

## ENGAGED CAPITAL SENDS LETTER TO OUTERWALL BOARD OUTLINING IMMEDIATE STRATEGY FOR SUSTAINABLE VALUE CREATION

- Believe OUTR's underperformance and current depressed valuation is a direct result of the Board's failed strategies, flawed capital allocation policies, and misaligned governance.
- Encourages shareholders to voice their concern directly to the Board.

NEWPORT BEACH, CA. – [Engaged Capital, LLC](#) (together with its affiliates, “Engaged Capital”), an investment firm specializing in enhancing the value of small and mid-cap North American equities, and a 14.6% shareholder of [Outerwall Inc.](#) (“OUTR” or the “Company”) (NASDAQ: OUTR), announced today that it has delivered a [letter](#) and [presentation](#) to the Board of Directors (the “Board”) of OUTR. The letter and presentation outline Engaged Capital's concerns regarding the governance and management of the Company's assets and recommends a series of actions aimed at creating significant, and lasting, shareholder value.

In the letter, Engaged Capital asserts its belief that OUTR's underperformance and current depressed valuation is a direct result of the Board's failed strategies, flawed capital allocation policies, and misaligned governance. Over the last four years, OUTR's Board has squandered approximately \$1.2 billion of shareholder capital, a staggering sum representing approximately 2.5x the Company's current market value.

In addition, Engaged Capital believes that on at least three occasions in the last year the Board refused to engage with potential acquirers by either insisting the Company was not for sale or simply failing to respond at all to the interested party. If true, these actions represent a dereliction of the Board's fiduciary duty to shareholders as the pecuniary interests of individual directors and management appear to have been placed above that of the Company's shareholders. The Board's interests are clearly misaligned with shareholders as evidenced by the miniscule collective ownership position of OUTR's independent directors (less than 0.3% of shares outstanding).

Engaged Capital believes there is a path to create immediate and sustainable value for all OUTR shareholders, and that the fix is largely under the Board and management's control. Due to Chairman Nelson Chan's refusal to meet with Engaged Capital in a timely fashion, Engaged Capital felt it was necessary to share its views more broadly to encourage swift action by the Board. Specifically, Engaged Capital recommends the Company:

- Cease all growth investments;
- Aggressively manage both Redbox and Coinstar for cash;
- Sell or shut down the ecoATM business;
- Halt the Company's share repurchase program;
- Use the majority of free cash flow to pay a large annual dividend (ie. a \$125 million annual dividend which equates to a 25% yield at current prices) and reduce debt; and
- Immediately retain financial advisors and begin a sales process with the goal of taking OUTR private.

Engaged Capital strongly encourages OUTR's shareholders to directly contact Mr. Chan, as well as the other directors, and insist the Board of OUTR immediately take the steps outlined in the letter and presentation available at the link below. Engaged Capital will remain vigilant in ensuring the Company

enacts these recommendations and will not hesitate to use every method available to shareholders to hold the Board accountable, including nominating new directors at the 2016 annual meeting in June.

The full text of the letter and presentation can be found here:

Letter: <http://engagedcapital.com/press/OUTR-BOD-letter.pdf>

Presentation: <http://engagedcapital.com/press/OUTR-presentation.pdf>

### **About Engaged Capital:**

[Engaged Capital, LLC](#) (“Engaged Capital”) was established in 2012 by a group of professionals with significant experience in activist investing in North America and was seeded by Grosvenor Capital Management, L.P., one of the oldest and largest global alternative investment managers. Engaged Capital is a limited liability company owned by its principals and formed to create long-term shareholder value by bringing an owner’s perspective to the managements and boards of undervalued public companies. Engaged Capital manages both a long-only and long/short North American equity fund. Engaged Capital’s efforts and resources are dedicated to a single investment style, “Constructive Activism” with a focus on delivering superior, long-term, risk-adjusted returns for investors. Engaged Capital is based in Newport Beach, California.

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**SOURCE:** Engaged Capital, LLC