

# TRANSACT<sup>®</sup>

## INVESTOR PRESENTATION

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NASDAQ: TACT

**October 2020**

TRANSACT<sup>®</sup>

# SAFE HARBOR

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Certain statements in this presentation include forward-looking statements. Forward-looking statements generally can be identified by the use of forward-looking terminology, such as “may,” “will,” “expect,” “intend,” “estimate,” “anticipate,” “believe,” “project,” “plan” or “continue” or the negative thereof or other similar words. All forward-looking statements involve risks and uncertainties, including, but not limited to, risks, uncertainties and other factors related to the adverse effect of the COVID-19 pandemic on TransAct’s business, operations, financial condition, results of operations and capital resources, including as a result of supply chain disruptions, shutdowns and/or operational restrictions imposed on our customers, inability of customers to make payments on time or at all, diversion of management attention, necessary modifications to business practices and operations, cost cutting measures that TransAct has made and may continue to make, a possible future reduction in the value of goodwill or other intangible assets, inadequate manufacturing capacity or a shortfall or excess of inventory as a result of difficulty in predicting manufacturing requirements due to volatile economic conditions, price increases or decreased availability of component parts or raw materials, exchange rate fluctuations, volatility of and decreases in trading prices of the TransAct common stock and the availability of needed financing on acceptable terms or at all; the ability to successfully develop new products that garner customer acceptance and generate sales, both domestically and internationally, in the face of substantial competition; the ability to successfully transition TransAct’s business into the food service technology market; the ability to remediate the material weaknesses over internal control over financial reporting; risks associated with potential future acquisitions; general economic conditions; dependence on contract manufacturers for the assembly of a large portion of TransAct’s products in Asia; dependence on significant suppliers; the ability to recruit and retain quality employees as TransAct grows; dependence on third parties for sales outside the United States; marketplace acceptance of new products; risks associated with foreign operations; the availability of third-party components at reasonable prices; price wars or other significant pricing pressures affecting TransAct’s products in the United States or abroad; increased product costs or reduced customer demand for TransAct’s products due to changes in U.S. policy that may result in trade wars or tariffs; the ability to protect intellectual property; the effect of the United Kingdom’s withdrawal from the European Union; and other risk factors detailed in TransAct’s annual report on Form 10-K for the year ended December 31, 2019, quarterly reports for the quarters ended March 31, 2020 and June 30, 2020 and other reports filed with the Securities and Exchange Commission. Actual results may differ materially from those discussed in, or implied by, the forward-looking statements. The forward-looking statements speak only as of the date of this presentation, and TransAct assumes no duty to update them to reflect new, changing or unanticipated events or circumstances, except as required by applicable law.

# CAUTIONARY STATEMENT REGARDING PRELIMINARY ESTIMATED FINANCIAL INFORMATION

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TransAct has prepared the preliminary estimated financial information set forth in this presentation, including preliminary expected net sales, recurring revenue and average annual revenue per terminal for the quarter ended September 30, 2020, on a materially consistent basis with its historical financial information and in good faith based upon its internal reporting as of and for the three and nine months ended September 30, 2020. This financial information is preliminary and is thus inherently uncertain and subject to change as TransAct finalizes its financial results and related reviews as of and for the three and nine months ended September 30, 2020. During the course of the preparation of the condensed consolidated financial statements and related notes as of and for the three and nine months ended September 30, 2020, TransAct may identify items that could cause its final reported results to be materially different from the preliminary estimated financial information set forth herein. As a result, there can be no assurance that the final results for this period will not differ from such preliminary estimated financial information.

This preliminary estimated financial information should not be viewed as a substitute for full interim financial statements prepared in accordance with GAAP. In addition, this preliminary estimated financial information is not necessarily indicative of the results to be achieved for any future period.

# TRADEMARKS, SERVICE MARKS, TRADE NAMES AND COPYRIGHTS

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# ABOUT TRANSACT®

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TransAct Technologies Incorporated is a global leader in software-driven technology and printing solutions for high growth markets. We have designed and marketed solutions to help restaurants and convenience stores improve their food safety, increase operational efficiencies, reduce costs and gain critical insights into their daily processes.

**Our mission is to automate the back-of-house!**

TransAct also provides technology solutions for the Casino & Gaming markets.



# EVOLUTION OF TRANSACT

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## Gaming Solutions (Epic)

- High margin printers for the worldwide gaming and casino market
- Casinos replace 5-10% of their slot machines every year which creates an ongoing revenue business for TransAct

## Exited Low Margin Non-Strategic Markets

- Banking
- Lottery



## Food Service Technology (BOHA!)

- Complete back-office solution for restaurants and convenience stores with large recurring revenue component
- Food safety and cost savings driving adoption of BOHA! technology
- Initial Sale: approximately \$600 per terminal
- Recurring Revenues: approximately \$1,400 per year per terminal in high-margin software, services and label sales
- 3-year contracts

# RECENT DEVELOPMENTS

## 1 Exceeded High End of Expected Range for Q3-Provided on August 5, 2020

	Updated Estimated Preliminary Range	Guidance (8/5/20)
Net Sales	\$7.1M - \$7.3M	\$5.5M - \$6.0M
Food Service Recurring Revenue	\$1.4M – \$1.5M	Approximately \$1M

	3Q20 Preliminary Estimate	2Q20
Annualized Avg. Revenue per Terminal*	\$1,470	\$780

\*Based on approximately 3,800 paid terminals

## 2 Apple Sales Joining Together With TransAct: Targeting Restaurant Market

- ✓ Launched iOS based BOHA! technology specifically for restaurants using iOS native apps and iPad
- ✓ Apple selected TransAct BOHA! ROP software and hardware as they begin targeting the restaurant market for iPad adoption
- ✓ Apple directing enterprise sales team to push iPad and BOHA! ROP into restaurant market

# INVESTMENT CONSIDERATIONS

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## 1 Early Innings of a Corporate Transformation Characterized by Shift to a Recurring Revenue Model

- Cash flows from legacy gaming and casino printer and software products fueling investment and growth in software-based food service technology
- Company shifting to a recurring revenue model in new Food Service Technology (FST) market
- FST recurring revenue includes SaaS software, service and label sales

## 2 Food Service Technology : Significant Growth Potential / Large Market Opportunity / High-Margin Recurring Revenue

- Successful expansion to the “back-of-house” with our BOHA! platform is a game changer for the market
- Convenience stores, restaurants and food service operators adopting new technology due to FDA labeling and FDA Smarter Food Safety requirements and productivity needs
- Increasing demand for automation and food safety technologies drives a multi-billion dollar market opportunity
- BOHA! Platform launched May 2019
- New BOHA! terminal based on iOS just launched for restaurant market-Apple involved

## 3 Casino & Gaming : Leading Market Player / High Margins / Sticky Revenue from a Blue Chip Customer Base

- Market leading global provider of printer hardware embedded in casino slot machines
- High barriers to entry and significant degree of customer stickiness
- History of strong cash generation
- Replacement-driven market drives stable long-term growth outlook

## 4 End Markets Rebounding from COVID Setback

- TACT’s primary end markets – casinos, restaurants and convenience stores – continue to recover following a sharp COVID-driven decline beginning in March 2020
- BOHA! food service technology adoption is coming from convenience stores, QSR, fast casual restaurants and food service operators; relative to the fine dining restaurant market, which are less immune to pandemic-driven customer traffic trends
- Company has secured business with 22 convenience store chains in the US-one is expected to roll-out 10,000 BOHA! terminals and software doing over \$1,500 ARPU



# BOHA! IS IN THE EARLY STAGES OF SUCCESSFULLY ADDING NEW FOOD SERVICE CUSTOMERS!

BOHA! is a software-driven technology and printing solution for the food service market. We have helped thousands of foodservice operators improve their back-of-house operations, improve food safety, reduce operating costs and leverage real time data to gain critical insights to better manage their back-of-house.



**Note:** Sample of BOHA! customers

## BOHA! TERMINAL GROWTH

YEAR	QUARTER	# REVENUE GENERATING TERMINALS CUMULATIVE TOTAL
2019	4 <sup>th</sup> Quarter	2,750
2020	1 <sup>st</sup> Quarter	3,130
2020	2 <sup>nd</sup> Quarter	3,501
2020	3 <sup>rd</sup> Quarter (est.)	3,800

## BOHA! RECURRING REVENUES (\$000)

2019	Q1	Q2	Q3	Q4	TOTAL
	\$310	\$325	\$613	\$687	\$1,935

2020	Q1	Q2	Q3 (est.)	Q4	TOTAL (est.)
	\$616 (+99%)	\$659 (+103%)	\$1,400 - \$1,500 (+128%)	TBD	>\$2,675 (3 Qtrs)

# SURVIVING THE PANDEMIC

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- PPP loan in April 2020
- Sales bottomed in May 2020
- Cut 25% workforce July 2020
- BOHA! customers that put systems installations on hold in Q2 are returning
- Closed new FST business starting in June
- Recurring revenue more than doubled YoY to \$1.4-\$1.5M in Q3 2020
- Apple and TransAct agree to work together marketing new BOHA! ROP product
- US local casinos starting to buy new slot machines again
- Sports betting driving printer sales for sports betting kiosks in US casinos
- Wall Street analyst projecting US casino Cap-Ex to rebound in 2021 "Gaming going back to Gambling"
- Asia casinos starting to open
- Europe casinos opening and gaming opportunities growing



# BOHA!™

BACK-OF-HOUSE **AUTOMATION** STARTS HERE



# WHY BACK-OF-HOUSE AUTOMATION

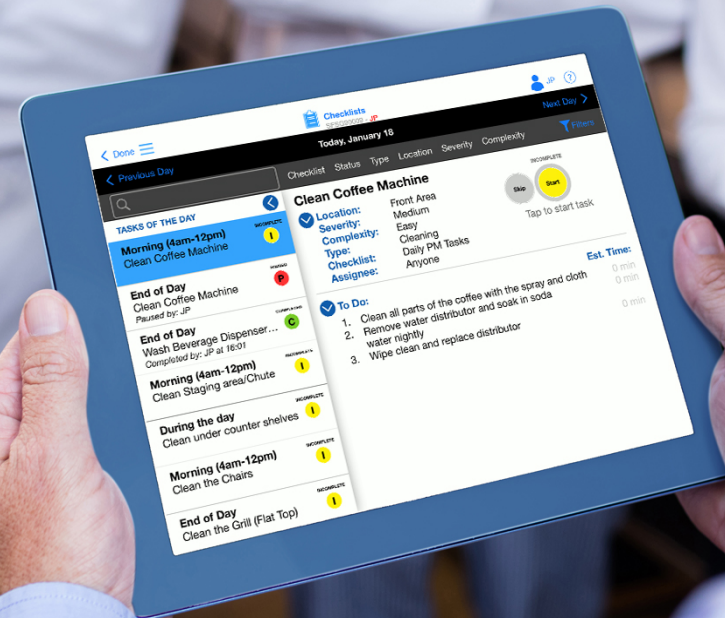
- Front-of-house automation systems (food ordering, reservations) is a well established category >\$15 Billion Hardware, Software and Services revenue in 2019\*
- The back-of-house has been largely ignored, but as focus shifts to improving operations around food safety, customer & employee health & safety, food quality and grab 'n go merchandising & FDA compliance, restaurants and convenience stores are looking for a single source solution
- Operators first invested in front-of-house technology to face increased cost pressures and are now shifting attention towards automating back-of-house tasks to drive down expenses

*\*Data from statista*



# TAILWINDS FOR BACK-OFF-HOUSE TECHNOLOGY

- ✓ FDA Food Safety Modernization Act mandates nutritional labeling for grab 'n go items
- ✓ FDA Smarter Food Safety Program wanting technology to create a safer more digital, traceable food system
- ✓ Convenience stores and Grocery stores expanding fresh food offerings that require FDA-compliant labeling
- ✓ Restaurants need to do more with less
- ✓ \$15/hour wages driving food service providers towards increasing productivity
- ✓ Food safety now critical to all food service providers
- ✓ Food service providers must protect customers and employees
- ✓ FDA laying the groundwork for mandates to increase the use of technology with announcement of 'New Era of Food Safety' (July 2020)



# MARKET OPPORTUNITY

BOHA! represents a tremendous opportunity to generate recurring revenue through the sale of software, consumables and service

BOHA! offers upfront sales of purpose-built hardware

Apple selected BOHA! ROP as they target restaurant market for iPad growth

Potential BOHA! customers include: quick-serve, fast-casual, casual restaurants, fine dining restaurants, convenience stores, foodservice operators and grocery stores

Total addressable market exceeds \$1 billion in hardware, software, services and label sales

	Potential Contact Points 2017
Total Restaurants and Bars	762,715
Limited-Service Restaurants	349,740
Fast Casual	47,463
Fast Food/Quick Service	302,287
Full-Service Restaurants	347,701
Midscale	87,001
Casual Dining	242,166
Fine Dining	18,534
Bars and Taverns <sup>1</sup>	65,264
Retailers	202,397
Supermarket Foodservice	43,573
Convenience Stores	140,656
All Other Retailers	18,168
Travel & Leisure	148,856
Recreation	32,570
Lodging	54,602
Transportation <sup>2</sup>	5,290
Caterers	56,394
Noncommercial	237,850
Business & Industry <sup>2</sup>	10,039
Education	127,744
Primary/Secondary Schools	123,028
Colleges/Universities	4,716
Healthcare	79,912
Hospitals <sup>2</sup>	5,564
Long-Term Service <sup>2</sup>	51,104
Senior Living <sup>2</sup>	23,244
Refreshment Services	15,190
Military <sup>2</sup>	440
Corrections <sup>2</sup>	4,525
All Other Foodservice	47,840
Total Foodservice	1,399,658

*\*Data from Technomic*

# PRODUCT ROADMAP

2012

2014

2016

2019

2020

2021

- AccuDate 9700 for McDonald's, to automate Food Safety Date Code Labeling

- AccuDate PRO
- Grab 'N Go Labels
- Videos and Recipe Cards
- Deployed throughout Apple Cafeterias

- AccuDate XL
- Updates delivered via the cloud

- BOHA! Terminal and BOHA! ecosystem of cloud-based apps, including Food Safety Labeling, Checklist, Temp Taking, Timers and more.

- Launched BOHA! Work Station
- Launched Restaurant Operations Platform
- iOS Native Apps

- Full iOS Support
- Additional Apps and Functions



STANDALONE DEVICES



CLOUD-ADMINISTERED DEVICES



# BOHA! – LEADING THE DIGITAL REVOLUTION FOR BACK-OF-HOUSE OPERATIONS

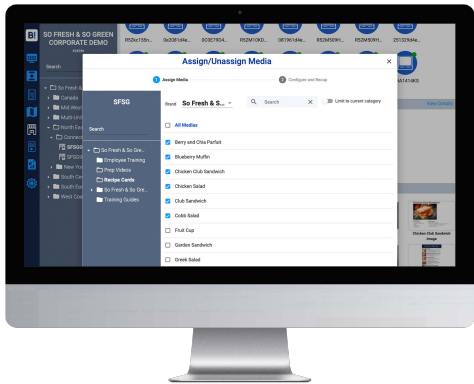
## BOHA! RESTAURANT OPERATIONS PLATFORM

Food Safety

Grab 'N Go Merchandising  
& FDA-Compliance

Brand Standards  
& Food Quality

Employee and  
Customer Health &  
Safety



BOHA! Control Center



Labeling



Media



Checklist



Temp



Timer

Functions



Native iOS

# CUSTOMER TESTIMONIALS

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***“ You’re saving our Prep Chef over an hour a day for just one process ”***

Chef Andrew, STK Midtown

***“ Our store managers LOVE BOHA! Checklist. It’s like having an assistant manager in the store at all times. ”***

Nargis Jhetam, Regional Manager,  
Suncor Energy

***“ We’re no longer serving rubbery chicken ”***

Craig Griffith, Food Operations Manager,  
7-Eleven

***“ We’ve eliminated the number one violation we had with the health department ”***

Owen Miller-White, Manager Food Safety,  
A&W of Canada

# BOHA! UNIT ECONOMICS

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- Initial sale approximately \$600 per unit (BOHA! TERMINAL)
- Recurring revenues of approximately \$1400+ per year per terminal in high-margin software, services and label sales
- 3 year contracts



# Epic

THE NAME IN CASINO PRINTING AND  
**MARKETING SOFTWARE SOLUTIONS**



# CASINO & GAMING

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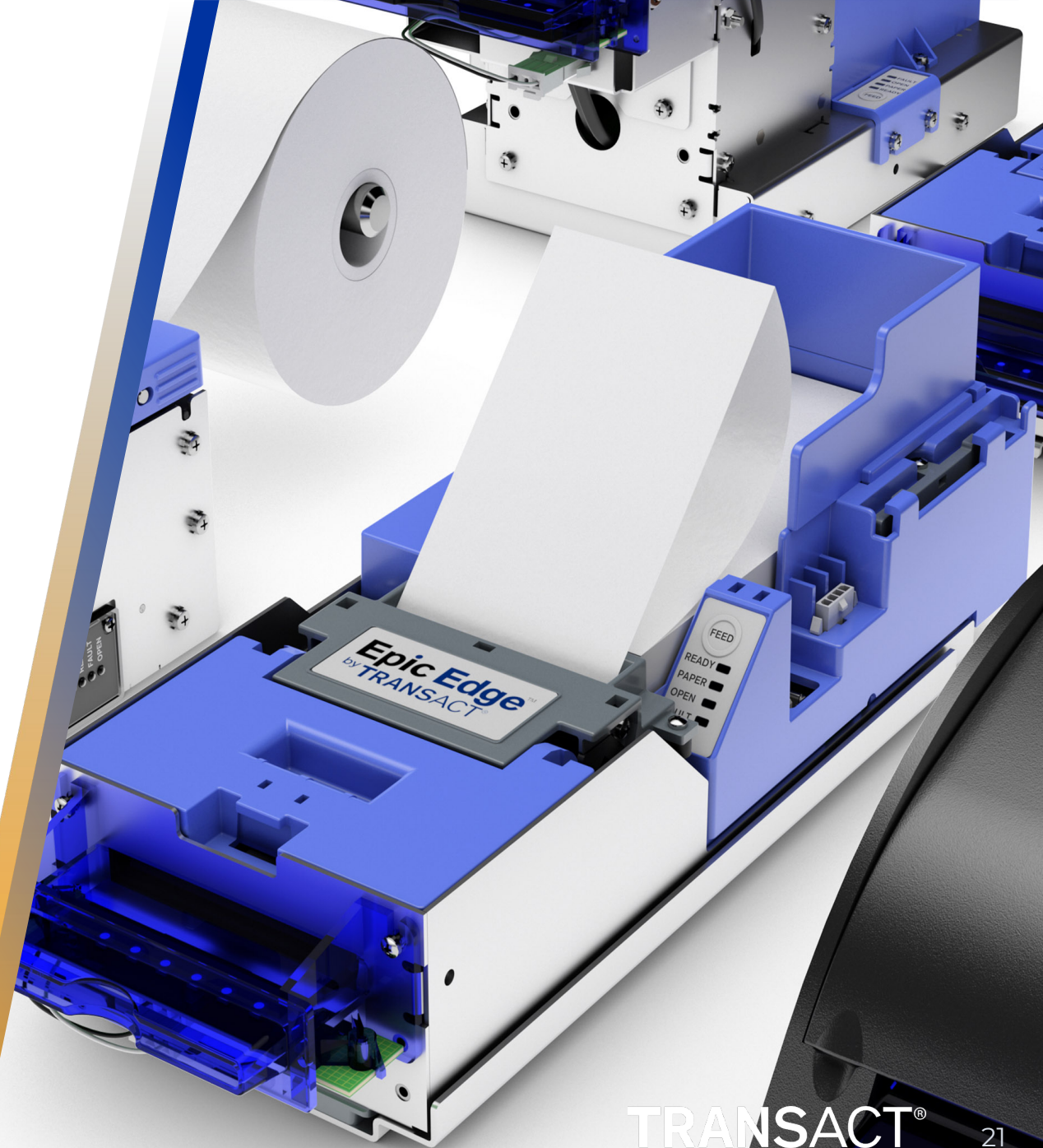
Industry-leading Casino and Gaming printer business provides a strong financial foundation for TransAct's ongoing investments in its Food Service Technology business

## CASINO

- Award-winning Epicentral software system
- Epic Ticket-in/Ticket-out printers for slot machines and electronic gaming machines

## GAMING

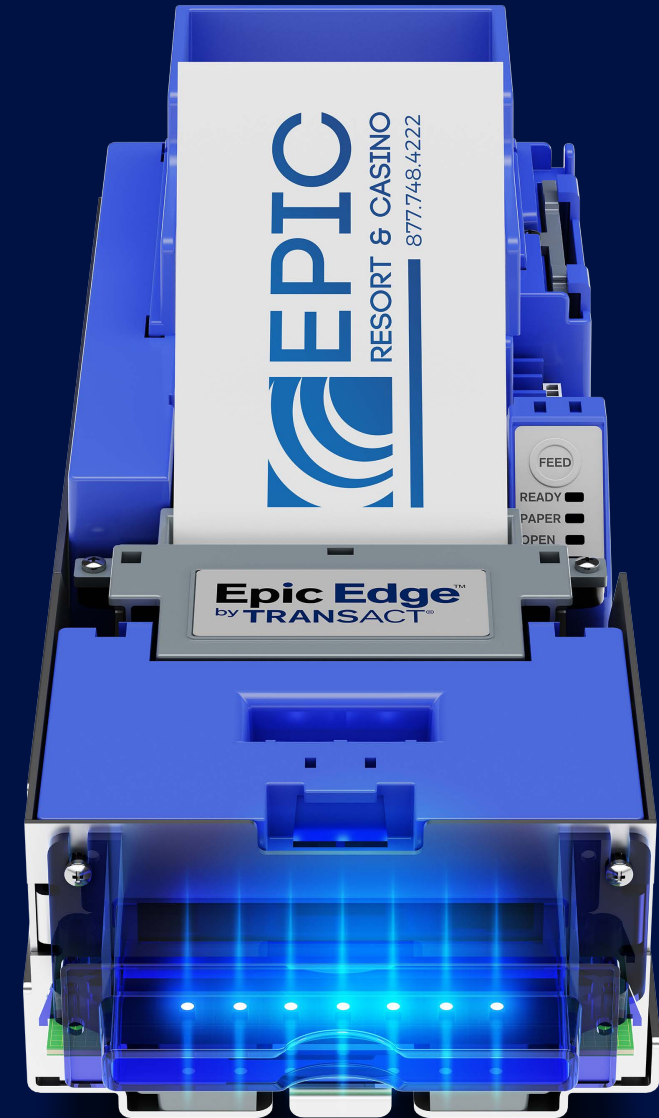
- Epic roll fed printer for emerging sports betting kiosks in casinos and betting parlors
- Europe big market for 'street' gaming machines



# EPIC EDGE™

## Next-generation casino and gaming printer

- First TITO printer to offer 300 DPI print resolution (a more than 2x improvement over current printers)
- Improves bill validator performance and coupon artwork, reduces attendant calls
- Fully equipped with serial and USB interfaces that are conveniently built into a single board
- Firmware updates via a convenient full speed USB 2.0 connection or directly via a micro SD card
- Adjustable ticket bucket for smaller, paper-saving tickets
- Runs side-by-side with Epic 950 printer
- Rugged metal chassis with Serial, USB, MicroSD and Netplex interfaces
- Hot swappable
- Upgraded ServerPort™ connection





Delivers printed coupons and promotions in real-time

- Communicates with Epic Edge and Epic 950 printers
- Works with nearly all electronic gaming devices and slot management systems
- Extends time-on-device, increases player spend and generates increased customer loyalty

## EPICENTRAL 4.0

- New features include sleek user interface and web-based architecture which makes it easier to install, update and secure
- Run multiple promotions at the same time
- Reach un-carded players
- Create games within a game
- Promote to carded and un-carded players
- Reward players based on their individual behaviors





# CASINO BUSINESS

- Essentially a Duopoly – providing casino printers for slots and other games of chance
- 2019 net sales were \$21.5 million
- Casinos generally replace 5-10% of the gaming machines and printers every year
- Post Covid Organic growth in the casino markets should be 2-5%
- High margin casino printers



# TRANSACT<sup>®</sup>

## FINANCIAL OVERVIEW

# INCOME STATEMENT

US\$ in thousands, except per share data and percentages		Year Ended December 31,		
	2019	2018	2017	
Net sales	\$45,748	\$54,587	\$56,311	
Gross profit	21,935	26,743	26,662	
Gross margin	47.9%	49.0%	47.3%	
Operating income	343	6,759	6,814	
Income (loss) before income taxes	367	6,466	6,772	
Net income	516	5,426	3,211	
Net income per diluted share	\$0.07	\$0.70	\$0.42	
<b>Non-GAAP:</b> (see "Non-GAAP Financial Measures")				
EBITDA	\$1,749	\$7,490	\$7,886	
Adjusted EBITDA	2,441	8,119	8,495	
<b>Net sales by market:</b>				
Food service technology	\$6,104	\$5,086	\$4,862	
POS automation and banking	5,758	7,273	7,905	
Casino and gaming	21,529	26,593	18,615	
Lottery	1,291	3,093	9,805	
Printrex	1,166	1,297	1,052	
TransAct services group	9,900	11,245	14,072	

# INCOME STATEMENT

US\$ in thousands, except per share data and percentages	Three Months Ended June 30,			Six Months Ended June 30,	
	2020	2019		2020	2019
Net sales	\$5,285	\$11,350		\$15,532	\$22,900
Gross profit	2,290	5,704		7,208	11,790
Gross margin	43.3%	50.3%		46.4%	51.5%
Operating (loss) income	(2,738)	309		(4,033)	1,086
(Loss) Income before income taxes	(2,774)	160		(4,231)	1,021
Net (loss) income	(1,853)	186		(2,845)	932
Net (loss) income per diluted share	\$(0.25)	\$0.02		\$(0.38)	\$0.12

<b>Non-GAAP:</b> (see "Non-GAAP Financial Measures")					
EBITDA	\$(2,492)	\$403		\$(3,714)	\$1,522
Adjusted EBITDA	(2,266)	616		(3,301)	1,908

<b>Net sales by market:</b>					
Food service technology	\$1,204	\$1,123		\$2,575	\$2,336
POS automation and banking	481	1,644		2,039	2,921
Casino and gaming	1,360	5,631		6,291	11,114
Lottery	817	134		817	831
Printrex	8	285		125	627
TransAct services group	1,415	2,533		3,685	5,071

# BALANCE SHEET

US\$ in thousands	June 30, 2020	December 31, 2019	December 31, 2018
Cash and cash equivalents	\$3,082	\$4,203	\$4,691
Accounts receivable, net	3,290	6,418	8,025
Inventories, net	11,905	12,099	12,835
Other assets	16,697	13,341	9,405
Total assets	\$34,974	\$36,061	\$34,956
Accounts Payable	\$1,316	\$2,960	\$3,483
Other liabilities	7,597	7,175	3,906
Debt (2020 PPP loan only)	2,173	–	–
Total liabilities	\$11,086	\$10,135	\$7,389
Shareholders' equity	\$23,888	\$25,926	\$27,567



# NON-GAAP FINANCIAL MEASURES

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TransAct is providing certain non-GAAP financial measures because the Company believes that these measures are helpful to investors and others in assessing the ongoing nature of what the Company's management views as TransAct's core operations. EBITDA and adjusted EBITDA provide the Company with an understanding of one aspect of earnings before the impact of investing and financing charges and income taxes. The Company believes that these non-GAAP financial measures provide relevant and useful information to an investor evaluating the Company's operating performance because these measures are: (i) widely used by investors to measure a company's operating performance without regard to non-recurring items excluded from the calculation of such measure; (ii) used as financial measurements by lenders and other parties to evaluate creditworthiness; and (iii) used by the Company's management for various purposes including strategic planning and forecasting, assessing financial performance and paying incentive compensation. The presentation of this non-GAAP information is not considered superior to or a substitute for, and should be read in conjunction with, the financial information prepared in accordance with GAAP.

EBITDA is defined as net income before net interest expense, income taxes, depreciation and amortization. A reconciliation of EBITDA to net income, the most comparable GAAP financial measure, is presented below.

Adjusted EBITDA is defined as net income before net interest expense, income taxes, depreciation and amortization and is adjusted for share-based compensation. The Company adjusts EBITDA for share-based compensation because the Company considers share-based compensation to be a non-cash expense similar to depreciation and amortization. A reconciliation of adjusted EBITDA to net income, the most comparable GAAP financial measure, is presented below.

# TRANSACT TECHNOLOGIES INCORPORATED

## RECONCILIATION OF NET (LOSS) INCOME TO EBITDA

### AND ADJUSTED EBITDA

### NON-GAAP FINANCIAL MEASURES

US\$ in thousands	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Net (loss) income	\$(1,853)	\$186	\$(2,845)	\$932
Interest expense, net	25	7	22	13
Income tax provision (benefit)	(921)	(26)	(1,386)	89
Depreciation and amortization	257	236	495	488
EBITDA	(2,942)	403	(3,714)	1,522
Share-based compensation expense	226	213	413	386
Adjusted EBITDA	\$(2,266)	\$616	\$(3,301)	\$1,908

# TRANSACT TECHNOLOGIES INCORPORATED

## RECONCILIATION OF NET INCOME TO EBITDA

### AND ADJUSTED EBITDA

### NON-GAAP FINANCIAL MEASURES

US\$ in thousands	Year Ended December 31,		
	2019	2018	2017
Net (loss) income	\$516	\$5,426	\$3,211
Interest expense, net	11	27	33
Income tax provision (benefit)	(149)	1,040	3,561
Depreciation and amortization	1,371	997	1,081
EBITDA	1,749	7,490	7,866
Share-based compensation expense	692	629	609
Adjusted EBITDA	\$2,441	\$8,119	\$8,495

# RECAP

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- The BOHA! market opportunity is a multi billion-dollar market
- Transitioning to recurring revenue business
- Restaurants need to add technology to their operations to lower costs, protect customers and their employees
- Apple now working with TransAct to accelerate iPad adoption into restaurant market
- Food Safety in the restaurant, convenience store and grocery store market are critically needed
- FDA Labeling Act driving Convenience and Grocery Stores to purchase BOHA! for growing fresh food business
- FDA Labeling Act driving need for labeling systems for Grab-n-Go offerings
- Fast growing FST recurring revenue: software, service, and labels
- Only company to offer the Food Service Market a full suite of technology applications and hardware solutions
- Solid position in high margin world-wide Gaming and Casino market