

GLACIER WATER SERVICES, INC. *Press Release*

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For Release Immediately
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GLACIER WATER ANNOUNCES THIRD QUARTER FISCAL YEAR 2014 RESULTS

VISTA, Calif., November 10, 2014 – Glacier Water Services, Inc. (GWSV.pk) announced results for the third quarter of the fiscal year 2014, ended September 28, 2014.

Brian McInerney, Chief Executive Officer of Glacier Water, said, “Our third quarter and year-to-date revenues increased 6.3% versus the comparable periods last year. On a same-store basis, revenues increased 5.3% year-to-date. The Company’s first nine months of adjusted earnings before interest, taxes, depreciation and amortization (EBITDA) was \$18,379,000, an increase of 11.1% or \$1,832,000 over the same period last year. At the end of the third quarter, Glacier operated approximately 23,500 machines located at retailers across the U.S. and Canada, providing high quality, great tasting drinking water or premium ice.”

Revenues for the third quarter ended September 28, 2014 increased 6.3% to \$37,690,000 compared to \$35,458,000 for the same period last year. For the nine-month period ended September 28, 2014, revenues increased 6.3% to \$102,057,000 compared to \$96,032,000 for the same period last year. Sales growth for the third quarter and nine-month period ended September 28, 2014 was driven primarily by positive growth in same-store productivity.

The Company’s income from operations for the third quarter ended September 28, 2014 increased 31.2% to \$3,589,000 compared to \$2,735,000 for the same period last year. For the nine-month period ended September 28, 2014, income from operations increased 25.5% to \$5,362,000 compared to \$4,273,000 for the same period last year. The increase in income from operations was driven by the margin generated from growth in revenues and better asset utilization across the Company, offset by increased depreciation and amortization of \$175,000 and \$743,000, respectively, and operating costs, in particular labor and benefits and vehicle fleet expense.

The Company’s net income applicable to common stockholders for the quarter ended September 28, 2014 was \$320,000 or \$0.10 per basic and diluted share, compared to a net loss of \$358,000, or \$0.11 per basic and diluted share for the same period last year. For the nine-month period ended September 28, 2014, the net loss applicable to common stockholders was \$4,139,000 or \$1.25 per basic and diluted share, compared to a net loss of \$4,708,000 or \$1.42 per basic and diluted share, for the same period last year. Net income attributable to the non-controlling interests for the third quarter ended September 28, 2014 was \$21,000 and the net loss for the nine-month period ended September 28, 2014 was \$268,000.

With approximately 23,500 machines located in 47 states throughout the United States and Canada, Glacier is the leading provider of high-quality, low-priced drinking water dispensed to consumers through self-service bottled water machines located at supermarkets and other retail locations.

Statements in this announcement that are not purely historical are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. A copy of the Company’s audited financial statements for the year ended December 29, 2013 can be obtained by contacting Steve Stringer at (760) 560-1111.

(more)

FINANCIAL RESULTS**GLACIER WATER SERVICES, INC.****GLACIER WATER SERVICES, INC. AND SUBSIDIARIES****Consolidated Statements of Operations**

(In thousands, except share and per share data)

(Unaudited)

	Three Months Ended		Nine Months Ended	
	September 29, 2013	September 28, 2014	September 29, 2013	September 28, 2014
Revenues	\$ 35,458	37,690	96,032	102,057
Cost of revenues:				
Operating expenses	24,063	25,253	65,934	69,593
Depreciation and amortization	4,099	4,274	12,132	12,875
Total cost of revenues	<u>28,162</u>	<u>29,527</u>	<u>78,066</u>	<u>82,468</u>
Gross profit	7,296	8,163	17,966	19,589
Selling, general, and administrative expenses	4,561	4,574	13,693	14,227
Income from operations	<u>2,735</u>	<u>3,589</u>	<u>4,273</u>	<u>5,362</u>
Other expenses:				
Other expense	393	464	987	1,392
Interest expense	2,703	2,684	8,143	8,077
Total other expense	<u>3,096</u>	<u>3,148</u>	<u>9,130</u>	<u>9,469</u>
Income (loss) before income taxes	(361)	441	(4,857)	(4,107)
Income taxes expense	13	100	39	300
Net income (loss)	<u>\$ (374)</u>	<u>341</u>	<u>(4,896)</u>	<u>(4,407)</u>
Net income (loss) attributable to noncontrolling interest	(16)	21	(188)	(268)
Net income (loss) attributable to Glacier Water Services, Inc.	<u><u>\$ (358)</u></u>	<u><u>320</u></u>	<u><u>(4,708)</u></u>	<u><u>(4,139)</u></u>
Basic and diluted net income (loss) per share				
Basic net income (loss) per share	\$ (0.11)	0.10	(1.42)	(1.25)
Weighted average shares used in calculation	3,310,286	3,310,416	3,310,128	3,310,416
Diluted net income (loss) per share	\$ (0.11)	0.10	(1.42)	(1.25)
Weighted average shares used in calculation	3,310,286	3,360,196	3,310,128	3,310,416

Pro-Forma, adjusted, EBITDA reconciliation

(In thousands)

(unaudited)

	Three Months Ended		Nine Months Ended	
	September 29, 2013	September 28, 2014	September 29, 2013	September 28, 2014
Income from operations	\$ 2,735	3,589	4,273	5,362
EBITDA adjustments				
Addback of depreciation and amortization	4,099	4,274	12,132	12,875
Non-cash stock compensation expense	47	47	142	142
Adjusted EBITDA	<u><u>\$ 6,881</u></u>	<u><u>7,910</u></u>	<u><u>16,547</u></u>	<u><u>18,379</u></u>

FINANCIAL RESULTS**GLACIER WATER SERVICES, INC.****GLACIER WATER SERVICES, INC. AND SUBSIDIARIES****Consolidated Balance Sheets**

(In thousands, except share data)

(unaudited)

Assets	December 29, 2013	September 28, 2014
Current assets:		
Cash	\$ 4,264	6,674
Accounts receivable, net of allowance for doubtful accounts of \$62 as of December 29, 2013 and September 28, 2014	2,617	3,168
Repair parts	4,344	4,783
Prepaid expenses and other current assets	1,808	2,053
Total current assets	<u>13,033</u>	<u>16,678</u>
Property and equipment, net	69,852	67,585
Goodwill	18,747	18,747
Intangible assets, net	5,474	4,798
Investment in Glacier Water Trust I Common Securities	2,629	2,629
Investment in Glacier Water Trust I Preferred Securities	3,648	3,648
Deferred financing costs, net	4,008	3,907
Other assets	1,046	836
Total assets	<u>\$ 118,437</u>	<u>118,828</u>
Liabilities and Stockholders' Deficit		
Current liabilities:		
Accounts payable	\$ 1,608	1,481
Accrued commissions	4,726	6,302
Accrued liabilities	3,854	4,553
Bank overdraft	2,297	3,324
Total current liabilities	<u>12,485</u>	<u>15,660</u>
Junior subordinated debentures	87,629	87,629
Line of credit	43,500	45,000
Series B junior subordinated debentures	10,311	10,427
Contingent consideration liability	2,202	2,250
Long-term portion of deferred rent	91	26
Total liabilities	<u>156,218</u>	<u>160,992</u>
Commitments and contingencies		
Stockholders' deficit:		
Preferred Stock, \$0.01 par value; liquidation preference \$100 per share; 8% cumulative redeemable convertible; Authorized, 100,000 shares; issued and outstanding, 0 shares at December 29, 2013 and September 28, 2014	-	-
Common stock, \$0.01 par value. Authorized 10,000,000 shares, issued 4,898,022 outstanding 3,310,416 at December 29, 2013 and September 28, 2014;	50	50
Additional paid-in capital	24,227	24,369
Accumulated deficit	(58,042)	(62,181)
Treasury stock, at cost, 1,587,606 shares at December 29, 2013 and September 28, 2014	(32,562)	(32,562)
Accumulated other comprehensive income	216	98
Total stockholders' deficit of Glacier Water Services, Inc.	<u>(66,111)</u>	<u>(70,226)</u>
Noncontrolling interest	28,330	28,062
Total stockholders' deficit	<u>(37,781)</u>	<u>(42,164)</u>
Total liabilities and stockholders' deficit	<u>\$ 118,437</u>	<u>118,828</u>