



January 17, 2012

## **USA Technologies Issues Letter to Shareholders**

Malvern, PA – January 17, 2012 – USA Technologies (NASDAQ: USAT) issued the following letter to shareholders today:

To Our Shareholders:

I'm writing you today in my first formal communication as Chairman and Chief Executive Officer of USA Technologies. I am deeply honored to have earned the confidence and trust of the Board of Directors to lead the Company forward.

I want to thank you first for your many good wishes and offers of support during this time of leadership transition. We have worked long and hard together, breaking barriers and setting precedents to make USA Technologies a leader in the markets we serve. Now, I want to assure all of you that my top priorities are to drive the Company to profitability, deliver increased customer and shareholder value, and provide improved shareholder visibility by better communicating our progress. These initiatives will be ongoing, and many of these changes will shortly be visible and apparent to shareholders.

I believe that our Company is well positioned for considerable upside. Wireless, cashless payments are currently one of the fastest growing segments in the payment industry, and as a consequence, we have grown our customer base, connections, transactions, and dollar processing volume. These successes have been driven by some of the most skilled, talented and dedicated employees in the industry. I could not wish for better, more capable and inspiring co-workers to help lead USAT to new successes.

But I want to be frank with you. The past three months have been extremely challenging. Two issues in particular were very impactful to the Company. First, the passage and implementation of the Durbin Amendment, which was perceived as having a negative impact on our business because of the substantial increase it caused on small-ticket debit processing costs. Then, we were faced with the sudden resignation of our former Chairman and CEO.

However, my leadership style is to look forward, not backward. And despite these setbacks, the Company continued to add customers and connections in the second quarter. In December 2011, we announced preliminary results with projected revenues of about \$7M, an increase of approximately 15% from the comparable prior fiscal year quarter, driven by an increase in recurring revenues from license and transaction fees of approximately 50% for the quarter ended December 31, 2011 compared to the quarter ended December 31, 2010. My focus is to implement actions that continue to strengthen our revenue, connection and transaction processing advances, overcome our challenges, and leverage the many opportunities we have to drive USAT to accelerated growth and prosperity.

We are moving forward with new leadership and a heightened sense of urgency and accountability. To assure you of my commitment, I would like to share my vision of the future with you, as well as some specific actions we have taken and will take to restore and enhance investor confidence.

Our investors have been supportive of the Company, and enabled us to raise capital to fuel our research and development over the years, and more recently, to expand our JumpStart program to more customers. I believe that it is essential that we reward your patience and support with sustainable profitability that will increase shareholder value. It's essential that we communicate our results and progress to you in a way that is transparent, open, and consistent. And it is essential that we manage our Company in accordance with the highest standards of corporate governance to ensure that your Board of Directors and our management team are held accountable for the Company's performance.

### **Profitability**

In my prior role as President and Chief Operating Officer, I had the opportunity to meet with and speak with shareholders. Invariably, you expressed concern that while we had made significant progress on many fronts (e.g. connections, transaction growth and revenues), we had not yet reached profitability. I want to change that, and as quickly as practicable. One of the first indicators of progress that management expects to achieve on our path to profitability would be sustainable positive adjusted EBITDA.

Over the past number of weeks, we have been closely re-examining our business to ensure that we are properly oriented to achieve this goal. We intend to drive incremental revenue by responding rapidly to evolving customer requirements and rolling

out improved products and services that grow their business and ours. We are pursuing cost and expense savings wherever possible for maximum leverage and value. We have plans to accelerate expansion in the markets we currently serve, and into new and different markets. At the same time, we will carefully scrutinize operating efficiencies and expenses, rationalizing our business model, and attempting to renegotiate contracts intended to ensure improved USAT profitability and ultimately increased shareholder value.

## Corporate Governance

From a governance standpoint, we have named Steve Barnhart lead independent director. In this role, he will work closely with me to set the agenda for the Board of Directors, serve as a liaison between the independent directors and Company management, and participate in our investor relations efforts. Additionally, the Company intends to expand the Board by adding three new independent directors in the near future to broaden and strengthen our team.

## Shareholder Visibility

We are taking steps to enhance our investor relations program to embrace best practices for public companies. Our overall goal is to do all we possibly can to keep our shareholders informed of what our goals are, and to provide updates on our progress against those goals. An immediate change in this regard is the fact that USAT will regularly conduct quarterly conference calls to discuss the Company's results. Our first conference call will be in early February. As part of our effort to further improve visibility for our shareholders, we are asking you to participate in a brief online survey so we can gauge which changes to our IR program are most important to you. We want to know from your perspective what's important from an investor relations standpoint, and what enhancements to our IR program would be most valued. So please, we are encouraging all of you to take 5 minutes to [go online and complete the survey](#).

## Customer Focus.

The foundation upon which we intend to achieve the Company's goals is one of total focus on the needs of our customers. It all starts and ends with them. If we consistently deliver superior products and services which generate positive results to customers, our Company will continue to grow, and be a leader in the markets we serve. We will challenge ourselves to continually improve our products and services, and to pursue new opportunities to deliver maximum customer value. I am convinced that if we maintain an unwavering commitment to our customers, we will drive our Company to achieve new and important milestones, and generate shareholder value.

As we move forward from here, I want to assure all shareholders that USA Technologies is accessible to you. If at any time you wish to express concerns or offer suggestions, you can email us directly at [ir@usatech.com](mailto:ir@usatech.com). We are listening, we are changing, and we are committed to enhancing our value to our shareholders and the customers who have come to depend on the services we provide.

I thank each and every one of you for your support, and look forward to continuing our dialogue.

Best regards and happy new year to you and your family,



Stephen P. Herbert  
Chairman and Chief Executive Officer

## Statement under the Private Securities Litigation Reform Act:

With the exception of the historical information contained in this release, the matters described herein contain forward-looking statements that involve risk and uncertainties that may individually or mutually impact the matters herein described, including but not limited to product acceptance, the ability to continually obtain increased orders of its products, the ability to meet installation goals, economic, competitive, governmental impacts, whether its pending patents will be granted or defensible; validity of intellectual property and patents of USA, the ability of USA to license its patents, the ability of USA to commercialize its developmental products, technological and/or other factors, which could cause actual results or revenues to differ materially from those contemplated by these statements.