

GLACIER WATER SERVICES, INC. *Press Release*

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For Release Immediately
August 16, 2016

GLACIER WATER ANNOUNCES SECOND QUARTER FISCAL YEAR 2016 RESULTS

VISTA, Calif., August 16, 2016 – Glacier Water Services, Inc. (GWSV.pk) announced results for the second quarter of the fiscal year 2016, ended July 3, 2016.

Brian McInerney, Chief Executive Officer of Glacier Water, said, “Our year-to-date revenues increased 3.5% versus the comparable period last year with same-store revenues increasing 2.4% year-to-date. The Company’s first six months of adjusted earnings before interest, taxes, depreciation and amortization (EBITDA) were \$10,740,000, an increase of 1.3%, or \$141,000, over the same period last year. Income from operations for the first six months increased 10.1% to \$2,402,000. At the end of the second quarter, Glacier operated approximately 23,200 machines located at retailers across the U.S. and Canada, providing high quality, great tasting drinking water or premium ice.”

Revenues for the second quarter ended July 3, 2016 increased 4.1% to \$35,489,000 compared to \$34,107,000 for the same period last year. For the six-month period ended July 3, 2016, revenues increased 3.5% to \$67,372,000 compared to \$65,107,000 for the same period last year. Sales growth for the second quarter and six-month period ended July 3, 2016 was driven by growth in ice placements and same-store water and ice growth, offset slightly by the impact of closed stores resulting from retail consolidation.

The Company’s income from operations for the second quarter ended July 3, 2016 increased 6.4% to \$2,013,000 compared to \$1,892,000 for the same period last year. For the six-month period ended July 3, 2016, income from operations increased 10.1% to \$2,402,000 compared to \$2,182,000 for the same period last year. The increase in income from operations was driven by the margin generated from growth in revenues and slightly lower depreciation and amortization expense, offset partially by higher machine maintenance costs and selling, general and administrative expenses.

The Company’s net loss applicable to common stockholders for the quarter ended July 3, 2016 was \$1,332,000 or \$0.40 per basic and diluted share, compared to a net loss of \$1,825,000, or \$0.55 per basic and diluted share for the same period last year. For the six-month period ended July 3, 2016, the net loss applicable to common stockholders was \$4,196,000 or \$1.27 per basic and diluted share, compared to a net loss of \$4,674,000 or \$1.41 per basic and diluted share, for the same period last year. The quarter and six-month period ending June 28, 2015 net loss included a non-recurring charge to other expense of \$518,000 adjusting contingent consideration liability for a 2012 Company acquisition. Excluding the non-recurring charge, the net loss applicable to common stockholders for the six-month period ended June 28, 2015 was \$4,156,000, or \$1.25 per basic and diluted share. Net loss attributable to the non-controlling interests for the second quarter and six-month period ended July 3, 2016 were \$86,000 and \$271,000, respectively.

With approximately 23,200 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 January 3, 2016 can be obtained by contacting Steve Stringer at steve.stringer@glacierwater.com

(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		Six Months Ended	
	June 28, 2015	July 3, 2016	June 28, 2015	July 3, 2016
Revenues	\$ 34,107	35,489	65,107	67,372
Cost of revenues:				
Operating expenses	23,548	24,421	45,215	46,891
Depreciation and amortization	4,154	4,145	8,356	8,338
Total cost of revenues	27,702	28,566	53,571	55,229
Gross profit	6,405	6,923	11,536	12,143
Selling, general, and administrative expenses	4,513	4,910	9,354	9,741
Income from operations	1,892	2,013	2,182	2,402
Other expenses:				
Other expense	1,011	517	1,502	1,036
Interest expense	2,749	2,824	5,486	5,653
Total other expense	3,760	3,341	6,988	6,689
Loss before income taxes	(1,868)	(1,328)	(4,806)	(4,287)
Income taxes expense	75	90	170	180
Net loss	\$ (1,943)	(1,418)	(4,976)	(4,467)
Net loss attributable to noncontrolling interest	(118)	(86)	(302)	(271)
Net loss attributable to Glacier Water Services, Inc.	\$ (1,825)	(1,332)	(4,674)	(4,196)
Basic and diluted net loss per share	\$ 0.55	0.40	1.41	1.27
Weighted average shares used in calculation	3,314,773	3,316,916	3,312,595	3,316,916

Pro-Forma, adjusted, EBITDA reconciliation

(In thousands)

(unaudited)

	Three Months Ended		Six Months Ended	
	June 28, 2015	July 3, 2016	June 28, 2015	July 3, 2016
Income from operations	\$ 1,892	2,013	2,182	2,402
EBITDA adjustments				
Addback of depreciation and amortization	4,154	4,145	8,356	8,338
Non-cash stock compensation expense	14	0	61	0
Adjusted EBITDA	\$ 6,060	6,158	10,599	10,740

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

(In thousands, except share data)

(unaudited)

Assets	January 3, 2016	July 3, 2016
Current assets:		
Cash	\$ 5,340	6,212
Accounts receivable, net of allowance for doubtful accounts of \$63 and \$64 as of January 3, 2016 and July 3, 2016, respectively	2,995	3,825
Repair parts	5,371	5,371
Prepaid expenses and other current assets	2,111	2,398
Total current assets	<u>15,817</u>	<u>17,806</u>
Property and equipment, net	63,490	62,644
Goodwill	18,747	18,747
Intangible assets, net	3,851	3,490
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	3,699	3,611
Other assets	743	645
Total assets	<u>\$ 112,624</u>	<u>113,220</u>
Liabilities and Stockholders' Deficit		
Current liabilities:		
Accounts payable	\$ 1,663	2,170
Accrued commissions	5,703	5,812
Accrued liabilities	4,465	4,612
Bank overdraft	1,984	2,410
Total current liabilities	<u>13,815</u>	<u>15,004</u>
Junior subordinated debentures	87,629	87,629
Line of credit	50,000	53,500
Series B junior subordinated debentures	10,624	10,701
Contingent consideration liability	2,022	2,095
Deferred tax liability	838	905
Long-term portion of deferred rent	44	50
Total liabilities	<u>164,972</u>	<u>169,884</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 January 3, 2016 and July 3, 2016	-	-
Common stock, \$0.01 par value. Authorized 10,000,000 shares, issued 4,904,522, outstanding 3,316,916 at January 3, 2016 and July 3, 2016	50	50
Additional paid-in capital	24,538	24,538
Accumulated deficit	(71,415)	(75,611)
Treasury stock, at cost, 1,587,606 shares at January 3, 2016 and July 3, 2016	(32,562)	(32,562)
Accumulated other comprehensive income	(424)	(273)
Total stockholders' deficit of Glacier Water Services, Inc.	<u>(79,813)</u>	<u>(83,858)</u>
Noncontrolling interest	27,465	27,194
Total stockholders' deficit	<u>(52,348)</u>	<u>(56,664)</u>
Total liabilities and stockholders' deficit	<u>\$ 112,624</u>	<u>113,220</u>