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# THE WALL STREET TRANSCRIPT

Questioning Market Leaders For Long Term Investors

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**THE WALL STREET TRANSCRIPT**

## COMPANY INTERVIEW

**GEORGE JENSEN**  
USA Technologies, Inc.

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# USA Technologies, Inc. (USAT)



**GEORGE JENSEN**, Chairman and Chief Executive Officer of USA Technologies, Inc., has been the company's Chief Executive Officer and Director since January 1992. Mr. Jensen is the Founder, and was Chairman, Director and Chief Executive Officer of American Film Technologies, Inc. (AFT) from 1985 until 1992. AFT was in the business of creating color imaged versions of black-and-white films. From 1979 to 1985, Mr. Jensen was Chief Executive Officer and President of International Film Productions,

Inc. Mr. Jensen was the Executive Producer of the 12-hour miniseries, "A.D.," a \$35 million dollar production filmed in Tunisia. Procter and Gamble, Inc., the primary source of funds, co-produced and sponsored the epic, which aired in March 1985 for five consecutive nights on the NBC network. Mr. Jensen was also the Executive Producer for the 1983 special for public television, "A Tribute to Princess Grace." From 1971 to 1978, Mr. Jensen was a securities broker, primarily for the firm of Smith Barney, Harris Upham. He was chosen 1989 Entrepreneur of the Year in the high technology category for the Philadelphia, Pennsylvania area by Ernst & Young LLP and Inc. magazine. Mr. Jensen received his Bachelor of Science degree from the University of Tennessee and is a graduate of the Advanced Management Program at the Wharton School of the University of Pennsylvania.

## SECTOR – BUSINESS SERVICES

**(AGB614) TWST: We'd like to begin with a brief historical sketch of USA Technologies and a picture of the things you are doing right now.**

**Mr. Jensen:** First of all, we are very pleased to have just been listed on NASDAQ under the symbol USAT. Our vision for cashless products and network services for the self-serve market is a wide open global opportunity for millions of machines. We began with self-serve business centers that took credit cards and then we made everything Web-enabled and networked. We then decided to go after the \$40 billion all cash vending industry, the college laundry industry, and developed some complementary products for energy-saving devices

for vending machines, which rounded out the product offering for vending.

Right now, we are in a unique position. We feel we have the best products for the four business segments that we have targeted. These are large emerging markets that, when they open up, we will have the potential to build a very large enterprise.

**TWST: Is there a core technology that unites the products?**

**Mr. Jensen:** Absolutely. Our software for enabling all forms of cashless transactions is embedded in our e-Port payment hardware, a hardware device that retrofits to these machines in 10 to 20 minutes, whether it be self-serve business centers, credit card vending or e-Suds for college

laundry. Also, this is a total turnkey program that's affordable, and everyone wins in the value proposition. Our customers, while offering convenience to consumers, will get higher revenue from credit card purchasing power and real time data from our USALive network.

**TWST: When did the technology become mature?**

**Mr. Jensen:** Mature is a bad word since we are in our infancy of what might be decades of future growth. We have been out of R&D now for about 18 months and recently unveiled our new e-Port G6 that takes the new contactless credit card. Since then, MasterCard has become our biggest customer and is seeding the vending industry in an effort to tip the industry to accept credit cards in addition to coins and bills. This program has already brought us customers like Philadelphia Coke, Coca-Cola Great Plains, the Canteen Corporation and Cadbury Schweppes. It has been a major shot in the arm for sales.

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***"Our software for enabling all forms of cashless transactions is embedded in our e-Port payment hardware, a hardware device that retrofits to these machines in 10 to 20 minutes, whether it be self-serve business centers, credit card vending or e-Suds for college laundry. Also, this is a total turnkey program that's affordable, and everyone wins in the value proposition."***

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**TWST: How were you able to get on NASDAQ at this time?**

**Mr. Jensen:** Rising sales and a radically improved balance sheet. Thanks to a couple of recent equity financings that took place, we now have over \$20 million of shareholder equity and in excess of \$10 million of cash.

**TWST: Would you tell us about e-Port?**

**Mr. Jensen:** e-Port is the name of the hardware, product and service that enables the consumer to do cashless transactions such as credit or debit cards at the vending machines, in addition to coins and bills that we coexist with. It monitors and controls the machine and has a network. The transaction data comes into USALive network, where our customers can see the entire money flow — coins, bills and credit cards.

When you stop to think about what this product does for our customers, it's huge. It enables convenience to the consumer and higher revenue of approximately 10% to 25%, depending on the type of location. You have the ability to monitor your machine, so you can run your business better, plus eliminate theft, since we track the entire money flow. This tremendous value to our customers comes at a time when they desperately need higher sales, because their operating cost is rising everywhere. The consumer does not readily have the coins and bills to make a cash purchase from the vending machine and lost sales is a serious issue. Since almost everyone has a credit card you do not have lost sales.

**TWST: What new applications might emerge in the near future?**

**Mr. Jensen:** There are so many applications we will go after, but I will just give you one example. Our e-Port is now being used on the Ohio Turnpike. There is a self-serve lane where you just tap and go with your contactless credit card or use your traditional credit card to swipe and go.

**TWST: Are there many competing products out there?**

**Mr. Jensen:** We feel we are number one in the space where we participate, with limited competition. According to Nilson, we are 90% of credit card vending with only 10,000 connections, and they are forecasting half the 8 million

US vending machines will get retrofitted to accept credit cards over the next several years. So you can see we are in our infancy. We also have 65 patents to protect the opportunity. So we think we are positioned extremely well.

**TWST: What are the key items on your strategic agenda as you look out over the next few years?**

**Mr. Jensen:** Bringing in significant new customers and keeping them happy. We think this is going to happen, and as long as we have the number one products and our customers are pleased with the service, we expect to build a huge enterprise.

**TWST: What about possible challenges or problems? What might you worry about?**

**Mr. Jensen:** I think the last big risk is the customer adoption curve, and having MasterCard in the marketplace with us in a most unique seeding program is helping us tremendously. As such, I think we've gone two years into the future, and I feel like we are approaching the inflection point. There was a time when I worried about wireless reliability, the cost of modems, the cost of communications, and all of that has radically changed so we can now do national rollouts.

**TWST: What would you reasonably expect the company to look like in about three years?**

**Mr. Jensen:** We are not giving guidance, but we think we have a chance to be one of the great success stories. We are totally committed to building the shareholder value for everybody, and it's just fantastic to now be a NASDAQ company.

**TWST: What are your feelings about mergers, acquisitions and increasing the number of partnerships?**

**Mr. Jensen:** We are not in the marketplace to acquire any companies and we are not looking to be

acquired. The vision of the company is to be independent for the longest possible time. It would be a tragic mistake for us to prematurely be acquired by another company.

**TWST: Are partnerships important to you?**

**Mr. Jensen:** Partnerships are very important, and we definitely have them, whether it be Blackboard selling our products into college laundry or cashless vending, or Cingular with wholesale pricing. Our partnerships are essential to us.

**TWST: Would you tell us about your own background and expertise, and the same for a couple of your key colleagues?**

**Mr. Jensen:** I am the Founder of USA Technologies. I am 58 years old and this is my third venture. I founded the company in 1992. My previous company was American Film Technologies, the leader for converting black and white movies into color. I was the first employee, Chairman and CEO, and it grew to 500 employees, \$18 million in sales with \$3 million in net income, and a \$0.40 stock that grew to \$14 under my leadership. I love company building. I love the momentum stage of a business. So when I left American Film, I was looking for other opportunities, and I saw a very large vending industry of \$40 billion that, to me, looked like it needed a lot of innovation. I came up with the idea of credit card vending, filed some patents, and then we decided to make everything Web-enabled and scalable, and brought onboard some major talent. Now here we are in a very envious position.

Our President, Steve Herbert, came from Pepsi, where he was in market strategy for vending. Dave DeMedio, our CFO, joined us several years ago and previously was in charge of network services for our company and knows all aspects of the business. In addition we are loaded with indus-

try talent that has joined us from such companies as PepsiCo, Coca Cola, and MEI.

**TWST: Having built several companies, what has been the key to company building?**

**Mr. Jensen:** It's always the people and the culture first. If you have talented people who are highly motivated, coupled with unique products, that also have mega trends such as what we are doing with the cashless society, the wireless world and the network economy, you have a great chance for sustained success. It's like the perfect storm.

**TWST: Looking ahead five years or so, where do you think our society might be in relation to those things?**

**Mr. Jensen:** There is going to come a time when we look at coins and bills the way we do a 30-year-old car — the world is going to go cashless. It's all driven by convenience.

**TWST: What occupies your own attention most on a day-by-day basis?**

**Mr. Jensen:** Keeping customers happy and closing new customer business.

**TWST: Do you see any need to improve the company's capital structure?**

**Mr. Jensen:** You are always wanting to improve your capital structure, but this is the best position we've ever been in. We've got in excess of \$20 million in positive shareholder equity and in excess of \$10 million of cash in the bank.

**TWST: What would be the two or three best reasons for the long-term investor to look very closely at USA Technologies?**

**Mr. Jensen:** We have the people, the products, the plan, a wide-open market, a business model with known returns, with multiple revenue streams. We generate revenue from the sale of hardware, monthly service fees, credit card processing and activation fees. We have patents to

protect the high side, plus we are in the early days of something that should be very big. I personally think we have decades of growth.

**TWST: Would you tell us about the culture at USA Technologies?**

**Mr. Jensen:** We have a culture of aggressiveness coupled with high integrity that fosters creativity and innovation, and this is what you need. We try to make decisions fast, but also intelligently. Being able to be responsive to the marketplace with key people and products is what you need in today's competitive environment.

**TWST: Is there anything that you would like to add, especially regarding strategies and long-term objectives?**

**Mr. Jensen:** Our strategy is to dominate the space we are in and build a vast network of terminals doing business every day and paying us electronically. We just want to go as deep as we can into the US market and then go overseas.

**TWST: Where would you head overseas first?**

**Mr. Jensen:** Initially Europe would make sense.

**TWST: As we move toward the cashless society, could any political or social impediments arise?**

**Mr. Jensen:** I don't see any, plus I also think we are in a recession-proof business.

**TWST: For the benefit of the potential investor, would you possibly indicate some milestones?**

**Mr. Jensen:** What if someday we had a million devices to our network and had about \$120 million of annual recurring service fees, and along the way sold over \$400 million of hardware? If the industry tips, there could be some staggering value created for everyone.

**TWST: Is there anything you would like to add?**

**Mr. Jensen:** If investors are considering a portion of the portfolio with us, go to our Website, read our literature and should they have any questions, feel free to give me a call.

**TWST: Thank you. (MC)**

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# Corporate Profile

## USA Technologies Inc.

**Ticker (exchange)** USAT (NASDAQ)  
**Price close 4/09/07** 11.33  
**12 Months Price Range** 4.90 - 11.49

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### Corporate Officers

**George Jensen**  
Chairman & CEO

**Stephen P. Herbert**  
President & COO

### Investor Relations Contact

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## Corporate Business Description

USA Technologies Inc. is recognized as a leader in wireless networking, cashless transactions, asset monitoring and energy management. USA Technologies provides embedded network technology and associated network services for everyday devices such as vending machines, kiosks, and office equipment.

The goal is to position the Company as the leader for wireless cashless transactions, network services and energy management. The Company is focusing on the vending industry, hospitality, retail and education market.

### e-PORT® AND USALIVE® NETWORK

e-Port® is a technology that can be embedded into everyday devices such as vending machines, kiosks, copiers, etc.

USALive® Network is a revolutionary new wireless network service that provides financial, audit, interactive media and ad serving capabilities.

e-Port® with the USALive® Network provides these features when embedded into host equipment:

- Wireless Payment processing provides turnkey authorization, settlement and deposit of cashless transactions (credit, smart, proprietary cards).
- Remote communications & monitoring (embedded in host equipment) controls access to host equipment, manages information, monitors usage with a network controlled system with several wireless connectivity options
- USALive® enables unattended credit card micropayments, remote information and terminal control, and gives customers access to equipment status via the web.

**NASDAQ SYMBOL: USAT**  
**(as of March 31, 2007)**

Market Capitalization .....\$90 Million  
Shares Outstanding .....11.2 Million  
Inside Ownership .....5%  
Fiscal Year End .....June 30  
Recent Stock Price .....\$8.00

**THE APPLICATIONS/MARKET OPPORTUNITY** for e-Port® is extraordinary. The Company is currently targeting vending, hospitality, retail and education markets with e-Ports®, Energy Management Products, Business Express®, Sony PictureStations™, and eSuds™  
**e-Port® Vending** – nearly 10,000 units networked nationwide. Market Opportunity – 8 million machines in US, 30 million worldwide.

**Business Express®** - nearly 400 units installed nationwide. Market Opportunity – 300,000 hotels worldwide.

**Energy Management Products** (VendingMiser®, CoolerMiser™) can reduce greenhouse gas emissions & energy consumption of a vending machine by 46%. Market Opportunity – 70 million machines worldwide

**Sony PictureStation™** Market Opportunity - \$500 million US kiosk market and growing rapidly.

**eSuds™** for college/university laundry rooms. Market Opportunity – over 700,000 machines in US universities alone.

### HOW USA TECHNOLOGIES GENERATES REVENUE

The Company's business model is based on multiple streams of revenue. It is the belief of management that it is the potential for multiple revenue sources that will create and sustain a stable and profitable enterprise. Listed below is an outline of the key revenue streams: o Sale of Equipment o Network Services/Administrative Fees o Portion of credit card transactions o Licensing – Company has 65 patents granted and 28 patents pending

### RECENT HIGHLIGHTS

**Mar 15, 2007** USA Technologies approved for listing on The NASDAQ Capital Market. USAT completes \$10 million private placement with S.A.C. Capital Associates, LLC.

**Dec 21, 2006** MasterCard and USAT to trial MasterCard® PayPass™ in Ohio Turnpike booths. Ohio Turnpike Commission adding MasterCard® Paypass™ contactless terminals to highway exits and service plazas near Cleveland and Oberlin with USAT's e-Port® payment solution.

**Dec 21, 2006** MasterCard and USAT to expand MasterCard® PayPass™ deployment to include Cadbury Schweppes. USAT's e-Port® will be installed in Dr Pepper and Snapple Vending Machines in Dallas, NYC and Chicago.

**Dec 15, 2006** USAT completes an \$8.4 Million private placement. Nov 30, 2006 Hawaii Army National Guard deploys USAT's EnergyMiser®. U.S. Department of Defense leads in drive to lower energy consumption and cost.

**Nov 16, 2006** MasterCard and USAT to expand MasterCard® PayPass™ deployment to nationwide rollout of 5,000 e-Port® devices. Nov 14, 2006 USAT launches world's first self contained roving business center on wheels – the PC Express Nomad™.

**June 27, 2006** MasterCard, Philadelphia Coca-Cola Bottling Company and USA Technologies introduce contactless "Tap & Go™" payment technology in vending machines.