



## USA Technologies Issues Open Letter to Shareholders

October 9, 2019

*Now Up to Date on Financial Reporting*

*Provides Update on Recent Financial Disclosures, Corporate and Customer Activities*

*Announces Capital Raise*

**MALVERN, Pa.** – October 9, 2019 – USA Technologies, Inc. (OTC: USAT) (“USAT” or the “Company”), a cashless payments and software services company that provides end-to-end technology solutions for the self-service retail market, today issued an open letter to shareholders providing an update on recent financial, corporate and customer activities.

The Company has also today filed its Annual Report on Form 10-K for the fiscal year ended June 30, 2019, and its Forms 10-Q for the quarters ended September 30, 2018, December 31, 2018, and March 31, 2019 with the Securities and Exchange Commission which include disclosures on several reporting periods. The Company is now in compliance with its periodic reporting requirements. The Company also today disclosed its financial and operational results for Fiscal Years 2018 and 2019, including restatements of financial results of certain prior periods.

The full text of the letter follows:

Dear Shareholders,

I am pleased to report that USA Technologies’ financial disclosures are now up to date. In addition to sharing with you the details of those disclosures, I want to highlight several other business developments and achievements.

First though, I want to thank the investment community for your patience as we worked to complete these disclosures and restatements. Our ability to communicate in the manner that we would usually have been constricted during this period, and I recognize how difficult this has been. We are glad to now be in a position to update you on certain corporate events and our financial performance.

On behalf of the USA Technologies’ Board of Directors and management team, we are grateful for your continued support and are eager to discuss our performance with you going forward.

### ***Becoming Current with Our Financial Reporting***

Today, we filed our Annual Report on Form 10-K for the fiscal year ended June 30, 2019, and our Forms 10-Q for the quarters ended September 30, 2018, December 31, 2018, and March 31, 2019.

With the submissions of these filings, we are now able to return to the regular disclosure of financial statements. In connection with this, we also reported our financial and operational results for Fiscal Years 2018 and 2019, including restatements of financial results for prior periods.

Additionally, now that we are current with our periodic filing requirements, we will be moving ahead with the necessary steps to hold an annual meeting of shareholders.

### ***Enhancing the Board and Senior Leadership***

As previously reported, we have substantially strengthened the USAT management team and Board, improved controls and coordination within the Company, and enhanced our governance. Over the past year, we have:

- Added three new C-level executives to the management team;
- Added three new independent directors to the Board;
- Split the roles of Chairman and CEO;
- Created a Compliance Committee of the Board, which has assumed oversight responsibility for the Company’s compliance functions (Two of the three members of this Committee are newly appointed independent directors); and
- Enhanced our internal controls, approval and compliance processes including by rolling out Company-wide compliance training.

We believe that these measures have brought USA Technologies’ oversight and control functions in line with best practices. Similarly, we believe that we have enhanced our coordination and enabled tighter day-to-day running of operations.

We also believe that these changes have reinforced the Company’s foundation for value creation and have set the stage for future growth. With the right people and the right processes now in place, we anticipate continuing to advance our market leadership position, accelerate our growth and deliver value for our shareholders.

As we prepare to hold our next annual meeting, we look forward to engaging with our shareholders directly to get feedback and to provide updates on the Company.

### ***Being Recognized For Our Service***

While we have made several important and necessary operational changes this year – we have not lost sight of our customers. Our focus on delivering service to our approximately 19,400 customers and ensuring that our nearly 1.2 million connections go uninterrupted has remained constant. In fact, in fiscal year 2019, USA Technologies added 3,169 new customers.

I am proud to share that we did not lose a single customer as a result of the delay in filing our financials over the past year. That is a testament to the commitment of the entire USA Technologies team, and to our reputation for customer care. Indeed, the focus, drive, and entrepreneurial spirit of this Company remains intact.

We continue to progress and build on our proud tradition as an industry leader and are recognized as such. Over this past year, we have:

- [Celebrated the 20th anniversary of the ePort at the 2019 National Automatic Merchandisers Association Expo](#);
- Been recognized as a [Top 10 Retail Payment Consulting/Services Company for 2018](#) and as a [Top 10 Retail Kiosk Solution Provider](#) by Retail CIO Outlook; and
- Been ranked as a top ten largest shipper of POS terminals in the U.S. for calendar year 2018 by [The Nilson Report](#).

We believe these distinctions further validate the leading innovations we offer in self-serve retail and demonstrate how our best-in-class, end-to-end payment and logistics system is enabling operators to connect with consumer preferences, and manage, simplify and optimize their businesses.

### ***Building on Our Foundation to Win Customers***

The USAT team has maintained and grown its partnerships over this past year, an example of which is an [Apple Cash promotion](#) that was piloted by Five Star Food Service and is now being rolled out to select customer locations leveraging our ePort Interactive for digital advertising.

In addition, we signed a supply agreement this fiscal year expanding into additional verticals outside of our core vending market. We are working with CSC ServiceWorks, a leading provider of commercial laundry solutions, air vending and other unattended services which has approximately 1.4 million locations across the United States, Canada and Europe. We are equipping and/or upgrading CSC's air vending machines for tire inflation with USAT's ePort Connect cashless technology platform. This software offers CSC's air vend clients a convenient and secure experience. Just last week, [CSC highlighted](#) our innovative solutions at the [NACS Show](#) in Atlanta, Georgia.

We also expanded our [Seed Markets software offering](#), which enables owners and operators in the expanding micro market vertical to benefit from one standard set of tools, including simplified route management, efficient warehouse pre-picking, a single reporting interface and cash accountability. Importantly, these markets represent growth opportunities for our customer base, and, looking ahead, we expect the value proposition to strengthen as Seed Markets and delivery products mature.

Given our expanded product offerings, we are receiving increased interest from operators that currently do not do business with us. Even if these businesses are relatively satisfied with their existing VMS and cashless providers, they understand the need for a single end-to-end platform, and recognize USAT as a leader in this space. In addition, a study conducted by Michigan State University showed that there is a clear benefit to adding cashless payments to machines in an operator's business, especially to low-volume machines (i.e., machines with less than \$2,000 in annual sales).

Given the strength of our products and services, it is clear that, for customers, our Company remains a trusted brand name – known for our quality, reliability and innovation. I strongly believe that our ability to make it easy and efficient for customers to adopt and deploy our technology through our tailored and customized offerings provides USAT an advantage within our industry. Similarly, our current installed base provides a foundation from which to continue to expand and grow our business.

### ***Improving our Financial Position***

Concurrent with making the necessary disclosures to become current in our financial reporting, we announced that we have entered into an equity financing and debt commitment letter with Antara Capital Master Fund LP, that will support our operating activities. Under the agreement reached with Antara, we received approximately \$20 million from the sale of our common stock in a private placement, and entered into a commitment for a \$30 million senior secured debt facility.

### ***Looking Forward***

We are eager to reach new customers and to expand our footprint within our existing customer base, as well as within the new markets that we see as a natural extension of our current core technology. Our strategic plan is centered on expanding our presence across unattended retail markets to take advantage of the inflection point we're seeing in the adoption of cashless and cloud-based technology solutions.

To that end, I'd like to share more detail about the path forward and our expectations for fiscal year 2020. Regarding growth in Fiscal Year 2020, the Company expects to achieve \$165 – \$175 million in revenue and \$10 – \$11 million of Adjusted EBITDA, while adding 170,000 – 190,000 net connections.

The Company has not reconciled its Adjusted EBITDA outlook to GAAP net income (loss) due to the uncertainty and potential variability of the provision for (benefit from) income taxes, one-time restatement related cost, and integration and acquisition costs, each of which is a reconciling item between Adjusted EBITDA and GAAP net income (loss). Because these items are uncertain, depend on various factors, cannot be reasonably predicted, and could have a significant impact on the calculation of GAAP net income (loss), the Company has not provided guidance for GAAP net income (loss) or a reconciliation of the Company's Adjusted EBITDA outlook to GAAP net income (loss). 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. Information regarding the reconciliation of historical non-GAAP financial measures to the nearest comparable GAAP measures can be found in the Company's filings with the Securities and Exchange Commission, including the Annual Report on Form 10-K for the fiscal year ended June 30, 2019, and the Quarterly Reports on Form 10-Q for the quarters ended September 30, 2018, December 31, 2018, and March 31, 2019.

In closing, we are excited about the road ahead. On behalf of the entire Board and management team, we reiterate our most sincere thanks for your patience, and as always, for your interest and investment in USA Technologies.

Sincerely,

## **About USA Technologies, Inc.**

USA Technologies, Inc. is a cashless payments and software services company that provides end-to-end technology solutions for the self-service retail market. With approximately 1.2 million connections, USAT is transforming the unattended retail community by offering one solution for payments processing, logistics, and back-office management solutions. The company's enterprise-wide platform is designed to increase consumer engagement and sales revenue through digital payments, digital advertising and customer loyalty programs, while providing retailers with control and visibility over their operations and their inventory. As a result, customers ranging from vending machine companies, to operators of micro-markets, gas and car charging stations, laundromats, metered parking terminals, kiosks, amusements and more, can run their businesses more proactively, predictably, and competitively.

## **Discussion of Non-GAAP Financial Measures**

This press release contains the non-GAAP financial measure, Adjusted EBITDA. Generally, a non-GAAP financial measure is a numerical measure of a company's performance, financial position or cash flows that either excludes or includes amounts that are not normally excluded or included in the most directly comparable measure calculated and presented in accordance with GAAP (Generally Accepted Accounting Principles).

Management recognizes that non-GAAP financial measures have limitations in that they do not reflect all of the items associated with USAT's net income or net loss as determined in accordance with GAAP. The non-GAAP financial measure, Adjusted EBITDA, is not required by or defined under GAAP and may be materially different from the non-GAAP financial measure, Adjusted EBITDA, used by other companies.

As used herein, Adjusted EBITDA represents net loss before interest income, interest expense, income taxes, depreciation, amortization, non-recurring fees and charges that were incurred in connection with the acquisition and integration of businesses, non-recurring fees and charges that were incurred in connection with the Audit Committee investigation and financial statement restatement activities, class action litigation expenses, change in fair value of warrant liabilities, and stock-based compensation expense. We have excluded the non-cash expense, stock-based compensation, as it does not reflect the cash-based operations of the Company. We have excluded the non-recurring costs and expenses incurred in connection with the acquisition of business acquisitions in order to allow more accurate comparison of the financial results to historical operations. We have excluded the professional fees incurred in connection with the class action litigation as well as the non-recurring costs and expenses related to the Audit Committee investigation and financial statement restatement activities because we believe that they represent charges that are not related to our operations. Adjusted EBITDA is presented because we believe it is useful to investors as a measure of comparative operating performance. Additionally, the Company utilizes Adjusted EBITDA as a metric in its executive officer and management incentive compensation plans.

## **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 release, including without limitation the business strategy and the plans and objectives of USAT's management for future operations, are forward-looking statements. When used in this release, words such as "anticipate", "believe", "estimate", "expect", "intend", and similar expressions, as they relate to USAT or its management, identify forward looking statements. Such forward-looking statements are based on the beliefs of USAT's management, as well as assumptions made by and information currently available to USAT'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, the ability of management to accurately predict or forecast future financial results, including earnings or taxable income of USAT; the incurrence by USAT of any unanticipated or unusual non-operational expenses which would require us to divert our cash resources from achieving our business plan; the ability of USAT to retain key customers from whom a significant portion of its revenues is derived; the ability of USAT to compete with its competitors to obtain market share; whether USAT's customers continue to utilize USAT's transaction processing, route scheduling, inventory management, and related services, as our customer agreements are generally cancelable by the customer on thirty to sixty days' notice; the risk that the closing conditions or the definitive loan documentation under the Antara debt facility commitment would not be completed or satisfied by October 31, 2019; the risk that the closing conditions to the second draw under the Antara debt facility would not be satisfied; the risk associated with the currently pending litigation or possible regulatory action arising from the internal investigation and its findings, from the failure to timely file the Company's periodic reports with the Securities and Exchange Commission, from the restatement of the affected financial statements, from allegations related to the registration statement for the follow-on public offering, or from potential litigation or other claims arising from the shareholder demands for derivative actions; whether any appeal to the Nasdaq Listing and Hearing Council of the delisting of the Company's securities on Nasdaq will be successful or result in the reinstatement of trading of the Company's securities; whether USAT's existing or anticipated customers purchase, rent or utilize ePort or Seed devices or our other products or services in the future at levels currently anticipated by USAT; or the ability of USAT and/or Michigan State University to predict future market conditions and consumer behavior. Readers are cautioned not to place undue reliance on these forward-looking statements. Any forward-looking statement made by us in this release speaks only as of the date of this release. Unless required by law, USAT 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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