

Company Name: Redbox (REDB)  
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<<Laura Martin, Analyst, Needham & Company>>

Good afternoon. Welcome to the fourth day of the 2022 Needham Growth Conference now, and its 24th year. I'm Laura Martin, the senior media and internet analyst here at Needham & Company. The format today is a 40-minute presentation of which the last five or 10 minutes will be question-and-answer from the audience. Just type your question into the question box in the middle of your screen, it will show up on the question dashboard or either my – I'll either ask it of Galen, he can read it himself, whatever he prefers at the end of their presentation.

So, let me welcome to the stage, the CEO and CFO of Redbox. Let me do a brief introduction of each, Galen Smith joined Redbox in 2016 as the Chief Executive Officer. From 2009 to 2013, Galen served in various position – financial positions at Outerwall, and before joining Outerwall, he was investment banker at Morgan Stanley in the consumer and retail investment banking group.

Kavita Suthar is the Chief Financial Officer of Redbox, which is a role she assumed in 2020. From 2015 to 2020 Kavita served in various financial positions at Redbox, including the Vice President of Finance, Strategy and Analytics, Senior Director of Financial Planning and Analysis. Before joining Redbox, Kavita worked in finance, strategy and audit at US Cellular from 2004 to 2015, and as an Auditor for Grant Thornton from 2002 to 2014, sorry, 2002 to 2004. Tyler, why don't you run the video next.

[Video Presentation]

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

Hi everyone. Thanks so much for joining us today. Thank you, Laura, for the introduction and we could not be more thrilled to be here at the Needham Growth Conference. So appreciate being here and everyone joining us. I'm really excited to tell you about the Redbox story and the latest of what's happening at Redbox. Before we jump in, I just want to remind everybody that I will be sharing some forward-looking statements today for a list of all the risk factors involved in investing in Redbox, please see our filings from the SEC.

So, let's talk a bit about Redbox. What it's about? What we're going to do? And Redbox is an entertainment brand that's been around for almost 20 years, and our goal and our vision and mission is providing quality home entertainment for everyone and doing it by making it ridiculously cheap and easy for consumers to get the content they want most. Just to level set a little bit in terms of this sheer size and scope of Redbox is, we've got 40 million members in our Redbox Perks loyalty program. Our kiosk we have about approximately 40,000 kiosk around the U.S. and those kiosk drive over 400 million of estimated weekly retail impressions, people walking by our kiosk day-in and day-out.

We've got 46 million email subscribers and we have over 43 million app downloads. And those app downloads were really started as a way for a consumer to find the latest new movie at a local kiosk and reserve it ahead of time. And now we've been able to morph that in being able to offer digital products in that experience as well.

So, Redbox is undergoing this rapid, aggressive, radical transformation from a one window legacy DVD business to a multi window, multifaceted digital entertainment company. It's one that is able to offer more choice in any competitor as we build out this service. So, let me walk you through a little bit in terms of different product types that we offer today or will be offering soon. So as movies come out of theatrical and move into the home, they typically come out at a higher price point. So a premium video on demand or EST electronic sell through offering. That's a \$1,999 to a \$2,499 a price. Because we are have a digital transactional service. We're able to offer that consumer – our consumers that. Now, our consumers, as we'll talk about are very value conscious. And so we want to offer this choice, but it's not necessarily a big piece of our business.

After a number of weeks, it comes out to physical sell through and available at the kiosk. And so, the differentiator for Redbox has been, it's the best value in home entertainment, because you can get those latest new movies for \$2 or less per night and that continues. But at the same time, we also have this digital transactional service, our Redbox OnDemand, which allows consumers to stay in the convenience of their home and for a \$599 price point rent the latest new movie that's come out.

Obviously there's a gap between that and when it moves to subscription video on demand, and instead of launching our own Redbox branded service, we think the opportunity for us is to build a subscription channels business. So, what it will allow consumers to do is to go into our app and subscribe to the streaming services of others. That way you have all of your content in one place. And then in late 2020 and early 2020, we launched a Redbox Free Live TV service, and an ad supported on demand service that's been growing over the last year and a half, two years since we launched it. And so that's a bit little bit later dated content, but again, for a value conscious consumer that Redbox has, it becomes incredibly valuable to be able to give them free content.

Now, one of our key differentiators is this Redbox Perks program. So this is our loyalty program, 40 million strong, and it allows us to be able to give additional value, additional currency to consumers trying things. So to get someone to try our ad supported products, they, we can reward them with points or to get them to try a transactional video on demand service for the first time. They can also receive points or as they subscribe subscriptions once we launch that sometime in the first half of this year, they'll be able to earn rewards, whether it be loyalty points or nights the kiosk some kind of incremental value that will help to drive subscribe as well as help reduce churn.

So, as we thinking about what we're creating, right? We want to create this one destination, make it very easy for consumers to find all of their digital content in one place. And so our service provides single sign on, single payment or billing, and single app streaming. So it's all in

one place. And so we really want to create this clean experience that makes it really easy for consumers to discover content.

Now, this is our Redbox physical network, right? And we think that this network gives us this incredible opportunity to convert these late adopters of technology from the physical world to the digital world. Right? We talked about these 40,000 kiosk and these 400 million estimated weekly retail impressions. These are across more than 150 different retailers. I think one of the things that's really interesting is that 90% of Americans are within a five-minute drive of kiosk. And we'll talk a bit about like why that's a differentiator, because we're able to not only monetize on those kiosk additionally with – additional CPG and advertising on the kiosk itself, but it also serves as an ability for us to advertise different products. And what we found is that is as a consumer uses more products from us obviously they're spending more and more time and more of their entertainment wallet as we bring them into new services that we have.

Our consumers look really different than a lot of other digital streaming consumers, right? They are unique, different, and they're very value conscious. So 71% of them identify as deal hunters, and 58% of them are engaged heavily in loyalty rewards program. They want something extra for what they're doing and the behavior they have. And so again, that's why I think our Redbox Perks program is so powerful in bringing them along to this. They also are very heavy users of movies. And so again, Redbox has been in the movie business, as we've moved into other product categories like our fast channels it opens up other types of content that we can now serve them, that we weren't able to really do before.

On the right hand side of the slide, you can see our demographic breakdown. So, we skew a little bit more female than male. You skew a little bit more married and with kids in the house home. And I think one of the other things that is a differentiator is the average income or medium income is 65,000 for our consumers. So, we're targeting a slightly different consumer set, think about our consumer as the Walmart or the Dollar General or Family Dollar customer.

And then one of the things that I think is such a misconception about Redbox as you, what you can see on the bottom and the lower right in terms of the age or breakdown. 68% of our consumers are between 18 and 44 years old. And part of that's because it is an affordable access point to content. If you want to watch those new releases. Not everyone, not every consumer can afford to subscribe to five, six, seven different services. And so we're able to offer those movies and serve those consumer needs right there through our kiosk or digital transactional.

And as I mentioned before, 70% of our customers are laid adopters of technology. So they haven't made that shift over to streaming yet. As I mentioned, these kiosk are really a powerful tool for us to be able to tell consumers about what we have. And you can see that on the right hand side there, in terms of that big sticker, we put on the front of our kiosk last year that shows stream free, right? Educating consumers about this ad supported offering that we now have. We're in the process right now of installing these 4,000 digital video screens on top of our kiosk. And if we were to take that to our entire network, it would represent more than a \$70 million annual revenue opportunity across all of our kiosk.

What we're doing there is about two thirds of the ads on that digital screen you see at top are being used to talk about the business, and maybe educate about our mobile app or as eventually our channels platform. A third of it is actually going to ads. So CPG ads. And if you think about the power of being able to advertise right at the point of sale it creates this incredible opportunity to help sell more product of others right there. And so we think there's going to be a very value development as we continue need to roll these screens out across the network.

I mentioned this before, but I think this is really key, what you see here is a visual representation. You obviously saw it in the video as well of building this single app experience, and how differentiated that is. We want to make it really easy for the consumer to be able to find the content they want, whether it be watching the latest new movie that's come out from Hollywood or watching a classic that's now available on an ad subordinate basis. And then also what you get in terms of your subscription streaming packages that you may sign up for.

And you see in the bottom, here are the logos of every place with a Redbox app is today. In fact, I'd mentioned with Roku right now, we're in a partnership with them helping sell about 8 million devices at Walmarts with a advertising on package for Redbox and at \$5 discount coupon inside. So, we think that we'll be able to help move some of our Walmart customers over to a Roku streaming stick, but also to find new customers that may not have experienced Redbox before. And we want to give them this incredible single app streaming experience in this single pane of glass and this really simple billing and authentication process.

This transformation is already underway. And so in 2017 is when we launched this Redbox on demand service. Again, this is a digital transactional, so electronic sell through premium video on demand, video on demand, catalog titles. We've had over 15 million lifetime transactions, more than 3 million customers and have seen significant growth in that, particularly as the number of releases as comes back in 2022 from what it's been in the last couple years due to the pandemic.

I mentioned Free Live TV; we launched this in February of 2020. We've talked publicly having over a million monthly active users since inception more than 9 million unique devices using it in the last 12 months, over a 100 channels. And we actually have a number of those channels three as of the end of 930 that we syndicate on other platforms. So, if you go to Roku channels or Vizio or LG, you'll find the Redbox branded channel that we stitch together and made available through syndication.

At the end of 2020, we launched our free on demand service. So again, these are all ad supported, but movies and TVs, and it's an intentional experience. The consumer is picking the show that they want to watch, as opposed to just tuning into a linear fast channel. We've got over 4,000 titles available to date and have seen significant growth in those ad supported hours you know, as of September.

And then one of the things that we were really excited to do was we wanted to prove to ourselves that we could go out there and help sell subscriptions to our customer base. So, we partnered with a particular service and in a five to six week period sold 62,000 bundles of nights, the kiosk plus subscription for the services, and really excited about once we launch this product in the

first half of this year, what it will do for the business. So creating this stickiness overall, in terms of coming to Redbox for more and more of your entertainment needs.

This is something that we put together as we were going through a DSTAC process we completed in Q4. Just to give you an idea in terms of how we think about the value of our customers. So this is the average revenue per user in a year. If you rent from us at the kiosk, you spend on average about \$22 of that's all you do. But if you also rent to the kiosk plus buy previously rented movies that increases to over \$70. Once we add in transactional video on demand, it goes to over a \$100. So this is based on actual customer data. So as we get more and more of your activity, obviously it's driving that average check or a percentage of entertainment wallet up.

Now, as we add all on this ad supported part of our business, and we add on subscription, we see this growing to 215 to 295 for a subset of our customers, to be really clear it's not going to be everybody. Some will continue to just do one thing, but for a subset of our customers, we think that we can help drive it. And just to put into context with this subscription video and demand channels business, let's say you had a streaming service that was 999 a month. We build that to the consumer. And so if you had a subscription for 10 months, that's about a \$100 in a year. So you can see how you quickly move the revenue per user up again for a subset that are subscribing to one or two services through you.

So, we're excited about the opportunity that presents. If you think about this base of 40 million customers, and you think about converting maybe 10% to 15% to that 215 to 295 in annual customer value, that represents an \$800 million to \$1.2 billion opportunity at that 4 million or 10% customer. And as I mentioned before, that doesn't include this incremental revenue that you'll get from someone that just uses ad supported or someone that just uses the kiosk. And so we think that this creates great long-term opportunity as we convert customers over to all of our different product offerings.

One of the other exciting things that we're doing to help support the business is our Redbox Entertainment originals. So, we started doing this in 2019 with a number of movies and really started to expand it in the past year. One of our big successes of this past year, we did with a partner and it was called Shadow In The Cloud. We released it at a \$19.99 PVOD price point, and again for a value conscious consumer, like a Redbox consumer, that wasn't necessarily an interesting entry point to watch that movie. But it did really well as we distributed across all digital retailers. And so one of the things that is unique or differentiated about us is, we're not simply buying this content for our own purposes, but we actually want to distribute it very broadly.

We want to be very talent friendly and for that content to be seen by as wide of audience as possible. But we brought it out digitally, transactionally, it performed well. We then brought it into the kiosk and we lowered the price point to a \$699 digital transactional price. Because we don't have our own Redbox branded competitive subscription service, and build plan to do that. We actually sell the pay rights to other competitor. So these movies that you see here on the page, we've sold to Netflix and Amazon and Hulu and Showtime and Starz. And in fact, Shadow In The Cloud can be watched on Hulu today.

And then after it goes through that typical pay one window, think maybe 24 months, it then become, comes back into our library where we can use it on our ad supported services. So, we can use it on Redbox Free Live TV channels, or we can use it on our Redbox OnDemand and have it free with ads. And so our goal is to continue building this out. We've released 24 titles to date. We hope to get to 36 titles annually, as we continue to bring through this. And we've done some really exciting things where we have different slate deals, where we're working with particular talent to create movies for us.

So one of the ones that we're really excited about we're taking delivery of a movie right now under our Asbury Park label. It's a label we did with Basil Iwanyk, who is the producer of the John Wick series amongst many other types of shows. And so he, kind of gets what we're looking for, which is this talent based action, heavy types of movies that we're going to be able to bring to market very broadly. And so we created something with him to kind of fall that typical Blumhouse model of you lower budget, but high opportunity, high backend opportunities. And we're excited to bring a black site, which will be coming out this year to the market as we finish delivery and bring it to everyone.

So again, this becomes a really important differentiator for our strategy of having this new content that's coming out, not only digitally transactionally and at our kiosk, but also as we build up a library for our ad supported services overtime. And we're just starting to see those movies come out. One of our first movies we did in 2019 was actually done with Bob Saget and it's going to be coming out to our ad supported service in the next couple weeks.

So the thing about the opportunities here in the ways for us to drive growth, one of the reasons why we reentered the public markets was to help drive our ad supported business. And part of that comes through licensing more content.

The other aspect is, investing some capital, we've talked about investing somewhere between \$10 million and \$15 million and building this ad support channels platform out and really offering this holistic single pane of glass experience to the consumer that we think is going to be very differentiated and again, a much better experience for everyone, not just those that may not have made that shift to digital yet.

The other opportunity is continuing to drive awareness and adoption of our products through, partnering on marketing. One of the ones that I mentioned obviously is that, that Roku partnerships that we have, but we do others as well. And we think there's an opportunity for us to lean in, in terms of device marketing and helping consumers discover and find this incredible offer we've created through Redbox.

And then lastly, as I just talked about, we want to continue to expand our Redbox entertainment. We think this is a great way for us to drive incremental revenue and profit over time, but really build up this library value of these movies that we have for the next 20 to 25 years that we can exploit over that period of time as we grow the business digitally in the years to come.

And with that, I'd like to thank you for your time. And I want, bring Laura and Kavita back in so that we can answer any questions that you have. But again, we really appreciate your interest in the Redbox story.

So, Laura, I can't hear your question, unfortunately.

<<Laura Martin, Analyst, Needham & Company>>

Okay. Sorry. Here I am. So the first question is your rights fees. I'm very curious. Do you have some kind of rights window before they go to SVOD? So, you can do a fit, is there a window that you get that before everybody else gets it in streaming?

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

Yeah. So typically what happens if we're talking about theatrical titles, right? Typically things are coming into home entertainment before. Now, there was a lot of noise this past year, right? You had certain movies that were available for streaming at the same time. They were out theatrically. You had others that were done much, much later. So as soon as the movie comes out to physical sell through is when we tend to have it both at our kiosk, and digitally.

Now, as we think about the Redbox entertainment titles, we actually think that the studios were onto something in terms of their windowing strategy overall. And so those, we follow a very traditional release schedule. So, we'll have it in a number of select theaters and available, at a higher price points, which again is not necessarily for our consumer, but does very well on Amazon and iTunes and other places where we receive a license feedback for every time someone watches those movies. We bring it into home and then we're selling it after maybe a, 60 to 90 days to a streamer. So, we do have a time where you're able to get it at the best price from us either through the kiosk or you can, it digitally transactionally before it goes to your subscription video on demand service.

<<Laura Martin, Analyst, Needham & Company>>

Very interesting. Why don't you and share your screen? So we all get bigger for the audience. Let's bring Kavita into this conversation. So Kavita, all of this transition sounds awesome. What's happening to margins and what's happening to free cash flow in this process?

<<Kavita Suthar, Chief Financial Officer>>

Yeah, definitely. As we move over to, a more digital heavy business, our physical margins have always been very strong historically, and it's something that will pivot. So your gross margin may shift a little bit, but that's will make it up in terms of the direct cost, because it's a lot cheaper to run a digital business than it is a physical business. As you can imagine with kiosk across the nation. Overall adjusted EBITDA will end up close to the same place, we aim for 20% to 25% generally. And that's what we plan into the future as well.

<<Laura Martin, Analyst, Needham & Company>>

That's great. It's much higher than I would've guess just from so that's fantastic. Fantastic. Great. Let's talk about competitive advantages. So, let's start with channel stores before we get to paying for your own entertainment content, but let's do channel stores. So Roku's had a channel store for three years. Vizio is going to have an app, they're supposed to launch it in the fourth quarter. We just have the CEO on stage. He's now – second quarter, moving on, all these guys are going have channel stores. So talk about competitive advantage of your channel store compared to everyone else's channel store.

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

Yeah, I mean, I think, if you think about the experience, I mean, again, Roku's built a great product. They're a great partner of ours. And so, we think very highly of them, but if I go to the Roku experience, I'm going into an individual app to access that content. So, I'm going into Showtime to watch Showtime or Starz to watch Starz. And I think the opportunity is actually having it all served up in one place. So all of your content is right there. And so you've got the latest new movies that are out digitally transactionally. So, Dune or a Halloween Kills that came out this week, right? You have that available to rent for, or let's say a \$5.99 price point. You then have all this content that's available for free with ads. And then you also have your subscription channels.

And what's great about it is we know that if you like certain shows that you're watching across these different areas, let's say you're subscribed to one service and this other service has shows that are just like that. We can now say, watch these shows now by subscribing to a service. So, we think we can actually help drive additional subscription, but the fact that it's all in one place, you're not having to create new passwords, new authentications. You're not having to enter in any billion information. It makes it a much more simple and seamless experience.

I think the other thing that's really important is, our service to start is really geared towards that Redbox customer. It's geared toward those 40 million loyalty members that we have. And so that becomes, again, a really different audience targeting than what a lot of other services might be doing.

<<Laura Martin, Analyst, Needham & Company>>

Well, that's where I was sort of going with this. It sort of feels like a lot of these products are sort of targeting your 40 million. Let me call it loyal customers, your VIP customers, and you're going to grab more revenue from them and sort of bring them over the chasm into the mainstream of technology and making money and helping them make that transition. Am I interpreting that properly?

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

Yeah, I think that's right. I mean, it is the opportunity of helping them make that transition. I mean, we found that when we launched our digital transactional service back in 2017 and really started to build it out in 2018, there was a lot of education that we had to do, to help the

consumer understand what it meant? How it worked? How you accessed it? And I think, you know, again, there's a lot of us that have gotten comfortable with digital entertainment, even as its continuing to shift. I mean, if you think about the growth in ad supported over the last few years, we've just kind of learned, how to use it how to get the most out of ad supported.

Our consumers for instance, over index for being cable subscribers still today, which is interesting when you think about the value proposition of cable versus something like an ad supported business. So, we think it creates this great opportunity for us to be able to bring them along, give them this free service. Now, we all know it's not exactly the same, but you could save a lot of money over spending \$80, \$100, \$150 a month on cable to now have this for free and be able to have it driven by the ads you want watch during so what.

So I, again, I think there's a really unique customer that Walmart customer, Dollar General, Family Dollar customer, that we have this great relationship. And again, don't forget that we have the ability to given these loyalty points to try things. So come with us. No one else offers this end to end loyalty experience that we do.

<<Laura Martin, Analyst, Needham & Company>>

Well. And okay, so, and let's move staying on competitive advantages because that's the theme I'm sort of in right now. I just had a CEO on stage streaming CEO, a 100% Avon business is sort of really when I said, what could go wrong? What do you worry about? He's like content costs for like everybody's losing, everybody's going to lose these content costs are insane. Discover is a big problem. The consumer doesn't know what to watch so much, so much choice too much choice like the tyranny of choice. So, can you speak to that from a competitive advantage point of view? Because you're also spending money on originals. So can you speak to your competitive advantage at creating originals and whether you can actually make a positive return on invest of capital? Maybe that's back to Kavita again.

<<Kavita Suthar, Chief Financial Officer>>

Yeah.

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

Yeah. Do you want me to start Kavita, on the strategy?

<<Laura Martin, Analyst, Needham & Company>>

Yeah.

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

So on the strategy, so the way that we look at movies, we're not spending \$50 million budget movies, a \$100 million budget movies. We're looking at, budgets in the \$5 million to \$15 million area and we're putting, we're buying typically U.S. or North American rights. We're not

buying rights across the world. And so it does give us this opportunity and because we've got built-in distribution for our Redbox kiosk, and Redbox OnDemand, and we have 20 years of history in terms of what works with our consumers.

We know that it fits very, very well. And so we think that it can be helpful to us, doing that, but because we've got this unique customer reach, we do think there's an opportunity for us to, be able to bring in rev share content or license content in addition to what we have on top of ours. Kavita, can you talk a bit about the margins and how to think about that?

<<Kavita Suthar, Chief Financial Officer>>

Yeah, definitely. When we're looking at acquiring a title in particular, we're looking at what it can do on our own platforms. And given that built in distribution that Galen spoke of, we know right away what, it's, what we can cover quickly in terms of paying off that minimum upfront cost that you spent to acquire the movie. And then everything we make on selling it down on stream to other platforms is just added margin on top. So out of all our titles, we made money on every single, like one, except for one, which was, just terribly good.

<<Laura Martin, Analyst, Needham & Company>>

There's always those. And there's always one, there's always. And is it, so how much you use data in your business to sort of you buy these assets or like how do you use data?

<<Kavita Suthar, Chief Financial Officer>>

Yeah, it's definitely something we live by, it's every it's in every decision that we make. We have 20 years of data. We have tons of customer data. We have tons of history about where they shop? Where they – when they come to the store, when they leave the store, when they're viewing on their TV, when they prefer to watch digital versus physical, like we have tons of it. And so I think it's pretty much underlying everything we do.

<<Laura Martin, Analyst, Needham & Company>>

So it not only underlies originals, it also underlies like just the content right. That you're paying for, right?

<<Kavita Suthar, Chief Financial Officer>>

Correct. Yeah.

<<Laura Martin, Analyst, Needham & Company>>

Okay, great. That makes sense. So data, is there any chance to sell the data? Is there any revenue stream in there where you could sell the data or is it pretty, just specific to your business model?

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

I think it's, we've looked at a lot of different ways. We think there's a ton of value in our data, I think.

<<Laura Martin, Analyst, Needham & Company>>

Yeah. I agree.

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

Obviously, a number of regulations that have come out and some that specifically sit in the video area, it makes it a bit more challenging, but we think there's a lot we can do particularly on our platform. So, if we're doing the targeting, if we're doing the advertising and we're helping to do the partnerships, then we think we can really drive that. I mean, again, as I mentioned, we did this partnership with a streaming service and sold 60,000 subscriptions in five to six weeks by putting our product and driving it to our customers in a very short period of time with their products.

And we think we can do more and more of that. So we think, again, as people start to think a little bit differently about Redbox and again, this unique, which we have in terms of this again, value conscious consumer. We there's a lot of value that can be created by helping to monetize the data, but maybe doing it in a way where it sits on our platform.

<<Laura Martin, Analyst, Needham & Company>>

Okay. I have a question from the audience, so let me go read that over on this screen. Oh boy. Okay. It's super long. Do I have two? Do I have two or I just have this one? No, I have two and they're both long. Let me ask the first one first it's shorter. Given the SPAC close after the quarter is end. Can they share their cash position pro forma for the SPAC merger and the pro forma fully diluted share count and outstanding warrants. Kavita, I think that's squarely in your court there.

<<Kavita Suthar, Chief Financial Officer>>

Yes. And so we released a super 8-K right after we closed. And the pro forma cash came in around I'm around you as round numbers for now. And then definitely refer back to the actual filings, but we got it in about \$90 million in cash. And then we say paid about \$15 million in transaction fees, again, round numbers. So about \$75 million we've pulled in. We use the portion of that to pay down debt, and then we are going to use the rest of it towards investing in our S5 channels platform, build out. That's something we're targeting for Q2. We also are leaning into more Ava license content, improving the content that's available for our customers. Again, we know what they like we have the data, we want to make sure we offer the right content to them.

And then the third thing is leaning into marketing as well to get the word out there. Like we have a lot of great products. We have more ways to watch than any other platform out there. So come try Redbox and so those three things are where we're investing the most money right now.

<<Laura Martin, Analyst, Needham & Company>>

Sounds good. Can you, do you happen to have off the top of your head, the pro forma fully lose share count?

<<Kavita Suthar, Chief Financial Officer>>

Yes. The, due share count with about \$45 million, just about \$45 million. And then what about \$6 million in outstanding warrants?

<<Laura Martin, Analyst, Needham & Company>>

Perfect. Okay. That gets to all his questions. Okay. The next one is like a five paragraph essay. We'll see how they are grammar it. Given the complexity of your business as compared with other streaming platforms. What revenue segments will they provide? And for those that they won't that our material will they help discuss them? How long a lifespan do they give the kiosks?

<<Kavita Suthar, Chief Financial Officer>>

I'm going to start with the segments, Galen, and then I'll hand that off for you for lifespan. So, we are reporting a legacy segment and a digital segment of revenue. So within the legacy segment, you have our traditional kiosk business, right? Where you rent and sell DVDs, you have Redbox and team. And we put that in a legacy segment. That's again, where we buy movies, acquire rights to those movies and monetize them through our own network, as well as other channels. And then the third piece is our service business. So our service business is we have obviously a whole field team across the nation they're best-in-class. And one of the best field teams they'll find. And they also service other customers as well outside of Redbox.

So for example, Amazon Lockers is our client and we service the lockers if they break down. So just an example of how we diversified our legacy revenue over the last few years, and then our digital segment is everything else. So PVOD, TVOD, AVOD, SVOD will be in there as well as media network, which is where we monetize impressions across all our platforms. So on the web emails, just everything you can think of in terms of that's monetizable. We've been monetizing impressions and then Galen, do you want to speak the part two?

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

Yeah, I mean, I think for a long time, people have thought about the demise of the disc. And part of it, I think is we think in the, in terms of the investment community, it may not be something that someone does, but there are a lot of people that still use it. So, we think that there's a very long life left. I tend to think of it in seven to 10 years. But I'd also say that, my first introduction to Redbox was back when I was a banker in 2008, and we were trying to figure out then how long the life of Redbox might be. And again, it's been more robust for a long time than we, than we anticipated back then.

And so, there's something that is nice about a tangible format. There's something that is great if you do not have strong broadband or accessibility. And again, because of the price point of \$2 or less per night, it makes it really accessible to people that may not otherwise be able to afford a \$6 transactional movie or, spending money on six, seven streaming services at the same time.

<<Laura Martin, Analyst, Needham & Company>>

Just like we're aging up your kiosk or a aging up too. They're all going live to be like 80 instead of instead of 40. That's fantastic. I have another question from the floor, so let's go there. What's the capital cost of outfitting, the kiosk with displays to show advertising. That's a great question. I'm very curious.

<<Kavita Suthar, Chief Financial Officer>>

Yeah. So, we put these digital screens above our kiosk and we actually partner come in and covered all the capital costs for that screen. And they are, they came in, they saw the opportunity across a network of 40,000 kiosk, we started with 4,000 that's what the first commitment is, and they've covered all those costs.

<<Laura Martin, Analyst, Needham & Company>>

To what do they get out of it? There's no such thing as a free launch.

<<Kavita Suthar, Chief Financial Officer>>

Yeah, no, that's for sure. The advertising revenues that we generate together will be shared across both.

<<Laura Martin, Analyst, Needham & Company>>

Interesting. Can you, if it turns out from your data that that's too high, a price to be paying them, is that something you guys could pay for to keep the upside or find a financing partner, like a bank, who will have a fixed return or something

<<Kavita Suthar, Chief Financial Officer>>

Yeah. Potentially after this 4,000 kiosk commitment, we can definitely find a different option in the future if we wanted to.

<<Laura Martin, Analyst, Needham & Company>>

Yeah, very, that's very, very interesting. The whole idea of putting screens on your kiosk to me is a world class. Awesome idea. So great. Okay. More questions. How volatile is the DVD sale revenue? Is it hot title dependence? So is it hit driven basically?

<<Kavita Suthar, Chief Financial Officer>>

Definitely. There's the titles that are great genres, good titles, 10 pole titles, the once you want to rewatch over and over again, right. Go sell. Well, no matter what. I think there's also this group of titles that are just nostalgic or just things that you want to see again, that are no, or people have their favorites always, but there's definitely like a genre star driven sales peak that you'll see.

Last in 2020, actually, when COVID started, we actually saw a huge spike up in the number of DVDs that were being purchased. And so there is this, this still this desire to own the DVD against that tangible property at home. So you don't have to think about it just property machine and it plays. And so the, we definitely see a nice clip of sales and we have strong titles, for sure.

<<Laura Martin, Analyst, Needham & Company>>

Yeah. That's like me and Philadelphia story. Like if I did, like, I'm going to wear that DVD out. I mean, buy another one from you, like my second. Okay, great. Who is the advertising partner paying the capital? Will they pay for all? So for, I'm assuming they're only going to pay for 4000 out the day is going to tell you, you should find a cheaper partner, but who's paying for the 4,000?

<<Kavita Suthar, Chief Financial Officer>>

Can we disclose that Galen? I think that's the, yeah. So velocity is our partner in the kiosk topper business.

<<Laura Martin, Analyst, Needham & Company>>

Fabulous. How big was the entertainment bus in 2021? And how unprofitable was it business, maybe entertainment business, maybe that's what they meant.

<<Kavita Suthar, Chief Financial Officer>>

So in 2021, we were pretty, we were hit with COVID obviously with theater closures in 2020, which continued and everything continued to get pushed. And so what happened in 2021 was we had very few titles in the beginning of the year and we really didn't get all our titles. We had less than 60 titles in 2021 compared to a 140 titles in a normal year in 2019. So very much, a degradation to the title count in 2021, but they all also came at the back half of the year into in Q4. And so it's just a very anomalistic year. And it's something that will return to normal levels in 2022, just based off what we're seeing already, we expect 140 to 150 titles in this year.

<<Laura Martin, Analyst, Needham & Company>>

You are really excellent at these numbers right off the top of your head. It's very impressive. Go ahead, Galen.

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

I would say, Kavita, can you also talk to the Redbox Entertainment Originals specifically in just in case that's the question?

<<Kavita Suthar, Chief Financial Officer>>

Yes. For Redbox Entertainment Originals, we have about 24 titles to date that we've committed and what we've released, I should say. And then we're trying to get to three per month. So, we're looking at about 36 a year is what we're building towards.

<<Laura Martin, Analyst, Needham & Company>>

Okay. And losses?

<<Kavita Suthar, Chief Financial Officer>>

The losses in terms of just in terms of a title level or?

<<Laura Martin, Analyst, Needham & Company>>

Yeah. That segment like, or what is the investment in that segment maybe instead of losses, that's the wrong word, but how much are you spending to do those 24 going to 36?

<<Kavita Suthar, Chief Financial Officer>>

Yeah. So that's not, it's not, it depends on the title, obviously, it's like some are smaller mgs, some are larger mgs, we haven't taken any losses yet. We've only taken a loss in that one title I told you about that was, you know, terrible. But otherwise we've actually holding a profit on every single title. So call it 23 out of 24.

<<Laura Martin, Analyst, Needham & Company>>

Perfect. That's the answer like you invest, but you're getting a positive return on capital, so it's possible. Okay. That's right. My operators screaming at me. We are out of time, but you guys, that was so much fun. Thank you for joining on stage. Do you have any closing comments, Galen, or Kavita that you'd like to say to the audience before we sign off and thanks for great questions from the audience. Fantastic.

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

Yeah, no, thank you, Laura. And yeah thank you for the great questions from everyone. I mean, again, we're really excited to be meeting with everyone today. Thanks for your interest. And obviously, please feel free to follow-up with us can be more grateful to Laura and the Needham team to making this possible and look forward to dialogue down the road.

<<Laura Martin, Analyst, Needham & Company>>

Sounds great. Thank you very much. We'll call it there. Have a great day.

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

Thanks Laura.

<<Kavita Suthar, Chief Financial Officer>>

Thank you.

<<Laura Martin, Analyst, Needham & Company>>

Thank you. Bye.