



BLACKHAWK N E T W O R K

Q3 2015 Earnings Report

October 14, 2015
6:00 am Pacific

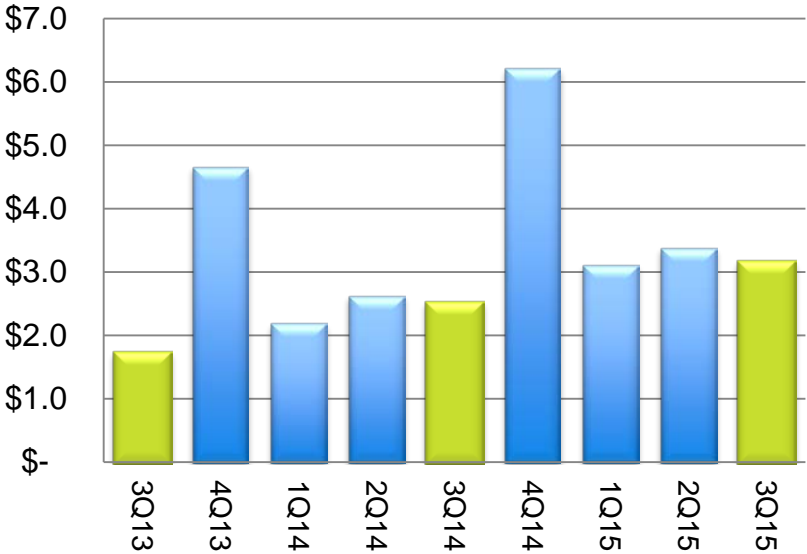


Forward Looking Statements

This presentation contains forward-looking statements that involve risks and uncertainties, as well as assumptions that, if they never materialize or prove incorrect, could cause our results to differ materially from those expressed or implied by such forward-looking statements. The statements are not purely historical and are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements are often identified by the use of words such as, but not limited to, “anticipate,” “believe,” “can,” “continue,” “could,” “estimate,” “expect,” “intend,” “may,” “plan,” “project,” “seek,” “should,” “target,” “will,” “would,” “on track” and similar expressions or variations intended to identify forward-looking statements. These statements are based on the beliefs and assumptions of our management based on information currently available to management. Such forward-looking statements are subject to risks, uncertainties and other important factors that could cause actual results and the timing of certain events to differ materially from future results expressed or implied by such forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those identified in the “Risk Factors” section in our filings with the Securities and Exchange Commission. Furthermore, such forward-looking statements speak only as of the date of this presentation. Except as required by law, we undertake no obligation to update any forward-looking statements to reflect events or circumstances after the date of such statements.

Transaction Dollar Volume (TDV) and Adjusted Operating Revenues (AOR)

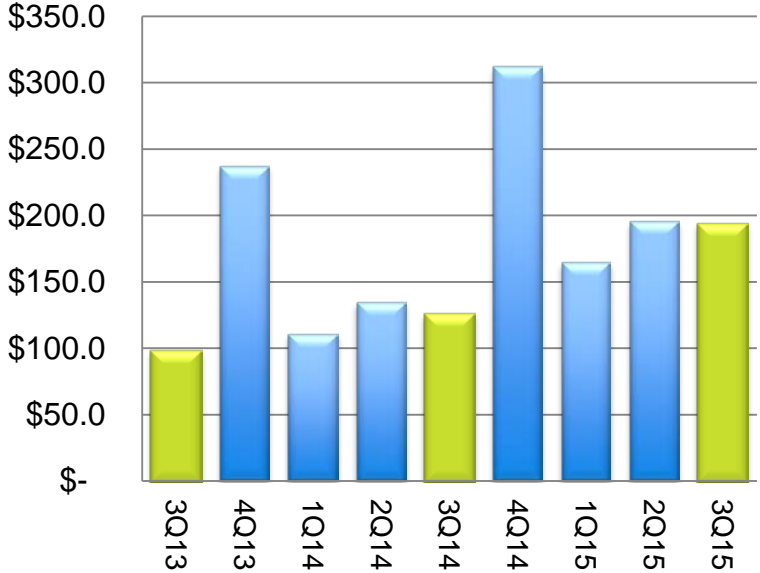
TDV (in billions)



Q3 YOY TDV growth

- 2015 +26%
- 2014 +46%
- 2013 +18%

AOR (in millions)

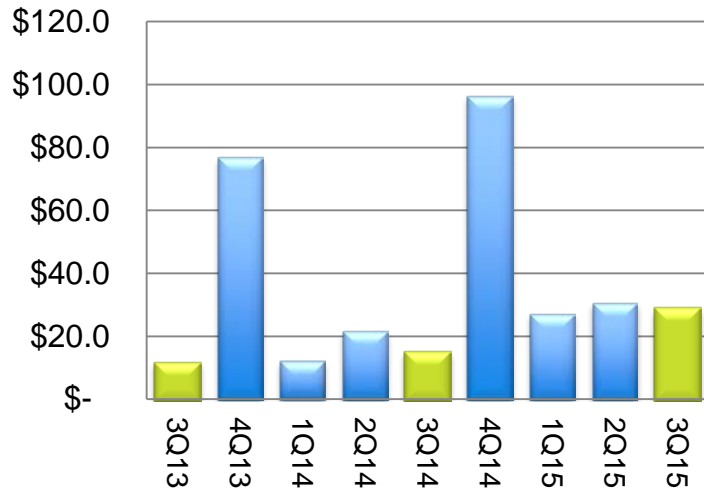


Q3 YOY AOR growth

- 2015 +54%
- 2014 +28%
- 2013 +33%

Adjusted EBITDA and Adjusted EPS

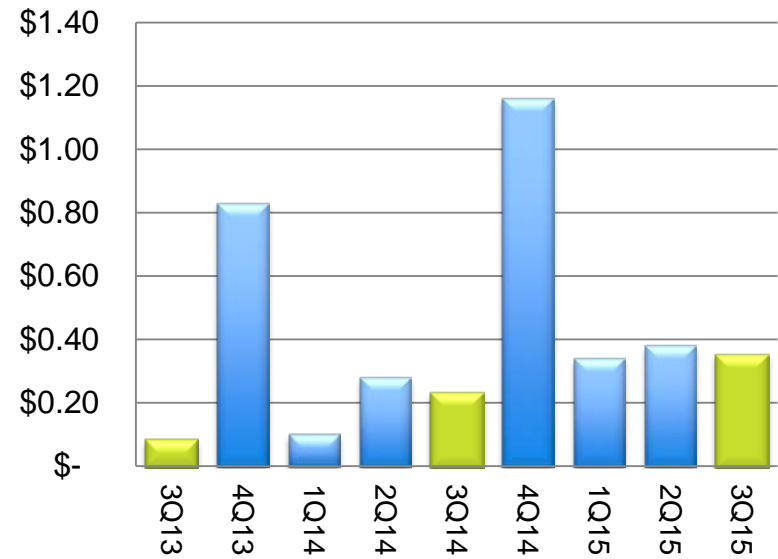
Adjusted EBITDA (in millions)



Q3 YOY Adjusted EBITDA growth

- 2015 +95%
- 2014 +28%
- 2013 +59%

Adjusted EPS



Q3 YOY Adjusted EPS growth

- 2015 +52%
- 2014 +188%
- 2013 +167%

Key Financial Metrics (non-GAAP)

Q3'15 vs Q3'14

<i>(\$ in millions except EPS)</i>	Q3 '15	Q3 '14	% Change
Adjusted Operating Revenues (AOR)	\$193.4	\$125.4	54%
Adjusted EBITDA	\$28.6	\$14.7	95%
Adjusted EBITDA Margin	14.8%	11.7%	
Adjusted Net Income	\$19.8	\$12.4	59%
Adjusted Diluted EPS	\$0.35	\$0.23	52%

- EBITDA growth faster than AOR due to expense leverage
- Net income before cash tax benefit growing faster than EBITDA due to lower tax rate
- Reduction in cash taxes payable increased \$2.4M (+30%) from new NOLs

U.S. Retail



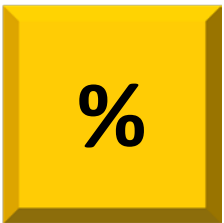
Continued growth from best practices; holiday marketing promotions finalized for the fourth quarter



Successfully renewed existing distribution partner contracts during the quarter; signed new distribution partner - Office Depot



Signed 12 new content providers including CVS, Round Table Pizza, Roy's Restaurants and launching "gift of stock" cards



Launched open loop gift cards in Lowes Hardware; piloting new category cards

Online & Digital



YTD transaction dollar volume growth 110%



YTD Cardpool Exchange adjusted operating revenues growth 60%



Signed and launched Chase digital app and six other digital deals



YTD 38% of online transaction dollar volume is e-gift, up from 22% YTD 2014

Incentives & Rewards



Achievers Q3 performance met expectations; integration work on track



Signed 2 key customers in the energy industry



Launching new sales channel incentives platform

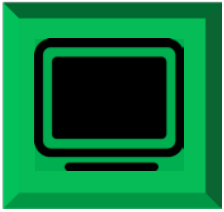


Rolling out ecommerce platform to international regions in Q4

International Retail



China JV investment closed; early stage India sales ramp; Google Play driving significant sales growth in Korea



Best practices advancing in Canada's leading distribution partners



Germany acquired remaining interest in B2B subsidiary; in process of launching new open loop product



Closed acquisition of Didix, a Netherlands-based content provider



Financial Details

Segment Financial Metrics (non-GAAP)

Q3'15 vs. Q3'14

(\$ in millions)	US Retail	Int'l Retail	Incentives & Rewards	Corporate & Unallocated	Total
TDV 2015	\$2,041	\$662	\$465		\$3,168
TDV 2014	\$1,830	\$572	\$113		\$2,515
% Increase	12%	16%	310%		26%
AOR 2015	\$113	\$27	\$53		\$193
AOR 2014	\$93	\$21	\$11		\$125
% Increase	21%	27%	392%		54%
Adjusted EBITDA 2015	\$45	\$4	\$11	\$(31)	\$29
Adjusted EBITDA 2014	\$36	\$2	\$2	\$(25)	\$15
% Increase	23%	104%	404%	20%	95%

- Unallocated primarily represents shared services costs
- U.S. Retail driven by strong open loop gift performance and growth at Cardpool
- Excluding FX impact, International TDV grew 40%, AOR grew 56%, and EBITDA grew 164%
- BES performance driven by Parago/Achievers acquisitions and organic growth at IntelliSpend

Revenue Ratios – Q3'15 vs Q3'14

	Q3'15	Q3'14	Change	FY Est*
Prepaid and Processing Revenues (PPR) % of TDV	9.2%	9.3%	-0.1%	9.2%
Partner Distribution Expense (PDE) % of PPR	55.3%	60.9%	-5.6%	56.9%
Adjusted Operating Revenues (AOR) % of TDV	6.1%	5.0%	1.1%	5.6%
Pro Forma Adjusted Operating Revenues % of TDV	4.3%	3.6%	0.6%	4.0%

- PPR as % of TDV lower due to higher mix of open loop vs. closed loop
- PDE as a % of PPR lower due to addition of Parago/Achievers and higher mix of U.S. retail open loop
- AOR as a % of TDV higher primarily due to growth at Cardpool, addition of Achievers, marketing revenues and Parago
- Pro Forma AOR as a % of TDV higher due to addition of Parago and Achievers

Note: PPR is total revenues excluding marketing revenues and product sales. See reconciliation to Pro Forma AOR in Appendix

* *Current point estimate of full year ratios*

Expense Ratios – Q3'15 vs Q3'14

	Q3'15	Q3'14	Change	FY Est*
Processing & Services % of Pro Forma AOR	49.5%	50.0%	-0.5%	44.4%
Sales & Marketing, Net % of Pro Forma AOR	23.4%	26.0%	-2.6%	22.2%
General & Administrative % of Pro Forma AOR	13.8%	15.9%	-2.1%	11.9%

- Processing & Services leverage mainly due to product mix and lower fixture expense in U.S. retail
- Sales & Marketing (net of marketing revenues) lower due to Incentives and Rewards smaller ratio of marketing spend and lower program development expense in U.S. Retail
- G&A leverage achieved by slower headcount growth

Note: Expenses exclude non-cash items

* Current point estimate of full year ratios; total expenses % estimated at 78.5% as compared to 77.9% for FY 2014

Product Sales and Margin

<i>(\$ in millions)</i>	Q3'15	Q3'14	% Change	FY Est*
Product Sales	\$43.4	\$23.2	87%	46%
Cost of Products Sold	\$40.6	\$21.9	85%	44%
Product Gross Profit	\$2.8	\$1.3	121%	85%
Product Gross Margin	6.6%	5.6%	18%	6.4%

- Q3 Product Sales comprised of Cardpool (over 70% of total and up 67% YOY) and Achievers (16% of total)
- Margin increase driven by Cardpool and the addition of Achievers

* *Current point estimate of full year growth rate and margin*

Q4'15 Financial Guidance

<i>(\$ in millions except EPS)</i>	Q4'15 Guidance	Q4'14 Actual	% Increase
Adjusted Operating Revenues	\$365 - \$385	\$312	17% - 23%
Adjusted EBITDA	\$104 - \$112	\$96	8% - 16%
Adjusted Net Income before Reduction in Cash Taxes Payable	\$53 - \$57	\$52	3% - 11%
Adjusted Diluted EPS before Reduction in Cash Taxes Payable	\$0.94 - \$1.01	\$0.93	1% - 9%
Adjusted Net Income	\$67 - \$72	\$64	4% - 12%
Adjusted Diluted EPS	\$1.18 - \$1.26	\$1.16	2% - 9%

- Lowered AOR mid-point forecast by \$14M vs. prior guidance primarily due to lower pass-through marketing revenues (no adjusted EBITDA or adjusted net income impact)
- EBITDA growth rate lower than AOR growth primarily due to Achievers (-190bps margin impact)
- Adjusted net income reflects higher depreciation (+28%) and interest (+53%) driven by acquisitions
- Projected share count 56.8M in Q4'15 vs. 55.0M in Q4'14 and up from 56.2M in prior Q4'15 guidance

2015 Annual Financial Guidance Update

<i>(\$ in millions except EPS)</i>	2015 Guidance	2014	% Increase
Adjusted Operating Revenues	\$918 - \$938	\$683	34% - 37%
Adjusted EBITDA	\$191 - \$198	\$145	32% - 37%
Adjusted Net Income before Reduction in Cash Taxes Payable	\$84 - \$88	\$69	22% - 28%
Adjusted Diluted EPS before Reduction in Cash Taxes Payable	\$1.50 - \$1.58	\$1.27	18% - 24%
Adjusted Net Income	\$127 - \$131	\$97	31% - 36%
Adjusted Diluted EPS	\$2.25 - \$2.34	\$1.77	27% - 32%

- Lowered AOR mid-point forecast by \$14M vs. prior guidance primarily due to lower pass-through marketing revenues (no adjusted EBITDA or adjusted net income impact)
- Full fiscal year 2015 adjusted EPS guidance mid-point increased from prior guidance provided on July 22, 2015 due to favorable Q3'15 performance
- Reduction in cash taxes payable expected to increase 54% (\$15M) for FY15 vs FY14



Appendix

Adjusted EBITDA Bridge – Q3'15 vs Q3'14

(\$ in millions)	2014		Total
	Existing	Acquisitions	
Q3 2014 Adjusted EBITDA	\$15	-	\$15
AOR	27	41	68
OPEX	(19)	(34)	(53)
FX rate impact	(1)	-	(1)
Q3 2015 Adjusted EBITDA	\$22	\$7	\$29
% increase YOY	49%	n/a	95%

- YTD Q3'15 FX impact is \$2.3M; expect FX impact on Q4'15 EBITDA of approximately \$2.8M

Q3'15 Adjusted EBITDA Walk to Adjusted Net Income

<i>(\$ in millions)</i>	Existing	2014 Acquisitions	Total
Q3 2015 Adjusted EBITDA	\$22	\$7	\$29
Depreciation	(7)	(3)	(10)
Interest, Net	(1)	(4)	(5)
Adjusted Income Before Taxes	14	-	14
Income Taxes	(4)	-	(4)
Adjusted Net Income Before Reduction in Cash Taxes Payable	10	-	10
Add: Reduction in Cash Taxes Payable	7	3	10
Q3 2015 Adjusted Net Income	\$17	\$3	\$20

Adjusted EPS Bridge – Q3'15 vs. Q3'14

	Total Excl Tax	Tax Benefits	Total
Q3 2014 Adjusted Diluted EPS	\$0.09	\$0.14	\$0.23
Foreign exchange rate impact	(0.01)		(0.01)
Decrease in effective tax rate	0.02		0.02
Growth from 2014 / 2015 acquisitions	0.09	0.05	0.14
Less: Depreciation increase in 1 st year	(0.04)		(0.04)
Less: Interest increase 1 st year	(0.04)		(0.04)
Net increase from acquisitions	0.01	0.05	0.06
Cash tax benefit – spin-off		(0.01)	(0.01)
One-time expense items – 2014 spin-off	0.01		0.01
Increase from growth in existing business	0.05		0.05
Q3 2015 Adjusted Diluted EPS	\$0.17	\$0.18	\$0.35

GAAP Revenues, AOR and Pro Forma AOR Reconciliation

<i>(\$ in millions)</i>	Q3'15	Q3'14	% Increase
Total Operating Revenues	\$353	269	31%
Less: Partner Distribution Expense	(163)	(143)	14%
Add: Revenue from Purchase Accounting	3	-	NM
Less: Bank Amendments	-	(1)	NM
Adjusted Operating Revenues	193	125	54%
Less: Marketing Revenues	(16)	(11)	40%
Less: Product Sales	(43)	(23)	87%
Add: Mark-to-Market and Intangibles	1	1	14%
Pro Forma Adjusted Operating Revenues	\$135	\$92	47%

- Pro forma AOR measures expense leverage
- Marketing revenues are a pass through with offset in sales and marketing expense
- Product sales and cost of product sold are separate line items on the income statement and product sales don't drive material other operating expenses
- Mark-to-market and intangible expense adjustments represent non-cash items

GAAP Net Income to Adjusted EBITDA Reconciliation

<i>(\$ in millions)</i>	Q3'15	Q3'14	% Change
Net loss	\$ (4)	-	NM
Interest and other income	2	-	NM
Interest expense	3	1	199%
Income tax expense	(3)	-	NM
Depreciation and amortization	18	11	71%
EBITDA	16	12	29%
Employee stock-based compensation	7	4	93%
Acquisition related employee compensation	3	-	NM
Issuing bank contract amendments	-	(1)	NM
Revenue adjustment from purchase accounting	3	-	NM
Adjusted EBITDA	\$29	\$15	95%

GAAP Net Income to Adjusted Net Income Reconciliation

<i>(\$ in millions)</i>	Q3'15	Q3'14	% Change
Income (loss) before income tax expense	\$ (7)	\$ 1	NM
Employee stock-based compensation	7	4	93%
Acquisition-related employees compensation	3	-	NM
Issuing bank contract amendments	-	(1)	-100%
Revenue adjustment from purchase accounting	3	-	NM
Amortization of intangibles	8	3	98%
Adjusted income before income tax expense	14	7	90%
Income tax expense	(3)	-	NM
Tax expense on adjustments	7	3	205%
Spin-Off and NOL benefits	(10)	(8)	30%
Adjusted tax expense (benefit)	(6)	(5)	16%
Adjusted net income	\$20	\$12	59%



Q & A