UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K/A
(Amendment No. 1)

CURRENT REPORT
Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported):**November 22, 2021 (October 22, 2021)**

REDBOX ENTERTAINMENT INC.
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	**001-39741** (Commission File Number)	**85-2157010** (I.R.S. Employer Identification Number)

1 Tower Lane, Suite 800 **Oakbrook Terrace, Illinois** (Address of principal executive offices)	**60181** (Zip Code)

(630) 756-8000
Registrant’s telephone number, including area code

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation to the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class A common stock, par value $0.0001 per share	RDBX	The Nasdaq Stock Market LLC
Warrants to purchase Class A common stock	RDBXW	The Nasdaq Stock Market LLC

Emerging growth company ☒

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Introductory Note

This Amendment No. 1 on Form 8-K/A ("Amendment No. 1") amends the Current Report on Form 8-K of Redbox Entertainment Inc. (the "Company") filed on October 28, 2021 (the "Original Report"), in which the Company reported, among other events, the completion of the Business Combination (as defined in the Original Report).

This Amendment No. 1 is being filed in order to include (i) the unaudited condensed consolidated financial statements of Redwood Intermediate, LLC ("Redbox") as of September 30, 2021 and for the nine months ended September 30, 2021 and 2020 and (ii) the Management's Discussion and Analysis of Financial Condition and Results of Operations of Redbox for the nine months ended September 30, 2021.

This Amendment No. 1 does not amend any other item of the Original Report or purport to provide an update or a discussion of any developments at the Company or its subsidiaries, subsequent to the filing date of the Original Report. The information previously reported in or filed with the Original Report is hereby incorporated by reference to this Amendment No. 1.

Item 9.01. Financial Statements and Exhibits.

(a) Financial statements of businesses acquired.

The unaudited condensed consolidated financial statements of Redbox as of September 30, 2021 and for the nine months ended September 30, 2021 and 2020 are included as Exhibit 99.1 and are incorporated herein by reference. The Management's Discussion and Analysis of Financial Condition and Results of Operations of Redbox for the nine months ended September 30, 2021 and 2020 is included as Exhibit 99.2 and incorporated herein by reference.

(d) Exhibits.

Exhibit Number	Description
99.1	Unaudited Condensed Consolidated Financial Statements as of September 30, 2021 and for the nine months ended September 30, 2021 and 2020.
99.2	Management's Discussion and Analysis of Financial Condition and Results of Operations for the nine months ended September 30, 2021 and 2020.
104	Cover Page Interactive Data File (formatted as inline XBRL).

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

REDBOX ENTERTAINMENT INC.

By: /s/ Kavita Suthar
Name: Kavita Suthar
Title: Chief Financial Officer

Date: November 22, 2021

Exhibit 99.1

REDWOOD INTERMEDIATE, LLC AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except share and per share data)

Assets	**Sept 30, 2021 (unaudited)**	**December 31, 2020**
Current Assets:		
Cash, cash equivalents and restricted cash	$ 13,158	$ 8,927
Accounts receivable, net of allowances of $244 at September 30, 2021 and $145 at December 31, 2020	9,329	12,670
Due from related party (Note 12)	162	73
Content library	24,935	26,074
Income tax receivable	10,222	10,498
Prepaid expenses and other current assets	9,446	6,949
Total current assets	67,252	65,191
Property and equipment, net (Note 3)	45,211	63,089
Goodwill, net (Note 4)	147,523	147,523
Intangible assets, net (Note 4)	142,063	195,635
Other long-term assets	723	1,653
Total assets	$ 402,772	$ 473,091
Liabilities and Equity		
Current Liabilities:		
Trade payables	$ 31,161	$ 26,719
Due to related parties, net (Note 12)	357	449
Accrued and other current liabilities (Note 5)	60,062	75,954
Total current liabilities	91,580	103,122
Long-term debt, net (Note 6)	361,890	307,474
Other long-term liabilities	13,944	19,862
Deferred income taxes, net	10,197	41,171
Total liabilities	477,611	471,629
Commitments and Contingencies (Note 10)		
Shareholders' Equity		
Common stock, $0.0001 par value; 60,000,000 shares authorized as of September 30, 2021 and December 31, 2020; 31,274,065 and 27,962,554 shares issued and outstanding as of September 30, 2021 and December 31, 2020, respectively	3	3
Additional paid-in-capital	239,722	223,085
Accumulated deficit	(314,564)	(221,626)
Total equity	(74,839)	1,462
Total liabilities and shareholders' equity	$ 402,772	$ 473,091

See accompanying *Notes to Condensed Consolidated Financial Statements*

REDWOOD INTERMEDIATE, LLC AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except share and per share data)
(unaudited)

	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020
Net revenue	$ 216,372	$ 465,208
Operating expenses:		
Product cost	83,602	187,865
Direct operating	98,155	133,861
Marketing	10,743	16,090
General and administrative	41,709	46,840
Depreciation and amortization	81,317	108,316
Total operating expenses	315,526	492,972
Operating loss	(99,154)	(27,764)
Interest and other expense, net	(24,687)	(24,848)
Loss before income taxes	(123,841)	(52,612)
Income tax benefit	(30,903)	(13,477)
Net loss	$ (92,938)	$ (39,135)
Net loss per share attributable to common shareholders — basic and diluted	$ (3.01)	$ (1.40)
Weighted average shares used in computing net loss per share attributable to common shareholders — basic and diluted	30,839,870	27,870,539

See accompanying *Notes to Condensed Consolidated Financial Statements*

REDWOOD INTERMEDIATE, LLC AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(unaudited)

	Nine Months Ended September 30,	
	2021	**2020**
Operating activities:		
Net loss	$ (92,938)	$ (39,135)
Adjustments to reconcile net income to net cash flows from operating activities:		
Depreciation and other	28,015	54,809
Amortization of intangible assets	53,572	53,571
Gain on sale/disposal of assets	(271)	(66)
Deferred income taxes	(30,974)	(23,895)
Amortization of deferred financing costs	962	2,582
PIK interest added to Senior Facilities	26,413	—
Related party tax payable settlement	15,777	—
Non-cash rent, interest and other	985	83
Cash flows from changes in net operating assets and liabilities:		
Accounts receivable	3,341	10,262
Content library	1,138	38,656
Income tax receivable	276	9,752
Prepaid expenses and other current assets	(2,497)	1,476
Other assets	930	650
Trade payables	4,437	(50,653)
Change in due to/from related parties	(90)	284
Accrued and other liabilities	(19,857)	(21,498)
Net cash flows (used in) provided by operating activities	(10,781)	36,878
Investing Activities:		
Purchases of property and equipment	(10,039)	(16,899)
Proceeds from disposition of property and equipment	392	786
Net cash flows used in investing activities	(9,647)	(16,113)
Financing Activities:		
Proceeds from Redbox's borrowings	30,896	18,000
Repayments of Redbox's debt obligations	(3,855)	(37,188)
Dividends paid	(90)	(707)
Principal payments on capital lease obligations	(2,292)	(2,800)
Net cash flows provided by (used in) financing activities	24,659	(22,695)
Change in cash, cash equivalents and restricted cash	4,231	(1,930)
Cash, cash equivalents and restricted cash:		
Beginning of period	8,927	7,378
End of period	$ 13,158	$ 5,448

See accompanying *Notes to Condensed Consolidated Financial Statements*

REDWOOD INTERMEDIATE, LLC AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF EQUITY (DEFICIT)
(in thousands)
(unaudited)

	Common Stock	Additional Paid-in Capital	Retained Earnings (Deficit)	Total Equity
Balance at December 31, 2019	$ 3	$ 223,084	$ (152,176)	$ 70,911
Dividends	—	—	53	53
Share-based compensation plans and related activity .	—	(22)	—	(22)
Net loss	—	—	(39,135)	(39,135)
Balance at September 30, 2020	$ 3	$ 223,062	$ (191,258)	$ 31,807

	Common Stock	Additional Paid-in Capital	Retained Earnings (Deficit)	Total Equity
Balance at December 31, 2020	$ 3	$ 223,085	$ (221,626)	$ 1,462
Related party tax payable settlement	—	15,777	—	15,777
Share-based compensation plans and related activity	—	860	—	860
Net loss	—	—	(92,938)	(92,938)
Balance at September 30, 2021	$ 3	$ 239,722	$ (314,564)	$ (74,839)

See accompanying *Notes to Condensed Consolidated Financial Statements*

REDWOOD INTERMEDIATE, LLC AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 1: Description of Business

Redwood Intermediate, LLC, a Delaware limited liability company, and subsidiaries (“Redbox” or the “Company”), operates self-serve kiosks in the United States where consumers can rent or purchase movies. As of September 30, 2021, the Company operated a network of approximately 40,000 self-service kiosks, in approximately 33,000 locations primarily at leading grocery stores, mass retailers, drug stores, dollar retailers, and convenience stores in every U.S. state and Puerto Rico (collectively the United States).

Redbox is an established brand and leading provider in the home entertainment market in the United States. The Company is focused on providing its customers with the best value in entertainment and the most choice in how they consume it, through physical media and/or digital services. Redbox is undergoing a significant business expansion and digital transformation. The Company has transitioned from a pure-play DVD rental company to a multi-faceted entertainment company that provides tremendous value and choice by offering DVD rentals as well as multiple digital products across a variety of content windows including transactional (TVOD), ad-supported (AVOD), subscription (SVOD), and being a distributor of feature films with a growing library of original content. Redbox currently conducts its business through two operating segments: (1) Legacy Business and (2) Digital Business.

For the Legacy Business, the Company operates a nationwide network of approximately 40,000 self-service kiosks where consumers can rent or purchase new-release DVDs and Blu-ray Discs™ (“movies”). The Company also generates service revenue by providing installation, merchandising and break-fix services to other kiosk businesses. Finally, the Company also produces, acquires, and distributes movies exclusively through its film distribution label, Redbox Entertainment, LLC, providing rights to talent-led films that are distributed across Redbox services as well as through third party digital services. For its digital business, the Company provides both transactional and ad-supported digital streaming services, which include 1) Redbox On Demand, a transactional service which provides digital rental or purchase of new release and catalog movies and TV content, 2) Redbox Free On Demand, an ad-supported service providing free movies and TV shows on demand, and 3) Redbox Free Live TV, a free, ad-supported television service giving access to over 100 linear channels.

The Company is an indirect, wholly owned subsidiary of New Outerwall, Inc. (“New Outerwall”), a Delaware corporation, which is a direct, wholly owned subsidiary of Aspen Parent, Inc. (“Aspen”), a Delaware corporation. On September 27, 2016, Outerwall, Inc. (“Old Outerwall”) was acquired by an entity controlled by funds affiliated with or controlled by Apollo Global Management, LLC and its subsidiaries (“Apollo” or the “Sponsor”) (the “Apollo Acquisition”). In addition to its interest in Redbox, New Outerwall has interest in one other business under the brand name of Coinstar.

On May 16, 2021, the Company became a party to a Business Combination Agreement with Seaport Global Acquisition Corp. (a publicly traded special purpose acquisition company (“Seaport”)).

The Business Combination closed on October 22, 2021. The Business Combination is accounted for as a reverse recapitalization in accordance with US GAAP. Under the guidance in ASC 805, *Business Combinations*, Seaport is treated as the “acquired” company for financial reporting purposes. This determination was primarily based on the existing controlling equity holder of Redbox having 72.2% of the voting power of the combined company (and one of its affiliates having an additional 3.9% of the voting power of the combined company) and the operations of Redbox and its subsidiaries constituting the only ongoing operations of the combined company. The result of the transaction transformed the Company into a publicly traded entity on Nasdaq under the ticker symbol “RDBX”.

For an update on the Business Combination Agreement with Seaport, see *Note 14: Subsequent Events.*

Note 2: Basis of Presentation

The accompanying condensed consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. The unaudited financial information included herein has been prepared in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP” or “GAAP”). All significant intercompany balances and transactions between Redbox and its wholly owned subsidiaries have been eliminated in consolidation in the periods presented as discussed below.

The accompanying unaudited condensed consolidated interim financial statements reflect all adjustments, consisting of normal recurring adjustments, that are, in the opinion of management, necessary for a fair presentation of the results for the interim periods presented in accordance with U.S. GAAP. Certain information and disclosures normally included in the financial statements prepared in accordance with GAAP have been omitted pursuant to such rules and regulations. As such, the information included herein should be read in conjunction with the consolidated financial statements and accompanying notes included in the consolidated audited financial statements as of and for the year ended December 31, 2020, included in the definitive proxy statement relating to the Business Combination between Redbox and Seaport as filed with the Securities and Exchange Commission on September 29, 2021.

Amounts Due From/To Related Parties

Any transactions between Redbox and its owners, employees or non-employee directors or Redbox and Coinstar are considered related party transactions, and any transactions between Redbox and New Outerwall and its affiliates are settled in cash pursuant to commercial services agreements.

With respect to income taxes for all periods presented, while generally the Company is part of a consolidated group for income tax filings, the income tax benefits and provisions, income tax payables, related tax payments and deferred tax balances reported within have been prepared as if the Company operated as a standalone taxpayer. Deferred taxes have been classified as net liabilities in the unaudited *Condensed Consolidated Balance Sheets*. The Company remits cash to Aspen or New Outerwall to settle any third-party, tax-related obligations, as determined if the Company operated as a standalone taxpayer.

Use of Estimates in Financial Reporting

The Company's consolidated financial statements are prepared in conformity with U.S. GAAP which requires management to make estimates and assumptions that affect the reported amounts in its consolidated financial statements and notes thereto. These estimates and assumptions take into account historical and forward-looking factors that the Company believes are reasonable, including but not limited to the potential impacts arising from COVID-19, and policies and initiatives aimed at reducing its transmission. As the extent and duration of the impacts from COVID-19 remain unclear, the Company's estimates and assumptions may evolve as conditions change. The most significant estimates and assumptions include the:

- rate at which the economic benefit of the content library is consumed through rental activity;
- useful lives and recoverability of goodwill, definite-lived intangible assets, equipment and other long- lived assets;
- recognition and measurement of deferred income taxes (including the measurement of uncertain tax positions); and
- recognition and measurement of purchase price allocations for business combinations.

It is reasonably possible that the estimates the Company makes may change in the future and could have a material effect on its consolidated financial statements.

Summary of Significant Accounting Policies

Revenue Recognition

The Company recognizes revenue, net of sales tax, when it satisfies its performance obligations by transferring control of promised goods or services to its customers in an amount that reflects the consideration to which it expects to be entitled in exchange for those goods or services. Revenue from movie rentals is recognized for the period that the movie is rented and is recorded net of promotional discounts offered to the Company's consumers, uncollected amounts and refunds that it grants to its customers. Revenue from a direct sale out of the kiosk of previously rented movies is recognized at the time of sale. Revenue from On Demand rentals or purchases is also recognized at the time of sale. On rental transactions for which the related movie has not yet been returned to the kiosk at month-end, revenue is recognized with a corresponding receivable recorded in the balance sheet, net of a reserve for potentially uncollectable amounts that is considered a reduction from gross revenue as collectability is not reasonably assured.

A significant portion of the Company's Legacy Business rental revenue is concentrated in kiosks installed with certain retail partners. Revenue aggregated at the following retailers accounted for 10% or more of the Company's net revenue for the periods presented:

	Nine Months Ended September 30,	
	2021	**2020**
Wal-Mart Stores Inc.	13.0%	14.2%
Walgreen Co.	12.2%	15.0%

Promotional Codes and Gift Cards

The Company offers its consumers the option to purchase stored value products in the form of bulk promotional codes and electronic gift cards. There are no expiration dates on these products and the Company does not charge service fees that cause a decrement to customer balances in the case of gift cards. Cash receipts from the sale of promotional codes and gift cards are recorded as deferred revenue in *Accrued and other current liabilities* and recognized as revenue upon redemption. Additionally, the Company recognizes revenue from non-redeemed or partially redeemed promotional codes and gift cards in proportion to the historical redemption patterns, referred to as "breakage." Estimated breakage revenue is recognized over time in proportion to actual promotional code and gift card redemptions and is not material in any period presented.

As of September 30, 2021 and December 31, 2020, $7.4 million and $7.0 million, respectively, were deferred related to purchased but unredeemed promotional codes and gift cards and are included in *Accrued and other current liabilities* in the accompanying unaudited *Condensed Consolidated Balance Sheets*.

Loyalty Program

In January 2018, the Company launched Redbox Perks. Redbox Perks allows members to earn points based on transactional and non-transactional activities with Redbox. As customers accumulate points, the Company defers revenue based on its estimate of both the amount of consideration paid by Perks members to earn awards and the value of the eventual award it expects the members to redeem. The Company defers an appropriate amount of revenue so as to properly recognize revenue from Perks members in relation to the benefits of the program. The Company also estimates the quantity of points that will not be redeemed by Perks members ("breakage"). Breakage reduces the amount of revenue deferred from loyalty points over the period of, and in proportion to, the actual redemptions of loyalty points based on observed historical breakage and consumer rental patterns.

As of September 30, 2021 and December 31, 2020, $2.0 million and $2.8 million, respectively, of revenue was deferred related to Perks and is included in *Accrued and other current liabilities* in the accompanying unaudited *Condensed Consolidated Balance Sheets*.

Product Cost

Product cost primarily represents the amortization of the Company's physical content library and digital revenue sharing costs. Amortization of the content library is calculated using rental decay curves based on historical performance of movies over their useful lives to allocate content library costs to the periods over which the related revenue are earned. Given the steepness of the rental decay curve, amortization of the content library is recorded on an accelerated basis with substantially all of the content library cost recognized within the first year. The rental decay curves and salvage value of the Company's content library are periodically reviewed and evaluated.

For movies acquired through the Company's Redbox Entertainment label, costs include (1) the costs to acquire content, (2) manufacturing costs and (3) supply chain costs. These costs are capitalized as they are incurred and amortized in proportion to the current year's revenue as a percentage of management's estimate of total ultimate revenue, not to exceed the life of the acquired rights. Ultimate revenue estimates are periodically reviewed and adjustments, if any, will result in changes to amortization rates.

Advertising Costs

Advertising costs, which are included as a component of marketing expenses, include media expenses for local advertising, internet advertising, and sponsorship fees. The costs were $1.4 million and $4.6 million for the nine months ended September 30, 2021 and 2020, respectively.

Share Based Compensation

The Company grants share-based awards to select employees of the Company, consisting of restricted stock and performance stock units. Compensation expense is generally recognized for restricted stock units on a graded-vesting basis over the vesting period, which is generally five years. Compensation expense is generally recognized for performance stock units over the related vesting periods based on the grant-date fair value of the award when it becomes probable that the minimum return on Invested Capital (as defined under the plans) by Apollo will be satisfied. Award forfeitures are recognized at the time of occurrence. All awards granted are equity classified awards.

Cash and Cash Equivalents

The Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents consist of deposit accounts. The Company’s cash balances with financial institutions may exceed the deposit insurance limits. The Company does not include outstanding amounts due from its payment card service providers for billed transactions in its cash balances, rather they are included in accounts receivable.

Restricted Cash

Restricted cash balances are cash balances established to secure the Company’s letter of credit requirement to support its insurance obligations and is presented as a short-term asset. See also *Note 6: Debt.*

Content Library

Content library is comprised of movies available for rent or purchase through the Company’s kiosks as well as movies acquired through the Company’s Redbox Entertainment label.

For movies available for rent or purchase through the Company’s kiosks, movie content is obtained primarily through revenue sharing agreements and license agreements with studios, as well as through distributors and other suppliers. The cost of content mainly includes (1) the costs paid to studios and other vendors to acquire content including revenue share as applicable, (2) costs incurred to label, sort, and ship content to the Company’s kiosks for merchandising, (3) costs incurred to destroy content after use if required under contractual arrangements with studios and (4) indirect taxes, if applicable. For content that the Company expects to sell, management determines an estimated salvage value. Content salvage values are estimated based on the historical sales activity. The cost of each title is capitalized and amortized to its estimated salvage value using rental decay curves as discussed above under Product Cost.

For movies acquired through the Company’s Redbox Entertainment label, costs include (1) the costs to acquire content, (2) manufacturing costs and (3) supply chain costs. These costs are capitalized as they are incurred and amortized in proportion to the current year's revenue as a percentage of management's estimate of total ultimate revenue, not to exceed the life of the acquired rights. Ultimate revenue estimates are periodically reviewed and adjustments, if any, will result in changes to amortization rates.

Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets are generally comprised of insurance-related receivables representing estimated amounts due from the Company’s insurance partners in excess of its deductibles, spare parts that are not separately capitalized for use in the repair and maintenance of its kiosks, the value of cases and labels used to vend and track discs, net of amortization, and various prepayments for operating expenses including software licenses when not determined to be a component of property and equipment.

Accrued and Other Current Liabilities

Accrued and other current liabilities generally consist of estimated total amounts due under contractual revenue-sharing arrangements with the Company’s content providers net of payments made during the respective title’s rental period, employee related liabilities primarily related to compensation, deferred revenue related to stored-value arrangements and the Company’s loyalty program, estimated income taxes payable, sales and rental-related taxes collected from the Company’s consumers on behalf of governmental entities, estimated gross amounts due for insurance claims incurred but not recorded, and various other estimates of amounts due but not invoiced for goods and services from the Company’s operational vendors.

Loss Contingencies

The Company accrues estimated liabilities for loss contingencies arising from claims, assessments, litigation and other sources when it is probable that a liability has been incurred and the amount of the claim assessment or damages can be reasonably estimated. The Company believes it has sufficient accruals to cover any obligations resulting from claims, assessments or litigation that have met these criteria.

Fair Value of Financial Instruments

Certain financial assets and liabilities are required to be carried at fair value. Fair value is the price that would be received to sell an asset, or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability, in an orderly transaction between market participants at the measurement date. In determining fair value, the Company utilizes market data or assumptions that it believes market participants would use in pricing the asset or liability, which would maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible, including assumptions about risk and the risks inherent in the inputs to the valuation technique.

In evaluating the fair value measurement techniques for recording certain financial assets and liabilities, there is a three-level valuation hierarchy under which financial assets and liabilities are designated. The determination of the applicable level within the hierarchy of a particular financial asset or liability depends on the inputs used in valuation as of the measurement date.

Valuations based on observable or market-based inputs for identical asset or liabilities (Level 1 measurement) are given the highest level of priority, whereas valuations based on unobservable or internally derived inputs (Level 3 measurement) are given the lowest level of priority. The three levels of the fair value hierarchy are defined as follows:

- *Level 1:* Observable inputs such as quoted prices in active markets for identical assets or liabilities;

- *Level 2:* Inputs other than Level 1 inputs that are observable for the asset or liability, either directly or indirectly, such as quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, or market-corroborated inputs; or

- *Level 3:* Unobservable inputs that reflect the reporting entity’s own assumptions.

A financial instrument’s categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The carrying amounts for the Company’s cash equivalents approximate fair value because of the short-term nature of these instruments. The fair value of the Company’s long-term debt approximates its carrying amount, which is presented net of unamortized deferred financing costs.

Derivative Instruments

The Company is exposed to certain market risks relating to interest rates. The Company actively monitors and attempts to mitigate but does not eliminate these exposures using derivative instruments including interest rate swaps. The Company does not enter into derivative instruments for speculative or trading purposes. The Company recognizes its derivatives as either assets or liabilities and measure those instruments at estimated fair value. The Company presents its derivative positions gross on its unaudited *Condensed Consolidated Balance Sheets*. The Company records changes in the fair value of derivatives as a component of interest and other expense, net on its unaudited *Condensed Consolidated Statements of Operations*.

COVID-19 Pandemic

The Company is continuing to closely monitor the impact of the COVID-19 pandemic and is continually assessing its potential effects on its business and its financial performance as well as the impact of COVID-19 on its customers, employees, and vendors, including retail and studio partners. The Company cannot predict the duration or severity of the COVID-19 pandemic, and cannot reasonably estimate the financial impact that the COVID-19 outbreak will have on its results and significant estimates going forward.

Recent Accounting Pronouncements

Accounting Guidance Recently Adopted:

In August 2018, the FASB issued ASU 2018-05, *Intangibles-Goodwill and Other-Internal-Use-Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That is a Service Contract.* The ASU requires a customer in a cloud computing arrangement (i.e., hosting arrangement) that is a service contract to follow the internal-use software guidance in ASC 350-40 to determine whether to capitalize certain implementation costs or expense them as incurred. For private companies, the guidance is effective for reporting periods beginning after December 15, 2020. The Company adopted this ASU as of January 1, 2021, which did not have a material impact on its consolidated financial statements and related disclosures.

In March 2019, the FASB issued ASU 2019-02, *Improvements to Accounting for Costs of Films and License Agreements for Program Materials (Subtopic 926-20)*, in order to align the accounting for production costs of an episodic television series with the accounting for production costs of films by removing the content distinction for capitalization. ASU 2019-02 also requires that an entity reassess estimates of the use of a film in a film group and account for any changes prospectively. In addition, 2019-02 requires that an entity test films and license agreements for impairment at a film group level when the film or license agreements are predominantly monetized with other films and license agreements. For private companies, the guidance is effective for reporting periods beginning after December 15, 2020. The Company adopted this ASU as of January 1, 2021, which did not have a material impact on its consolidated financial statements and related disclosures.

Accounting Guidance Not Yet Adopted:

In March 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2020-04, *Reference Rate Reform* (ASU 2020-04), which provides optional expedients and exceptions for applying U.S. GAAP to contracts, hedging relationships, and other transactions affected by the discontinuance of LIBOR or another referenced rate. ASU 2020-04 is effective for fiscal years beginning after December 31, 2022. The Company is currently evaluating the impact of adopting this ASU on its consolidated financial statements and related disclosures.

In December 2019, the FASB issued ASU 2019-12, *Income Taxes (Topic 740)* to simplify the accounting for income taxes. This guidance removes certain exceptions related to the approach for intraperiod tax allocation, the methodology for calculating income taxes in an interim period, and the recognition of deferred tax liabilities for outside basis differences. The guidance also clarifies and simplifies other areas of ASC 740. This standard is effective for private companies for fiscal years beginning after December 15, 2021. The Company is currently evaluating the impact of adopting this ASU on its consolidated financial statements and related disclosures.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The ASU requires lessees, among other things, to recognize lease assets and lease liabilities on the balance sheet for those leases classified as operating leases under previous authoritative guidance. This update also introduces new disclosure requirements for leasing arrangements. For private companies, the guidance is effective for reporting periods beginning after December 15, 2021, with early adoption permitted. The Company is currently evaluating the impact of adopting this ASU on its consolidated financial statements and related disclosures.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments — Credit Losses (Topic 326)*. The ASU provides new guidance regarding measurement and recognition of credit impairment for certain financial assets. Such guidance will impact how the Company determines its allowance for estimated uncollectible receivables. For private companies, the guidance is effective for reporting periods beginning after December 15, 2022, with early adoption permitted. The Company is currently evaluating the impact of adopting this ASU on its consolidated financial statements and related disclosures.

Note 3: Property and Equipment

Dollars in thousands	September 30, 2021	December 31, 2020
Kiosks and components	$ 190,202	$ 190,416
Computers, servers, and software	96,352	87,113
Leasehold improvements	4,145	3,991
Office furniture and equipment	676	676
Leased Vehicles	10,436	10,678
Property and equipment, at cost	$ 301,811	$ 292,874
Accumulated depreciation	(256,600)	(229,785)
Property and equipment, net	$ 45,211	$ 63,089

Note 4: Goodwill and Other Intangible Assets

The following table summarizes the changes in goodwill by reportable segment:

Dollars in thousands	Legacy Business	Digital Business	Total
Balance as of December 31, 2020	$ 144,014	$ 3,509	$ 147,523
Balance as of September 30, 2021	$ 144,014	$ 3,509	$ 147,523

The following table summarizes the carrying amounts and accumulated amortization of intangible assets:

		September 30, 2021			December 31, 2020		
Dollars in thousands	Estimated Useful Life	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Intangible assets subject to amortization:							
Contracts with retailers	7 years	$ 370,000	$ (264,873)	$ 105,127	$ 370,000	$ (225,230)	$ 144,770
Trade name	7 years	60,000	(42,953)	17,047	60,000	(36,524)	23,476
Contactable customer list	7 years	40,000	(28,635)	11,365	40,000	(24,349)	15,651
Developed technology	7 years	30,000	(21,476)	8,524	30,000	(18,262)	11,738
Total intangible assets subject to amortization		$ 500,000	$ (357,937)	$ 142,063	$ 500,000	$ (304,365)	$ 195,635

The Company recognized amortization expense of $53.6 million for each of the nine months ended September 30, 2021 and 2020.

There was no impairment of goodwill and other intangible assets for the nine months ended September 30, 2021 and 2020.

Certain events or circumstances that could reasonably be expected to negatively affect the underlying key assumptions and ultimately affect the estimated fair values of the Company's reporting units include such items as: (i) a decrease in expected future new release movie titles resulting from the prolonged effects of the COVID-19 pandemic (ii) an increase in competition across streaming platforms resulting in fewer titles available at Redbox or fewer rental transactions and (iii) the inability to achieve cost savings or growth initiative targets within an expected timeframe.

Note 5: Accrued and Other Current Liabilities

Accrued and other current liabilities as of September 30, 2021 and December 31, 2020, consisted of the following:

Dollars in thousands		September 30, 2021		December 31, 2020
Accrued payroll and other related expenses	$	20,776	$	24,212
Accrued revenue share		12,669		13,480
Deferred revenue		11,203		10,019
Income taxes payable		—		15,777
Other		15,414		12,466
Total accrued and other current liabilities	$	60,062	$	75,954

Note 6: Debt

Dollars in thousands		September 30, 2021		December 31, 2020
Term Loan Facility	$	306,563	$	281,563
Paid-In-Kind Interest related to Term Loan Facility		24,186		—
Revolving Credit Facility		30,000		30,000
Paid-In-Kind Interest related to Revolving Credit Facility		2,227		—
Union Revolving Credit Facility		4,590		2,550
Total debt outstanding	$	367,566	$	314,113
Less: Unamortized debt issuance costs		(5,676)		(6,639)
Total debt, net	$	361,890	$	307,474
Portion due within one year	$	—	$	—
Total long-term debt, net	$	361,890	$	307,474

On October 20, 2017, Redbox Automated Retail, LLC (“RAR”) entered into a credit agreement (“Credit Agreement”), which provided for:

- a first lien term loan facility (the “Term Loan B”), in an original aggregate principal amount of $425.0 million, with a five-year maturity; and
- a first lien revolving credit facility (the “Revolving Credit Facility” and, together with the Term Loan Facility, the “Senior Facilities”), in an aggregate principal amount of up to $30.0 million, with a five-year maturity.

The Term Loan B was made available to RAR immediately upon closing and was used in part to retire all $280.0 million of the Company’s existing debt and to settle closing costs associated with the new Term Loan B totaling $19.5 million of which $4.6 million was paid to Apollo Global Securities, LLC, an affiliate of Apollo, for services provided in connection with the financing. The balance of the Term Loan B proceeds were used towards a dividend, occurring on the same day, with total dividend of $160.0 million to equity holders of RAR. Additionally, at the execution of the new Credit Agreement, RAR wrote-off unamortized deferred financing costs of $21.7 million related to the extinguishment of the entire debt under the prior credit agreement.

On September 7, 2018, RAR entered into an Incremental Assumption and Amendment Agreement (the “Amendment”) to the Credit Agreement. The Amendment provided for, among other things, (i) an incremental Term B-1 Loan (“Term Loan B-1”) in an original aggregate principal amount of $85.8 million and (ii) the payment of one or more restricted payments to shareholders of RAR in an aggregate amount not to exceed $115.0 million. The proceeds received from the Amendment along with cash flow from the business were used towards a dividend distribution to equity holders of RAR totaling $115.0 million that was paid within five business days of September 7, 2018, and to pay fees and expenses in connection with the Amendment totaling $3.7 million. The additional loan under Term Loan B-1 had terms identical to the original Term Loan B, except to account for the incremental principal amount within the quarterly amortization payment schedule and to reset call protection on the Term Loan B-1.

On September 30, 2020, RAR entered into the second amendment to its Credit Agreement (the "Second Amendment") to, among other things, to increase the total net leverage covenant during the remaining term of the Credit Agreement and revise the quarterly amortization payment schedule.

On December 28, 2020, RAR entered into a third amendment to its Credit Agreement (the "Third Amendment"). The amendment deferred the December 2020 amortization payment to March 2021.

As of December 31, 2020, RAR's Senior Facilities matured on October 20, 2022, and subsequent to the Amendment, Second Amendment and Third Amendment consisted of:

- a first lien term loan B facility, in an aggregate principal amount of $425.0 million;
- a first lien term loan B-1 facility, in an aggregate principal amount of $85.8 million; and
- a first lien revolving credit facility, in an aggregate principal amount of up to $30.0 million.

On December 29, 2020, Redbox Entertainment, LLC entered into a four-year, $20.0 million revolving credit facility with Union Bank (the "Union Revolving Credit Facility"). The facility is used exclusively to pay for minimum guarantees, license fees and related distribution expenses for original content obtained under the Company's Redbox Entertainment label. Borrowings outstanding under the Union Revolving Credit Facility as of September 30, 2021 and December 31, 2020 were $4.6 million and $2.55 million, respectively.

Borrowings under the Union Revolving Credit Facility will bear interest at either the alternate base rate or LIBOR (based on an interest period selected by the Company of one month, three months or six months) in each case plus a margin. The alternate base rate loans bear interest at a per annum rate equal to the greatest of (i) the base rate in effect on such day, (ii) the federal funds effective rate in effect on such day plus 1⁄2 of 1.0%, and (iii) daily one month LIBOR plus 1.0%. The revolving credit facility borrowings that are LIBOR loans bear interest at a per annum rate equal to the applicable LIBOR plus a margin of 0.50%. The borrowing interest rate for the Union Revolving Credit Facility was 4.25% as of September 30, 2021 and December 31, 2020, respectively.

In addition to paying interest on outstanding principal under the Union Revolving Credit Facility, Redbox Entertainment, LLC is required to pay a commitment fee at a rate equal to 0.50% per annum to the lenders in respect of the unutilized commitments thereunder.

On January 29, 2021, RAR entered into an amendment to its Credit Agreement (the "Fourth Amendment"). The Fourth Amendment provided for, among other things, (i) deferral of principal amortization payments until the maturity date, (ii) extension of the maturity date to April 2023, (iii) at the RAR's election, subject to certain liquidity thresholds, payment PIK interest, and, (iv) removal of all financial covenant requirements.

In addition, under the Fourth Amendment RAR incurred an incremental first lien term loan B-2 facility (“Term Loan B-2” and, together with Term Loan Bs and Term Loan B-1’s, the “Term Loan Facility”) in an aggregate principal amount of $25.0 million which was provided by New Outerwall Inc. The loan was subsequently assigned to Aspen Parent, Inc. Aspen Parent, Inc. indirectly owns 100% of the equity of the Company and is therefore a related party of the Company. The proceeds from the loan will be used for general corporate purposes.

Pursuant to the Fourth Amendment, interest is payable on the Senior Facilities entirely in cash or, for a specified period, could be paid by increasing the principal amount of the Senior Facilities (PIK Interest), or through a combination of cash and PIK interest, subject to certain liquidity thresholds. Borrowings under the Senior Facilities bear interest at a rate at RAR’s option, either (a) a London Interbank Offer Rate (“LIBOR”) determined by reference to the costs of funds for Eurodollar deposits for the interest period relevant to such borrowing, adjusted for certain additional costs, subject to a 1.00% floor in the case of term loans or (b) a base rate determined by reference to the highest of (i) the federal funds rate plus 0.50% per annum, (ii) the prime rate quoted by the Wall Street Journal (or another national publication selected by the administrative agent) and (iii) the one-month adjusted LIBOR plus 1.00% per annum, in each case plus an applicable margin. The applicable margin for borrowings under the Senior Facilities is 7.25% with respect to Eurocurrency Borrowings (increasing to 8.25% if PIK Interest is paid) and 6.25% with respect to ABR Borrowings (increasing to 7.25% if PIK Interest is paid).

In addition to paying interest on outstanding principal under the Senior Facilities, RAR is required to pay a commitment fee at a rate equal to 0.50% per annum to the lenders in respect of the unutilized commitments thereunder. RAR is also required to pay customary agency fees.

In connection with the Business Combination, on May 16, 2021, RAR entered into another amendment to its Credit Agreement (the “Fifth Amendment”). The Fifth Amendment, which became effective upon consummation of the Business Combination, provided consent to the planned Business Combination and among other things, extended the Senior Facilities maturity date to October 2023 and subordinated the Term Loan B-2s to the Term Loan Bs and the Term Loan B-1s. In addition, among other things, concurrently with the consummation of the Business Combination, i) $15.0 million of cash proceeds from the Business Combination were used to pay down outstanding borrowings under the Revolving Credit Facility and ii) $35.0 million of cash proceeds from the Business Combination were used to pay down outstanding borrowings under the Term Loan Bs and the Term Loan B-1s.

On October 11, 2021, RAR entered into a consent to the Fifth Amendment to make certain additional changes to the Credit Agreement, which became effective upon consummation of the Business Combination, including extending the maturity date of the Senior Facilities to April, 2024 and extending the PIK interest option until December 31, 2022 (subject to a minimum pro forma liquidity). See *Note 14: Subsequent Events* for a further discussion.

Dividend Restrictions

The Credit Agreement contains certain customary affirmative covenants and negative covenants, including a limitation on the Company’s ability to pay dividends on or make distributions in respect of its capital stock or make other restricted payments. The covenant prohibiting dividends and other restricted payments has certain limited exceptions, including for customary overhead, legal, accounting and other professional fees and expenses; taxes; customary salary, bonus and other benefits; and up to $1.03 million for dividends that were accrued on equity interests that were unvested as of the payment of the Company’s last dividend in 2018 and have subsequently vested.

Interest Rates and Fees

As of September 30, 2021 and December 31, 2020, the borrowing interest rate for the Senior Facilities was 9.25% and 8.25%, respectively.

Amortization and Prepayments

Required minimum principal amortization payments under the Term Loan Facility as of September 30, 2021, are as follows:

Dollars in thousands	**Repayment Amount**
Remaining 2021	$ —
2022	—
2023	330,749
Total	$ 330,749

As noted above, pursuant to the consent agreement to the Fifth Amendment that RAR entered into on October 11,2021, the maturity date of the Senior Facilities has been extended to April, 2024.

In addition, the Senior Facilities require RAR to prepay outstanding term loan borrowings, subject to certain exceptions, with:

- a certain percentage set forth in the Credit Agreement governing the Senior Facilities of RAR's annual excess cash flow, as defined under the Senior Facilities;
- a certain percentage of the net cash proceeds of certain non-ordinary course asset sales, other dispositions of property or certain casualty events, in each case subject to certain exceptions and reinvestment rights; and
- the net cash proceeds of any issuance or incurrence of debt, other than proceeds from debt permitted under the Senior Facilities.

RAR may voluntarily repay outstanding loans that are funded solely by internally generated cash from business operations under the Senior Facilities at any time, without prepayment premium or penalty, except customary "breakage" costs with respect to LIBOR rate loans.

All obligations under the Senior Facilities are unconditionally guaranteed by each of RAR's existing and future direct and indirect material, wholly-owned domestic subsidiaries, subject to certain exceptions and the direct parent of RAR. The obligations are secured by a pledge of substantially all of RAR's assets and those of each guarantor, including capital stock of the subsidiary guarantors and 65% of the capital stock of the first-tier foreign subsidiaries that are not subsidiary guarantors, in each case subject to certain exceptions, and its capital stock owned by RAR's direct parent. Such security interests consist of a first-priority lien with respect to the collateral.

Letters of Credit

As of September 30, 2021 and December 31, 2020, the Company has a Letter of Credit arrangement to provide for the issuance of standby letters of credit in the amount of $3.4 million. The arrangement supports the collateral requirements for insurance claims and is good for one year to be renewed annually if necessary. As required under the Senior Facilities, the Company's Letter of Credit is cash-collateralized at 105% through the Company's restricted cash balance in the amount of $3.5 million as of September 30, 2021 and December 31, 2020, respectively.

Note 7: Derivatives

The Company entered into an interest rate swap on October 22, 2018 to manage its exposure to changes in the interest rates related to its term loan ("Term Loan Facility") following the Amendment discussed in *Note 6: Debt*. The swap is not designated as a hedging instrument and is reported at fair value with changes in fair value reported directly in earnings. The Company's hedge consists of interest rate swaps, which was used to mitigate interest rate risk.

Under the terms of the agreement, the Company entered into a three-year fixed-for-floating interest rate swap agreement with Nomura Global Financial Products, Inc. for a fixed notional amount of $200.0 million to swap the variable rate portion of interest payments tied to the one-month LIBOR under its term loans for fixed interest payments. The swap effectively locked in an average of a three-year forward curve for the one-month LIBOR at a fixed rate of 3.0335%, resulting in a total interest rate on the $200.0 million notional of 10.2835%. The agreement expires on October 31, 2021. See *Note 6: Debt* for additional disclosures about the Company's Term Loan Facility.

The following table discloses the fair value, as determined using Level 2 inputs, and balance sheet location of the Company's derivative instrument:

Dollars in thousands	Balance Sheet Location	September 30, 2021	December 31, 2020
Derivatives not designated as hedging instruments:			
Interest rate swap contract	Other liabilities	$ 461	$ 4,782

The following table discloses the effect of the Company's derivative instrument on the unaudited *Condensed Consolidated Statements of Operations* for the nine months ended September 30, 2021 and 2020:

	For the nine months ended September 30,	
Dollars in thousands	2021	2020
Other (income) expense, net	$ (899)	$ 4,324

Note 8: Segment Information and Geographic Data

The Company currently conducts its business through two operating segments: (1) Legacy Business and (2) Digital Business. For all periods presented, the Company did not operate outside the United States and Puerto Rico (collectively the United States). As such, all of the Company's long-lived assets are located in the United States.

The Company's Legacy Business operates a network of approximately 40,000 self-service kiosks where consumers can rent or purchase new-release DVDs and Blu-ray DiscsTM ("movies"). The Company's Legacy Business also produces, acquires, and distributes movies exclusively through its Redbox Entertainment label, as well as generating service revenue by providing installation, merchandising and break-fix services to other kiosks businesses.

The Company's Digital Business provides both transactional and ad-supported digital streaming services, which include 1) Redbox On Demand, a transactional service which provides digital rental or purchase of new release and catalog movies and TV content and 2) Redbox Free Live TV and Redbox Free On Demand, ad-supported services which include digital linear television service giving access to more than 100 linear channels, and an on-demand service with more than 5,000 movies and TV episodes giving consumers control over when they watch content. Furthermore, the Company monetizes digital advertising space in Redbox emails and apps amongst other platforms, which is referred to as Media Network.

Adjusted EBITDA is the profitability metric reported to the chief operating decision maker ("CODM") for purposes of making decisions about allocation of resources to each segment and assessing performance of each segment. The Company believes this measure is most useful in assessing underlying performance of its business. Adjusted EBITDA is before integration related costs, efficiency initiatives, and other items.

Adjusted EBITDA also excludes the effects of financings, income tax and the non-cash accounting effects of depreciation and intangible asset amortization.

As segment assets are not reported to or used by the CODM to measure business performance or allocate resources, total segment assets and capital expenditures are not presented below.

Summarized financial information by segment is as follows:

Dollars in thousands	Nine Months Ended September 30, 2021		2020
Net revenue			
Legacy Business	$192,025	$	433,215
Digital Business	24,347		31,993
Total	$ 216,372	$	465,208
Adjusted EBITDA			
Legacy Business	$ (8,940)	$	106,133
Digital Business	2,257		3,642
Total	$ (6,683)	$	109,775

The following is a reconciliation of Adjusted EBITDA to loss before income taxes for the nine months ended September 30, 2021 and 2020:

Dollars in thousands	Nine Months Ended September 30, 2021		2020
Loss before income taxes	$ (123,841)	$	(52,612)
Add:			
Depreciation and amortization	81,317		108,316
Interest and other expense, net	24,687		24,848
Business optimization(a)	5,605		15,142
One-time non-recurring(b)	2,737		5,934
New business start-up costs(c)	1,004		4,821
Restructuring related(d)	1,808		3,326
Adjusted EBITDA	$ (6,683)	$	109,775

(a) Business optimization costs include employee retention costs, IT costs as well as consulting costs for certain projects. For the nine months ended September 30, 2021 and 2020 the Company recorded IT costs of $2.2 million and $4.4 million, respectively. The Company recorded employee retention expense of $3.2 million and $10.7 million for each of the nine months ended September 30, 2021 and 2020, respectively.

(b) Includes costs related to project costs and initiatives, as well as bank, legal and other fees in connection with the Company's debt financing activities.

(c) Includes costs to support the Company's On Demand and AVOD offerings, along with costs related to the Company's service and media network businesses.

(d) Restructuring related costs include such items as employee severance charges and costs incurred related to removing kiosks.

Note 9: Earnings Per Share

Earnings (Loss) per Share ("EPS") is calculated by dividing the net earnings or loss attributable to shareholders by the weighted average shares outstanding. As the Company was in a loss position for the nine months ended September 30, 2021 and 2020, the Company has determined all potentially dilutive shares would be anti-dilutive in these periods and therefore are excluded from the calculation of diluted weighted average shares outstanding. This results in the calculation of weighted average shares outstanding to be the same for basic and diluted EPS.

Potentially dilutive securities of approximately 264,513 and 261,342 for the nine months ended September 30, 2021 and 2020, respectively, were not included in the computation of diluted EPS because their effect would have been anti-dilutive.

The following is a calculation of EPS:

	Nine Months Ended September 30,	
Dollars in thousands, except per share amounts	**2021**	**2020**
Basic and Diluted EPS		
Net loss attributable to shareholders	$ (92,938)	$ (39,135)
Weighted average shares outstanding for basic and diluted loss per share	30,839,870	27,870,539
Basic and diluted loss per common share attributable to shareholders	$ (3.01)	$ (1.40)

Note 10: Commitments and Contingencies

The Company leases office facilities and certain equipment necessary to maintain its information technology infrastructure. Rent expense, net of sublease income, under its operating lease agreements was $1.9 million and $1.8 million for the nine months ended September 30, 2021 and 2020, respectively.

The Company also leases automobiles under capital leases expiring at various dates through 2021. Management assesses these leases as they come due as to whether it should purchase, enter into new capital leases, or enter into operating leases.

Assets held under capital leases are included in *Property and equipment, net* on the unaudited *Condensed Consolidated Balance Sheets* and include the following:

Dollars in thousands	**September 30, 2021**	**December 31, 2020**
Gross property and equipment	$ 10,436	$ 10,677
Accumulated depreciation	(6,981)	(5,204)
Net property and equipment	$ 3,455	$ 5,473

Content License Agreements

The Company licenses minimum quantities of theatrical and direct-to-video titles under licensing agreements with certain movie content providers. Changes in the Company's agreements with content providers since December 31, 2020 are as follows:

- On January 15, 2021, the Company entered into a two-year license agreement with Sony Pictures Home Entertainment effective January 1, 2021. The agreement replaces the licensing agreement the Company had in place with Sony that expired on December 31, 2020.

Total estimated movie content commitments under the terms of the Company's content license agreements in effect as of September 30, 2021 is presented in the following table:

Dollars in thousands	**Total**	**2021**	**2022**
Minimum estimated movie content commitments	$ 28,714	$ 7,979	$ 20,735

Legal Matters

The Company is involved from time to time in legal proceedings incidental to the conduct of its business. The Company does not believe that any liability that may result from these proceedings will have a material adverse effect on its consolidated financial statements.

Note 11:   Income Taxes

The Company's effective tax rate was 25.0% and 25.6% for the nine months ended September 30, 2021 and 2020, respectively. The difference between the Company's effective tax rate and the federal statutory tax rate for the nine months ended September 30, 2021 is primarily due to the effect of state taxes and the federal research and development credit.

Tax Years Open for Examination

As of September 30, 2021, there are no open examinations by the U.S. federal taxing authority. As of September 30, 2021, for the Company's major jurisdictions, the years 2017 through 2020 were open for examination by the U.S federal and most state tax authorities.

Note 12:   Related-Party Transactions

The Company entered into transactions with New Outerwall and related affiliates, primarily Coinstar, in the ordinary course of business. A description of such transactions and their effects on the accompanying consolidated financial statements are presented below.

The Company receives and provides certain operating support under commercial services agreements with New Outerwall and related affiliates. A summary of the amounts due to/from such related parties is presented below:

Dollars in thousands	September 30, 2021	December 31, 2020
Due from related party	$ 162	$ 73
Due to related parties, net	$ 357	$ 449

Amounts due from related party above includes amounts owed from ecoATM for kiosk servicing and other commercial agreements. The balance in amounts due to related parties primarily includes the unpaid dividends related to employee and Director stock awards.

On January 29, 2021, the Company entered into the Fourth Amendment to the Credit Agreement. Provided under the Credit Agreement, the Company incurred additional principal amount under a Term B-2 Loan in an aggregate principal amount of $25.0 million, which was provided by New Outerwall. The proceeds from the loan will be used for general corporate purposes. The Company is an indirect, wholly owned subsidiary of New Outerwall, Inc. See *Note 6: Debt*, for a further discussion.

With respect to income taxes for the periods, while generally the Company is part of a consolidated group for income tax filings, the income tax benefits and provisions, income tax payables, related tax payments and deferred tax balances reported within have been prepared as if the Company operates as a standalone taxpayer. Deferred taxes have been classified as net liabilities in the respective unaudited *Condensed Consolidated Balance Sheets* of the Company. Except for certain separate state tax obligations, the Company generally remits cash to Aspen or New Outerwall to settle any third-party, tax-related obligations, as determined if the Company operated as a standalone taxpayer. Income taxes payable balances, which are included in *Accrued and other current liabilities* in the Company's unaudited *Condensed* Consolidated Balance Sheet, were $0 and $15.8 million as of September 30, 2021 and December 31, 2020.

In connection with the Company's impending business combination and restructuring, on June 29, 2021, the Company and New Outerwall determined that it was no longer probable that the income tax payable balances of the Company to New Outerwall would be paid. As such, the Company recorded an entry to reduce Accrued and other current liabilities $15.8 million and increase Additional paid-in capital $15.8 million.

Note 13: Additional Supplemental Cash Flow Financial Information

Cash, Cash Equivalents and Restricted Cash:

Dollars in thousands		**September 30, 2021**		**December 31, 2020**
Cash and cash equivalents	$	9,798	$	5,401
Restricted cash		3,360		3,526
Cash, cash equivalents and restricted cash	$	13,158	$	8,927

Cash Interest and Taxes:

	Nine Months Ended September 30,			
Dollars in thousands		**2021**		**2020**
Cash paid during the period for interest	$	—	$	20,853
Cash paid during the period for income taxes, net	$	622	$	2,726

Non-cash Transactions

	Nine Months Ended September 30,			
Dollars in thousands		**2021**		**2020**
Purchases of property and equipment financed by capital lease obligations	$	28	$	130
Purchases of property and equipment included in ending trade payables or accrued and other current liabilities	$	197	$	—

Note 14: Subsequent Events

On October 11, 2021, RAR entered into a consent to the Fifth Amendment to make certain additional changes to the Credit Agreement, which became effective upon consummation of the Business Combination, including extending the maturity date of the Senior Facilities to April, 2024, extending the PIK interest option until December 31, 2022 (subject to a minimum pro forma liquidity), as well as commencing an excess cash flow sweep on March 31, 2022 subject to funds on hand being greater than $20.0 million.

In connection with the proposed business combination agreement, on October 12, 2021, Seaport Global Acquisition Corp. entered into backstop subscription agreements (the “Backstop Agreements”) with certain subscribers (the “Backstop Subscribers”), including affiliates of funds managed by affiliates of Apollo Global Management, Inc. and Seaport Global SPAC, LLC, pursuant to which the Backstop Subscribers agreed, subject to certain conditions in the Backstop Agreements, to subscribe for and purchase up to an aggregate of 3,564,356 shares of Seaport’s Class A common stock, par value $0.0001 per share, in the event that more than 10,810,644 public shares of Seaport Class A common stock are submitted for redemption in connection with the proposed Business Combination Agreement, for a purchase price of $10.10 per share.

On October 22, 2021, in accordance with the Business Combination Agreement, Redbox and Seaport closed the Business Combination. The Business Combination will be accounted for as a reverse recapitalization in accordance with US GAAP. Under the guidance in ASC 805, Business Combinations, Seaport is expected to be treated as the “acquired” company for financial reporting purposes. Cash received by the Company from the Business Combination totaled $27.0 million, net of $50.0 million of proceeds used to pay down outstanding indebtedness under the Company’s Senior Facilities and transaction costs of $13.9 million. Transaction costs will be treated as issuance costs and netted against additional paid-in capital in the Company’s consolidated balance sheet. The result of the transaction transformed the Company into a publicly traded entity on Nasdaq under the ticker symbol “RDBX”.

The Company has evaluated subsequent events through November 22, 2021, the date on which the financial statements were issued.

Exhibit 99.2

REDBOX MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis provides information that Redbox's management believes is relevant to an assessment and understanding of Redbox's consolidated results of operations and financial condition. The discussion should be read together with the historical audited annual consolidated financial statements and respective notes thereto as of December 31, 2020 and 2019 and for the years ended December 31, 2020, 2019 and 2018 included in the definitive proxy statement relating to the business combination between Redbox and Seaport as filed with the Securities and Exchange Commission on September 29, 2021, and the unaudited interim consolidated financial statements as of September 30, 2021 and the nine month periods ended September 30, 2021 and 2020, and the respective notes thereto, included elsewhere in this Form 8-K/A.

This discussion may contain forward looking statements based upon current expectations that involve risks and uncertainties. Redbox's actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under "Risk Factors" included in the definitive proxy statement relating to the business combination between Redbox and Seaport as filed with the Securities and Exchange Commission on September 29, 2021. Unless the context otherwise requires, references in this "Redbox Management's Discussion and Analysis of Financial Condition and Results of Operations" to "we", "our", "us", "Redbox" and the "Company" refer to the business and operations of Redwood Intermediate, LLC and its consolidated subsidiaries prior to the business combination and to Redbox Entertainment Incorporated and its consolidated subsidiaries, following the consummation of the business combination.

Overview

Redbox is an established brand and leading provider in the home entertainment market in the United States. The Company is focused on providing its customers with the best value in entertainment and the most choice in how they consume it, through physical media and/or digital services. Redbox is undergoing a significant business expansion and digital transformation. The Company has transitioned from a pure-play DVD rental company to a multi-faceted entertainment company that provides tremendous value and choice by offering DVD rentals as well as multiple digital products across a variety of content windows including transactional (TVOD), ad-supported (AVOD), subscription (SVOD), and being a distributor of feature films with a growing library of original content. Redbox currently conducts its business through two operating segments: (1) Legacy Business and (2) Digital Business.

For its Legacy Business, the Company operates a nationwide network of approximately 40,000 self-service kiosks where consumers can rent or purchase new-release DVDs and Blu-ray Discs™ ("movies"). The Company also generates service revenue by providing installation, merchandising and break-fix services to other kiosk businesses. Finally, the Company also produces, acquires, and distributes movies exclusively through its film distribution label, Redbox Entertainment, LLC, providing rights to talent-led films that are distributed across Redbox services as well as through third party digital services. For its digital business, the Company provides both transactional and ad-supported digital streaming services, which include 1) Redbox On Demand, a transactional service which provides digital rental or purchase of new release and catalog movies and TV content, 2) Redbox Free On Demand, an ad-supported service providing free movies and TV shows on demand, and 3) Redbox Free Live TV, a free, ad-supported television service giving access to over 100 linear channels.

Redbox Legacy Business

Redbox's mission has always been to make it ridiculously cheap and easy for customers to get the home entertainment they want. Redbox provides exceptional customer value with new release movie disc rentals priced at $2 or less a night, about 1/3 of the cost of a digital rental, which are typically $5.99 or more on digital retail platforms including Redbox On Demand. Customers have the flexibility to rent a movie from one location and return their rental to any kiosk. Kiosks are located primarily at grocery stores, mass retailers, drug stores, dollar retailers, and convenience stores. With approximately 33,000 locations and more than 150 retail partners, consumers have convenient access to kiosks as part of their routine shopping experiences. Revenue is generated primarily through the fees charged to rent or purchase a movie, and Redbox pays retailers a percentage of the revenue generated at the Redbox kiosks installed at their locations. The Company obtains content through revenue sharing agreements and license agreements with major studios as well as through direct purchases from independent distributors and other suppliers.

With a loyal, differentiated customer base comprising of more than 40 million individuals, the business also benefits from tremendous customer scale and an expansive marketing reach. Redbox's customers are value-conscious, love movies and entertainment, and tend to be late-adopters of new technology. Given the scale of the existing customer base, the Company has built a sizable marketing program that includes approximately 46 million e-mail subscribers, approximately 6 million SMS subscribers, approximately 45 million mobile app downloads, and an estimated 400 million weekly impressions at retail. In addition, Redbox has built a unique asset in its loyalty and rewards program, Redbox Perks, which currently boasts 40 million members. Customers earn points for their rentals or purchases and can use those points for free rentals in the future. This tiered loyalty program gives the Company the ability to reward their most loyal and valuable customers while providing a currency for incenting increased transaction frequency and other behaviors, such as downloading the Redbox app or trying new products and services. Redbox Perks is a vehicle to provide greater value to value- conscious customers and is central to its marketing and customer strategy. The program is a differentiator in the market and competitive advantage for Redbox.

Redbox has also established Redbox Entertainment, LLC as a movie distribution label through which the Company acquires North American rights and distributes feature films through Redbox kiosks, Redbox On Demand, third party digital transactional platforms and other streaming services. Redbox Entertainment not only acquires rights to finished films but also commits to slate deals for movies to be produced, giving the Company input on scripts and/or talent. The Company is able to generate meaningful gross profit from these films through promotional initiatives on its own platform and by selling downstream rights to subscription streaming services. And, because the Company is acquiring long term exclusive rights to these films, Redbox is building a content library which can be used on its Free On Demand (AVOD) and Free Live TV (FLTV) services or further licensed to other streaming platforms in later windows.

In addition, Redbox Entertainment benefits from the Company's robust rental data and insights into what titles and talent will perform. The Company has released a number of films since 2019 and aims to ramp to releasing 3 new movies per month. The Company has already announced a slate deal with John Wick producer, Basil Iwanyk, committing to 12 action/thriller films over the next several years.

Finally, Redbox has a service business, which employs a team of more than 1,000 best-in-class field workers nationwide to manage kiosk installation, merchandising and break-fix services. In addition to maintaining Redbox's kiosks, the Company's service team also supports other kiosk businesses. The Company has service agreements with multiple companies that have national and regional kiosk networks and since June of 2020, Redbox has been the primary vendor for Amazon to service their expanding Amazon locker locations. The service business helps mitigate the operational costs of the DVD business while generating incremental margin dollars.

Redbox Digital Business

Redbox is rapidly expanding its digital products and leveraging its customer and marketing scale to grow these businesses. The Company is building a digital ecosystem that consumers can use as a one stop shop for their entertainment needs by engaging with a variety of digital video services within the Redbox app in an integrated, easy-to use format. This simplifies the customer experience, drives multi-product adoption, and minimizes customer churn. These services span multiple business models including transactional, ad- supported, and in the near future, subscription. The Company's digital products are available to stream across web browsers, mobile devices, and almost every major consumer device, including streaming media players such as Roku and Apple TV, TV's such as Samsung, LG, AndroidTV, and VIZIO, and gaming consoles like Xbox and PlayStation.

In December 2017, the Company launched Redbox On Demand, a digital transactional video-on-demand service (TVOD), allowing customers to rent or buy new release and catalog digital movies and television episodes, with new release prices typically ranging from $5.99 to $24.99 and catalog movies from $1.99 to $3.99, not including any discounts. Since 2020, customers have also been able to digitally rent movies that are still in theaters, which is known as Premium Video-On-Demand (PVOD). Customers pay a transactional fee to rent or buy content while earning Redbox Perks loyalty points every time they transact. Redbox On Demand has seen rapid growth and adoption with over 3 million customers. That growth has been fueled primarily though leveraging the Company's own marketing channels including e-mail and SMS and offering rewards points or promos to drive digital customer acquisition. The Company's marketing reach and existing customer base has resulted in extremely low customer acquisition costs of ~$3, generating rapid digital adoption while keeping overall marketing expense relatively low.

In February 2020, the Company launched Redbox Free Live TV (FLTV), an ad-supported digital linear television service, as a complement to the existing transactional On Demand service. With over 100 linear channels and growing, including three Redbox branded and programmed channels, Free Live TV gives customers the opportunity to channel surf and find content that interests them. One of the Redbox- branded channels, the Redbox Free Movie Channel, is also currently syndicated to the Roku Channel, LG Channels Plus and Vizio Watchfree services, which drives greater viewership and revenue, and the Company has plans to syndicate this channel to additional services. Free Live TV has already seen significant adoption with more than 8 million users in the first 12 months.

Redbox also recently launched an ad-supported Free On Demand service (AVOD) in December 2020. AVOD gives consumers complete control over when they watch and with the growth of Redbox's AVOD library, which is now at more than 5,000 movies and TV episodes, consumers have a broad amount of content to choose from. The ad-supported services (FLTV and AVOD) have seen strong growth in engagement as new titles are added and awareness of the offering grows.

The Company is also developing a subscription channels product (SVOD Channels), which will give consumers the opportunity to subscribe to multiple third party premium SVOD channels through the Redbox app. Premium SVOD channels will be merchandised alongside the new release transactional content and free ad-supported on demand content. Redbox will simplify the sign-in, content discovery, and billing process for customers by providing an integrated solution through the Redbox app. Further, the Company intends to provide additional value to its customers through bundled offers with loyalty points and/or promotions for discounts at the kiosk to drive customer acquisition and retention.

Finally, Redbox operates a media advertising business which monetizes hundreds of millions of monthly display ad impressions across the mobile app, web, e-mail and kiosk network. The Company drives advertising revenue through a mix of programmatic advertising and direct sales. Direct ad sales for the media above as well as video advertising for Free On Demand and FLTV are driven by an internal sales team and a strategic sales partnership with Screenvision and the Palomino Media Group.

Growth Strategy

Redbox's transformation into a multi-faceted entertainment Company creates multiple areas for future growth. The Company's expansion into both the AVOD and SVOD markets allow Redbox to participate in a very large and rapidly growing market. The Company is well positioned for long-term value creation through its focus on:

Accelerating AVOD adoption. Redbox projects rapid growth for the Company's ad-supported service through increased investment in licensed content to expand the Free Live TV and Free On Demand content offerings. Through increased content volume and licensing of higher profile content, the Company expects to drive higher engagement and more hours watched per customer. Further, this improved content is expected to drive an increase in new customers, accelerating the business while maintaining a reasonable customer acquisition cost.

Launching SVOD channels platform. The launch of Redbox's SVOD channels service will become another meaningful revenue stream. Redbox will act as the merchant of record, collecting 100% of the subscription revenue before paying the SVOD channel owner's revenue share. By providing access to multiple SVOD channel options, customers can easily subscribe to one or more SVOD services all within the context of the Redbox app, and Redbox can easily merchandise the third party SVOD content and service via the approximate 45 million Redbox app downloads on mobile devices, streaming media players, game consoles, and connected televisions.

Growing multi-product customers. Redbox will grow multi-product customers through increasing customer acquisition marketing and spend across streaming device partners, marketing at the kiosk, and other external paid media. The Company has relied primarily on internal e-mail and SMS channels to drive customer acquisition. Thus, increased spend and attention via these additional channels with more content and services offered, will drive greater customer growth. Redbox will also continue to invest in driving multi- product customer adoption through improved CRM, greater personalization and targeted use of promotions to create more personalized customer funnels to encourage users to trial and adopt other digital services within the Redbox app.

Ramping Redbox Entertainment. Redbox Entertainment drives additional revenue in two ways. First, it provides more content for the kiosk, On Demand and the ad-supported offerings; secondly, it generates revenue from distributing and licensing to other streaming platforms. Redbox expects to ramp the number of releases to 36 a year. The number of releases will naturally ramp as committed titles complete production and are delivered and the pipeline continues to grow.

Impact of COVID-19 and Emerging Industry Trends

In March 2020, the World Health Organization recognized the novel strain of coronavirus, COVID-19, as a pandemic. Public and private sector policies and initiatives to reduce the transmission of COVID-19 have varied significantly across the United States ("U.S."). Throughout most of the first nine months of 2021, a significant percentage of the U.S. population was subject to meaningful restrictions on activities, which included limitations on the operation of non-essential businesses including retail operations, requirements that individuals remain in or close to their homes, school closures, theater closures, limitations on large gatherings, travel restrictions and other policies to promote or enforce physical distancing. These restrictions may not only impact how the Company's customers use its products and services but also affect content production, release and distribution. As a result of these restrictions, many consumers subscribed to additional streaming services to satisfy their content needs as the number of new release movies, released theatrically and through home entertainment, decreased dramatically. During 2020 and the first nine months of 2021, the Company experienced a decline in physical movie rentals, due in part to a significant decline in new movie releases and theater closures along with governmental and retail store restrictions. The Company's On Demand transactional offering is also dependent on new releases, albeit at a lesser level than the physical business as the On Demand platform has a larger catalog offering. In the second half of 2020 and into 2021, the growth potential of Redbox On Demand has been negatively impacted by fewer new releases driven by changes in release strategy by studios throughout the pandemic. The Company continues to monitor and evaluate the impact of this health crisis on its business given that the duration is still unknown and public policy actions continue to evolve. Accordingly, due to the evolving and uncertain nature of this situation, the Company is not able to estimate the full extent of the impact on its operating results, cash flows and financial position, particularly over the near to medium term. The Company will also be closely monitoring the impact of COVID-19 on its customers, employees, and vendors, including, retail and studio partners.

As a result of temporary theater closures in 2020 and 2021 due to the COVID-19 pandemic, studios and content producers either delayed the release of movies into future periods or experimented with alternative release strategies which altered the typical window cadence. One alternative release method, albeit limited in its scope, was to sell movies directly to subscription services for exclusive release on their respective platforms. As a result, these titles were not available through a traditional transactional On Demand window, thus leading to fewer new release titles available to the Company. However, as studios continue to evolve their window release strategies, more and more studios are retaining their home entertainment distribution rights despite the initial sale of a title to a streaming service. This will allow Redbox to make the movie available for rental through the kiosk and possibly On Demand at a later date. The Company expects studios to sell titles directly to streaming services from time to time, but may be less likely going forward with the reopening of theatrical exhibitors and the opportunity to achieve higher returns for both studios and artists. As a result, recently a number of titles either were pushed to release theatrically later in 2021 or into 2022. Due to the delay from theatrical to home entertainment, most of these title shifts from 2021 to 2022 did not impact Redbox's release expectations for 2022, but may delay the quarter in which Redbox is able to release a title physically or digitally. The Company is further mitigating the impact of titles sold exclusively to subscription services by building out a library of content via its Redbox Entertainment label. Redbox Entertainment titles are available physically and digitally on Redbox platforms and will also be monetized across other platforms.

The second alternative release strategy that emerged was a simultaneous release on a studio's digital platform as well as theatrical release to provide optionality to those customers who were not ready to return to the theater. Most of these titles release transactionally at the kiosk and on Redbox On Demand in a subsequent window.

The third alternative release is known as premium video on demand or "PVOD" which creates an early transactional window for an at-home digital theatrical release at a higher price point, typically $19.99. The PVOD releases provided consumers a way to watch new releases at home while theaters remain shuttered. Redbox On Demand participates in and benefits from PVOD releases as it provides an early window option to Redbox customers as well at this higher price point.

The Company expects studios to return to a more normal release slate as COVID-19 restrictions continue to ease due to the relationship with theatrical exhibitors and the draw of higher margin potential. Theaters are seeing an increasing number of theatrical releases in the second half of 2021 versus the first half. Nevertheless, a number of titles have shifted into 2022 to allow for more theatrical markets to open around the world and for vaccination availability for children to be approved. The Company expects new release content to build back to pre-pandemic levels similar to the Company's 2019 release count, ramping up in Q4 2021 and fully normalizing in 2022. This expectation is based on known titles delayed from 2020 and 2021 which are planned for release in 2022. Studios who have previously released titles on streaming services on the same date as in theatres in 2021 have announced plans to return to theatrical windows of 45 to 90 days, before these titles go to home entertainment.

While the Company also expects ongoing competition from subscription services, this provides opportunity for Redbox as it builds a subscription channels platform in 2022 to allow for the sale of these services through the Redbox apps. Further, the Company will also continue to build out its digital offerings such as both linear and on demand ad-supported content to provide more options for customers to consume content at varying price points including free with ads. The Company believes that the complement of digital services creates greater utility to its customers and makes the offering more competitive relative to more focused streamers, while also reducing the reliance on content in a single content window.

Comparability of Financial Information

The Company's future results of operations and financial position may not be comparable to its historical results as a result of the business combination.

The Business Combination

On May 16, 2021, the Company became a party to the Business Combination Agreement with Seaport Global Acquisition Corp. ("SGAC" or "Seaport") (a publicly traded special purpose acquisition company). Following the closing of the business combination, the combined company will be organized in an "Up-C" structure in which the business of Redbox will be held by Redbox and its subsidiaries, and SGAC's only material direct asset will consist of equity interests in Redbox (the "Business Combination").

The Business Combination closed on October 22, 2021. The Business Combination is accounted for as a reverse recapitalization in accordance with US GAAP. Under the guidance in ASC 805, *Business Combinations*, Seaport is treated as the "acquired" company for financial reporting purposes. This determination was primarily based on the existing controlling equity holder of Redbox having 72.2% of the voting power of the combined company (and one of its affiliates having an additional 3.9% of the voting power of the combined company) and the operations of Redbox and its subsidiaries constituting the only ongoing operations of the combined company. The result of the transaction transformed the Company into a publicly traded entity on Nasdaq under the ticker symbol "RDBX".

In connection with the closing of the Business Combination Agreement, $50.0 million of proceeds was used to pay down outstanding indebtedness under the Company's Senior Facilities. Transaction costs for the Business Combination are approximately $13.9 million, of which $5.0 million represents deferred underwriter fees related to SGAC's initial public offering.

As a result of the Business Combination, the Company became the successor to an SEC registered and Nasdag-listed company under the ticker symbol RDBX, which will require us to hire additional personnel and implement procedures and processes to address public company regulatory requirements and customary practices. The Company expects to incur additional annual expenses as a public company for, among other things, directors' and officers' liability insurance, director fees, and additional internal and external accounting, legal and administrative resources. The Company estimates that these incremental costs will be approximately $10.0 million per year.

For a further information on the Business Combination Agreement with Seaport, see *Note 14: Subsequent Events* in Redbox's *Notes to Condensed Consolidated Financial Statements* included elsewhere in this Form 8-K/A.

Selected Financial Data and Key Metrics

The selected consolidated financial data below should be read in conjunction with the following MD&A and the consolidated financial statements and notes hereto. All references to rentals and net rental revenue presented within MD&A include physical and On Demand rentals and revenue, unless otherwise noted, respectively.

Management uses these non-GAAP financial measures internally for strategic decision-making, forecasting future results, and evaluating current performance. Management believes that the non-GAAP financial measures provide a more consistent comparison of its operating results and trends for the periods presented. These non-GAAP financial measures are used in addition to and in conjunction with results presented in accordance with GAAP and reflect an additional way of viewing aspects of its operations that, when viewed with its GAAP results, provides a more complete understanding of factors and trends affecting its business. These non-GAAP measures should be considered as a supplement to, and not as a substitute for, or superior to, the corresponding measures calculated in accordance with GAAP. Refer to "Use of Non-GAAP Measures" below for discussion of this measure and related reconciliation.

Key Financial Measures	**Nine Months Ended September 30,**	
Dollars in thousands	**2021**	**2020**
Total net revenue	$ 216,372	$ 465,208
Product cost	$ 83,602	$ 187,865
Gross margin	$ 132,770	$ 277,343
Gross margin %	61.4%	59.6%
Adjusted EBITDA	$ (6,683)	$ 109,775
Adjusted EBITDA as a % of net revenue	(3.1)%	23.6%
Retail footprint		
Ending number of kiosks	38,632	40,539
Ending number of locations	32,751	34,070
Physical Theatrical Titles Released in Period	33	63

Seasonality

The Company has generally experienced seasonality in its rentals and revenue. Historically, greater demand over the holiday season typically results in higher rentals November through January. April has usually been a low rental month due, in part, to retail release timing in connection with the Academy Awards that historically has provided stronger content and resulted in higher rentals in March. September and October have been low rental months due, in part, to the beginning of the school year and the introduction of the new fall television season. Seasonal effects may be increased or decreased by the number of releases and the relative attractiveness of movie titles and their respective genres in a particular quarter or year, which may have lingering effects in subsequent periods. Significant recurring events, such as the Olympics, also have a negative impact on rentals as they compete with customer viewing interest for movie content and affect retail release timing, which aims to avoid such events.

Components of Results of Operations

Revenue

The Company generates revenue primarily through fees charged to rent or purchase a movie both physically and digitally. Revenue is presented net of promotional offerings provided to its consumers and any subsequent refunds. Revenue also consists of fees the Company earns in its service business for servicing and merchandising other kiosk businesses, digital advertising through its media Network business, as well as licensing fees it generates from selling downstream rights to subscription streaming services through its Redbox Entertainment label.

Product Cost

Product Cost primarily represents the amortization of the Company's physical content library and digital revenue sharing costs. Amortization of the content library is calculated using rental decay curves based on historical performance of movies over their useful lives. Given the steepness of the rental decay curve, amortization on most of the content library is recorded on an accelerated basis with substantially all of the amortization expense recognized within the first year after a title's release.

The content library mainly includes (1) the costs paid to studios and other vendors to acquire content including revenue share as applicable, (2) costs incurred to label, sort, and ship content to the Company's kiosks for merchandising, (3) costs incurred to destroy content after use if required under contractual arrangements with studios and (4) indirect taxes, if applicable. For content the Company expects to sell, it determines an estimated salvage value. Content salvage values are estimated based on the historical sales activity. The cost of each title is capitalized and amortized to its estimated salvage value. The rental decay curves and salvage value of the Company's content library are periodically reviewed and evaluated.

For movies acquired through the Company's Redbox Entertainment label, costs include (1) the costs to acquire content, (2) manufacturing costs and (3) supply chain costs. These costs are capitalized as they are incurred and amortized in proportion to the current year's revenue as a percentage of management's estimate of total ultimate revenue, not to exceed the life of the acquired rights. Ultimate revenue estimates are periodically reviewed and adjustments, if any, will result in changes to amortization rates.

Direct Operating

Direct Operating expense accounts primarily for (1) commissions the Company pays to its retailers, (2) credit card fees, (3) operations support to both merchandise and service its kiosks, and (4) consumer electronic device royalties, licensing and digital rights management fees and content delivery network fees for delivery of On Demand content.

Marketing

Marketing expenses represent the cost of online and offline marketing and public relations efforts in national and regional advertising. The Company's marketing efforts consist of various media programs, such as e-mail, text, mobile applications, social media, the Company's loyalty program and digital advertising. However, the Company also leverages the visibility provided by its expansive network of approximately 40,000 kiosks and partnership programs with retailers and consumer goods manufacturers to attract and retain new customers.

General and Administrative

General and administrative expenses consist primarily of executive management, business development, finance, management information systems, human resources, legal, facilities, risk management and administrative support for operations.

Depreciation and Amortization

Depreciation and other expenses consist of depreciation charges on the Company's installed kiosks as well as on computer equipment, leasehold improvements, and capitalizable costs for automobile leases and internally developed software related primarily to its customer-facing products. Amortization expenses are related to the amortization of intangible assets. For further information on amortization, see *Note 4: Goodwill and Other Intangible Assets* in Redbox's *Notes to Condensed Consolidated Financial Statements* included elsewhere in this Form 8-K/A.

Results of Operations for the Nine Months Ended September 30, 2021 and 2020

Dollars in thousands	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2021 vs 2020 YTD $	Nine Months Ended September 30, 2021 vs 2020 YTD %
Net revenue	$ 216,372	$ 465,208	$ (248,836)	(53.5)%
Product cost	83,602	187,865	104,263	55.5%
Gross margin	$ 132,770	$ 277,343	$ (144,573)	(52.1)%
Gross margin %	61.4%	59.6%		1.8%
Operating expenses:				
Direct operating	98,155	133,861	35,706	26.7%
Marketing	10,743	16,090	5,347	33.2%
General and administrative	41,709	46,840	5,131	11.0%
Depreciation and amortization	81,317	108,316	26,999	24.9%
Operating loss	(99,154)	(27,764)	(71,390)	n.m.
Interest and other expense, net	(24,687)	(24,848)	161	0.6%
Loss before income taxes	(123,841)	(52,612)	(71,229)	n.m.
Income tax benefit	(30,903)	(13,477)	17,426	n.m.
Net loss	$ (92,938)	$ (39,135)	$ (53,803)	n.m.
Adjusted EBITDA[(1)]	$ (6,683)	$ 109,775	$ (116,458)	(106.1)%
Ending number of kiosks	38,632	40,539	(1,907)	(4.7)%
Physical Theatrical Titles Released in Period	33	63	(30)	(47.6)%

n.m. not meaningful

(1) Refer to "Use of Non-GAAP Measures" below for discussion of this measure and related reconciliation.

Nine months ended September 30, 2021 compared to the nine months ended September 30, 2020

Net Revenue. Net revenue was $216.4 million, a decrease of $248.8 million or 53.5%, compared to net revenue of $465.2 million during the nine months ended September 30, 2020. Physical movie rentals were negatively impacted by the COVID-19 global pandemic due to a material decline in new movie releases available to consumers resulting from broad-based movie theater closures and a material slowdown in new productions, both beginning in March 2020. Studios either delayed the release of new movies into future periods or experimented with alternative release strategies, including selling movies directly to streaming services, which resulted in fewer titles being released at the kiosk. The material decline in new movie releases was compounded by regulatory restrictions on retail stores intended to prevent the spread of COVID-19, meaningfully reducing customer traffic. The timing of new releases impacts the amount of time within the fiscal year Redbox has to monetize a title. As titles release later in the year, the following fiscal year will benefit from the release. With a number of new releases occurring at the end of 2021, the bulk of the benefit will occur in 2022. The nine months ended September 30, 2021 experienced 47.6% fewer theatrical titles released at the kiosk physically versus the same period in 2020 as well as fewer titles flowing into the quarter from Q4 2020 versus Q4 2019. The decrease in revenue primarily resulting from the kiosk rental declines year over year, down 62.4%, is partially offset by a 4.2% increase in rental revenue per physical rental. Digital revenue was also negatively impacted by the lack of new releases in the period versus a year ago reflected by a decrease of 23.9% in revenue.

Product Cost. Product Cost was $83.6 million, a decrease of $104.3 million or 55.5% compared to the same period in 2020, due to variable cost savings from the reduction in new releases.

Gross Margin. Gross margin was $132.8 million, a decrease of $144.6 million or 52.1%, compared to gross margin of $277.3 million for the nine months ended September 30, 2020, due to lower net revenue as discussed above.

Gross margin as a percentage of net revenue increased to 61.4% for the nine months ended September 30, 2021 as compared to 59.6% for the same period in 2020. In addition to the demand impacts on net revenue as discussed above, a number of factors, including growth of On Demand as percent of total business, individual studio release slates as well as timing of individual releases within the period and the mix of content performance depending on the source of content acquisition can impact margin.

Direct Operating Expenses. Direct Operating expenses were $98.2 million, a decrease of $35.7 million or 26.7% compared to the same period in 2020, due to decreases in variable expenses like credit cards fees and retailer revenue share driven by lower rentals, and reductions in supply chain expense related to fewer merchandising weeks due to fewer titles being released.

Marketing Expenses. Marketing expenses were $10.7 million, a decrease of $5.3 million or 33.2% compared to the same period in 2020, due to cost savings initiatives driven by the impact of the pandemic on top line revenue.

General and Administrative Expenses. General and administrative expenses were $41.7 million, a decrease of $5.1 million or 11.0% compared to the same period in 2020, due to cost saving initiatives driven by the impact of the pandemic on top line revenue.

Depreciation and Amortization. Depreciation and amortization decreased by 24.9% to $81.3 million for the nine months ended September 30, 2021, compared to the same period in 2020 due to certain kiosks being fully depreciated.

Operating (Loss) Income. Operating loss for the nine months ended September 30, 2021 was ($99.2) million compared to an operating loss of ($27.8) million for the same period in 2020. The $71.4 million decrease is primarily driven by the net revenue decrease as described above, partially offset by a decrease in direct operating costs.

Net Loss. Net loss was ($92.9) million for the nine months ended September 30, 2021 compared to net loss of ($39.1) million for the same period in 2020 reflecting the decrease in operating income discussed above, partially offset by lower income taxes for the year.

Adjusted EBITDA. Adjusted EBITDA was ($6.7) million, a decrease of $116.5 million, compared to Adjusted EBITDA of $109.8 million for the same period in 2020. The decrease is primarily due to decreases in Legacy Business net revenue, partially offset by a decrease in product costs, direct operating costs due to variable direct cost savings and a decrease to both marketing and general and administrative spend through the Company's cost savings initiatives.

Segment Discussion

Legacy Business

Results

	Nine Months Ended September 30,		**Nine Months Ended September 30, 2021 vs 2020**	
Dollars in thousands	**2021**	**2020**	**$**	**%**
Net revenue	$ 192,025	$ 433,215	$ (241,190)	(55.7)%
Adjusted EBITDA	(8,940)	106,133	(115,073)	(108.4)%
Adjusted EBITDA margin	*(4.7)%*	*24.5%*		*n.m.*
Physical Theatrical Titles Released	33	63	(30)	(47.6)%
Physical Rentals (in thousands)	47,858	127,226	(79,368)	(62.4)%
Net kiosk rental revenue per physical rental	$ 3.26	$ 3.13	$ 0.13	4.2%

Net Revenue. Net revenue was $192.0 million, a decrease of $241.2 million or 55.7%, compared to net revenue of $433.2 million during the nine months ended September 30, 2020. Physical movie rentals were negatively impacted by the COVID-19 global pandemic due to a material decline in new movie releases available to consumers resulting from broad-based movie theater closures and a material slowdown in new productions, both beginning in March 2020. Studios either delayed the release of new movies into future periods or experimented with alternative release strategies, including selling movies directly to streaming services, which resulted in fewer titles being released at the kiosk. The material decline in new movie releases was compounded by regulatory restrictions on retail stores intended to prevent the spread of COVID-19, meaningfully reducing customer traffic. The timing of new releases impacts the amount of time within the fiscal year Redbox has to monetize a title. As titles release later in the year, the following fiscal year will benefit from the new release. With a number of new releases occuring at the end 2021, the bulk of the benefit will occur in 2022. The Company experienced 47.6% fewer theatrical titles released at the kiosk physically versus the same period in 2020. The decrease in revenue primarily resulting from the kiosk rental declines year over year, down 62.4%, is partially offset by a 4.2% increase in rental revenue per physical rental.

As COVID-19 restrictions begin to ease, the Company expects studios to continue to sell titles directly to streaming services from time to time, but may be less likely going forward with the reopening of theatrical exhibitors and the opportunity to achieve higher returns for both studios and artists. As a result, recently a number of titles either were pushed to release theatrically later in 2021 or into 2022. Due to the delay from theatrical to home entertainment, most of these title shifts from 2021 to 2022 did not impact the Company's release expectations for 2022 but may delay the quarter in which the Company is able to release a title at the kiosk. The Company is further mitigating the impact of titles sold exclusively to subscription services by building out a library of content via its Redbox Entertainment label. Redbox Entertainment titles are available physically and digitally on Redbox platforms and will also be monetized across other platforms.

Adjusted EBITDA. Adjusted EBITDA was ($8.9) million, a decrease of $115.1 million compared to $106.1 million in the prior year due to decreases in net revenue, partially offset by a decrease in product costs, direct operating costs due to variable direct cost savings and a decrease to both marketing and general and administrative spend through the Company's cost savings initiatives.

Digital Business

Results

	Nine Months Ended September 30,		**Nine Months Ended September 30, 2021 vs 2020**	
Dollars in thousands	**2021**	**2020**	**$**	**%**
Net revenue	$ 24,347	$ 31,993	$ (7,646)	(23.9)%
Adjusted EBITDA	2,257	3,642	(1,385)	(38.0)%
Adjusted EBITDA margin	*9.3%*	*11.4%*		*(2.1)%*

Net Revenue. Net revenue was $24.3 million, a decrease of $7.6 million or 23.9%, compared to net revenue of $32.0 million during the nine months ended September 30, 2020. On Demand was hampered as fewer new releases were available compared to the prior year as studios continued to delay new releases and experiment with alternative release strategies throughout the pandemic as discussed previously. The advertising industry was also negatively affected by the impact of COVID-19 as traditional advertisers reduced marketing budgets and spending.

Adjusted EBITDA. Adjusted EBITDA was $2.3 million, a decrease of $1.4 million, compared to Adjusted EBITDA of $3.6 million during the prior year reflecting a decline in top line revenue, partially offset by reduced operating costs related to moving from an external to internal On Demand platform.

Use of Non-GAAP Measures

The Company defines EBITDA as net income before net interest expense, income taxes, depreciation and amortization. Adjusted EBITDA adjusts EBITDA by excluding the results of business optimization costs, one-time non-recurring costs, new business start-up costs, restructuring related costs and results of the Company’s former video game business which was discontinued in December 2019. Neither EBITDA nor Adjusted EBITDA are presented in accordance with GAAP.

The Company uses EBITDA and Adjusted EBITDA for operational and financial decision-making and believes these measures are useful in eliminating certain items to focus on what it deems to be indicators of operating performance. EBITDA and Adjusted EBITDA are also used by many of the Company’s investors, securities analysts, and other interested parties in evaluating operational and financial performance as well as debt service capabilities. The Company believes that the presentation of EBITDA and Adjusted EBITDA provides useful information to investors by allowing an understanding of key measures that the Company uses internally for operational decision-making, budgeting, and assessing performance.

EBITDA and Adjusted EBITDA are not recognized terms under GAAP and should not be considered as a substitute for net income, cash flows from operating activities, or other income or cash flow statement data. These measures have limitations as analytical tools, and should not be considered in isolation or as substitutes for analysis of the Company’s results as reported under GAAP. Investors should review the Company’s financial statements and publicly filed reports in their entirety and not to rely on any single financial measure.

Because non-GAAP financial measures are not standardized, EBITDA and Adjusted EBITDA, as defined by Redbox, may not be comparable to similarly titled measures reported by other companies. It therefore may not be possible to compare the Company’s use of these non-GAAP financial measures with those used by other companies.

Adjusted EBITDA is calculated as follows:

	Nine Months Ended September 30,	
Dollars in thousands	**2021**	**2020**
Net loss	$ (92,938)	$ (39,135)
Depreciation and amortization	81,317	108,316
Interest and other expense, net	24,687	24,848
Income tax benefit	(30,903)	(13,477)
EBITDA	(17,837)	80,552
Adjustments to EBITDA:		
Business optimization[a]	5,605	15,142
One-time non-recurring[b]	2,737	5,934
New business start-up costs[c]	1,004	4,821
Restructuring related[d]	1,808	3,326
Adjusted EBITDA	$ (6,683)	$ 109,775

(a) Business optimization costs include employee retention costs, IT costs as well as consulting costs for certain projects. The Company's IT project is a complete restructuring of the Company's technologies as it to moves to a cloud-based infrastructure.

(b) Includes costs related to project costs and initiatives, as well as bank, legal and other fees in connection with the Company's debt financing activities.

(c) Includes costs to support the Company's On Demand and AVOD offerings, along with costs related to the Company's service and media network businesses.

(d) Restructuring related costs include such items as employee severance charges and costs incurred related to removing kiosks.

Liquidity and Capital Resources

The Company's primary sources of liquidity are from cash on hand, cash flow generated from operations, and amounts available under its Term B Revolving Credit Facility. The Company believes that cash flows from operations, the cash and cash equivalents on the balance sheet, and its ability to borrow under its Revolving Credit Facility, will be sufficient to fund its cash requirements and capital expenditure needs for at least the next 12 months. After that time, the extent of additional financing needs, if any, will depend on the success of its business. If the Company generates lower than anticipated revenue or operating results, then cash needs may increase. Furthermore, future capital requirements will depend on a number of factors, including consumer use of the Company's products and services, the type and scope of product and service enhancements, the cost of developing potential new product and service offerings, and enhancements, and cash required to fund potential future investment or to fund the Company's debt obligations.

In response to the prolonged impacts of COVID-19, the Company has improved its financial flexibility by amending its Senior Facilities, which among other things, removes all financial covenants, defers principal amortization payments until the maturity date, extends the maturity date to April 2024, and provides the Company with the ability to pay interest in cash or PIK interest for each interest period ending on or prior to December 31, 2022, subject to certain liquidity thresholds.

Additionally, the Company has taken and continues to take actions to reduce expenses and manage working capital to preserve cash on-hand. These actions include, but are not limited to:

- managing labor hours spent on field and servicing operations based upon inventory levels and demand;
- extending payment terms with vendors;
- delay hiring for non-critical roles;
- delay timing on merit increases;
- reduce long-term incentive compensation; and
- limit capital spending.

As of September 30, 2021, the Company's cash, cash equivalents and restricted cash increased $4.3 million to $13.2 million from the December 31, 2020 balance of $8.9 million. As of September 30, 2021, amounts outstanding under the Company's Term Loan Facility and revolving credit facilities were $330.7 million and $36.8 million, respectively. For additional information see *Note 6: Debt* in Redbox's *Notes to Condensed Consolidated Financial Statements* . In connection with the Business Combination on October 22, 2021, the Company repaid $15.0 million outstanding under the Revolving Credit Facility and $35.0 million outstanding under the Term Loan Facility.

On October 20, 2017, Redbox Automated Retail, LLC ("RAR") entered into a credit agreement ("Credit Agreement"), which provided for:

- a first lien term loan facility (the "Term Loan B"), in an original aggregate principal amount of $425.0 million, with a five-year maturity; and

- a first lien revolving credit facility (the "Revolving Credit Facility" and, together with the Term Loan Facility, the "Senior Facilities"), in an aggregate principal amount of up to $30.0 million, with a five-year maturity.

The Term Loan B was made available to RAR immediately upon closing and was used in part to retire all $280.0 million of the Company's existing debt and to settle closing costs associated with the new Term Loan B totaling $19.5 million of which $4.6 million was paid to Apollo Global Securities, LLC, an affiliate of Apollo, for services provided in connection with the financing. The balance of the Term Loan B proceeds were used towards a dividend, occurring on the same day, with total dividend of $160.0 million to equity holders of RAR. Additionally, at the execution of the new Credit Agreement, RAR wrote-off unamortized deferred financing costs of $21.7 million related to the extinguishment of the entire debt under the prior credit agreement.

On September 7, 2018, RAR entered into an Incremental Assumption and Amendment Agreement (the "Amendment") to the Credit Agreement. The Amendment provided for, among other things, (i) an incremental Term B-1 Loan ("Term Loan B-1") in an original aggregate principal amount of $85.8 million and (ii) the payment of one or more restricted payments to shareholders of RAR in an aggregate amount not to exceed $115.0 million. The proceeds received from the Amendment along with cash flow from the business were used towards a dividend distribution to equity holders of RAR totaling $115.0 million that was paid within five business days of September 7, 2018, and to pay fees and expenses in connection with the Amendment totaling $3.7 million. The additional loan under Term Loan B-1 had terms identical to the original Term Loan B, except to account for the incremental principal amount within the quarterly amortization payment schedule and to reset call protection on the Term Loan B-1.

On September 30, 2020, RAR entered into the second amendment to its Credit Agreement (the “Second Amendment”) to, among other things, to increase the total net leverage covenant during the remaining term of the Credit Agreement and revise the quarterly amortization payment schedule.

On December 28, 2020, RAR entered into a third amendment to its Credit Agreement (the “Third Amendment”). The amendment deferred the December 2020 amortization payment to March 2021.

As of December 31, 2020, RAR’s Senior Facilities matured on October 20, 2022, and subsequent to the Amendment, Second Amendment and Third Amendment consisted of:

- a first lien term loan B facility, in an aggregate principal amount of $425.0 million;

- a first lien term loan B-1 facility, in an aggregate principal amount of $85.8 million; and

- a first lien revolving credit facility, in an aggregate principal amount of up to $30.0 million.

On December 29, 2020, Redbox Entertainment, LLC entered into a four-year, $20.0 million revolving credit facility with Union Bank (the “Union Revolving Credit Facility”). The facility is used exclusively to pay for minimum guarantees, license fees and related distribution expenses for original content obtained under the Company’s Redbox Entertainment label. Borrowings outstanding under the Union Revolving Credit Facility as of September 30, 2021 and December 31, 2020 were $4.6 million and $2.55 million, respectively.

Borrowings under the Union Revolving Credit Facility will bear interest at either the alternate base rate or LIBOR (based on an interest period selected by the Company of one month, three months or six months) in each case plus a margin. The alternate base rate loans bear interest at a per annum rate equal to the greatest of (i) the base rate in effect on such day, (ii) the federal funds effective rate in effect on such day plus 1⁄2 of 1.0%, and (iii) daily one month LIBOR plus 1.0%. The revolving credit facility borrowings that are LIBOR loans bear interest at a per annum rate equal to the applicable LIBOR plus a margin of 0.50%. The borrowing interest rate for the Union Revolving Credit Facility was 4.25% as of September 30, 2021 and December 31, 2020, respectively.

In addition to paying interest on outstanding principal under the Union Revolving Credit Facility, Redbox Entertainment, LLC is required to pay a commitment fee at a rate equal to 0.50% per annum to the lenders in respect of the unutilized commitments thereunder.

On January 29, 2021, RAR entered into an amendment to its Credit Agreement (the “Fourth Amendment”). The Fourth Amendment provided for, among other things, (i) deferral of principal amortization payments until the maturity date, (ii) extension of the maturity date to April 2023, (iii) at the Company’s election, subject to certain liquidity thresholds, payment PIK interest, and, (iv) removal of all financial covenant requirements.

In addition, under the Fourth Amendment RAR incurred an incremental first lien term loan B-2 facility (“Term Loan B-2” and, together with Term Loan Bs and Term Loan B-1’s, the “Term Loan Facility”) in an aggregate principal amount of $25.0 million which was provided by New Outerwall Inc. The loan was subsequently assigned to Aspen Parent, Inc. Aspen Parent, Inc. indirectly owns 100% of the equity of the Company and is therefore a related party of the Company. The proceeds from the loan will be used for general corporate purposes.

Pursuant to the Fourth Amendment, interest is payable on the Senior Facilities entirely in cash or, for a specified period, could be paid by increasing the principal amount of the Senior Facilities (PIK Interest), or through a combination of cash and PIK interest, subject to certain liquidity thresholds. Borrowings under the Senior Facilities bear interest at a rate at RAR’s option, either (a) a London Interbank Offer Rate (“LIBOR”) determined by reference to the costs of funds for Eurodollar deposits for the interest period relevant to such borrowing, adjusted for certain additional costs, subject to a 1.00% floor in the case of term loans or (b) a base rate determined by reference to the highest of (i) the federal funds rate plus 0.50% per annum, (ii) the prime rate quoted by the Wall Street Journal (or another national publication selected by the administrative agent) and (iii) the one-month adjusted LIBOR plus 1.00% per annum, in each case plus an applicable margin. The applicable margin for borrowings under the Senior Facilities is 7.25% with respect to Eurocurrency Borrowings (increasing to 8.25% if PIK Interest is paid) and 6.25% with respect to ABR Borrowings (increasing to 7.25% if PIK Interest is paid).

In addition to paying interest on outstanding principal under the Senior Facilities, RAR is required to pay a commitment fee at a rate equal to 0.50% per annum to the lenders in respect of the unutilized commitments thereunder. RAR is also required to pay customary agency fees.

As of September 30, 2021 and December 31, 2020, the borrowing interest rate for the Senior Facilities was 9.25% and 8.25%, respectively.

In connection with the Business Combination, on May 16, 2021, RAR entered into another amendment to its Credit Agreement (the “Fifth Amendment”). The Fifth Amendment, which became effective upon consummation of the Business Combination, provided consent to the planned Business Combination and among other things, extended the Senior Facilities maturity date to October 2023 and subordinated the Term Loan B-2s to the Term Loan Bs and the Term Loan B-1s. In addition, among other things, concurrently with the consummation of the Business Combination, i) $15.0 million of cash proceeds from the Business Combination were used to pay down outstanding borrowings under the Revolving Credit Facility and ii) $35.0 million of cash proceeds from the Business Combination were used to pay down outstanding borrowings under the Term Loan Bs and the Term Loan B-1s.

On October 11, 2021, RAR entered into a consent to the Fifth Amendment to make certain additional changes to the Credit Agreement, which became effective upon consummation of the Business Combination, including extending the maturity date of the Senior Facilities to April, 2024 and extending the PIK interest option until December 31, 2022 (subject to a minimum pro forma liquidity). See *Note 14: Subsequent Events* in Redbox’s *Notes to Condensed Consolidated Financial Statements* for a further discussion.

Required minimum principal amortization payments under the Term Loan Facility as of September 30, 2021, are as follows:

Dollars in thousands	**Repayment Amount**
Remaining 2021	$ —
2022	—
2023	330,749
Total	$ 330,749

As noted above, pursuant to the consent agreement to the Fifth Amendment that RAR entered into On October 11, 2021, the maturity date of the Senior Facilities has been extended to April, 2024.

In addition, the Senior Facilities require RAR to prepay outstanding term loan borrowings, subject to certain exceptions, with:

- a certain percentage set forth in the Credit Agreement governing the Senior Facilities of RAR’s annual excess cash flow, as defined under the Senior Facilities;
- a certain percentage of the net cash proceeds of certain non-ordinary course asset sales, other dispositions of property or certain casualty events, in each case subject to certain exceptions and reinvestment rights; and
- the net cash proceeds of any issuance or incurrence of debt, other than proceeds from debt permitted under the Senior Facilities.

RAR may voluntarily repay outstanding loans that are funded solely by internally generated cash from business operations under the Senior Facilities at any time, without prepayment premium or penalty, except customary “breakage” costs with respect to LIBOR rate loans.

All obligations under the Senior Facilities are unconditionally guaranteed by each of RAR’s existing and future direct and indirect material, wholly-owned domestic subsidiaries, subject to certain exceptions and the direct parent of RAR. The obligations are secured by a pledge of substantially all of RAR’s assets and those of each guarantor, including capital stock of the subsidiary guarantors and 65% of the capital stock of the first-tier foreign subsidiaries that are not subsidiary guarantors, in each case subject to certain exceptions, and its capital stock owned by RAR’s direct parent. Such security interests consist of a first-priority lien with respect to the collateral.

All obligations under the Union Revolving Credit Facility are guaranteed by all direct and indirect wholly owned subsidiaries of the Company’s Redbox Entertainment entity.

As of the period ended September 30, 2021, the Company was in compliance with all applicable loan covenants.

Historical Cash Flows

	Nine Months Ended September 30,	
Dollars in thousands	2021	2020
Net cash (used in) / provided by operating activities	$ (10,781)	$ 36,878
Net cash used in investing activities	(9,647)	(16,113)
Net cash provided by / (used in) financing activities	24,659	(22,695)
Total change in cash, cash equivalents and restricted cash	$ 4,231	$ (1,930)

Operating Activities

Net cash used by operating activities during the nine months ended September 30, 2021 was $10.8 million compared to $36.9 million net cash provided for the nine months ended September 30, 2020. The $47.7 million decrease in operating cash flows was primarily driven by the following:

- $53.8 million decrease in net income;
- $1.3 million decrease in net cash inflows from changes in working capital primarily due to the timing of payments on content obligations at the end of each period presented, and the impact from various other operating balances including income tax obligations due to quarterly payment extensions; and

- $7.4 million increase in net non-cash income and expense included in net income primarily due to higher depreciation, deferred financing costs and deferred income tax benefit related to the non-cash amortization of intangible assets that are not deductible for tax purposes.

Investing Activities

Investing activities reflect a $9.6 million net use of cash during the nine months ended September 30, 2021 compared to $16.1 million net use of cash during the nine months ended September 30, 2020. The decrease is due to less capital expenditures in the current year, primarily on the Company's kiosk infrastructure.

Financing Activities

Net cash provided by financing activities was $24.7 million during the nine months ended September 30, 2021 compared to net cash used in financing activities of $22.7 million for the nine months ended September 30, 2020. The $47.4 million decrease of cash used in financing activities is primarily due to the deferral of quarterly principal payment obligations.

Contractual Payment Obligations

As of September 30, 2021, the Company's contractual obligations are not materially different from the contractual obligations described below as of December 31, 2020.

Dollars in thousands	2021	2022	2023	2024	2025 & Beyond	Total
Long-term debt[1]	$ —	$ —	$ 281,563	$ —	$ —	$ 281,563
Contractual interest on long-term debt[1]	36,590	29,978	9,291	—	—	75,859
Revolving credit facilities[1]	—	—	32,550	—	—	32,550
Capital lease obligations[2]	2,836	1,895	470	27		5,228
Operating lease obligations, net[2]	2,591	1,994	1,614	923	546	7,668
Asset retirement obligations[4]	—	—	—	—	8,556	8,556
Minimum estimated movie content commitments[2]	38,319	21,469	—	—	—	59,788
Other[5]	2,279	149	—	—	—	2,428
Total[3]	$ 82,615	$ 55,485	$ 325,488	$ 950	$ 9,102	$ 473,640

(1) See *Note 6: Debt* and *Note 15: Subsequent Events* in Redbox's *Notes to Consolidated Financial Statements* included elsewhere in this Form 8-K/A.

(2) See *Note 11: Commitments and Contingencies* in Redbox's *Notes to Condensed Consolidated Financial Statements* included elsewhere in this Form 8-K/A.

(3) Income tax liabilities for uncertain tax positions were excluded as the Company is not able to make a reasonably reliable estimate of the amount and period of related future payments. As of December 31, 2020, the Company had $2.2 million of gross unrecognized tax benefits for uncertain tax positions.

(4) Asset retirement obligations represent estimated amounts the Company is obligated to pay to return the space a kiosk occupies to its original condition upon removal of a kiosk and are presented as occurring in 2025 and beyond as the timing of kiosk removals cannot be reasonably determined. The amount is included as a component of *Other long term liabilities* on the *Consolidated Balance Sheets.*

(5) Balance represents primarily firm commitments for service parts for kiosk maintenance/repairs/upgrades, and expenditures related to information technology.

Off-Balance Sheet Arrangements

Other than certain contractual arrangements listed above, the Company does not have any off-balance sheet arrangements that have or are reasonably likely to have a material current or future effect on its financial condition, changes in financial condition, revenue or expenses, results of operations, liquidity, capital expenditures or capital resources. For additional information see *Note 11: Commitments and Contingencies* in Redbox's *Notes to Condensed Consolidated Financial Statements* included elsewhere in this Form 8-K/A.

Inflation

The Company is beginning to see impacts of inflation in various areas of its business, including but not limited to, fuel, labor, parts, insurance, and shippng. We except to see inflationary pressures continue into 2022.

Critical Accounting Policies

The Company's Consolidated Financial Statements are prepared in accordance with accounting principles generally accepted in the United States of America and include amounts based on management's prudent judgments and estimates. Actual results may differ from these estimates. Management believes that any reasonable deviation from those judgments and estimates would not have a material impact on the Company's consolidated financial position or results of operations. To the extent that the estimates used differ from actual results, however, adjustments to the Consolidated Statements of Operations and corresponding Consolidated Balance Sheets accounts would be necessary. These adjustments would be made in future periods. Some of the more significant estimates include goodwill, long-lived assets impairment, content library, and income taxes. The Company uses the following methods to determine its estimates:

Goodwill Impairment — In line with ASC 350, *Intangibles — Goodwill and Other*, goodwill is evaluated for impairment annually during the fourth quarter, or more frequently if a triggering event occurs or circumstances change that could more likely than not reduce the fair value of a reporting unit below its carrying value. As part of the Company's impairment analysis, fair value of a reporting unit is determined using both the income and market approaches. The income approach requires management to estimate a number of factors for each reporting unit, including projected future operating results, economic projections, anticipated future cash flows and discount rates. The market approach estimates fair value using comparable marketplace fair value data from within a comparable industry grouping.

During the fourth quarter of 2020, the Company completed a quantitative impairment analysis for goodwill related to its Legacy reporting unit, as a result of the significant impact of COVID- 19 on its financial performance. Based on this analysis, the Company concluded the fair value of its Legacy reporting unit exceeded its carrying value by approximately 14% and as such, no impairment charge was recorded.

The determination of the fair value of the Company’s reporting units requires the Company to make significant estimates and assumptions including the business and financial performance of the Company’s reporting units, as well as how such performance may be impacted by COVID-19. These estimates and assumptions primarily include, but are not limited to: the selection of appropriate peer group companies, control premiums appropriate for acquisitions in the industries in which the Company competes, discount rates, terminal growth rates, forecasts of revenue, operating income, depreciation, amortization and capital expenditures, including considering the impact of COVID-19. Certain events or circumstances that could reasonably be expected to negatively affect the underlying key assumptions and ultimately affect the estimated fair values of the Company’s reporting units include such items as: (i) a decrease in expected future new release movie titles resulting from the prolonged effects of the COVID-19 pandemic (ii) an increase in competition across streaming platforms resulting in fewer titles available at Redbox or fewer rental transactions and (iii) the inability to achieve cost savings or growth initiative targets within an expected timeframe.

Although the Company believes its estimates of fair value are reasonable, actual financial results could differ from those estimates due to the inherent uncertainty involved in making such estimates. Changes in assumptions concerning future financial results or other underlying assumptions, including the impact of COVID- 19, could have a significant impact on either the fair value of the reporting units, the amount of any goodwill impairment charges, or both. These estimates can be affected by a number of factors including, but not limited to, the impact of COVID-19, its severity, duration and its impact on global economies, general economic conditions as well as the Company’s profitability. The Company will continue to monitor these potential impacts, including the impact of COVID-19 and economic, industry and market trends and the impact these may have on its Legacy and Digital reporting units. See *Note 4: Goodwill*, in the *Notes to Condensed Consolidated Financial Statements* included elsewhere in this Form 8-K/A.

Lives and Recoverability of Equipment and Other Long-Lived Assets — The Company evaluates the estimated remaining life and recoverability of equipment and other assets, including intangible assets subject to amortization, whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. Factors that would indicate potential impairment include, but are not limited to, significant decreases in the market value of the long-lived asset(s), a significant change in the long-lived asset’s use or physical condition, and operating or cash flow losses associated with the use of the long-lived asset. When there is an indication of impairment, management prepares an estimate of future undiscounted cash flows expected to result from the use of the asset and its eventual disposition to test recoverability. If the sum of the future undiscounted cash flows is less than the carrying value of the asset, it indicates that the long- lived asset is not recoverable, in which case the Company will then compare the estimated fair value to its carrying value. If the estimated fair value is less than the carrying value of the asset, the Company recognizes the impairment loss and adjusts the carrying amount of the asset to its estimated fair value.

The determination of the fair value of the Company’s assets requires management to estimate a number of factors including anticipated future cash flows and discount rates. Although the Company believes these estimates are reasonable, actual results could differ from those estimates due to the inherent uncertainty involved in making such estimates.

Content Library —Content library is comprised of movies available for rent or purchase through the Company’s kiosks as well as movies acquired through the Company’s Redbox Entertainment label.

For movies available for rent or purchase through the Company’s kiosks, movie content is obtained primarily through revenue sharing agreements and license agreements with studios, as well as through distributors and other suppliers. The cost of content mainly includes (1) the costs paid to studios and other vendors to acquire content including revenue share as applicable, (2) costs incurred to label, sort, and ship content to the Company’s kiosks for merchandising, (3) costs incurred to destroy content after use if required under contractual arrangements with studios and (4) indirect taxes, if applicable. For content the Company expects to sell, management determines an estimated salvage value. Content salvage values are estimated based on the historical sales activity. The cost of each title is capitalized and amortized to its estimated salvage value using rental decay curves. Rental decay curves are based on historical performance of movies over their useful lives to allocate content library costs to the periods over which the related revenue are earned. Given the steepness of the rental decay curve, amortization of the content library is recorded on an accelerated basis with substantially all of the content library cost recognized within the first year. The rental decay curves and salvage value of the Company’s content library are periodically reviewed and evaluated.

For movies acquired through the Company’s Redbox Entertainment label, costs include (1) the costs to acquire content, (2) manufacturing costs and (3) supply chain costs. These costs are capitalized as they are incurred and amortized in proportion to the current year's revenue as a percentage of management's estimate of total ultimate revenue, not to exceed the life of the acquired rights. Ultimate revenue estimates are periodically reviewed and adjustments, if any, will result in changes to amortization rates.

Income Taxes — The Company’s income tax expense, deferred tax assets and deferred tax liabilities, and liabilities for unrecognized tax benefits reflect management’s best estimate of current and future taxes to be paid. The Company is subject to income taxes in the United States and Puerto Rico. Significant judgment and estimates are required in the determination of the consolidated income tax expense.

Deferred tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. The Company records a valuation allowance to reduce its deferred tax assets to the amount that is more likely than not to be realized. In evaluating its ability to recover its deferred tax assets, the Company considers all available positive and negative evidence, including scheduled reversals of deferred tax liabilities, projected future taxable income, tax-planning strategies, and results of recent operations. In projecting future taxable income, the Company begins with historical results and incorporates assumptions about the amount of future pretax operating income adjusted for items that do not have tax consequences. The assumptions about future taxable income require the use of significant judgment and are consistent with the plans and estimates the Company uses to manage the underlying businesses. In evaluating the objective evidence that historical results provide, the Company considers three years of cumulative operating income (loss).

As of December 31, 2020, the Company has state tax credit carryforwards of $1.1 million which will expire at various dates between 2021 and 2024. The Company believes that it is more likely than not that the benefit from the majority of these state tax credits carryforwards will not be realized. In recognition of this risk, the Company provided a valuation allowance of $1.0 million on the deferred tax assets related to these state tax credit carryforwards.

The calculation of the Company's tax liabilities involves dealing with uncertainties in the application of complex tax laws and regulations in a multitude of jurisdictions across its operations. ASC 740 states that a tax benefit from an uncertain tax position may be recognized when it is more likely than not that the position will be sustained upon examination, including resolutions of any related appeals or litigation processes, on the basis of the technical merits.

The Company (1) records unrecognized tax benefits ("UTB's") as liabilities in accordance with ASC 740 and (2) adjusts these liabilities when its judgment changes as a result of the evaluation of new information not previously available. Because of the complexity of some of these uncertainties, the ultimate resolution may result in a payment that is materially different from management's current estimate of the UTB liabilities. These differences will be reflected as increases or decreases to income tax expense in the period in which new information is available.

At December 31, 2020 and 2019, the liabilities related to total unrecognized tax benefits were $2.2 million and $1.9 million, respectively, all of which would have an impact on the effective tax rate if recognized. Accrued interest and penalties associated with uncertain tax positions was $0.0 million and $0.3 million, for each of the years ended December 31, 2020 and 2019, respectively. The Company believes that it is reasonably possible that approximately $1.3 million of its currently remaining UTBs, may be recognized by the end of 2021 as a result of a lapse of the statute of limitations.

For additional information see *Note 12: Income Taxes* in Redbox's *Notes to Condensed Consolidated Financial Statements included elsewhere in this Form 8-K/A.*

Recent Accounting Pronouncements

See *Note 1: Summary of Significant Accounting Policies*, in Redbox's *Notes to Condensed Consolidated Financial Statements* included elsewhere in this Form 8-K/A.

Quantitative and Qualitative Disclosures about Market Risk

The Company is exposed to market risks in the ordinary course of its business. These risks primarily consist of fluctuations in interest rates.

The Company manages these risks primarily by managing the amount, sources, and duration of its debt funding and by using various derivative financial instruments such as interest rate hedges. The Company enters into derivative instruments with trusted and diverse counterparties to reduce credit risk. These derivative instruments are strictly used for risk management purposes and, accordingly, are not used for trading or speculative purposes.

Interest Rate Risks

The Company is exposed to interest rate volatility with regard to its term loan (“Term Loan Facility”). The Company manages this interest rate risk by entering into interest rate derivative agreements to attempt to hedge the variability of future interest payments driven by fluctuations in interest rates.

The Company continually assesses interest rate sensitivity to estimate the impact of rising short-term interest rates on its variable rate debt. The Company’s interest rate risk management strategy is focused on limiting the impact of interest rate changes on earnings and cash flows to lower its overall borrowing cost. Historically, the Company has maintained the majority of its overall interest rate exposure on a fixed-rate basis. In order to achieve this, the Company has entered into derivative financial instruments such as interest rate swap agreements when appropriate and will continue to do so as appropriate. See *Note 7: Derivatives*, in Redbox’s *Notes to Condensed Consolidated Financial Statements* included elsewhere in this Form 8-K/A for additional information about interest rate risks managed through derivative activities and notional amounts of underlying hedged items.