Cantaloupe, Inc. Reports Second Quarter Fiscal Year 2024 Financial Results

February 8, 2024

Second Quarter 2024 Revenue of $65.4 Million, Driven by 15% Year Over Year Growth in Subscription and Transaction Fees

Second Quarter 2024 Net Income Applicable to Common Shares of $3.1 Million and Adjusted EBITDA of $8.5 Million

Second Quarter 2024 Gross Margin of 37.2%

MALVERN, Pa.--(BUSINESS WIRE)--Feb. 8, 2024-- Cantaloupe, Inc. (Nasdaq: CTLP) ("Cantaloupe" or the "Company"), a digital payments and software services company that provides end-to-end technology solutions for self-service commerce, today reported results for the second quarter ended December 31, 2023.

"In the second quarter, we continued to execute on our strategy of expanding operating leverage and driving strong profitability," said Ravi Venkatesan, chief executive officer, Cantaloupe. "Our domestic and international pipeline is robust, driven by our go-to-market strategy and extensive product offering. We increased gross margins during the quarter, driving expansion across all revenue lines. I remain excited about long-term opportunity given the favorable secular tailwinds including the acceleration of micro-markets and consumer payment preferences."

Second Quarter 2024 Key Financial Results:

- Revenue of $65.4 million, an increase of 7% year over year
  - Transaction fees of $37.9 million, an increase of 17% year over year
  - Subscription fees of $18.1 million, an increase of 10% year over year
  - Equipment sales of $9.3 million, a decrease of 25% year over year
- Total Dollar Volumes of Transactions were $730.1 million, an increase of 12% year over year
- Transactions totaled 286.7 million at the end of the second quarter of 2024
- Gross margin of 37.2% compared with 30.1% in the prior year quarter
  - Subscription and transaction fees margins grew to 43.1% compared to 38.3% in the prior year quarter
  - Equipment sales margins grew to 1.8% compared to negative 2.3% in the prior year quarter
- Average revenue per device[1] totaled $181.91 for the second quarter of 2024, compared to $160.46 in the prior year quarter
- Net income applicable to common shares of $3.1 million, or $0.04 per share, compared to Net loss applicable to common shares of $0.6 million, or $(0.01) per share, in the prior year quarter
- Adjusted EBITDA[2] of $8.5 million compared to $3.9 million in the prior year quarter

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[1] We define average revenue per unit ("ARPU") as our total subscription and transaction fees for the trailing 12 months divided by average total active devices for the trailing 12 months.

[2] 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. See *Discussion of Non-GAAP Financial Measure and Reconciliations of U.S. GAAP net income to Adjusted EBITDA*.

Recent Business Highlights:

- Active Customers totaled 30,027 at the end of the second quarter of 2024 compared to 26,335 at the end of the second quarter of 2023, an increase of 14%.
- Active Devices totaled 1.23 million at the end of the second quarter of 2024 compared to 1.15 million at the end of the second quarter of 2023, an increase of 7%.
- The Company showcased its full suite of solutions and products for the Mexico market at Cantaloupe LIVE Mexico. Conference attendees including partners, cooler manufacturers, vending distributors and operators, interacted with Cantaloupe's technology and case studies on how it can support business growth in cashless payments, micro markets and vending management software.
- The Company launched Seed Analytics and Seed Intelligence, two business analytics tools integrated in the Seed Pro platform, designed to transform the way vending operators leverage data for business growth.
- Acquired CHEQ, a company focused on the sports & entertainment fan experience, by providing a comprehensive suite of self-service solutions and payment technology.

Fiscal Year 2024 Outlook:

For the full fiscal year 2024, the Company reiterates the following:

- Total Revenue to be between $275 million and $285 million
- The combination of Subscription and Transaction Fees to be between $234 million and $242 million
- Total net income to be between $9 million and $15 million
- Adjusted EBITDA[2] to be between $28 million and $34 million
- Total Operating Cash Flow to be between $28 million and $38 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.

To join the live call in order to ask questions, 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 global technology leader powering self-service commerce. With over a million active locations across the globe processing more than a billion transactions every year, Cantaloupe is enabling businesses of all sizes to provide self-service experiences for consumers. The company's vertically integrated solutions fuel growth by offering micro-payments processing, enterprise cloud software, IoT technology, as well as kiosk and POS innovations. Cantaloupe's end-to-end platform increases consumer engagement and sales revenue through digital payments, consumer promotions and loyalty programs, while providing business owners increased profitability by leveraging software to drive efficiencies across an entire operation. Cantaloupe's solutions are used by a wide variety of consumer services in North America, Europe, Latin America, and Australia including vending machines, micro markets and smart retail, laundromats, metered parking terminals, amusement and entertainment venues, IoT services and more. To learn more about Cantaloupe, Inc., visit cantaloupe.com or follow the company on LinkedIn, Twitter, Facebook, Instagram or YouTube.

Discussion of Non-GAAP Financial Measure:

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. These items may include acquisition and integration related costs, severance expenses, litigation charges or settlements, and certain other unusual adjustments.

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 income (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, (vii) fees and charges, net of reimbursement from insurance proceeds, 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, (viii) certain other significant infrequent or unusual losses and gains that are not indicative of our core operations such as integration and acquisition expenses, and (ix) severance expenses that are non-recurring and 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 inflation, rising interest rates, financial institution disruptions, public health emergencies and declines in consumer confidence and discretionary spending; our ability to compete with our competitors and increase market share; 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; disruptions in or inefficiencies to our supply chain and/or operations; the risks related to the availability of, and cost inflation in, supply chain inputs, including labor, raw materials, packaging and transportation; weather, climate conditions, natural disasters or other unexpected events; whether our current or future customers purchase, lease, rent or utilize our devices, 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 acquire and develop relevant technology offerings for current, new and potential customers and partners; risks and uncertainties associated with our expansion into and our operations in Europe, Latin America and other foreign markets, including general economic conditions, policy changes affecting international trade, political instability, inflation rates, recessions, sanctions, foreign currency exchange rates and controls, foreign investment and repatriation restrictions, legal and regulatory constraints, civil unrest, armed conflict, war and other economic and political factors; our ability to satisfy our trade obligations included in accounts payable and accrued expenses; our ability to attract, develop and retain key personnel, or our loss of the services of our key executives; 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 add new customers and retain key existing 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 and the conflict between Israel and Hamas; 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 ("Nasdaq") 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 cyber attacks and data breaches; 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, 2023. 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.

Unaudited Results:

As the audit of the 2024 Form 10-K is yet to be finalized, the Company's results presented herein are unaudited and represent the most current information available to the Company's management. The unaudited results included herein have been prepared by, and are the responsibility of, the Company's management. The Company's independent registered public accounting firm has not yet expressed an opinion or any other form of assurance with respect to these financial results. The Company's actual results may differ from the results presented in this release due to the completion of the year-end financial closing procedures, review and audit and final adjustments and other developments that may arise between the date of this press release and the time that the Company files its fiscal year Form 10-K with the SEC.

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Cantaloupe, Inc.
Condensed Consolidated Balance Sheets

($ in thousands, except share data)	December 31, 2023 (Unaudited)	June 30, 2023
Assets		
Current assets:		
Cash and cash equivalents	$ 43,478	$ 50,927
Accounts receivable, net	40,211	30,162
Finance receivables, net	6,221	6,668
Inventory, net	34,789	31,872
Prepaid expenses and other current assets	6,307	3,754
Total current assets	131,006	123,383
Non-current assets:		
Finance receivables due after one year, net	11,707	13,307
Property and equipment, net	27,751	25,281
Operating lease right-of-use assets	8,443	2,575
Intangibles, net	25,400	27,812
Goodwill	92,903	92,005
Other assets	5,178	5,249
Total non-current assets	171,382	166,229
Total assets	$ 302,388	$ 289,612
Liabilities, convertible preferred stock, and shareholders' equity		
Current liabilities:		
Accounts payable	$ 50,181	$ 52,869
Accrued expenses	26,955	26,276
Current obligations under long-term debt	1,073	882
Deferred revenue	1,788	1,666
Total current liabilities	79,997	81,693
Long-term liabilities:		
Deferred income taxes	362	275
Long-term debt, less current portion	37,010	37,548
Operating lease liabilities, non-current	9,203	2,504
Total long-term liabilities	46,575	40,327
Total liabilities	126,572	122,020
Commitments and contingencies		
Convertible preferred stock:		
Series A convertible preferred stock, 900,000 shares authorized, 385,782 issued and outstanding, with liquidation preferences of $22,433 and $22,144 at December 31, 2023 and June 30, 2023, respectively	2,720	2,720
Shareholders' equity:		
Common stock, no par value, 640,000,000 shares authorized, 72,739,058 and 72,664,464 shares issued and outstanding at December 31, 2023 and June 30, 2023, respectively	480,441	477,324

Accumulated deficit	(307,321)	(312,452)
Accumulated other comprehensive loss	(24)	—
Total shareholders' equity	173,096	164,872
Total liabilities, convertible preferred stock, and shareholders' equity	$ 302,388	$ 289,612

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

	Three months ended December 31,		Six months ended December 31,	
($ in thousands, except share and per share data)	**2023**	**2022**	**2023**	**2022**
Revenues:				
Subscription and transaction fees	$ 56,029	$ 48,932	$ 111,164	$ 96,007
Equipment sales	9,330	12,398	16,878	23,105
Total revenues	65,359	61,330	128,042	119,112
Costs of sales:				
Cost of subscription and transaction fees	31,885	30,202	63,613	60,572
Cost of equipment sales	9,158	12,687	15,785	25,937
Total costs of sales	41,043	42,889	79,398	86,509
Gross profit	24,316	18,441	48,644	32,603
Operating expenses:				
Sales and marketing	4,367	3,210	8,509	5,735
Technology and product development	3,030	5,299	7,198	12,164
General and administrative	10,505	6,559	20,943	18,137
Investigation, proxy solicitation and restatement expenses, net of insurance recoveries	—	150	—	547
Integration and acquisition expenses	93	2,787	171	2,787
Depreciation and amortization	2,736	1,350	5,483	2,666
Total operating expenses	20,731	19,355	42,304	42,036
Operating income (loss)	3,585	(914)	6,340	(9,433)
Other income (expense):				
Interest income from leases	493	878	1,010	1,445
Interest expense	(1,002)	(518)	(2,109)	(995)
Other income (expense), net	129	23	52	(97)
Total other (expense) income	(380)	383	(1,047)	353
Income (loss) before income taxes	3,205	(531)	5,293	(9,080)
Provision for income taxes	(81)	(42)	(162)	(67)
Net income (loss)	3,124	(573)	5,131	(9,147)
Preferred dividends	—	—	(289)	(334)
Net income (loss) applicable to common shares	$ 3,124	$ (573)	$ 4,842	$ (9,481)
Net earnings (loss) per common share				
Basic	$ 0.04	$ (0.01)	$ 0.07	$ (0.13)
Diluted	0.04	(0.01)	0.07	(0.13)
Weighted average number of common shares outstanding used to compute net earnings (loss) per share applicable to common shares				
Basic	72,743,162	71,629,939	72,730,563	71,418,845
Diluted	73,913,599	71,629,939	73,934,917	71,418,845

Cantaloupe, Inc.
Condensed Consolidated Statements of Comprehensive Income (Loss)
(Unaudited)

	Three months ended December 31,		Six months ended December 31,	
($ in thousands)	**2023**	**2022**	**2023**	**2022**
Net income (loss)	$ 3,124	$ (573)	$ 5,131	$ (9,147)

Foreign currency translation adjustments	(24)	—	(24)	—
Other comprehensive loss, net of income tax	(24)	—	(24)	—
Total comprehensive income (loss)	$ 3,100	$ (573)	$ 5,107	$ (9,147)

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

	Six months ended December 31,	
($ in thousands)	**2023**	**2022**
Cash flows from operating activities:		
Net income (loss)	$ 5,131	$ (9,147)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Stock based compensation	3,043	1,477
Amortization of debt issuance costs and discounts	63	59
Provision for expected losses	2,384	1,527
Provision for inventory reserve	—	135
Depreciation and amortization included in operating expenses	5,483	2,666
Depreciation included in cost of subscription and transaction fees for rental equipment	722	554
Other	1,104	979
Changes in operating assets and liabilities:		
Accounts receivable	(12,278)	(6,737)
Finance receivables	1,886	(1,221)
Inventory	(2,941)	(5,411)
Prepaid expenses and other assets	(2,506)	755
Accounts payable and accrued expenses	(2,915)	(1,057)
Operating lease liabilities	(530)	(750)
Deferred revenue	122	77
Net cash used in operating activities	(1,232)	(16,094)
Cash flows from investing activities:		
Acquisition of business, net of cash acquired	—	(35,913)
Capital expenditures	(5,912)	(9,436)
Net cash used in investing activities	(5,912)	(45,349)
Cash flows from financing activities:		
Proceeds from long-term debt	—	25,000
Repayment of long-term debt	(384)	(388)
Contingent consideration paid for acquisition	—	(1,000)
Proceeds from exercise of common stock options	74	—
Repurchase of Series A Convertible Preferred Stock	—	(2,151)
Net cash (used in) provided by financing activities	(310)	21,461
Effect of currency exchange rate changes on cash and cash equivalents	5	—
Net decrease in cash and cash equivalents	(7,449)	(39,982)
Cash and cash equivalents at beginning of year	50,927	68,125
Cash and cash equivalents at end of period	$ 43,478	$ 28,143
Supplemental disclosures of cash flow information:		
Interest paid in cash	$ 1,931	$ 920
Income taxes paid in cash	$ 130	$ 44
Common stock issued in business combination	$ —	$ 3,942

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

	Three months ended December 31,		Six months ended December 31,	
($ in thousands)	**2023**	**2022**	**2023**	**2022**
U.S. GAAP net income (loss)	$ 3,124	$ (573)	5,131	$ (9,147)
Less: interest income from leases	(493)	(878)	(1,010)	(1,445)
Plus: interest expense	1,002	518	2,109	995

Plus: income tax provision	81	42	162	67
Plus: depreciation included in cost of subscription and transaction fees for rental equipment	380	312	722	554
Plus: depreciation and amortization in operating expenses	2,736	1,350	5,483	2,666
EBITDA	6,830	771	12,597	(6,310)
Plus: stock-based compensation [1]	1,111	160	3,043	1,477
Plus: integration and acquisition expenses [2]	93	2,787	171	2,787
Plus: remediation expenses [3]	453	—	497	—
Plus: investigation, proxy solicitation and restatement expenses, net of insurance recoveries [4]	—	150	—	547
Adjustments to EBITDA	1,657	3,097	3,711	4,811
Adjusted EBITDA	$ 8,487	$ 3,868	$ 16,308	$ (1,499)

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

(2) As an adjustment to EBITDA, we have excluded expenses incurred in connection with business acquisitions as it does not represent recurring costs or charges related to our core operations.

(3) As an adjustment to EBITDA, we have excluded expense incurred in connection with non-recurring work related to remediating previously identified material weaknesses in our internal control over financial reporting.

(4) As an adjustment to EBITDA, we have excluded the costs and corresponding reimbursements related to the 2019 Investigation, because we believe that they represent charges that are not related to our core operations. The 2019 Investigation has been fully resolved as of fiscal year 2023.

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