



# Investor Presentation

March 2018

# Safe Harbor Statement

All statements, other than statements of historical fact included in this presentation, are forward-looking statements. When used in this presentation, words such as “anticipate”, “believe”, “estimate”, “expect”, “intend”, and similar expressions, as they relate to USA Technologies, Inc. (“USA Technologies”, “USAT”, or “the Company”) or its management, identify forward-looking statements. Such forward-looking statements are based on the beliefs of USA Technologies’ management, as well as assumptions made by and information currently available to USA Technologies’ 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, business, financial market and economic conditions; the incurrance of any unanticipated or unusual non-operating expenses which would require diversion of cash resources; the ability of USA Technologies to predict or estimate its future annual revenues or connections; the ability of USA Technologies to retain key customers from whom a significant portion of its revenues is derived; the ability of a key customer to reduce or delay purchasing products from USA Technologies; whether suppliers would increase their prices, reduce output or change their terms of sale; whether, and the promptness with which, customers install new connections; whether, and the extent to which, new connections will generate revenues for USA Technologies in future quarters; whether USA Technologies’ customers continue to utilize USA Technologies’ transaction processing and related services, as customer agreements are generally cancelable by the customer on thirty to sixty days’ notice; the ability of USA Technologies to accurately estimate potential connections controlled by its existing customer base and predict future market conditions and customer behavior; whether customers will increase their purchases of USA Technologies’ products and services in the future; the ability of our products and services to avoid unauthorized hacking or credit card fraud; the ability of the Company’s Cashless Knowledge Base to predict future market conditions, customer and consumer behavior, and average ticket prices and cashless sales across all of USAT’s customer locations; the accuracy and reliability of third party data relating to potential connections in the market; the ability of Apple Pay to drive demand and adoption; the effect of the acquisition of Cantaloupe Systems, Inc. on USAT’s revenues or adjusted EBITDA in fiscal year 2018; the possibility that all or a portion of the expected benefits and efficiencies from the combined offering of the services of USAT and Cantaloupe Systems, Inc., including increases in revenue, business efficiencies and competitiveness, and decrease in operational costs, will not be realized or would not be realized within the expected time period; and the possibility that all of the expected benefits from adoption of cashless payment will not be realized by all vending operators, or will not be realized within the expected time period. Readers are cautioned not to place undue reliance on these forward-looking statements. Any forward-looking statement made in this presentation speaks only as of the date of this presentation. Unless required by law, USA Technologies 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.

Non-GAAP Information: This presentation includes a discussion of Adjusted EBITDA and Non-GAAP net income, which are non-GAAP financial measures that USA Technologies believes are useful for an understanding of the Company’s ongoing operations. Non-GAAP financial measures are supplemental to, and not a substitute for, GAAP financial measures such as net income or loss. Details of this item and a reconciliation of non-GAAP financial measures to GAAP financial measures can be found in the Appendix to this presentation and at [www.usatech.com](http://www.usatech.com) under the “Investor Relations” tab.

USA Technologies has not reconciled the Company’s adjusted EBITDA outlook to GAAP net income (loss) for the 2018 fiscal year due to the uncertainty and potential variability of the provision for (benefit from) income taxes, which is a reconciling item between adjusted EBITDA and GAAP net income (loss). Because this item cannot be reasonably predicted and could have a significant impact on the calculation of GAAP net income (loss), USA Technologies has not provided guidance for GAAP net income (loss) or a reconciliation of the company’s adjusted EBITDA outlook to GAAP net income (loss) for the 2018 fiscal year. Accordingly, a GAAP net income (loss) outlook and a reconciliation of adjusted EBITDA outlook to GAAP net income (loss) is not available without unreasonable effort.

# Company Overview

**Market-leading, single source, enterprise solution designed to increase top-line sales and bottom-line profit for businesses that specialize in unattended retail.**

## Introduction

- A leading provider of comprehensive payments and logistics solutions for the unattended retail market
- Offers a turnkey enterprise platform that can help customers increase sales, decrease their operational costs, and enable them to run their business more efficiently
- Primarily serves the beverage and food vending industry with expansion opportunities into additional segments including amusement, commercial laundry, and kiosks



FY18 Forecast Revenue<sup>(1)</sup> **\$140M-\$145M**

FY18 YoY Forecast Revenue growth<sup>(1)</sup> **34%-39%**

Connections<sup>(2)</sup> **~905K**

Customers<sup>(2)</sup> **~15,050**

Annualized Transaction Volume<sup>(2)</sup> **~\$1B**

Employees<sup>(2)</sup> **~150**

Founded **1992**

Headquarters **Malvern, PA**

NASDAQ **USAT**

Stock Price (as of 3/5/18) **\$8.85**

Market Cap (as of 3/5/18) **\$475M**



(1) FY2018 guidance includes 8 months of contribution from the Cantaloupe acquisition

(2) As of December 31, 2017

# Investment Highlights

*USA Technologies is well-positioned to capitalize on the favorable trends driving cashless transactions*



## Significant Market Opportunity

Underpenetrated market, both within existing customers as well as the broader market for cashless transactions



## Attractive Value Proposition for Customers

USAT's solutions allow customers to reduce costs, improve operating efficiencies, and increase purchases at their consumer machines



## Comprehensive Product Offering

One point of contact through a bundled cashless payment solution



## Scalable Financial Model with Strong Visibility

70% of revenue is contractually recurring<sup>(1)</sup>, providing visibility into projected periods



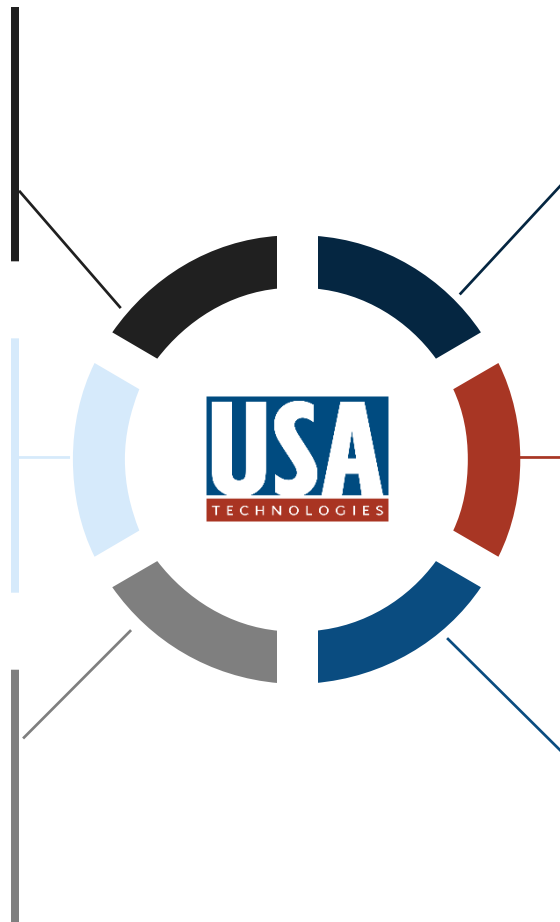
## Market and Technology Leader with a Trusted Brand Name

We believe we have the largest installed base of NFC-enabled unattended cashless merchant locations in the United States



## Proven Management Team

Deep domain expertise with extensive knowledge of payments and adjacent verticals



# Self-Serve Retail is Significantly Underserved

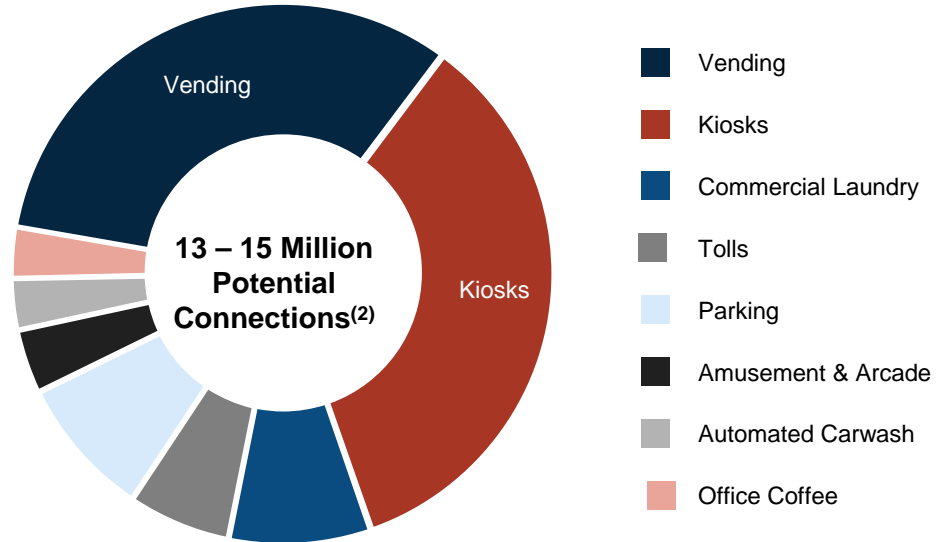
Significant market opportunity with favorable trends primarily driven by growth in demand for electronic payments

## Current USAT Connections

905,000 Connections<sup>(1)</sup>



## Total Addressable Connections Market



## Unattended Point of Sale Market Trends



Shift towards electronic payments and away from cash and checks



Increase in consumer demand for electronic payments



Increase in merchant / operator demand for electronic payments



Increase in demand for integrated payments solutions



Increase in demand for networked assets

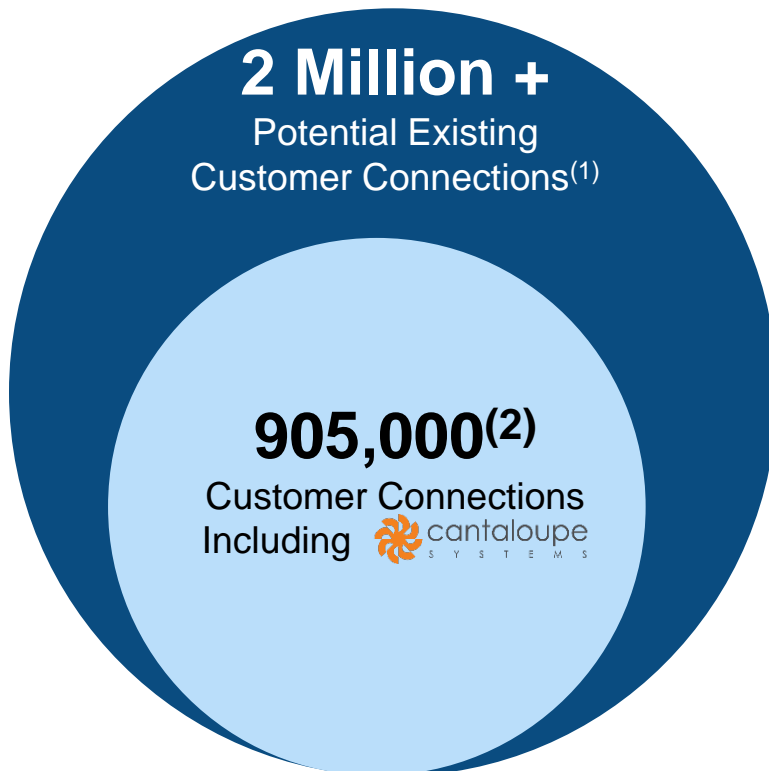


POS technology and NFC equipped mobile phone payment improvements

# Significant Opportunity within Existing Network

## Current USAT Connections

*Significant whitespace opportunity within existing customer base – 1.2M+ connections*



## Blue-Chip Channel Partners

*USAT partners include market-leading constituents in NFC and cashless payments*

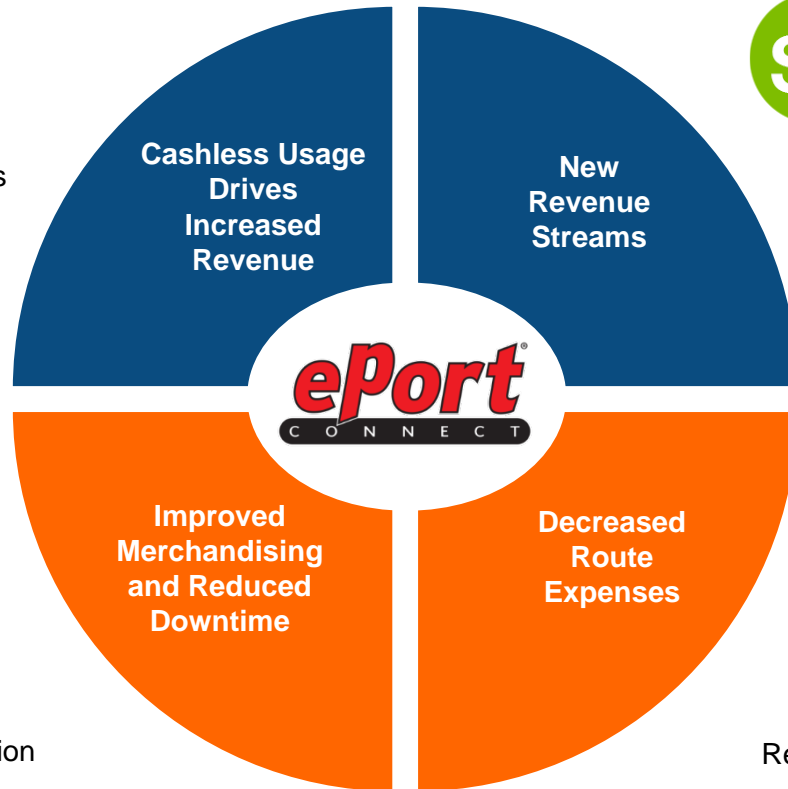


# Attractive Value Proposition

*Delivering a Turnkey End-to-End Enterprise Platform for Unattended Retail*



Cashless Payments  
Nutritional Information  
Payroll Deduct



Average Consumer Purchase Up **35%**

Digital Advertising  
Loyalty Rewards  
Coupons and Promotions



Dynamic Route Scheduling  
Inventory Management  
Warehouse Automation



Cut Customer Cost

Accounting Management  
"Space to Sales" Optimization  
Real Time Pre-kitting



# Comprehensive Product Offering



## Unparalleled Payments Platform

- Credit/debit
- Mobile wallets
- Payroll deduct
- Campus card
- Prepaid program



## Proven Results

- Increase revenue by 35 - 45%
- Decrease operational costs by 30 - 40%
- Increase average ticket by 32%
- Drive incremental revenue with loyalty and digital ads



## Actionable Data in Real-time

- Dynamic route scheduling
- Inventing management
- Warehouse automation



## Unattended Retail, at Scale

- USAT powers nearly 1 million machines with operations in the US, Canada, Australia, and Mexico.
- USAT is working to make unattended retail more efficient, more enticing to consumers, and more profitable.



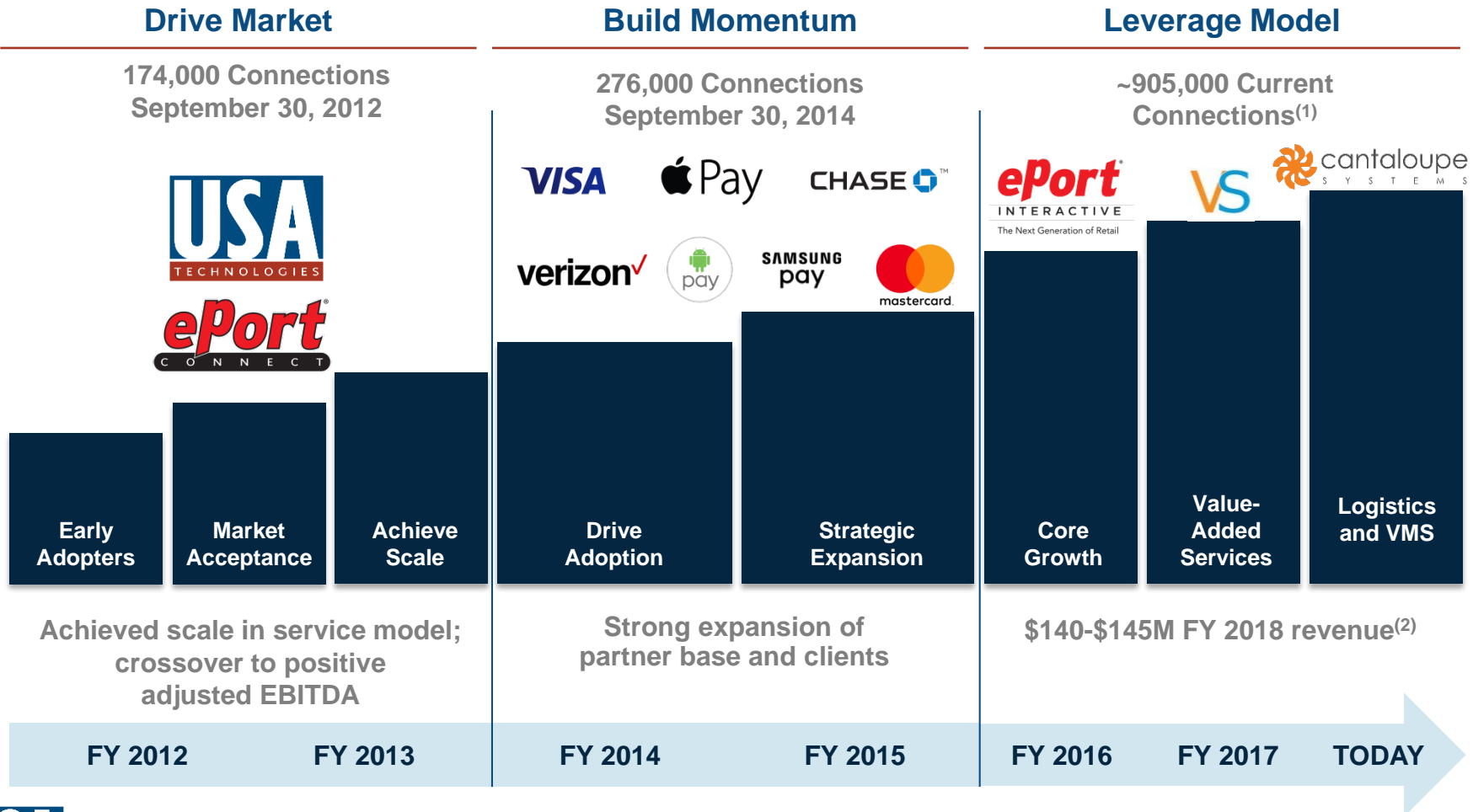
## Ongoing Innovation

- Integrated loyalty program
- Loyalty supported in Apple Pay wallet
- Digital content
- Coupons and promotions
- Dynamic digital ads



# Scalable Financial Model

*Proven track record of growth with multiple avenues for expansion*



(1) As of December 31, 2017

(2) FY 2018 guidance includes 8 months of contribution from the Cantaloupe Systems acquisition

# Market and Technology Leader

*USAT operates one of the largest footprints in North America that accepts NFC-based mobile payments*

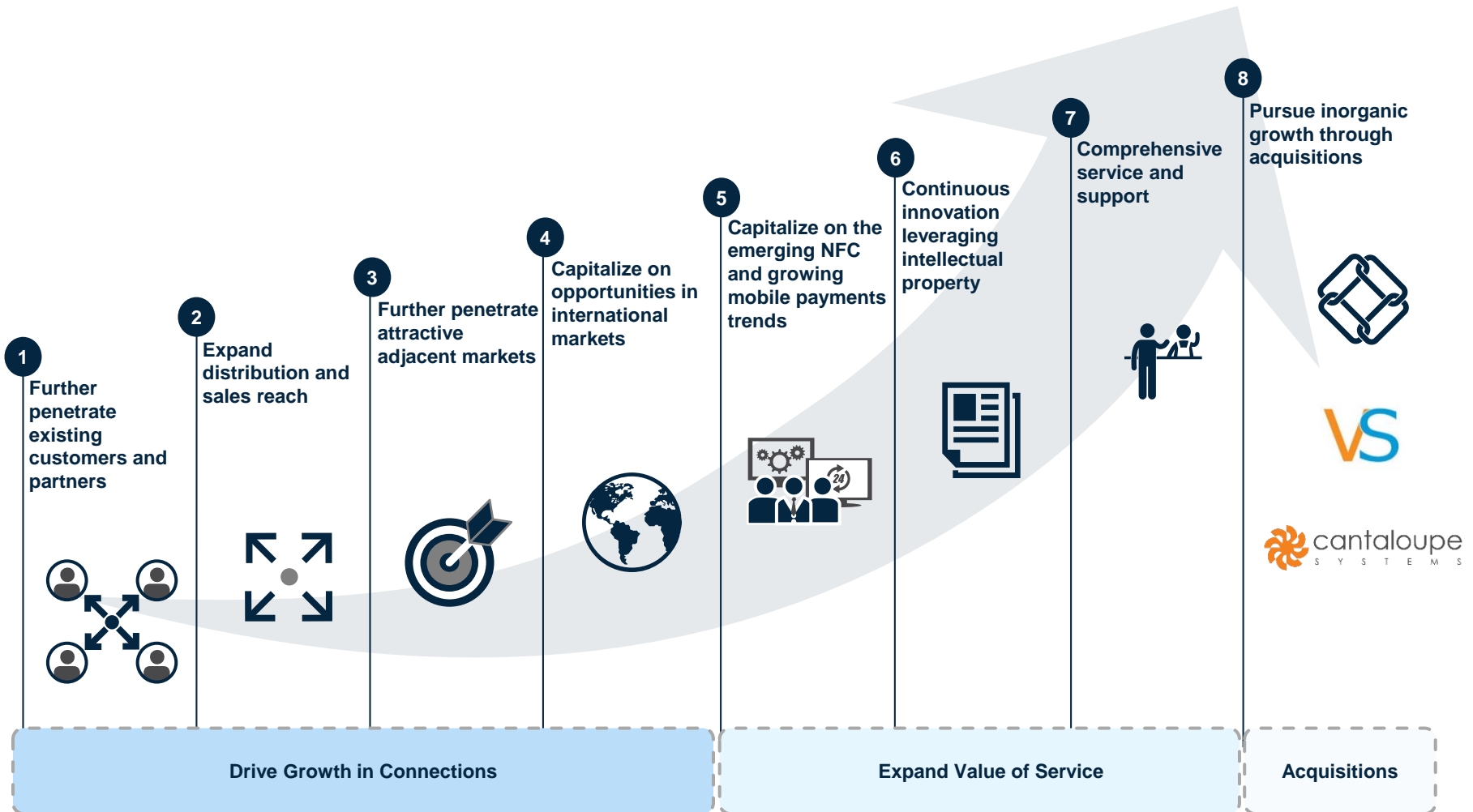
## ePort<sup>®</sup>

- Approximately 622,000<sup>(1)</sup> NFC-enabled merchant locations
- All newly shipped ePort terminals are NFC-enabled
- Google's launch of Android Pay solidifies broader market acceptance of the mobile payments technology
- Apple Pay introduction marks tectonic shift, expected to drive demand and adoption
- Accepted throughout USAT network



# Attractive Growth Opportunities

*USAT is well-positioned to capitalize on both organic and acquisition growth opportunities*



# Experienced Leadership Team

USA Technologies is led by an experienced management team with significant domain expertise



**Stephen Herbert**



**Priyanka Singh**



**Michael Lawlor**







**Maeve Duska**



**George Harrum**



**Tom Jones**

<b>Title</b>	Chairman and Chief Executive Officer	Chief Financial Officer	Chief Services Officer	SVP, Marketing	SVP, Operations	EVP, Sales		
<b>Years of Relevant Experience</b>	31+	15+	25+	15+	30+	25+		
<b>Industry Experience</b>								



## Financial Overview

# Financial Highlights



Strong revenue growth: **~29% revenue CAGR since FY11**

High proportion of recurring revenue: **70% of 2Q FY18 revenue from recurring licensing and processing fees**

Significant whitespace within customer base: **44% of new connections came from existing customers in 2Q FY18<sup>(1)</sup>**

Driving margin expansion: **L&T margins increased from 31.6% in 2Q FY17 to 37.2% in 2Q FY18**

Profitable business model

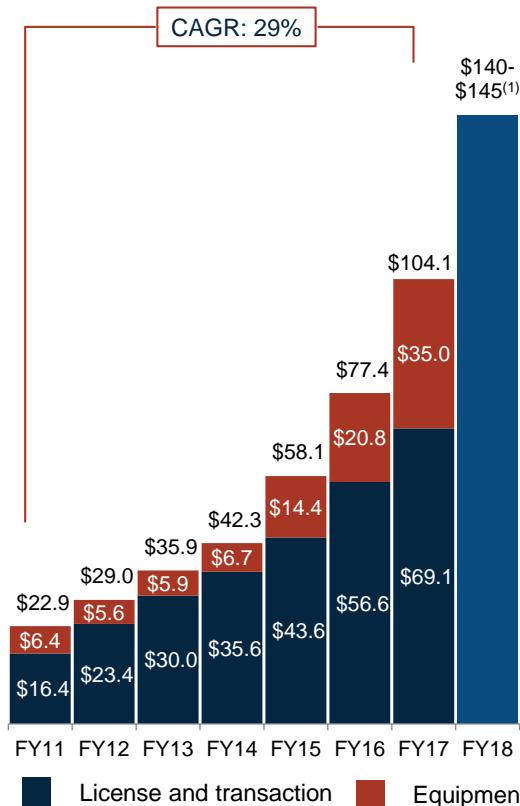
(1) USAT added 1,800 new customers in Q2 FY18, which included approximately 1,400 new customers related to the acquisition of Cantaloupe

# Attractive Growth Profile

*USAT has experienced rapid revenue growth, driven by both new customer wins and increased penetration across the Company's existing customer base*

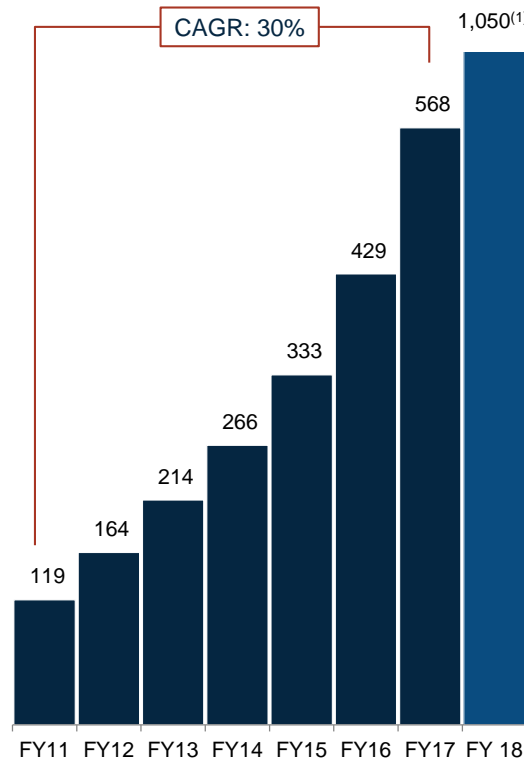
## Annual Revenue

(\$ in millions)



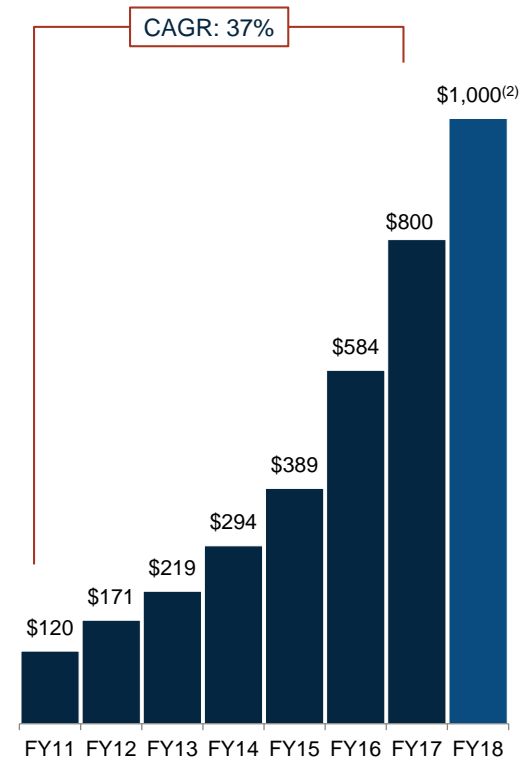
## Connections

(Connections in thousands)



## Annual Transaction Value

(\$ in millions)



(1) FY 2018 Revenue and Connections guidance includes 8 months of contribution from the Cantaloupe Systems acquisition

(2) FY 2018 Transaction Volume reflects annualized results

# Scalable Operating Model

	12 Months Ending 12/31/2017 <sup>(1)</sup>	Long Term Target Range
<b>Gross Margin</b>	<b>25.7%</b>	<b>27% – 30%</b>
License and Transactions	34.0%	36% – 40%
Equipment	9.3%	6% – 8%
SG&A as a % of Revenue	25.7%	15% – 20%



# Recent Operating Results

(\$ in millions)	2Q2018	Increase from 2Q2017	FY2018 <sup>(1)</sup>	Increase from FY2017
Revenue	\$32.5	49%	\$140 - \$145	34% - 39%
Non-GAAP Net Income	\$1.2	136%		
Adjusted EBITDA	\$2.9	68%	\$13.5 - \$14.5	91% - 105%
Connections	905K	93%	1.03 – 1.07	81% - 88%
Transaction Volume <sup>(2)</sup>	\$272.7	42%	\$1,000	25%

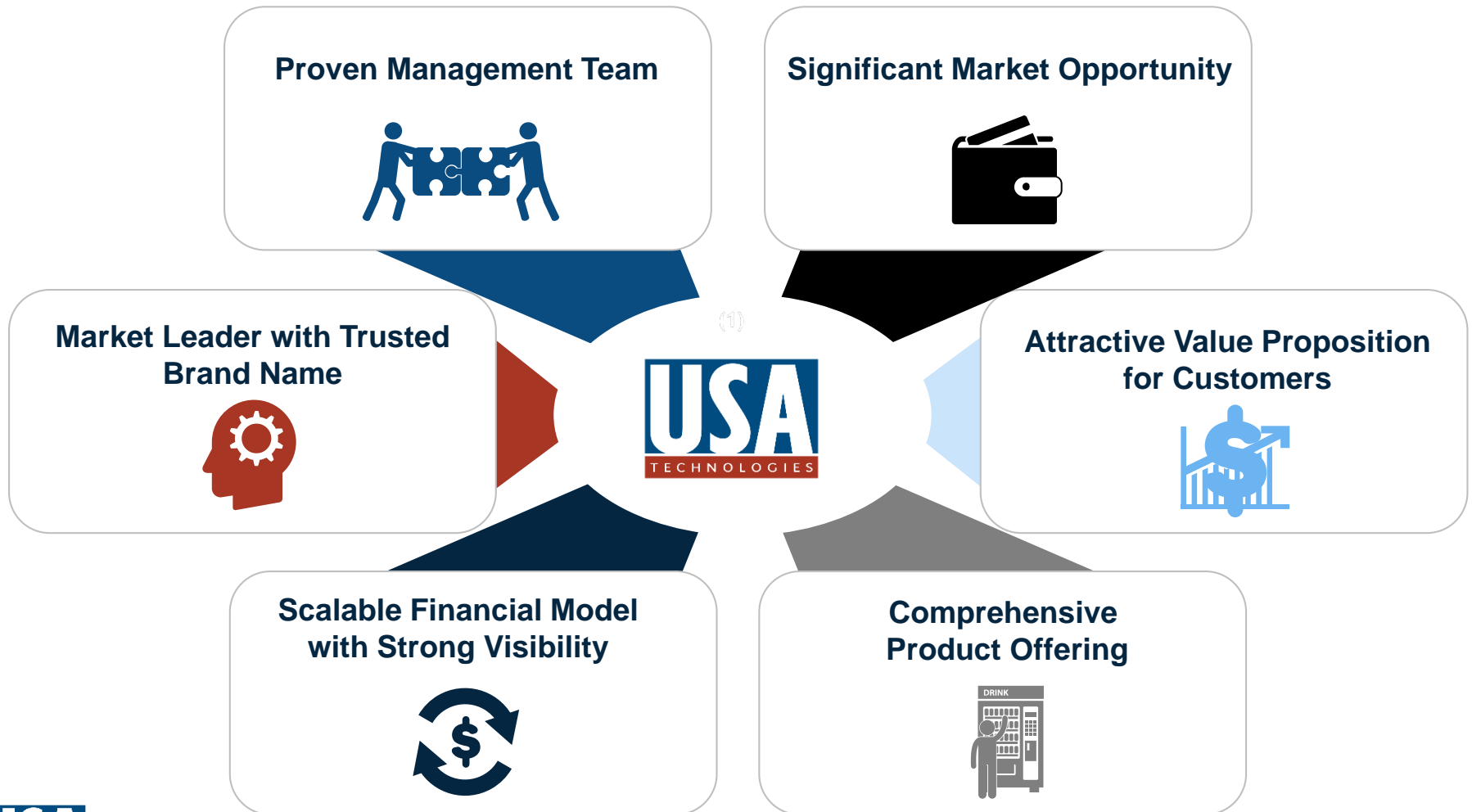
(1) FY2018 guidance includes 8 months of contribution from the Cantaloupe acquisition

(2) FY2018 Transaction Volume reflects annualized results



Note: See Appendix for the reconciliation from Net Loss to Adjusted EBITDA and Net Loss to Non-GAAP Net Income for 2Q FY2018

# Why USA Technologies?





# Appendix

# Adjusted EBITDA Reconciliation

(\$ in thousand)	Three months ended December 31,		
	2017	2016	% Change
Net (loss) income	\$ (12,516)	\$ 233	(5472)%
Less interest income	(251)	(200)	26%
Plus interest expense	494	201	146%
Plus income tax provision (benefit)	9,073	—	100%
Plus depreciation expense	1,512	1,220	24%
Plus amortization expense	472	43	998%
EBITDA	<u>\$ (1,216)</u>	<u>\$ 1,497</u>	<u>(181)%</u>
Plus stock-based compensation	780	233	235%
Plus integration and acquisition costs	3,358	8	41875%
Adjustments to EBITDA	<u>4,138</u>	<u>241</u>	<u>1617%</u>
Adjusted EBITDA	<u>\$ 2,922</u>	<u>\$ 1,738</u>	<u>68%</u>

# Non-GAAP Net Income Reconciliation

(\$ in thousands, except shares and per share data)	Three months ended December 31,		
	2017	2016	% Change
Net (loss) income	\$ (12,516)	\$ 233	(5472)%
Non-GAAP adjustments:			
Non-cash portion of income tax benefit	9,073	—	—
Amortization of intangible assets acquired	472	43	998%
Stock-based compensation	780	233	235%
Integration and acquisition costs	3,413	8	42563%
Non-GAAP net income (loss)	<u>\$ 1,222</u>	<u>\$ 517</u>	<u>136%</u>
Non-GAAP net income (loss) per common share:			
Basic	<u>\$ 0.02</u>	<u>\$ 0.01</u>	<u>83%</u>
Diluted	<u>\$ 0.02</u>	<u>\$ 0.01</u>	<u>82%</u>
Weighted average number of common shares outstanding:			
Basic	<u>52,150,106</u>	<u>40,308,934</u>	<u>29%</u>
Diluted	<u>52,795,523</u>	<u>40,730,712</u>	<u>30%</u>