



# cantaloupe

## USA Technologies Announces Third Quarter, Fiscal 2014 Results

May 13, 2014

Recurring Revenues Up 19%;

Recognizes Deferred Tax Asset of \$26.7 million;

Net Connections to ePort Connect Service Up 100%;

Customer Base Up 47%;

Total Connections to ePort Connect Service, Up 24% (year over year) to 244,000

MALVERN, Pa.--(BUSINESS WIRE)-- [USA Technologies, Inc.](http://www.usatech.com) (NASDAQ: USAT) ("USAT"), a leader of wireless, cashless payment and M2M telemetry solutions for small-ticket, self-serve retailing industries, today reported results for the third fiscal quarter ended March 31, 2014.

Highlights for the third quarter included:

- GAAP net income of \$26.9 million which included \$26.7 million related to the partial recognition of a deferred tax asset. Non-GAAP net income was \$321,526;
- Net earnings per common share of \$0.75, which included \$0.75 per share related to the partial recognition of a deferred tax asset. Non-GAAP net loss per common share was \$0.00;
- Total revenues of \$10.4 million; up 16% from the prior year;
- License and transaction fee revenue of \$9.0 million, an increase of 19% over the prior year and representing 86% of total revenues; and
- Adjusted EBITDA of \$1.8 million, up 9% from the prior year.

In addition, USAT achieved a record number of new connections to its cashless payment and M2M telemetry service, ePort Connect®, approximately 22,000, in the third quarter. Net new connections for the third quarter totaled approximately 20,000, a 100% increase from 10,000 net new connections for the third quarter of the prior year. Total connections to USAT's cashless payment and M2M telemetry service, ePort Connect®, were 244,000 as of March 31, 2014, a 24% increase from March 31, 2013.

USAT also continued to demonstrate rapid growth in the number of customers using its ePort Connect service across various segments of the self-serve retail market including vending, commercial laundry, amusement/arcade, taxi and transportation, kiosk and mobile applications. During the third quarter, USAT added 575 new customers to its ePort Connect service, for 6,650 total customers as of March 31, 2014. For the three years ended March 31, 2014, the ePort Connect customer base has grown by a compound annual growth rate of 58%.

"Our results for the third quarter reflect assertive strategies directed toward growing market share, cashless adoption and long-term customer relationships for USAT in this emerging market," said Stephen P. Herbert, USAT's chairman and chief executive officer. "Connections were strong and we have a very encouraging pipeline of connections going into our fourth fiscal quarter. We are also looking forward to the additional license and transaction fee revenues associated with a number of new connections achieved through March that had not fully materialized as of quarter end—all factors that we believe bode well for future revenue growth and cash generation.

"We were particularly excited to be able to recognize a deferred tax asset related to our net loss carryovers in the third quarter. This is another important milestone for USAT that we believe speaks to, among other things, the growing strength of our recurring revenue model and the strategies we have put in place to attract new customers and connections to our service," continued Herbert.

"During the third quarter, we continued to leverage our strong foothold in vending by working with those customers to drive cashless payment into a greater percentage of their installed base of machines," said Herbert. "Within this same market segment, we also took important steps to extend our value proposition to the other POS touchpoints within a full-service food and beverage operation that can benefit from our ePort Connect service. Beyond vending, third quarter successes also included execution in strategies designed to leverage ePort Connect in adjacent markets, such as commercial laundry and taxi and transportation."

Third quarter strategic highlights included:

- Introduction of [Integrated Payment Services](#), an evolution of ePort Connect that is designed to support multiple aspects of a full-service food and beverage operation—vending, micro-markets, dining services, distribution/drop off services and loyalty—under the ePort Connect umbrella;
- A new, exclusive agreement with [The Pepi Companies](#), that represented USAT's first customer under the new Integrated Payment

Services model. The agreement substantially expands The Pepi Companies' relationship with USAT by leveraging USAT products, services and add-on integration capabilities across other segments of its business;

- Continued expansion of third party technologies supported on ePort Connect that further add to the benefits and convenience of doing business with USAT. Examples include [AirVend's](#) android-based interactive touchscreen point-of-sale device, and micro-market support for [Revive Self Checkout](#) and [Breakroom Provisions](#);
- Strong execution in taxi and transportation with 2,000 connections achieved in the quarter as well as additional orders for future connections. USAT offers simplified service-only integration to ePort Connect, as well as [ePort GO](#)™ USAT's one-stop offering for the taxi and transportation market; and
- Ongoing enhancements to ePort Connect in the area of consumer engagement that continue to differentiate USAT among its peers. Examples include integration of USAT's MORE. loyalty and prepaid program across micro-market and other supported technologies as well as the introduction of the [MORE. consumer app](#) with eBeacon™ mobile payment powered by Bluetooth low energy "BLE" technology.

### **Third Quarter Results**

Revenues of \$10.4 million in the third quarter of fiscal 2014 grew by 16% from the same period a year ago. Revenue from license and transaction fees, driven by net connections to USAT's ePort Connect service through monthly service fees, rental program fees and transaction processing fees, represented 86% of revenues in the third quarter and grew by 19% compared to the same quarter in the prior year.

Gross profit of \$4.0 million increased by 9% for the third quarter, from \$3.7 million for the same period in the prior year. Gross profit margin was 38.3%, down from 41.0% for the same period in the prior year, due primarily to lower gross margins associated with license and transaction fees in the quarter, which resulted from deactivations over the last year as well as certain marketing programs, and the timing of those programs, that are designed to further accelerate cashless adoption.

Operating expenses of \$3.6 million in the third quarter grew from \$3.3 million for the same period in fiscal 2013, largely due to additional investments in sales and marketing during fiscal 2014. Operating income was \$365,535 and \$350,219 for the third quarter of fiscal 2014 and fiscal 2013, respectively.

GAAP net income for the third quarter was \$26.9 million compared to a GAAP net loss of (\$1.0) million for the third quarter of the prior year. In the third quarter, USAT recognized a deferred tax asset of \$26.7 million due to reduction of the valuation allowance established for operating loss carryovers. Under GAAP, such deferred tax assets are recognized when management has determined that it is more likely than not that the operating loss carryovers would be utilized in future periods.

Non-GAAP net income, which excludes the deferred tax benefit as well as the impact of the fair value of warrant adjustment, was \$321,526 for the third quarter compared to \$293,011 for the third quarter in the prior year (see non-GAAP Reconciliation table).

After preferred dividends, net earnings per common share was \$0.75 for the third quarter of fiscal 2014 compared to a net loss per common share of (\$0.04) for the third quarter of fiscal 2013. On a non-GAAP basis, net loss per common share was \$0.00 for the both the third quarter of fiscal 2014 and fiscal 2013.

Cash and cash equivalents stood at approximately \$6.6 million as of March 31, 2014, up from \$3.9 million as of March 31, 2013.

### **Outlook**

"Our strategies are delivering important results in this emerging market—more customers, more connections to our service and continued market differentiation," said Herbert. "We are encouraged by the higher average rate of new connections achieved for the first nine months of fiscal 2014 compared to last year and, for the fourth quarter, anticipate continued progress in driving revenue growth and operating margin expansion."

### **Webcast and Conference Call**

USA Technologies will conduct a conference call and webcast at 10:00 a.m. Eastern Time on May 13, 2014. USA Technologies invites all interested parties to listen to the live webcast of the conference call, accessible on the [Investor Relations](#) section of USA Technologies' website. The webcast will be archived on the website within two hours of the live call. It will remain available for approximately 90 days. Interested parties unable to access the webcast may also participate by calling (866) 393-1608 or, if an international caller, (224) 357-2194. A replay of the call, available until midnight on May 16, 2014, can be accessed by calling (855) 859-2056; Conference ID#29061568, (toll free).

### **About USA Technologies:**

USA Technologies is a leader of wireless, cashless payment and M2M telemetry solutions for small-ticket, self-serve retailing industries. ePort Connect® is the company's flagship service platform, a PCI-compliant, end-to-end suite of cashless payment and telemetry services specially tailored to fit the needs of small ticket, self-service retailing industries. USA Technologies also provides a broad line of cashless acceptance technologies including its NFC-ready ePort® G-series, ePort Mobile™-for customers on the go, and QuickConnect, an API Web service for developers. USA Technologies has been granted 87 patents and has agreements with Verizon, Visa, Elavon and customers such as Compass, Crane, AMI Entertainment and others. Visit the website at [www.usatech.com](http://www.usatech.com).

### **Forward-looking Statements:**

"Safe Harbor" Statement under the Private Securities Litigation Reform Act of 1995: All statements other than statements of historical fact included in this release, including without limitation the business strategy and the plans and objectives of USAT's management for future operations, are forward-looking statements. When used in this release, words such as "anticipate", "believe", "estimate", "expect", "intend", and similar expressions, as they relate to USAT or its management, identify forward-looking statements. Such forward-looking statements are based on the beliefs of USAT's management, as well as assumptions made by and information currently available to USAT's management. Actual results could differ materially from those contemplated by the forward-looking statements as a result of certain factors, including but not limited to, the ability of management to accurately predict or forecast future earnings or taxable income of USAT; the incurrence by us of any unanticipated or unusual non-operational expenses which would require us to divert our cash resources from achieving our business plan; the ability of USAT to retain key customers from whom a significant portion of its revenues is derived; the ability of USAT to compete with its competitors to obtain market share; whether USAT's customers continue to utilize USAT's transaction processing and related services, as our customer agreements are generally cancelable by the customer on thirty to sixty days' notice; the ability of USAT to obtain widespread commercial acceptance of its products; the ability of USAT to raise funds in the future through the sales of securities or debt financings in order to sustain its operations if an unexpected or unusual non-operational event would occur; the ability of USAT to use available data to predict future market conditions, consumer behavior and any level of cashless usage; the ability of USAT to efficiently and securely integrate cashless payment with new machine technologies; whether any patents issued to USAT will provide USAT with any competitive advantages or adequate protection for its products, or would be challenged, invalidated or circumvented by others; the ability of USAT to operate without infringing the proprietary rights of others; and whether USAT's existing or anticipated customers purchase, rent or utilize ePort devices or our other products or services in the future at levels currently anticipated by USAT. Readers are cautioned not to place undue reliance on these forward-looking statements. Any forward-looking statement made by us in this release speaks only as of the date of this

release. Unless required by law, USAT does not undertake to release publicly any revisions to these forward-looking statements to reflect future events or circumstances or to reflect the occurrence of unanticipated events.

**USA Technologies, Inc.**  
**Consolidated Statements of Operations**  
**(Unaudited)**

|  | Three months ended  |                      | Nine months ended   |                      |
|--|---------------------|----------------------|---------------------|----------------------|
|  | March 31,           |                      | March 31,           |                      |
|  | 2014                | 2013                 | 2014                | 2013                 |
| Revenues:  |                     |                      |                     |                      |
| License and transaction fees   | \$ 8,999,689        | \$ 7,562,589         | \$26,177,818        | \$21,872,187         |
| Equipment sales  | <u>1,444,243</u>    | <u>1,418,215</u>     | <u>4,959,686</u>    | <u>4,383,216</u>     |
| Total revenues   | 10,443,932          | 8,980,804            | 31,137,504          | 26,255,403           |
| Cost of services   | 5,785,721           | 4,525,244            | 16,690,569          | 13,080,816           |
| Cost of equipment  | <u>660,423</u>      | <u>774,221</u>       | <u>3,036,243</u>    | <u>2,748,785</u>     |
| Gross profit   | 3,997,788           | 3,681,339            | 11,410,692          | 10,425,802           |
| Operating expenses:  |                     |                      |                     |                      |
| Selling, general and administrative                                      | 3,479,300           | 3,003,231            | 9,968,212           | 8,918,030            |
| Depreciation and amortization  | <u>152,953</u>      | <u>327,889</u>       | <u>438,337</u>      | <u>1,004,134</u>     |
| Total operating expenses   | <u>3,632,253</u>    | <u>3,331,120</u>     | <u>10,406,549</u>   | <u>9,922,164</u>     |
| Operating income   | 365,535             | 350,219              | 1,004,143           | 503,638              |
| Other income (expense):  |                     |                      |                     |                      |
| Interest income  | 3,102               | 11,082               | 21,342              | 52,910               |
| Interest expense   | (60,934)            | (61,379)             | (182,315)           | (109,402)            |
| Change in fair value of warrant liabilities                              | <u>(168,897)</u>    | <u>(1,308,954)</u>   | <u>12,304</u>       | <u>(1,249,456)</u>   |
| Total other expense, net   | <u>(226,729)</u>    | <u>(1,359,251)</u>   | <u>(148,669)</u>    | <u>(1,305,948)</u>   |
| Income (loss) before benefit (provision) for income taxes                | 138,806             | (1,009,032)          | 855,474             | (802,310)            |
| Benefit (provision) for income taxes                                     | <u>26,727,720</u>   | <u>(6,911)</u>       | <u>26,713,897</u>   | <u>(20,734)</u>      |
| Net Income (loss)  | 26,866,526          | (1,015,943)          | 27,569,371          | (823,044)            |
| Cumulative preferred dividends   | <u>(332,226)</u>    | <u>(332,226)</u>     | <u>(664,452)</u>    | <u>(664,452)</u>     |
| Net income (loss) applicable to common shares                            | <u>\$26,534,300</u> | <u>\$(1,348,169)</u> | <u>\$26,904,919</u> | <u>\$(1,487,496)</u> |
| Net earnings (loss) per common share (basic and diluted)                 | <u>\$ 0.75</u>      | <u>\$ (0.04)</u>     | <u>\$ 0.78</u>      | <u>\$ (0.05)</u>     |
| Weighted average number of common shares outstanding (basic and diluted) | 35,504,911          | 32,821,345           | 34,313,396          | 32,690,374           |

**USA Technologies, Inc.**  
**Consolidated Balance Sheets**

|   | March 31,<br>2014    | June 30,<br>2013     |
|---|----------------------|----------------------|
|   | (unaudited)          |                      |
| Assets  |                      |                      |
| Current assets:   |                      |                      |
| Cash and cash equivalents   | \$ 6,577,117         | \$ 5,981,000         |
| Accounts receivable, less allowance for uncollectible accounts of \$47,000 and \$18,000, respectively | 1,974,349            | 2,620,684            |
| Finance receivables   | 106,837              | 116,444              |
| Inventory   | 1,512,003            | 1,823,615            |
| Prepaid expenses and other current assets   | 488,146              | 184,336              |
| Deferred income taxes   | <u>581,982</u>       | <u>-</u>             |
| Total current assets  | 11,240,434           | 10,726,079           |
| Finance receivables, less current portion   | 325,812              | 408,674              |
| Other assets  | 86,877               | 84,117               |
| Property and equipment, net   | 20,755,507           | 17,240,065           |
| Deferred income taxes   | 26,127,191           | -                    |
| Intangibles, net  | 432,100              | 454,053              |
| Goodwill  | <u>7,663,208</u>     | <u>7,663,208</u>     |
| Total assets  | <u>\$ 66,631,129</u> | <u>\$ 36,576,196</u> |

|  |   |
|--|---|
| Liabilities and shareholders' equity   |   |
| Current liabilities:   |   |
| Accounts payable   | \$ 6,372,212 \$ 7,301,247                 |
| Accrued expenses   | 1,309,673 1,468,184                       |
| Line of credit   | 4,000,000 3,000,000                       |
| Current obligations under long-term debt   | 249,915 247,152                           |
| Income taxes payable   | 35,521 -                                  |
| Total current liabilities  | <u>11,967,321</u> <u>12,016,583</u>       |
| Long-term liabilities:   |   |
| Long-term debt, less current portion   | 316,871 122,754                           |
| Accrued expenses, less current portion   | 224,312 366,785                           |
| Deferred tax liabilities   | - 40,245                                  |
| Warrant liabilities  | 638,334 650,638                           |
| Total long-term liabilities  | <u>1,179,517</u> <u>1,180,422</u>         |
| Total liabilities  | <u>13,146,838</u> <u>13,197,005</u>       |
| Commitments and contingencies  |   |
| Shareholders' equity:  |   |
| Preferred stock, no par value:   |   |
| Authorized shares- 1,800,000 Series A convertible preferred- Authorized shares- 900,000 Issued and outstanding shares- 442,968 (liquidation preference of \$16,690,456 and \$16,026,004, respectively) | 3,138,056 3,138,056                       |
| Common stock, no par value: Authorized shares- 640,000,000 Issued and outstanding shares- 35,496,570 and 33,284,232, respectively  | 223,919,102 221,383,373                   |
| Accumulated deficit  | <u>(173,572,867)</u> <u>(201,142,238)</u> |
| Total shareholders' equity   | <u>53,484,291</u> <u>23,379,191</u>       |
| Total liabilities and shareholders' equity   | <u>\$ 66,631,129</u> <u>\$ 36,576,196</u> |

**USA Technologies, Inc.**  
**Consolidated Statements of Cash Flows**  
(Unaudited)

|   | Three months ended |               | Nine months ended |             |
|---|--------------------|---------------|-------------------|-------------|
|   | March 31,          | March 31,     | March 31,         | March 31,   |
|   | 2014               | 2013          | 2014              | 2013        |
| <b>OPERATING ACTIVITIES:</b>  |                    |               |                   |             |
| Net income (loss)   | \$ 26,866,526      | \$(1,015,943) | \$ 27,569,371     | \$(823,044) |
| Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:                  |                    |               |                   |             |
| Charges incurred in connection with the vesting and issuance of common stock for employee and director compensation | 60,024             | 149,009       | 248,880           | 369,233     |
| (Gain) loss on disposal of property and equipment   | (2,431)            | (14,815)      | 7,053             | (18,415)    |
| Non-cash interest and amortization of debt discount   | -                  | 26,934        | 2,095             | 26,934      |
| Bad debt expense (recoveries), net  | (11,277)           | (1,599)       | 66,773            | 7,459       |
| Depreciation  | 1,413,521          | 1,003,610     | 3,910,110         | 2,742,196   |
| Amortization  | -                  | 185,600       | 21,953            | 556,800     |
| Change in fair value of warrant liabilities   | 168,897            | 1,308,954     | (12,304)          | 1,249,456   |
| Deferred income taxes, net  | (26,727,720)       | 6,911         | (26,713,897)      | 20,734      |
| Changes in operating assets and liabilities:  |                    |               |                   |             |
| Accounts receivable   | (470,164)          | (1,212,990)   | 579,562           | 63,489      |
| Finance receivables   | 27,064             | 22,714        | 92,469            | 47,416      |
| Inventory   | 214,495            | 603,019       | 338,415           | 685,114     |
| Prepaid expenses and other current assets   | 52,483             | 59,841        | (62,503)          | 51,730      |
| Accounts payable  | 386,832            | (1,115,013)   | (929,035)         | (803,875)   |
| Accrued expenses  | 184,532            | (223,669)     | (300,984)         | (1,792,479) |
| Net cash provided by (used in) operating activities   | 2,162,782          | (217,437)     | 4,817,958         | 2,382,748   |
| <b>INVESTING ACTIVITIES:</b>  |                    |               |                   |             |
| Purchase of property and equipment  | (35,134)           | (31,413)      | (60,361)          | (81,691)    |
| Purchase of property for rental program   | (2,643,439)        | (1,778,344)   | (7,211,661)       | (6,320,514) |
| Proceeds from the sale of property and equipment  | 5,513              | 18,908        | 30,375            | 18,908      |
| Net cash used in investing activities   | (2,673,060)        | (1,790,849)   | (7,241,647)       | (6,383,297) |

**FINANCING ACTIVITIES:**

|  |                     |                     |                     |                     |
|--|---------------------|---------------------|---------------------|---------------------|
| Net proceeds from the exercise of common stock warrants and the retirement of common stock | 521,762             | 74,840              | 2,286,849           | (12,475)            |
| Proceeds from line of credit   | -                   | 1,000,000           | 1,000,000           | 2,000,000           |
| Repayment of long-term debt  | (89,366)            | (164,363)           | (267,043)           | (465,084)           |
| Net cash provided by financing activities  | <u>432,396</u>      | <u>910,477</u>      | <u>3,019,806</u>    | <u>1,522,441</u>    |
| Net increase (decrease) in cash and cash equivalents                                       | (77,882)            | (1,097,809)         | 596,117             | (2,478,108)         |
| Cash and cash equivalents at beginning of period   | 6,654,999           | 5,046,346           | 5,981,000           | 6,426,645           |
| Cash and cash equivalents at end of period   | <u>\$ 6,577,117</u> | <u>\$ 3,948,537</u> | <u>\$ 6,577,117</u> | <u>\$ 3,948,537</u> |

**Supplemental disclosures of cash flow information:**

|   |              |            |              |              |
|---|--------------|------------|--------------|--------------|
| Cash paid for interest                                    | \$ 59,399    | \$ 32,551  | \$ 189,203   | \$ 84,220    |
| Depreciation expense allocated to cost of sales           | \$ 1,260,568 | \$ 861,321 | \$ 3,493,726 | \$ 2,294,862 |
| Reclass of rental program property to inventory, net      | \$ 13,686    | \$ 2,296   | \$ 26,803    | \$ 11,923    |
| Prepaid items financed with debt                          | \$ 144,312   | \$ 2,340   | \$ 246,162   | \$ 130,402   |
| Prepaid interest from issuance of warrants for debt costs | \$ -         | \$ 55,962  | \$ -         | \$ 55,962    |
| Equipment and software acquired under capital lease       | \$ 195,725   | \$ 80,883  | \$ 217,761   | \$ 80,883    |
| Disposal of property and equipment                        | \$ 15,141    | \$ 7,700   | \$ 233,857   | \$ 7,700     |

**Discussion of Non-GAAP Financial Measures**

This press release includes the following measures defined as non-GAAP financial measures by the Securities and Exchange Commission: adjusted EBITDA, non-GAAP net income (loss), non-GAAP operating margin and non-GAAP diluted earnings (loss) per common share. The presentation of these additional financial measures are not intended to be considered in isolation from, or superior to, or as a substitute for the financial measures prepared and presented in accordance with GAAP (Generally Accepted Accounting Principles), 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. These non-GAAP financial measures are not required by or defined under GAAP and may be materially different from the non-GAAP financial measures used by other companies. USAT has provided reconciliations of the non-GAAP financial measures to the most directly comparable GAAP financial measures.

As used herein, non-GAAP net income (loss) represents GAAP net income (loss) excluding any benefit from reduction of the deferred tax asset valuation allowance or adjustment for fair value of warrant liabilities. As used herein, non-GAAP diluted earnings (loss) per common share is calculated by dividing non-GAAP net income (loss) applicable to common shares by the diluted weighted average number of shares outstanding.

Management believes that non-GAAP net income (loss) and non-GAAP diluted earnings (loss) per common share are important measures of USAT's business. Management uses the aforementioned non-GAAP measures to monitor and evaluate ongoing operating results and trends and to gain an understanding of our comparative operating performance. We believe that these non-GAAP financial measures serve as useful metrics for our management and investors because they enable a better understanding of the long-term performance of our core business and facilitate comparisons of our operating results over multiple periods, and when taken together with the corresponding GAAP financial measures and our reconciliations, enhance investors' overall understanding of our current and future financial performance.

As used herein, Adjusted EBITDA represents net income (loss) before interest income, interest expense, income taxes (including any benefit from reduction of the deferred tax asset valuation allowances), depreciation, amortization, and change in fair value of warrant liabilities and stock-based compensation expense. We have excluded the non-operating items, benefit from reduction of the deferred tax asset valuation allowances and change in fair value of warrant liabilities, because each represents a non-cash charge that is not related to USAT's operations. We have excluded the non-cash expenses and stock-based compensation as they do not reflect the cash-based operations of USAT. Adjusted EBITDA is presented because we believe 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.

**Non-GAAP Reconciliation**
**Reconciliation of Net Income (Loss) to Non-GAAP Net Income and Net Earnings (Loss) Per Common Share - Basic and Diluted to Non-GAAP Net Loss Per Common Share - Basic and Diluted**

|  | Three Months Ended   |                       |
|--|----------------------|-----------------------|
|  | 3/31/2014            | 3/31/2013             |
| <b>Net income (loss)</b>   | <b>\$ 26,866,526</b> | <b>\$ (1,015,943)</b> |
| Non-GAAP adjustments:  |                      |                       |
| Fair value of warrant adjustment   | 168,897              | 1,308,954             |
| Benefit from reduction of valuation allowances                           | (26,713,897)         | -                     |
| <b>Non-GAAP net income</b>   | <b>\$ 321,526</b>    | <b>\$ 293,011</b>     |
| Net income (loss)  | \$ 26,866,526        | \$ (1,015,943)        |
| Non-GAAP net income  | \$ 321,526           | \$ 293,011            |
| Cumulative preferred dividends   | (332,226)            | (332,226)             |
| <b>Net income (loss) applicable to common shares</b>                     | <b>\$ 26,534,300</b> | <b>\$ (1,348,169)</b> |
| <b>Non-GAAP net loss applicable to common shares</b>                     | <b>\$ (10,700)</b>   | <b>\$ (39,215)</b>    |
| Weighted average number of common shares outstanding (basic and diluted) | 35,504,911           | 32,821,345            |

|  |           |             |           |               |
|--|-----------|-------------|-----------|---------------|
| Net earnings (loss) per common share (basic and diluted) | <u>\$</u> | <u>0.75</u> | <u>\$</u> | <u>(0.04)</u> |
| Non-GAAP net loss per common share (basic and diluted)   | <u>\$</u> | <u>0.00</u> | <u>\$</u> | <u>0.00</u>   |

**Reconciliation of GAAP Net Income to Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization (Adjusted EBITDA)**

|  | <u>Three Months Ended</u> |                     |
|--|---------------------------|---------------------|
|  | <u>3/31/2014</u>          | <u>3/31/2013</u>    |
| <b>Net income (loss)</b>                         | \$ 26,866,526             | \$(1,015,943)       |
| Less interest income                             | (3,102)                   | (11,082)            |
| Plus interest expenses                           | 60,934                    | 61,379              |
| Plus income tax expense (benefit)                | (26,727,720)              | 6,911               |
| Plus depreciation expense                        | 1,413,521                 | 1,003,610           |
| Plus amortization expense                        | -                         | 185,600             |
| Plus change in fair value of warrant liabilities | 168,897                   | 1,308,954           |
| Plus stock-based compensation                    | 60,024                    | 149,009             |
| <b>Adjusted EBITDA</b>                           | <u>\$ 1,839,080</u>       | <u>\$ 1,688,438</u> |

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