



cantaloupe

Cantaloupe, Inc. Reports First Quarter Fiscal Year 2023 Results

November 7, 2022

First Quarter Revenue of \$57.8 Million, a 26% Year over Year Increase

Reiterates Fiscal Year 2023 Guidance

MALVERN, Pa.--(BUSINESS WIRE)--Nov. 7, 2022-- Cantaloupe, Inc. (Nasdaq: CTLP) ("Cantaloupe" or the "Company"), a digital payments and software services company that provides end-to-end technology solutions for the unattended retail market, today reported results for the first quarter ended September 30, 2022.

"Our revenue grew 26% year-over-year, including double digit growth in both transaction and subscription fees," said Ravi Venkatesan, chief executive officer, Cantaloupe. "Gross margin and adjusted EBITDA were negatively impacted primarily due to one-time migration costs related to our transition to the AWS cloud environment, and procurement of higher priced components to fulfill customer demand. However, this positions us well for growth and profitability for the remainder of the fiscal year."

First Quarter 2023 Key Financial Results:

- Revenue of \$57.8 million, an increase of 26% year over year. The increase was led by a sixth consecutive quarter of record transaction revenue.
 - Transaction fees of \$31.3 million, an increase of 18% year over year
 - Subscription fees of \$15.8 million, an increase of 11% year over year
 - Equipment sales of \$10.7 million, an increase of 108% year over year
- Total Dollar Volumes of Transactions in the first quarter were \$639.5 million, an increase of 16% year over year
- Gross margin of 24.5% compared with 32.5% in the prior year quarter
 - Subscription and transaction fees margins of 35.5% compared to 35.9% in the prior year quarter
 - Equipment sales margins of (23.8)% compared to 5.3% in the prior year quarter
- U.S. GAAP Net loss applicable to common shares of \$8.9 million, or \$(0.13) per share, compared to Net loss applicable to common shares of \$1.6 million, or \$(0.02) per share, in the prior year period
- Adjusted EBITDA¹ of \$(5.4) million compared to \$1.9 million in the prior year period

First Quarter 2023 Business Highlights:

- Active Customers totaled 25,019 at the end of the first quarter of 2023 compared to 20,738 at the end of the first quarter of 2022, an increase of 21%.
- Active Devices totaled 1.15 million at the end of the first quarter of 2023 compared to 1.11 million at the end of the first quarter of 2022, an increase of 3%.
- The Company finalized its migration of payment processors to Fiserv which is expected to deliver future cost savings.
- In July 2022, the Company migrated its cloud hosting services to Amazon Web Services (AWS) platform. The completion of the migration is a major milestone as the Company continues to focus on ensuring it has a reliable, resilient and scalable infrastructure to support its growing network of devices and customers.
- Completed the upgrade of the vast majority of non 4G/EMV devices, including most large enterprise clients, as the 12/31/22 upgrade deadline approaches.

Fiscal Year 2023 Outlook:

For full fiscal year 2023, the Company reiterates the following:

- Revenue to be between \$225 million and \$235 million, representing year-over-year growth of 10% to 15%.
 - Transaction fees revenue growth is expected to be in the high teens
 - Subscription fees revenue growth is expected to be in the low teens
 - Equipment sales revenue growth is expected to be relatively flat
- U.S. GAAP Net income to be between \$1 million and \$5 million
- Adjusted EBITDA¹ to be between \$12 million and \$17 million
- Total Operating Cash Flow to be between \$10 million and \$15 million

Webcast and Conference Call:

Cantaloupe will host a live webcast at 5:00 p.m. Eastern Time today which may be accessed in the Investor Relations section of the Company's website at <https://cantaloupeinc.gcs-web.com/events-and-presentations>.

Please note that there is a new system to access the live call in order to ask questions. To join the live call, please register [here](#). A dial in and unique PIN will be provided to join the conference call.

A replay of the conference call will also be available in the Investor Relations section of the Company's website.

About Cantaloupe, Inc.

Cantaloupe, Inc. is a software and payments company that provides end-to-end technology solutions for the unattended retail market. Cantaloupe is transforming the unattended retail community by offering one integrated solution for payments processing, logistics, and back-office management. The Company's enterprise-wide platform is designed to increase consumer engagement and sales revenue through digital payments, digital advertising and customer loyalty programs, while providing retailers with control and visibility over their operations and inventory. As a result, customers ranging from vending machine companies, to operators of micro-markets, gas and car charging stations, laundromats, metered parking terminals, kiosks, amusements and more, can run their businesses more proactively, predictably, and competitively. For more information, please visit our website at www.cantaloupe.com.

Discussion of Non-GAAP Financial Measures:

This press release contains discussion of Adjusted EBITDA, a non-GAAP financial measure which is not required or defined under U.S. GAAP (Generally Accepted Accounting Principles). Generally, a non-GAAP financial measure is a numerical measure of a company's performance, financial position or cash flows that either excludes or includes amounts that are not normally excluded or included in the most directly comparable measure calculated and presented in accordance with GAAP. Reconciliations between non-GAAP financial measures and the most comparable GAAP financial measures are set forth below. However, we do not provide forward-looking guidance for certain financial measures on a GAAP basis because we are unable to predict certain items contained in the U.S. measures without unreasonable efforts.

We use Adjusted EBITDA for financial and operational decision-making purposes and as a means to evaluate period-to-period comparisons. We believe that this non-GAAP financial measure provides useful information about our operating results, enhances the overall understanding of past financial performance and future prospects and allows for greater transparency with respect to metrics used by our management in its financial and operational decision making. The presentation of this financial measure is not intended to be considered in isolation or as a substitute for the financial measures prepared and presented in accordance with GAAP, including our net income or net loss or net cash used in operating activities. Management recognizes that non-GAAP financial measures have limitations in that they do not reflect all of the items associated with our net income or net loss as determined in accordance with GAAP, and are not a substitute for or a measure of our profitability or net earnings. Adjusted EBITDA is presented because we believe it is useful to investors as a measure of comparative operating performance. Additionally, we utilize Adjusted EBITDA as a metric in our executive officer and management incentive compensation plans.

We define Adjusted EBITDA as U.S. GAAP net loss before (i) interest income (ii) interest expense on debt and reserves (iii) income tax provision (iv) depreciation (v) amortization (vi) stock-based compensation expense and (vii) fees and charges that were incurred in connection with the 2019 Investigation and financial statement restatement activities as well as proxy solicitation costs that are not indicative of our core operations.

Forward-looking Statements:

All statements other than statements of historical fact included in this release, including without limitation Cantaloupe's future prospects and performance, the business strategy and the plans and objectives of Cantaloupe's management for future operations, are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. When used in this release, words such as "may," "could," "expect," "intend," "plan," "seek," "anticipate," "believe," "estimate," "guidance," "predict," "potential," "continue," "likely," "will," "would" and variations of these terms and similar expressions, or the negative of these terms or similar expressions, as they relate to Cantaloupe or its management, may identify forward-looking statements. Such forward-looking statements are based on the reasonable beliefs of Cantaloupe's management, as well as assumptions made by and information currently available to Cantaloupe's management. Actual results could differ materially from those contemplated by the forward-looking statements as a result of certain factors, including but not limited to: general economic, market or business conditions unrelated to our operating performance, including the impact of the ongoing COVID-19 pandemic; potential mutations of COVID-19 and the efficacy of vaccines and treatment developments and their deployment; failure to comply with the financial covenants in the Amended JPMorgan Credit Facility; our ability to raise funds in the future through sales of securities or debt financing in order to sustain operations in the normal course of business or if an unexpected or unusual event were to occur; our ability to compete with our competitors and increase market share; disruptions in or inefficiencies to our supply chain and/or operations including the impacts of the COVID-19 pandemic; the risks related to the availability of, and cost inflation in, supply chain inputs, including labor, raw materials, packaging and transportation; whether our current or future customers purchase, lease, rent or utilize ePort devices, Seed's software solutions or our other products in the future at levels currently anticipated; whether our customers continue to utilize the Company's transaction processing and related services, as our customer agreements are generally cancellable by the customer on thirty to sixty days' notice; our ability to satisfy our trade obligations included in accounts payable and accrued expenses; the incurrence by us of any unanticipated or unusual non-operating expenses, which may require us to divert our cash resources from achieving our business plan; our ability to predict or estimate our future quarterly or annual revenue and expenses given the developing and unpredictable market for our products; our ability to integrate acquired companies into our current products and services structure; our ability to retain key customers from whom a significant portion of our revenue is derived; the ability of a key customer to reduce or delay purchasing products from us; our ability to obtain widespread commercial acceptance of our products and service offerings; whether any patents issued to us will provide any competitive advantages or adequate protection for our products, or would be challenged, invalidated or circumvented by others; our ability to operate without infringing the intellectual property rights of others; the ability of our products and services to avoid disruptions to our systems or unauthorized hacking or credit card fraud; geopolitical conflicts, such as the ongoing conflict between Russia and Ukraine; whether we are able to fully remediate our material weaknesses in our internal controls over financial reporting or continue to experience material weaknesses in our internal controls over financial reporting in the future, and are not able to accurately or timely report our financial condition or results of operations; the ability to remain in compliance with the continued listing standards of the Nasdaq Global Select Market and continue to remain as a member of the US Small-Cap Russell 2000®; whether our suppliers would increase their prices, reduce their output or change their terms of sale; and the risks associated with the currently pending investigation, potential litigation or possible regulatory action arising from the 2019 Investigation and its findings, from the failure to timely file our periodic reports with the Securities and Exchange Commission, from the restatement of the affected financial statements, from allegations related to the registration statement for the follow-on public offering, or from potential litigation or other claims arising from these events or other risks discussed in Cantaloupe's filings with the U.S. Securities and Exchange Commission, including but not limited to its Annual Report on Form 10-K for the year ended June 30, 2022. Readers are cautioned not to place undue reliance on these forward-looking statements. Any forward-looking statement made by us in this release speaks only as of the date of this release. Unless required by law, Cantaloupe does not undertake to release publicly any revisions to these forward-looking statements to reflect future events or circumstances or to reflect the occurrence of unanticipated events. If Cantaloupe updates one or more forward-looking statements, no inference should be drawn that Cantaloupe will make additional updates with respect to those or other forward-looking statements.

¹ Adjusted earnings before income taxes, depreciation, and amortization, stock-based compensation expense, and certain other significant infrequent or unusual losses and gains that are not indicative of our core operations ("Adjusted EBITDA") is a non-GAAP financial measure which is not required by or defined under GAAP. We use this non-GAAP financial measure for financial and operational decision-making purposes and as a means to evaluate period-to-period comparisons. See *Reconciliations of Non-GAAP Measures for a reconciliation U.S. GAAP net income to Adjusted EBITDA.*¹

Cantaloupe, Inc.
Condensed Consolidated Balance Sheets

(\$ in thousands, except share data)	September 30, 2022 (Unaudited)	June 30, 2022
Assets		
Current assets:		
Cash and cash equivalents	\$ 50,793	\$ 68,125
Accounts receivable, net	41,353	37,695
Finance receivables, net	6,594	6,721
Inventory, net	23,503	19,754
Prepaid expenses and other current assets	4,306	4,285
Total current assets	126,549	136,580
Non-current assets:		
Finance receivables due after one year, net	14,809	14,727
Property and equipment, net	16,640	12,784
Operating lease right-of-use assets	2,076	2,370
Intangibles, net	17,126	17,947
Goodwill	66,656	66,656
Other assets	4,608	4,568
Total non-current assets	121,915	119,052
Total assets	\$ 248,464	\$ 255,632
Liabilities, convertible preferred stock and shareholders' equity		
Current liabilities:		
Accounts payable	\$ 51,780	\$ 48,440
Accrued expenses	27,376	28,154
Current obligations under long-term debt	693	692
Deferred revenue	2,069	1,893
Total current liabilities	81,918	79,179
Long-term liabilities:		
Deferred income taxes	195	186
Long-term debt, less current portion	13,757	13,930
Operating lease liabilities, non-current	2,030	2,366
Total long-term liabilities	15,982	16,482
Total liabilities	97,900	95,661
Commitments and contingencies		
Convertible preferred stock:		
Series A convertible preferred stock, 900,000 shares authorized, 385,782 and 445,063 issued and outstanding, with liquidation preferences of \$19,457 and \$22,115 at September 30, 2022 and June 30, 2022, respectively	2,720	3,138
Shareholders' equity:		
Preferred stock, no par value, 1,800,000 shares authorized	—	—
Common stock, no par value, 640,000,000 shares authorized, 71,218,130 and 71,188,053 shares issued and outstanding at September 30, 2022 and June 30, 2022, respectively	469,503	469,918
Accumulated deficit	(321,659)	(313,085)
Total shareholders' equity	147,844	156,833
Total liabilities, convertible preferred stock and shareholders' equity	\$ 248,464	\$ 255,632

Cantaloupe, Inc.
Condensed Consolidated Statements of Operations
(Unaudited)

(\$ in thousands, except per share data)	Three months ended September 30,	
	2022	2021
Revenues:		
Subscription and transaction fees	\$ 47,075	\$ 40,625
Equipment sales	10,707	5,155
Total revenues	57,782	45,780

Costs of sales:		
Cost of subscription and transaction fees	30,370	26,024
Cost of equipment sales	13,250	4,880
Total costs of sales	43,620	30,904
Gross profit	14,162	14,876
Operating expenses:		
Sales and marketing	2,525	2,339
Technology and product development	6,865	5,389
General and administrative	11,578	7,264
Investigation, proxy solicitation and restatement expenses	397	—
Depreciation and amortization	1,315	1,022
Total operating expenses	22,680	16,014
Operating loss	(8,518)	(1,138)
Other income (expense):		
Interest income	567	473
Interest expense	(477)	(478)
Other income (expense)	(120)	(59)
Total other expense, net	(30)	(64)
Loss before income taxes	(8,548)	(1,202)
Provision for income taxes	(26)	(89)
Net loss	(8,574)	(1,291)
Preferred dividends	(334)	(334)
Net loss applicable to common shares	\$ (8,908)	\$ (1,625)
Net loss per common share		
Basic and diluted	\$ (0.13)	\$ (0.02)
Weighted average number of common shares outstanding used to compute net loss per share applicable to common shares		
Basic and diluted	71,207,750	71,175,927

Cantaloupe, Inc.
Condensed Consolidated Statements of Cash Flows
(Unaudited)

(\$ in thousands)	Three months ended September 30,	
	2022	2021
Cash flows from operating activities:		
Net loss	\$ (8,574)	\$ (1,291)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:		
Stock based compensation	1,318	1,762
Amortization of debt issuance costs and discounts	29	39
Provision for expected losses	1,436	412
Provision for inventory reserve	200	(370)
Depreciation and amortization included in operating expenses	1,315	1,022
Depreciation included in costs of sales for rental equipment	242	264
Other	657	(186)
Changes in operating assets and liabilities:		
Accounts receivable	(4,693)	2,991
Finance receivables	(346)	635
Inventory	(3,948)	(3,875)
Prepaid expenses and other assets	(70)	(148)
Accounts payable and accrued expenses	3,596	(2,239)
Operating lease liabilities	(369)	153
Deferred revenue	175	(43)
Net cash used in operating activities	(9,032)	(874)
Cash flows from investing activities:		
Cash paid for acquisition	—	(2,900)
Purchase of property and equipment	(4,956)	(1,641)
Net cash used in investing activities	(4,956)	(4,541)

Cash flows from financing activities:

Repayment of long-term debt	(193)	(210)
Contingent consideration paid for acquisition	(1,000)	—
Repurchase of Series A Convertible Preferred Stock	(2,151)	—
Net cash used in financing activities	<u>(3,344)</u>	<u>(210)</u>
Net decrease in cash and cash equivalents	(17,332)	(5,625)
Cash and cash equivalents at beginning of year	68,125	88,136
Cash and cash equivalents at end of period	<u>\$ 50,793</u>	<u>\$ 82,511</u>
<i>Supplemental disclosures of cash flow information:</i>		
Interest paid in cash	\$ 248	\$ 187

Cantaloupe, Inc.
Reconciliation of U.S. GAAP Net Loss to Adjusted EBITDA
(Unaudited)

(\$ in thousands)	Three months ended September 30,	
	2022	2021
U.S. GAAP net loss	\$ (8,574)	\$ (1,291)
Less: interest income	(567)	(473)
Plus: interest expense	477	478
Plus: income tax provision	26	89
Plus: depreciation expense included in costs of sales for rentals	242	264
Plus: depreciation and amortization expense in operating expenses	<u>1,315</u>	<u>1,022</u>
EBITDA	(7,081)	89
Plus: stock-based compensation ^(a)	1,318	1,762
Plus: investigation, proxy solicitation and restatement expenses ^(b)	<u>397</u>	<u>—</u>
Adjustments to EBITDA	1,715	1,762
Adjusted EBITDA	<u>\$ (5,366)</u>	<u>\$ 1,851</u>

(a) As an adjustment to EBITDA, we have excluded stock-based compensation, as it does not reflect our cash-based operations.

(b) As an adjustment to EBITDA, we have excluded the fees incurred in connection with the costs and expenses related to the 2019 Investigation, financial statement restatement activities, and proxy solicitation costs because we believe that they represent charges that are not related to our core operations.



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