Cashless Vending

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e-Port
Intelligent Vending

Laundry Services

eSuds

Unattended Business Centers

USA BUSINESS EXPRESS

VendingMiser®
CoolerMiser™

Energy Management

NASDAQ: USAT
G6 e-Port®

e-Port Connect

Merchant Services
Online reporting and settlement
Electronic transfer of funds

Networking and Communications
Your One-stop Payment Processing System
Technology support and customer help desk

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Inc.
The Vending Industry Today

- 8 million vending machines in US
- $46 billion industry, predominantly cash only
- Sales flat/down over past several years
- Against rising costs of products and operational expense
- Against negative image:
  - Out of stocks
  - Out of change
  - Correct change only
  - Bills not accepted.
- Against high rate of vandalism & theft
Critical Need for Sustainable Growth

• Profit margins now down to below 2% (NAMA)
• Vending operators have to increase prices
• But typically price increases over $1 result in dramatic sales decline
• Consumers demanding more variety; healthier, typically more expensive products
• But their suppliers, beverage and snack food companies, want to increase sales volume
Comparison to Quick Service Restaurants

• Facing similar problems to vending:
  • Flat sales, negative image, need to expand variety of products

• MasterCard targeted McDonalds three years ago with credit/debit cards

• There was an immediate positive response:
  • McDonalds, Consumers & MasterCard benefited

• Customers purchased more with cards:
  • Increased average ticket by 35%
  • Speeded up service (inside and drive through)

• Increased revenue per restaurant by $50,000 to $80,000 (McDonalds)

• Today all QSR’s take cards:
  • Most major chains reporting increased sales due to improved speed, convenience and new menu items.
Driving Vending to the Tipping Point

- USA Technologies experience:
  - The only end-to-end solution provider.
- Learn from past experience:
  - Introduction of the $ bill validator
  - Introduction of contactless cards in 2005
- AMEX technical test in New York
- MasterCard PayPass targeting vending as a major new market opportunity.
- Target major brands in key markets to drive the industry to the tipping point.
Driving Vending to the Tipping Point

- First complete market deployment:
  - Philadelphia Coca-Cola identified target channels for cashless vending

- Card associations & banks support small tickets with consumer education & marketing

- USA Technologies delivers key enabler to commercialize cashless in vending:
  - e-Port Connect settlement engine

- 5,000 e-Port G6 units deployed in multiple markets:
  - Bottlers & major vending companies
Applying Learnings & Success Stories

• Consumers buy more with Credit & Debit cards:
  • Average ticket increases by 32% (same as QSR’s)
  • Buy more expensive items (16 cents more expensive)
  • Buy multiple items (2, 3 or 4 vends at a time)
  • Today 20% of people buy with cards
  • Higher the vend price the higher the usage
  • Similar for all types of products (Beverage, snack & food)
  • Allows purchase when coins jammed or bills not accepting

• Strong acceptability in certain channels:
  • Entertainment, travel, college/university, hotels, military, white collar business

• Number 1 benefit to the industry is price elasticity
Forward Projections

- Credit/Debit grew 1 trillion in last 5 years:
  - Projected to grow 2 trillion in next 5 years (Nilson Report)
  - Predominately in small value transactions (less than $25)

- Debit now exceeds credit in number of transactions and used 6 times as often

- Major growth opportunity for the vending industry

- Helps the industry improve level of customer service and image.
Other unattended point of sale opportunities:
  - Parking, taxicabs, tollbooths, laundry

New payment technologies & products:
  - Cell phones (NFC), hotel room keys, stored value
  - Loyalty points, electronic coupons

Early adopters will obtain substantial competitive advantage
  - MasterCard, Cadbury-Schweppes, Coke United among the first
  - More to be announced in weeks/months ahead
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