



Cashless Vending

Jim Turner

VP Intelligent Vending



e-Port

Intelligent
Vending



eSuds

Laundry
Services



**USA BUSINESS
EXPRESS**

Unattended
Business
Centers



**VendingMiser[®]
CoolerMiser[™]**

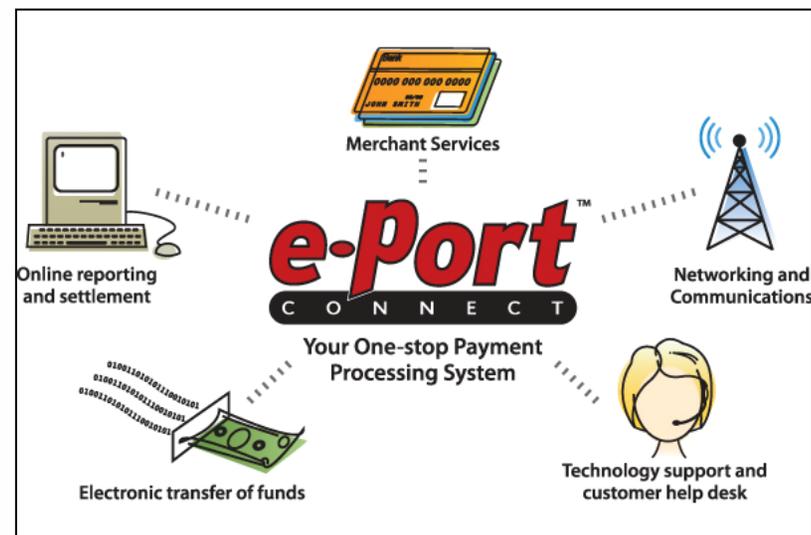
Energy
Management

NASDAQ: USAT

G6 e-Port[®]



e-Port Connect



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.

Forward Projections



- 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



For further information:

Jim Turner

VP Intelligent Vending

jturner@usatech.com

404 444 8015

NASDAQ: USAT