use, once we come in for our different services. And so it creates this great value chain, and because we have the ability to uniquely serve it up on the physical side, it does give us an advantage over others.

And so we're really excited about how we're building this. We've had over 24 titles that we've released to date. Our goal is to get to three per month or 36 per year. And so we're well on our way to doing that as we go forward. And so again, as I sum up and think about the different opportunities that we have and really what the transaction was for us to go public, it was about accelerating this digital transformation of the business.

And so one is investing in more ad supported content, right? So we want to grow our content library. And so we have the ability to license additional content. The second is this piece that we're building out now. So the one kind of larger CapEx, which we've talked about being in that \$10 million to \$15 million range is to build out this SVOD channels platform, subscription channels platform.

So again, we can encourage our consumers to subscribe to those services of others. And what I think is really helpful, this becomes a very symbiotic relationship because a lot of entertainment companies today, their valuation is driven by the number of subscriptions that they have. And we think that we have this unpacked base that we're going to be able to bring along for them.

And by then adding incremental value to it, we can differentiate the product a bit by adding Redbox perks points or again giving free nights the kiosk, but we can help both reduce churn for those providers as well as drive more subscribers. We think there's an opportunity for us to invest and really drive increased marketing. And so helping consumers discover this. And so we've got this promotion right now, for instance, with Roku for devices sold at Walmart.

We expect that there'll be about 8 million devices sold. And through that, it includes an ad for Redbox on the front of the packaging, as well as a \$5 coupon inside, right? So to help make them aware of our digital transactional service. And then lastly, we want to continue and invest in these Redbox Entertainment titles, we think we're well positioned to be successful. We've got a number of different slate deals, right the ability to have these movies.

The people are creating uniquely for us. In fact, we've got this partnership from Basil Iwanyk from Thunder Road, our first movie called Black Site will be coming out this year under the Asbury Park label that we created jointly together. Again, we're on this incredible journey of truly transforming the company. And we've got a number of levers here that you can see that allow us to be able to do that.

So that's really our story. That's our story of digital transformation, where we're going. The kiosk is going to continue to be a key part of the business for years to come. We've differentiated that segment by being able to add a service business where we service the needs of other kiosk, this Redbox Entertainment, where we're recognizing revenue as we monetize those other segments. But really the opportunities we look forward is on that digital side. As we continue to grow our transactional video on demand service really scale our ad supported on demand offerings. And then lastly, launch the subscription service in the first half of this year.

With that, again, I thank you for your interest in taking time hearing the Redbox story and look forward to dialoging down the road. Thanks very much.