



USA Technologies Sends Open Letter to Shareholders Regarding Audit Committee Investigation

January 14, 2019

Company Strengthens Management Team and Enhances Controls and Governance

MALVERN, Pa.--(BUSINESS WIRE)--Jan. 14, 2019-- USA Technologies, Inc. (NASDAQ:USAT) (the "Company"), a premier digital payment, consumer engagement and logistics service provider for the self-service retail market, today issued an open letter to shareholders in connection with the internal investigation conducted by the Audit Committee of the Company's Board of Directors and actions being taken to strengthen the Company's management team and enhance internal controls and governance.

The Company has also filed a Form 8-K (the "Form 8-K") with the Securities and Exchange Commission which reports further details on the principal findings of the internal investigation and the actions the Board of Directors and management are implementing as a result of the investigation.

The full text of the letter follows:

Dear Shareholders,

I am writing to you today to provide an update on the internal investigation we announced in September 2018. We greatly appreciate your patience and understanding as we have worked through this process. The Audit Committee, with the assistance of independent legal and forensic accounting advisors, conducted a thorough internal investigation relating to certain of the Company's contractual arrangements. The investigation is substantially complete and I want to provide you certain of the Audit Committee's findings and recommendations, as well as actions the Company is taking to strengthen the management team, improve controls and coordination within our Company, and enhance USA Technologies' governance.

We have grown significantly over the past several years and believe the measures we are implementing will bring USA Technologies' oversight and control functions and corporate governance more in line with a company of our size and with best practices. We also believe these measures will enhance the Company's coordination, enable tighter day-to-day running of operations, helping us to be a stronger company and create value for shareholders.

What Were the Audit Committee's Findings Related to Previously Reported Revenues?

The Audit Committee made a number of findings, including that, for certain transactions which had been principally entered into during fiscal years 2017 and 2018, the Company had prematurely or inappropriately recognized revenue, and in some cases, the reported number of connections associated with these transactions. The Audit Committee and its advisors proposed adjustments to previously reported revenues associated with certain of the transactions it reviewed. On a net basis, the proposed aggregate reduction to previously reported revenues relating to these transactions is not expected to exceed \$5.5 million. In most cases, revenues that had been recognized prematurely were, or are expected to be, recognized in subsequent quarters, including quarters subsequent to the quarters impacted by the investigative findings. The investigation further found that certain items that had been recorded as expenses, such as the payment of marketing or servicing fees, were more appropriately treated as contra-revenue items in earlier fiscal quarters. As set forth in the Form 8-K, neither the Company nor its independent auditor has completed its analysis of the specific adjustments to previously reported revenues identified by the investigation, and such analysis could result in further adjustments that could be materially different from those set forth above.

What Actions Are We Taking?

As a result of the Audit Committee's recommendations, the Board has determined to implement a range of measures, including but not limited to the following:

- A reorganization of the Company's senior management team.
- The addition of a Chief Operating Officer who will directly manage a number of operating functions.
- Enhancing internal compliance through the creation of a Compliance Committee of the Board of Directors, and the hiring of a Chief Compliance Officer who will report directly to the Committee.
- A splitting of the roles of Chairman and CEO, with Stephen P. Herbert continuing to serve as Chief Executive Officer and as a member of the Board of Directors, and Albin (Al) Moschner appointed Non-Executive Chairman.
- Authorization for the Nominating and Corporate Governance Committee to commence a search to identify two additional independent directors to join the Board.

What's Next?

Right now, in addition to working to implement these measures as soon as practicable, we're working diligently to complete and file our Annual Report on Form 10-K for the fiscal year ended June 30, 2018, and the Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2018. We look forward to providing you all with an update on our financial results as soon as we are able. As set forth in the Form 8-K, we are also determining whether or not a restatement is required in connection with any previously filed financial statements and our independent

auditor continues to work towards completion of its audit review procedures.

Throughout this entire process, we have never lost sight of delivering world class service to our nearly 16,000 customers and approximately one million connections to our service. We continue to focus on reaching new customers and expanding our footprint within our existing customer base, while driving towards our goal of revenue and margin expansion across the business in order to deliver sustained, long-term shareholder value.

In conclusion, we reiterate our most sincere thanks for your patience over the past number of months, and as always, our thanks for your interest and investment in USA Technologies.

Sincerely,

Stephen P. Herbert, Chief Executive Officer

About Albin (Al) Moschner

Mr. Moschner joined the Board of Directors in May 2012. He brings over 40 years of C-Suite and Senior Management experience in various Industries including: Telecommunications, Consumers Electronics and Computing. Mr. Moschner served at Leap Wireless International, Inc. as the Chief Operating Officer and as a Director of the Company from July 2008 to February 2011 and as Chief Marketing Officer from August 2004 to June 2008. Prior to joining Leap Wireless, Mr. Moschner served as President of the Verizon Card Services division of Verizon Communications, Inc. Mr. Moschner currently serves on the Nuveen Fund Board and USA Technologies. He also serves on the Board of Advisors of Catholic Charities of Chicago, Board Emeriti of the Corporations of Wintrust Financial, Pella Windows, and Polaroid and the Kellogg School of Management. Mr. Moschner holds a Bachelor of Engineering in Electrical Engineering from The City College of New York and a Masters Degree in Electrical Engineering awarded by Syracuse University.

About USA Technologies, Inc.

USA Technologies, Inc. is a premier payment technology service provider of integrated cashless and mobile transactions in the self-service retail market. The company also provides a broad line of cashless acceptance technologies including its NFC-ready ePort® G-series, ePort Mobile® for customers on the go, ePort® Interactive, and QuickConnect, an API Web service for developers. Through its acquisition of Cantaloupe Systems, Inc. ("Cantaloupe"), the company also offers logistics, dynamic route scheduling, automated pre-kitting, responsive merchandising, inventory management, warehouse and accounting management solutions. Cantaloupe is a premier provider of cloud and mobile solutions for vending, micro markets, and office coffee services.

Forward-looking Statements

"Safe Harbor" Statement under the Private Securities Litigation Reform Act of 1995: All statements other than statements of historical fact included in this document are forward-looking statements. When used in this document, words such as "anticipate," "believe," "estimate," "expect," "intend," and similar expressions, as they relate to the Company or its management, identify forward looking statements. Such forward-looking statements are based on the beliefs of the Company's management, as well as assumptions made by and information currently available to the Company'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, uncertainty as to the scope, timing and ultimate findings of the internal investigation; the costs and expenses relating thereto; the impact of the internal investigation on the Company, its management and operations, including potential financial impact on the Company; the risk of litigation or regulatory action arising from the internal investigation and its findings or from the failure to timely file the Annual Report on Form 10-K for the fiscal year ended June 30, 2018 (the "Annual Report") or Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2018 (the "Quarterly Report"); the ability of the Company to regain and maintain compliance with Nasdaq's continued listing requirements; the timing of the review by, and the conclusions of, the Company's independent auditor regarding the investigation and its impact on the financial statements; possible default by the Company under its credit facility; the potential identification of control deficiencies, including potential material weaknesses in internal control over financial reporting and the impact of the same; potential reputational damage that the Company may suffer as a result of the matters under investigation; the impact of the pendency of the investigation on the value of the Company's common and preferred stock; whether the additional audit procedures required by the Company's independent auditor or the Company's analysis of the proposed adjustments resulting from the investigation will result in a restatement of previously issued financial statements of the Company; and the risk that the filing of the Annual Report or Quarterly Report will take longer than currently anticipated. Readers are cautioned not to place undue reliance on these forward-looking statements. Any forward-looking statement made by us speaks only as of the date of this release. Unless required by law, the Company 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.

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Source: USA Technologies, Inc.

Media:

Joele Frank, Wilkinson Brimmer Katcher

Tim Lynch / Meaghan Repko

212-355-4449

or

Investors:

Blueshirt Group

Monica Gould, +1 212-871-3927

monica@blueshirtgroup.com