PARTICIPANTS

Corporate Participants

Veronica Rosa – Vice President-Communication & Investor Relations, USA Technologies, Inc.
Stephen P. Herbert – Chairman & Chief Executive Officer, USA Technologies, Inc.
David M. DeMedio – Chief Financial Officer, USA Technologies, Inc.

Other Participants

Mike Latimore – Analyst, Northland Securities, Inc.

MANAGEMENT DISCUSSION SECTION

Operator: Good day and welcome to the USA Technologies Second Quarter Fiscal Year 2014 Earnings Conference Call. Today's conference call is being recorded.

At this time, I would like to turn the call over to Veronica Rosa, Vice President of Investor Relations. Please go ahead.

Veronica Rosa, Vice President-Communication & Investor Relations

Thank you, and good morning. Before beginning today's call, I would like to remind our listeners that all statements other than statements of historical facts included in this call are forward-looking statements. 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 condition. A detailed discussion of risks and uncertainties that could cause actual results and events to differ materially from such forward-looking statements is included in our filings with the Securities and Exchange Commission including our most recent Annual Report on Form 10-K and the Form 10-Q report for the quarter ended September 30, 2013.

Listeners are cautioned not to place undue reliance on any such forward-looking statements, which reflect management's view only as of the date they are made. USA Technologies undertakes no obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise.

This call will also include a discussion of certain non-GAAP financial measures that we believe are useful for understanding our ongoing operations. These non-GAAP financial measures are supplemental to and not a substitute for GAAP financial measures such as net income or loss. Details of these items and a reconciliation of these non-GAAP financial measures to GAAP financial measures can be found in our press release issued this morning and on the Investor Relations section of our website, www.usatech.com.

On our call this morning are Stephen Herbert, Chairman and Chief Executive Officer; and Dave DeMedio, Chief Financial Officer. We'll begin this morning's call with a review of second quarter results relative to our strategic priorities, followed by a more detailed analysis of the second quarter results by Dave. Steve will return for some brief closing remarks before opening the call to questions.

At this point, I'm going to turn the call over to Steve. Please go ahead, Steve.

Stephen P. Herbert, Chairman & Chief Executive Officer

Thank you, Ronnie and good morning everyone. Our results for the second quarter reflect improving financial performance, combined with our consistent aggressive approach to driving cashless adoption in the $120 billion self-serve retail market. The strength of our ePort Connect service model and the strategies we put in place to broaden and diversify our growth prospects are shaping into consistent and improved profitability, solid revenue growth and strong connections and customers that we believe bode well for the future.

Financial highlights for the second quarter included total revenues of $10.6 million, an increase of 19% from the prior year with license and transaction fees of $8.7 million, up 17% from second quarter of last year. Adjusted EBITDA was $1.9 million in the second quarter, about 18% of revenues. In addition, GAAP and non-GAAP net income reached the second highest level the company has generated to-date.

GAAP and non-GAAP net income was $409,000 and $447,000 respectively, with non-GAAP net earnings per share coming in at $0.01 per share. We also achieved 17,000 new gross connections to our service in the second quarter. That's one of the strongest quarters we've ever delivered. As we mentioned on our last call, we expect the deactivations in the 12/31 quarter from the customer has had recent activity in this regard. Taking this activity into account, our net new connections for the second quarter totaled 7,000. With those 7,000 net connections for the quarter, our total service base grew to 224,000, up from 186,000 at December 31 a year ago, an increase of 20% from December 31.

Over the last three years, we've grown our ePort Connect service base by a CAGR of 27%. At this time last year, we were marking profitability for the first time as a company, having reached scale in our model at 186,000 connections to our ePort Connect service. As expected, the company has delivered consistently in this regard, with this being our fifth successive quarter of profitability. Additionally, we've continued to drive growth, primarily via new connections to our service, not only in vending, but in many other adjacent self-serve retail markets as well.

In the second quarter, we continue to further operationalize our four core growth platforms. Those areas are, continued penetration of our existing customer base; strengthening our presence in other self-serve retail markets such as commercial laundry, kiosk, amusement and taxi and transportation and attracting developers and manufacturers in the self-serve retail market through our QuickConnect service to further leverage our ePort Connect service infrastructure.

Running through all of these is our focus on value-added offerings such as MORE, our prepaid and loyalty program and our Isis Mobile Wallet Fifth Purchase Free program underway, offerings that add differentiation for USAT and greater value per connection for our customers.

With an estimated 13 million to 15 million machines making up the $120 billion self-serve retail market that we currently address, we continue to believe that there is enormous opportunity for growth. Think about the many self-serve machines you encountered today. One increasingly sees cashless payment as an option. With a 99% customer retention rate, we're strengthening our leadership position and longer term growth potential with every new customer and new connection that we add to our service.

In addition, we estimate our existing customers manage a population of over 2 million self-serve retail locations that have yet to transition to cashless payment, which we believe represents not only our best opportunity for growth, but a huge advantage for USAT.

In the second quarter, 475 new customers were added to the service for 6,075 customers on the service in total, up 48% from the same period last year. The majority of these customers are still in vending where we believe USAT has a clear and distinct advantage. As a result, it's important that we continue to drive adoption in the overall market, as well as within our existing customer base and we're achieving that. In fact, the majority of new connections in our second quarter, about 90% came from existing customers.

Many of you ask me about where we are in the adoption cycle, and I believe we're entering a very promising period. In vending, where we started and therefore have our greatest concentration of customers, the second quarter was particularly strong. In fact, growth connections from vending customers was 55% greater than the average new connections from vending customers for the last five quarters. I find that very encouraging. We believe this acceleration is due in very large part to the benefit we drive for our customers.

We have a military customer for example, that during the quarter completed a study of cashless performance in approximately 300 locations. This particular customer saw an average of ROI of well over 100% and they now aim to triple their cashless business with us over the near term. And there are customers like USConnect, a consortium of roughly 25 independent vending companies, who entered a five-year commitment for 50,000 ePorts in the second quarter, our largest commitment ever as part of their stated objective to be 85% cashless in the next five years.

Its customers like these and others that we believe will continue to drive the market at a faster and faster cliff towards greater level of cashless adoption and penetration over the coming years. In the area of adjacent self-serve retail markets, we developed new products and formed new relationships in fiscal 2013 to leverage our service offering in commercial laundry, amusement, arcade, kiosks and taxi and transportation.

In the second quarter, over 10% of our new connections came from these areas, with much work going on behind the scenes to build a pipeline for longer term growth. For example, in amusement arcade, approximately 6% of our connections came from this area in the second quarter. This is a $4.7 billion industry, which is at the early stages of adoption with USAT customers like AMI Entertainment and Innovative FOTO leading the way. To reach the many amusement and arcade business owners that need to transition from cash and coin, we continued to work with Betson Enterprise, a national distributer to the amusement arcade and vending operators across the industry. During the second quarter, we expanded our agreement with Betson to include distributing to their vending customers.

In the $5 billion plus commercial laundry space, we have a partnership with Setomatic Systems, whereby USAT serves as the exclusive provider of cashless payments for Setomatic's cashless acceptance solution.

Our comprehensive service model allows us to continue to push value to commercial laundry operators as members of the ePort Connect service network. As a result, since inception, we secured nearly 7,000 new connections from this relationship and expect further growth in the future.

Just a few months ago, by capitalizing on our integration capability, we extended our industry reach to be a $11 billion taxi and transportation industry, with a product called ePort GO. ePort GO's mobile based platforms can handle all aspects of an operator's business from dispatching, trip management, record keeping, navigation and credit/debit fare payment, all for less than $20 a month.

We added several new customers in the second quarter, and following our joint presence with Verizon at the TLPA conference earlier in the quarter, we've now partnered with and mobilized the Verizon Wireless business-to-business team to target customers in the taxi and transportation space.

The aim of our third growth platform is to leverage our service infrastructure by making ePort Connect the platform of choice among developers and manufactures of self-serve retail applications. Through our web service QuickConnect, we're able to provide a turnkey cashless payment solution for these developers and manufactures that scales with their needs. In Q1, largely as a result of ePort GO product, we integrated our ePort Connect service with a taxi operator for 2,800 connections.

This quarter we had a number of smaller QuickConnect customers with unique applications from Sweet Amanda's Candy Kiosk, to kiosks by Winston Industries to SnapSurge mobile charging kiosks as well as a DVD rental company.

Also in the second quarter, we used QuickConnect to broaden our end-to-end service offering with our largest customers at vending. Our vending operators are deploying cashless in other areas of their business, such as dinning, micro-markets and delivery and USAT is positioned to deliver cashless payment to our customers seamlessly.

During the second quarter, USAT became the preferred cashless payment provider for Revive Self Checkout, a micro-market offering and we've already had customers move their micro-market cashless services over to USAT. Micro-markets essentially provide similar offerings to a convenience store in a small footprint typically found in workplaces, accessed by an employee ID. Consumers utilize a self-checkout style kiosks to complete their purchases. Micro-markets' popularity has grown with vending operators in the past few years, and as such, we're working with a number of other suppliers in vending operators in this regard.

Our recent service integrations in laundry, taxi and micro-markets are great examples of the open approach we've taken to our service platform. We began some time ago with third-party hardware from Crane, MEI, Quinco and others and we're now expanding that to micro-market providers, as well as other technology providers that need a strong service partner in self-serve retail. Our ability to successfully and swiftly accommodate these requests adds to our differentiation with customers and speaks I believe to USAT's strength as a service provider in self-serve retail.

Another recent event benefiting customers is our relationship with Isis. Timed in concert with the nationwide Isis Mobile Wallet launch, in the second quarter, we enabled over 70,000 of our locations using ePort point-of-sale devices and the ePort Connect service with Isis' SmartTap technology and the number of locations is expected to expand.

This technology enables consumers to make purchases using a mobile phone, as well as the ability to participate in loyalty and rewards programs offered via the Isis Mobile Wallet such as the Isis USAT Fifth Purchase Free promotion. The Fifth Purchase Free allows our customer to participate, many for the first time in the movement toward mobile payment, as well as consumer loyalty programs. Results thus far are encouraging. Consumers are taking advantage of the ability to make purchases and to participate in the loyalty programs via their mobile phones.

Most importantly, for our customers who operate these locations, it means an enhanced consumer experience and a new revenue opportunity. It's a classic example of adding value to each of the connections we have with our customers.

In summary, we're delivering solid growth, executing in our core markets and laying the foundation for even more opportunity as the self-serve retail market continues to embrace cashless payment, technology and services.

And with that, I'm going to turn the call over to our CFO, Dave DeMedio for some additional details relative to the second quarter financials and how the business looks to be trending for the remainder of fiscal 2014. Dave?

David M. DeMedio, Chief Financial Officer

Thank you, Steve. Second quarter results reflect our plans for steady growth in operating margin expansion. Revenues of $10.6 million grew 19% from the second quarter of last fiscal year. Non-GAAP net income was approximately $447,000 for the second quarter, our second highest level of profitability to-date and non-GAAP net earnings per diluted share for the second quarter was $0.01 per share.

Our first achievement of non-GAAP earnings was second quarter of last fiscal year when we achieved scale at 186,000 connections. Due largely to the nature of our recurring revenue business model, we've sustained non-GAAP earnings over the last five consecutive quarters. Since first achieving non-GAAP earnings in Q2 a year ago, we have been and will continue to be aggressive in our approach to sales and marketing, while also managing through the customer transition, all with a goal of delivering operating margin expansion over the course of fiscal 2014 to achieve one of our gals of fiscal year 2014, which is a 100% increase in non-GAAP net income or an increase from $914,000 for fiscal year 2013 to $1.8 million for fiscal 2014.

As a reminder, an Excel file with these non-GAAP reconciliations is also posted on the IR webpage, www.usatech.com under Financial Information. GAAP net income for the second quarter, which includes the fair value of warrant adjustment, was approximately $409,000, compared to net income of $154,000 for the comparable quarter in fiscal year 2013.

Financial highlights for the second quarter include equipment sales making up 18% of our revenue this quarter, grew by 28%, primarily due to strong direct sales of ePorts in the quarter and non-recurring revenue we recorded as a result of our marketing agreement with Isis.

The increases that were partially offset by decline in our EnergyMiser product. EnergyMiser although very profitable, is becoming less of our overall business at roughly $1.3 million in annual sales.

82% of our total revenues are driven by license and transaction fees, which are generated by monthly fees and transaction processing fees that stem from connections to our ePort Connect service.

License and transaction fees grew by 17% for the second quarter, generally effected by the deactivations. Gross connections for the quarter totaled $17,000 with about 90% coming from vending customers in the quarter. The remaining 10% came primarily from commercial laundry and amusement market segments. The mix of JumpStart to total gross connections of 17,000 was about 60% as more connections came from our ePort hardware, versus other connection types such as QuickConnect. We also handled $69.1 million in small ticket transactions in the second quarter, a 35% increase over the prior year.

Regarding the deactivations, and as we stated last quarter, the most conservative approach to any risk assessment here will be to look at the revenue that is at risk on the remaining connections we have with this customer. At this point, the revenue at risk has declined to a $175,000 per quarter or approximately 1.5% of quarterly revenue based on the $10.6 million of revenue we achieved this quarter. As such, this event is essentially behind us.

Gross profit of $3.8 million for the second quarter increased 6% from $3.6 million for Q2 of fiscal year 2013. Gross margins came in at 36.2%, down from 40.5% for the same period last year, due to the lower margins on license and transaction fees in the quarter, which represent over 80% of our gross profit dollars.

Gross profit margins on license and transaction fees came in at 36.6%, down from 41.1% in Q2 of last year, but up from 36.4% in Q1 of our fiscal 2014. While our target in this area continues to be a

40% gross profit margin, our leadership in the market has and continues to be focused on presenting different value propositions to the market as it evolves, in order to drive adoption. We will also continue to leverage that leadership with our partners to reduce costs on both services and devices.

Both GAAP and non-GAAP operating expenses were $3.3 million in the second quarter, up from $3 million in Q2 of fiscal year 2013, primarily due to increased head count. Operating margins, both GAAP and non-GAAP were 4.8% in the second quarter.

Our long term focus is about realizing the operating leverage we believe exists in our model. Our R&D, network operations, customer service and other areas are well developed, and while we continue to add sales and marketing resources to drive growth at a faster rate, we are doing so economically through partnerships and additional telemarketing activity as an example.

Moving to cash and liquidity; our cash and cash equivalents stood at approximately $6.7 million as of December 31, up from $5 million as of Q2 of fiscal year 2013, and up from $5.8 million at the end of last quarter.

At the end of the second quarter, cash and cash equivalents reflect $1.7 million received as a result of exercise of the $1.13 warrants, with 1,972,085 warrants exercised during the second quarter, and 58,527 warrants unexercised and cancelled upon expiration as of December 31, 2013. Another $549,000 is reported in the accounts receivable line on the balance sheet as of December 31 for $2.2 million in total cash received from the exercise of warrants during the second quarter.

Free cash flow, defined as cash from operations less capital expenditures as reported in the statement of cash flows was negative $735,000 for the second quarter, a negative $1.9 million for the six months ended December 31. One of the targets for our fiscal 2014 is to achieve positive and sustainable free cash flow in our fourth quarter fiscal – in our fourth fiscal quarter.

Three key drivers will contribute to our anticipated achievement of this target. One, continued improvement in adjusted EBITDA, which increased this quarter to $1.9 million from $1.5 million last quarter and $3.3 million from $2.5 million for our six months. Two, cost reductions relative to our ePort cashless acceptance device. Our new ePort G9 has added features, but we've taken the cost down approximately 20%. So that will began to help us in Q3 and more so in Q4. And third, progress in achieving more software-based connections, whether through commercial laundry, taxi or additional QuickConnect customers.

Obviously, the balance we must continue to manage as it relates to free cash flow with the demand for JumpStart within vending and adjacent self-serve retail markets and the goal of increasing our customer and connection base as we believe the acquisition of customers and connections across our targeted markets is a critical component of our growth plans.

For the remainder of the year, we continue to remain comfortable with cash on hand, continued improvement in free cash and our credit line with Avidbank. To recap our guidance for fiscal 2014, in terms of revenue growth, we are tracking towards the lower range of our targets for license and transaction fee growth in the 25% to 30% range, total revenue growth in the 20% to 25% range, and adjusted EBITDA growth in the 40% to 50% range. As we stated previously, these revenue expectations are based on roughly 50,000 net connections with 31,000 gross connections and 10,000 net connections achieved year-to-date.

Achievement of our revenue and connection goals and improvements in operating margins over the remainder of the fiscal year should translate to 100% improvement and non-GAAP net income to roughly $1.8 million from approximately $900,000 for fiscal 2013.

In addition, we anticipate to begin generating sustainable free cash flow in the fourth quarter of the fiscal year.

With that, I'd now like to turn the call back over to Steve.

Stephen P. Herbert, Chairman & Chief Executive Officer

Thank you, Dave, and thank you all for your attention this morning. We're very encouraged by our results for the second quarter. We had a great quarter of gross connections, we saw strong results in customer penetration, particularly in vending, we're tracking more and more customers through our cashless solutions, and we're executing well on our growth platforms. All these efforts, we believe, put USAT on a strong course with value creation. We're building a strong base of recurring revenue. Our cash profile is getting stronger with every quarter, and we're driving consistent profitability, and taking steps to leverage our operating model. Better still, market forces continue to strengthen the case for cashless. Consumers continue to move towards credit, debit and mobile or other forms of cashless payments.

Customers are beginning to realize the multiple benefits of a cashless payment platform. And customers are also benefiting from improved and more affordable technology and services. In an emerging market such as ours, we're very much in a game of strategy, timing, and balance. Look for USAT to continue to assert ourselves; – to continue to assert ourselves in the market with innovative programs to drive adoption in self-serve retail. There is enormous opportunity and we believe USAT is well poised to benefit as the market continues to transition to cashless payment.

And now, operator, we'd be happy to take questions. So if you would please go ahead and provide instructions for our Q&A session. Thank you very much.

QUESTION AND ANSWER SECTION

Operator: Thank you. [Operator Instructions] Thank you. And our first question comes from Mike Latimore from Northland Capital. Please go ahead.

<Q – Mike Latimore – Northland Securities, Inc.>: Yeah. Hi. Thanks a lot. Congratulations on the adds and in EBITDA in the quarter there. In terms of the just, you mentioned maybe track at the lower end of your original guidance. Does that relate mainly to the additional deactivations or is it related to kind of in just broader industry terms?

<A – Dave DeMedio – USA Technologies, Inc.>: Mike, it generally has to do with the deactivations we sustained in the quarter, particularly this quarter versus anything macro level in terms of industry trends.

<Q – Mike Latimore – Northland Securities, Inc.>: Okay. And then how much from a seasonality standpoint? June has historically been strong, but I guess, how should we think about seasonality, given the different verticals you're targeting here?

<A – Steve Herbert – USA Technologies, Inc.>: Mike, its Steve Herbert. And thanks for the kind words. I think what you can expect to see in the back half of the year is what we've seen in previous years. The – as we head into essentially the warmer months, our business tends to pick up. That also has a fair amount to do with many of our customers getting new capital budgets for the calendar year. So it's really a mix of – it's really a mix of things.

<Q – Mike Latimore – Northland Securities, Inc.>: I guess just lastly, revenue...

<A – Steve Herbert – USA Technologies, Inc.>: Sorry. Go ahead.

<Q – Mike Latimore – Northland Securities, Inc.>: Yeah. [ph] Gross adds on your orders are (30:23) really strong. How about – how was the revenue per connection trending on these new gross adds? Is it changing much from historic patterns?

<A – Dave DeMedio – USA Technologies, Inc.>: Now, obviously the longer a device is out in the field, Mike, they tend to do more cashless transactions. That will help improve the revenue per connection. But generally, when a new device goes out, they're trending very similar to previous connections.

Now new connections and new vertical markets, they do have a slightly different revenue per device type of economics. Taxi and laundry have different than those in vending. And if we start to come – or if our connection growth in those verticals starts to become substantial, that could impact the revenue per device that one might see looking at our financials and we'll update in our call, future call, what those might look like.

<Q – Mike Latimore – Northland Securities, Inc.>: Okay. Thanks a lot.

Operator: Thank you. [Operator Instructions] And our next question comes from Jim Gentrup from Discovery Investment Research. Please go ahead.

<Q – Jim Gentrup]: Good morning.

<A – Steve Herbert]>: Good morning.

<Q – Jim Gentrup]: Just a follow-up comment or question quickly on the taxi and laundry discussion you just had. Does that mean that the revenue per connection would go up from those or down?

<A – Dave DeMedio]>: Generally, just as an example for laundry. Typically in laundry, we have a lower monthly fee per connection in laundry because we are delivering different services in the laundry market. For example, with our current customer, we're not delivering our communication or wireless with them. So we have a lower monthly fee. Therefore that would tend to drive the revenue per connection down when you look at – compare it against vending.

Now in taxi, a lot of it is going to depend upon how much transactions – cashless transactions flow through taxi. They tend to be higher average tickets and as cashless transactions grow in taxi; they could add even more revenue per connection than when compared to a vending connecting.

Now – as it remains now, they're relative low in terms of our overall mix of connections. So they're not really impacting any trend you might see in the financials today.

<Q – Jim Gentrup]: Okay. And just in taxi, do you have anything in the pipeline that would be like Q1?

<A – Steve Herbert]>: We actually have a – we're very active in that channel right now, a couple of things going on. There are things that we're targeting as a company in general, but we've also – we've also partnered with Verizon, the Verizon business-to-business group and they have many contacts in that particular industry. So we're leveraging not only their brand but their distribution system. So we think that is going to be a promising vertical for us going forward. I hope that answers your question.

<Q – Jim Gentrup]: Yeah, yeah. And I appreciate the color. The 17,000 new connections is a great number. Can you kind of let us know what – how much of that impacted or did it impact Q2 or were you looking for this more because of the delay typical – the typical delay isn't there usually?

<A – Steve Herbert]>: Thanks for the kind words by the way. We do think it was a strong performance for the quarter. We generally have a delay in terms of our connections coming onto our service and generating monthly fees. So you can see that beginning – you'll see that beginning to affect the revenues as we go out into Q3 and Q4 and it's due to a number of things. We give customers grace periods, but in addition to that, they do take time to get things out, which is why we try to help them out in that regard. But the short answer is that typically with connections, the revenue impact is downstream.

<Q – Jim Gentrup]: Okay. I have more questions I'll get back in...

<A – Steve Herbert]>: Other than activation fees and things that come to us upfront.

<Q – Jim Gentrup]: Sure, sure. I'll get back in queue then. Thank you.

<A – Steve Herbert]>: Thank you very much.

Operator: [Operator Instructions] And we do have a follow up from Jim Gentrup. Please go ahead.

<Q – Jim Gentrup]: Yeah. I just was wondering about the comment you had about the gross margin target of 40% but I think you're hedging yourself a little bit there and that's why it sounded -I thought maybe you might want to just dive into that a little bit more. Is this due to – just trying to – you said increased competiveness. Is this – should we look for this 36.2% to be more of a normal or do you still think your second half will be – will tick back up?

<A – Steve Herbert]>: Well, that's a great question, and thanks for asking it. The fact is that we – we're going to continue to target as a company a margin of at or near 40% in that regard. As I mentioned in my closing statement, we as a company are always, particularly in an emerging market, we are always going to be innovative as it relates to the model that we bring to our customers. We're going to be aggressive in marketing, particularly as the market opens up more rapidly and competition emerges.

So you will see us – and it really is a balancing act. We'll be balancing the need to drive the target margins that we have out there with a very strong desire in this emerging market with a lot of opportunity to really gobble off as many connections and customers as we can. And those activities will take many forms. It's not just about price. It's about marketing; it's about a lot of other things. So I hope that helps.

<Q – Jim Gentrup]: Yeah. Yeah. Sure. I appreciate it. I think you said this – the number for JumpStart in the quarter was 60%. Was that correct?

<A – Dave DeMedio]>: Yes, correct.

<Q – Jim Gentrup]: And how do you think that will trend in the second half of the year? I mean, do you have a lot in – the software-based in the pipeline or do you think that number will be steady the rest of the year?

<A – Dave DeMedio]>: That's a good question. In the previous two quarters, that's – that was trending down. It was I think 37% last quarter and in the 40s the fourth quarter of last fiscal year, as a result of getting connections from other connection types like QuickConnect. We targeted at the beginning of the year JumpStart to be in the 55% to 60% range. I would think that Q3 and Q4 will probably tend toward – still tend towards that range of 55% to 60%.

<Q – Jim Gentrup]: Okay. All right. And then also, there has been seemingly more momentum going into this NFC enabled – this NFC area. I know that you might want to just remind us what – how many of your – your ePort GOs go out with and I think they all are NFC enabled, but I just wondered if your total – if you are able to – if that trend starts picking up, how will that impact you, I guess basically with NFC new movement?

<A – Steve Herbert]>: Well we – so you're asking – I'm want to be – I want to make sure that we're 100% clear on the question. You are asking if NFC continues to proliferate, how are we positioned? Is that the question?

<Q – Jim Gentrup]: Yeah. I'm just curious is that really – you're still going to get the transaction. Does it change anything in your model? Does it help you on the revenue side grow more or is it just the fact that you've got to have – make sure that you have an NFC enabled. And if so, is most of your installed base – is it already NFC enabled? You might just want to talk about that a little bit?

<A – Steve Herbert]>: Well, we do. I'll answer the first question first. Whether it's NFC – we'll just take a little step back, whether it's NFC or what's called BLE, which is kind of a beacon type thing or Mag-stripe, which is the predominant way a consumer is identified right now. We see those things as ways to identify a consumer, that's what's going on there. Now things like NFC and BLE and some of the other things that are going on are very good for us and very good for the customer, for our customer.

As an example, because of the installed base that we had with NFC, we were able to work with Isis and we've mobilized 70,000 locations, which is probably one of the largest footprint for mobile payment and loyalty in the country right now. We're able to go out and bring additional value to our customers. People can pay with their phones. They can participate in a loyalty program, which is something that essentially has never been done in the self-serve market. So those other forms of consumer ID give us the ability to deliver more value, not only to our customers, but to extract more value in terms of the dollars that we can generate for our company out of a connection. In terms of our installed base, Dave where are we on NFC; ballpark?

<A – Dave DeMedio – USA Technologies, Inc.>: It's over 100,000, yeah.

<A – Steve Herbert – USA Technologies, Inc.>: Over 100,000. So some people ask the question and I'm just going to go ahead and answer it in advance. Some people ask the question about NFC, well what if we move away from NFC and we go to something else; is that a risk? Well no, it's not a risk, because if a customer is on the service and they're paying – let's say they're on the service and they are a JumpStart customer and they're paying $X per month, well if they want to move to BLE or something like that, that's really a selling opportunity for us to take them to a new type of technology. It happens all the time. So at the end of the day we don't see that at all as a risk for the company. So hopefully that is – so hopefully that answers your question and [ph] that's done (42:07).

<Q – Jim Gentrup]: Yeah, the last part about the upgrading, would that be true of your 100,000 or so that are not NFC enabled? Would that be an upgrade potential if it's – when this trend starts really kicking in? Would you say you have an upgrade potential there to go back to the people who are not NFC enabled or not?

<A – Steve Herbert]>: We certainly do, every location. And that's going to be true for the entire point of sale industry. If one of the – right now NFC is out there and it's sort of the predominant technology of its type but there are other things that are coming along that may help facilitate essentially mobile payment and all of the benefits that come with it. The payment is the least of it. It's things like contextual base offers and electronic couponing, loyalty and such.

So, it's – we see that whole movement as a very significant opportunity, not only for our company, but for our customers. And I think that – I just want to go back to, whether BLE, NFC, Mag-stripe, Biometric, our company is really agnostic, when it comes to how the consumer gets identified. That's all we're talking about here. But there are some or I was trying to make the point, we love these new emerging technologies such as NFC and BLE because they offer much more value in terms of making things happen for the consumer.

<Q – Jim Gentrup]: All right. Thanks, guys.

<A – Steve Herbert]>: Sure.

Operator: Thank you. And our last question comes from Mike Latimore from Northland Capital. Please go ahead.

<Q – Mike Latimore]: Hi. I just wanted a clarification. Did you say there was $69.1 million worth of transactions in the quarter?

<A – Dave DeMedio]>: Yes Mike, $69.1 million. There is actually $40.2 million in transactions as well.

<Q – Mike Latimore]: Okay. I got it. And how about, just on the price initiative. You said the results are encouraging. Is there any data points to provide on how frequently that type of payment is used in the loyalty program?

<A – Steve Herbert]>: Yeah. We, we have to follow Isis' lead in that regard Mike. And we really – we're not at liberty to make public any of the metrics in that regard.

<Q – Mike Latimore]: Okay. And then just in the vending industry, does it feel like the vending, cashless adaption rate there is kind of growing at a similar pace to what it's been

or do you feel like it's slowing or accelerating any, just kind of a general industry [ph] comment (45:10)?

<A – Steve Herbert]>: I generally feel like it's picking up. And I think there were certain things that I mentioned during the piece that I did that I think are good indicators. The fact that – we had a strong quarter. A lot of that business came from the vending channel. There are other things that are happening as well. So I generally think that adoption is moving in the right direction.

<Q – Mike Latimore]: Okay. And then this potential for calorie information to be required on vending machines, how do you think about that in terms of – does that distract your customers from kind of key initiatives like cashless or is it a non-event, or how do you think about that generally?

<A – Steve Herbert]>: I think about it as a giant opportunity and I'll go back to one of the fundamental growth tenets of the company; we want to add value per connection. Well, if you think about it, we actually as a company have the most to gain if the legislation is passed and in a digital fashion nutritional information has to be put on the front of a vending machine. Why do I say that? Well, we have – we have the largest installed base by a country mile and the fact is that our customers are going to come to us and say, how are we going to move this content? How are we going to manage this content? We need a network to manage it and we need a connection and it's simply something else for us to run over our rail.

<Q – Mike Latimore]: Great. Got it. Thanks.

<A – Steve Herbert]>: Okay. Very good. Thanks Mike.

Operator: Thank you. And I'm not showing any further questions at this time. Ladies and gentlemen, thank you for participating in today's conference. This does conclude today's program. You may all disconnect. Everyone have a great day.