

USA TECHNOLOGIES INC
Form DEFA14A
May 22, 2012

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

PROXY STATEMENT PURSUANT TO SECTION 14(a) OF THE SECURITIES
EXCHANGE ACT OF 1934

Filed by the Registrant x
Filed by a Party other than the Registrant o

Check the appropriate box:

- o Preliminary Proxy Statement
- o Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- o Definitive Proxy Statement
- x Definitive Additional Materials
- o Soliciting Material Under Rule 14a-12

USA TECHNOLOGIES, INC.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- x No fee required.
- o Fee computed on table below per Exchange Act Rules 14a-6(I)(1) and 0-11.

1) Title of each class of securities to which transaction applies:

2) Aggregate number of securities to which transaction applies:

3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

4) Proposed maximum aggregate value of transaction:

5) Total fee paid:

o Fee paid previously with preliminary materials.

o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for

which the offsetting fee was paid previously filing by registration statement number, or the Form or Schedule and the date of its filing.

1) Amount Previously Paid:

2) Form, Schedule or Registration Statement No.:

3) Filing Party:

4) Date Filed:

The following slide presentation was presented by USA Technologies, Inc. (the "Company"), to certain shareholders on May 22, 2012, and may be used by the Company to make presentations to other Company shareholders in the future:

Investor Presentation

May 22, 2012

Steve Herbert, Chairman and CEO

Dave DeMedio, CFO

Veronica Rosa, VP Investor Relations

SafeHarborStatement

. All statements other than statements of historical fact included in this presentation 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 conditions and the outcome of the pending proxy contest. 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 USA's most recent filings with

the Securities and Exchange Commission (the "SEC"), including the Form 10-Q report for the

quarter ended March 31, 2012, which you will find on our website, www.usatech.com, under

the "Investor Relations" tab and USAT's Definitive Proxy Statement filed with the SEC on May 18,

2012. Undue reliance should not be placed on any such forward looking statement, which speak

only as of the time they are made. The Company undertakes no obligation to update any

forward looking statement, whether as a result of new information, future events or otherwise.

. Non-GAAP Information: This presentation will include a discussion of Adjusted EBITDA which is

a non-GAAP financial measure which we believe is useful for an understanding of our ongoing

operations. This non-GAAP financial measure is supplemental to, and not a substitute for, GAAP

financial measures such as net income or loss. Details of these items and a reconciliation of this

non-GAAP financial measure to GAAP financial measures can be found in this presentation and

in our Form 10-Q report for the quarter ended March 31, 2012 which is on our website,

www.usatech.com, under the “Investor Relations” tab.

USATechnologiesOverview

MarketLeadership

. Leading provider of wireless, cashless payment and machine-to-machine

solutions for small ticket, self-serve retail industries such as vending and kiosk.

. Provider of energy saving technology to the cold beverage industry

. Cashless and contactless small ticket, unattended market is largely

Large, Untapped untapped, having traditionally relied on cash transactions

Market Opportunity . Millions of potential locations (connections)

Recurring Revenues . Growing and reliable revenue stream driven by value-added service model

Fueled by Service (network service fees; transaction processing)

Model . 80% of revenues 3Q FY12

ImprovingOperationalPerformance

. Working toward profitability as service connection rates and customer wins

grow

. Existing customers have potential for 2.5 million connections (USAT estimate)

TechnologyBarriers

. Proprietary technology with a strong patent portfolio

. 79 patents

Strengthened . New leadership; new strategic plan
capitalizes on market trends, sustainable

Leadership & growth and profitability

Direction . Stronger board composition

TO: Cashless payments systems
and business intelligence at
operational and customer level

FROM: unattended,
cash only options with
little insight into customer
behavior

Cashless,Small-TicketInTransition

Market Opportunity is Vast

- The small ticket, self-serve market is largely untapped

Sources:

US Department of Transportation, 2008 IHL Kiosk Study, 2010 (2011 *Includes self-checkout systems, ticketing kiosks

projections) First Research, March 2011, June 2010 Automatic check-in kiosks, food ordering kiosks, postal

Merchandisers State of the Coffee Industry 2009 Vending Times Census and other retail kiosks.

2010 Smart Card Alliance 2006

Market Forces Driving Adoption•
Demand for convenience; cashless preferred•
Increasing reliance on mobile phones• Small ticket growth•
Increasingly “social”

- Meet customer desire for cashless•
- Reverses shrinking margin through operational benefits•
- Visa/MasterCard see opportunity to drive acceptance• Mobile payments•
- Incremental business• Wireless performance up/costs down•
- Migration to cloud based or SAAS solution•
- Decline in hardware costs CONSUMER MARKET (STAKEHOLDERS)

TECHNOLOGY YOUR CUSTOMER

The confluence of

several

compelling

drivers should

further drive

market

adoption

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Revenues Now 80% Recurring

. Revenues

. \$30 million annualized (based on 3Q ended
3/31/12)

. 80% of revenue mix from reliable,
recurring revenues

. Two technology platforms

. ePort & ePort Connect cashless
payment networking and other
services

. eMiser -energy management
technology

. Cashless payment adoption drives
substantial service base

. 2,825 customers; 148,000 connections
(as of 3/31/12)

. “JumpStart” facilitates industry
adoption and fuels service model

. Continuing to innovate and launch new
valued-added services

(in thousands)

\$25,000

\$20,000

\$15,000

\$10,000

\$5,000

\$0

FY2009FY2010FY2011EquipmentLicense&TransactionFees7

ServicesPortSoftwareDevelopmentKit-----Product-----Services-----

PortG8

led

Compliant

ectionthrough“JumpStart”

PortConnectservices

ctservice

thlyfeecoverstransactionprocessinganddatatelemetryservices

andcustomersgrowing

r

machineenergyuseby35%-

\$150/machine/year8PaymentProcessingProduct, CustomerandOperationalDataTelemetryandCashPaymentSystemsEnergyConservation



BusinessModelExample

Equipment Sales Gross Profit

A US Bank Compa

Targets

• Range30% -35%

• Range30% -40%

Transaction

Fees

ePort Connect

Service Fee

9ePort Connect

w Terminal Incl.

PerDevice• Avg.\$100PerDevice• \$200-\$330•
\$30activationfeePerconnection:

• \$7-\$10/monthformajorityofconnectedbase•
MinimalcustomerchurnPerconnection:

• JumpStartprogram(withePortConnect)

• \$12-\$15/monthover3yearsPerconnection:

• 3-5.95%pertransaction• Costproviders:

Elavon,majorCC's

UnmatchedEnd-to-EndSolutions

Device

Sales / Accounting

Card Processing /

Solution

Reporting Services

Merchant Services

Customer Solution

USA Technologies

InOne Technology / Coinco

First Data

Crane Mdse

Systems

Cantaloupe

Systems

MEI

Heartland Payments

USA Technologies / Heartland Payments

Apriva/USA Tech.

Bank of America /

First Data

One-StopShoppingUSATistheonlycompanythatoffersacompleteturn-keysolution,
fromactivationtocustomerservice10

USAT is Executing a Strategy
for Growth and Path to
Profitability

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GrowthThroughMoreConnections...

Market

Potential

VerticalMarkets

. e.g. Kiosks

. e.g. Leverage strength

and breadth of partner

Expanded Reach 1,500 + M2M sales team

to drive adoption

Existing Customer . Existing 2,825 customers operate

Base approximately 2.5 million locations

. Drive adoption in these accounts

. Leverage performance data and new services

Connections and Time

GrowthThroughConnections -

JumpStart

- Jumpstart has accelerated adoption, increased revenues and created competitive advantage
-

GrowthThroughConnections–

ExpandingCustomerBase

- Customer base has more than tripled since introduction of the JumpStart rental program

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ExpandedSalesReach-

ThroughStrategicPartners

- Over 1,500 Verizon Wireless M2M sales representatives

M2M sales toolkit

- National training kickoff in quarter ended

3/31/12

- Co-Marketing Events

- April-May 2012 -USAT participates in

10 city M2M Connected Technology

Tour

- USAT featured in Verizon Wireless

booth at CTIA

nowcarryUSAT'scashlesspaymentsolutionsintheir

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Growing the Value of a Connection—

Service Expansion

. 148,000 connections as of 3/31/12

. A PCI compliant, end-to-end suite of

cashless payment and telemetry

services tailored to fit the needs of self-

service retail industries.

New New

Cashless and M2M Prepaid and Interactive

contactless Telemetry Loyalty Media

payments Services Program Services

(Q1 FY2013) (Q1 FY2013)

DrivingGrowthByExpandingtheValueofaConnection

Jan.2012

CustomerDemonstrationsQ32012

CustomerDemonstrationsQ32012

Introduced two-tier pricing to ePort Connect service

- Increases ROI for operators by enabling them to offset processing fees

Interactive Media Services

- Engage consumers at the point of sale

Prepaid & Loyalty Program

- Reloadable card; cash back rewards and coupons

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MobileReadiness

. NFC-based mobile payment is poised to further push cashless

. 65,000 NFC-enabled ePort devices already mobilized

. Opportunities: couponing, incentives, prepay, loyalty, social media

integration...

ImprovingOperationalPerformance

. Substantially

stronger recurring

revenue base due to

increased

connections and

customers

. More than \$2

million in annualized

efficiencies through

revenue, cost and

expense actions

taken since CEO

transition

. Enabled USAT to

quickly move to

positive adjusted

EBITDA for the third

quarter ended

March 31, 2012

Balance Sheet 20 • No losses funded in 3Q;
this is expected to continue for 4Q excluding proxy costs.

- Currently, our primary use of cash is Jumpstart;
using Jumpstart strategically to accelerate adoption,
increased revenues and created competitive advantages

Path to Profitability Fueled by Growing Recurring Revenue Base

Quarterly Revenue Trend

(in thousands) Expect continued

\$10,000 \$8,000 \$6,000 \$4,000 \$2,000 \$0

License & Transaction Fees now 80% of revenues Total Revenue •
 Positive EBITDA for 3/31/12 • 2,825 customers growth in •
 148,000 connections revenues recurring

6/30/2010 9/30/2010 12/31/2010 3/31/2011 6/30/2011
 9/30/2011 12/31/2011

3/31/2012 6/30/2012

Adjusted EBITDA (see reconciliation of Net Loss to
 Adjusted EBITDA)

(in thousands)

Estimate -and

excludes proxy

\$2,000 Includes CEO costs severance & related costs \$0
 -\$2,000

6/30/2010 9/30/2010 12/31/2010 3/31/2011 6/30/2011
 9/30/2011 12/31/2011 3/31/2012 6/30/2012

-\$4,000

SummaryUSATechnologies(Nasdaq:USAT)

- . Positioned to capture benefits of market shift to cashless
 - . Growing recurring revenue customer & connection base
 - . Growth strategies building scale and closing in on profitability
 - . New verticals and expanded service opportunities
-

Appendix

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Non-GAAP Reconciliation

Adjusted EBITDA

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. Adjusted EBITDA represents net income (loss) before interest income, interest expense, income taxes, depreciation, amortization,

and change in fair value of warrant liabilities and stock-based compensation expense. We have excluded the non-operating item,

change in fair value of warrant liabilities, because it represents a non-cash charge that is not related to USA Technologies' (USAT) operations.

We have excluded the non-cash expenses, stock-based compensation, as it does not reflect the cash-based operations of USAT. Adjusted EBITDA

is a non-GAAP financial measure which is not required by or defined under GAAP (Generally Accepted Accounting Principles). The presentation

of this financial measure is not intended to be considered in isolation or as a substitute for the financial measure prepared and presented in

accordance with GAAP, including the net income or net loss of USAT or net cash used in operating activities. 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, and are not a substitute for or a measure of USAT's profitability or net earnings. Adjusted EBITDA is presented because

USAT believes it is useful to investors as a measure of comparative operating performance and liquidity, and because it is less susceptible to

variances in actual performance resulting from depreciation and amortization and non-cash charges for changes in fair value of warrant liabilities

and stock-based compensation expense.