



## USA Technologies Announces Fourth Quarter and Fiscal Year 2015 Results

September 10, 2015

MALVERN, Pa.--(BUSINESS WIRE)-- USA Technologies, Inc. (NASDAQ:USAT) ("USAT"), a leader of wireless, cashless payment and M2M/IoT solutions for small-ticket, self-serve retailing industries, today reported results for the fourth quarter and fiscal year ended June 30, 2015.

### Fourth Quarter Financial Highlights:

- Record net connections of 31,000 for a total on the service of 333,000
- Record total revenue of \$17.6 million, a year-over-year increase of 57%
- Record license and transaction fee revenue of \$11.9 million, a year-over-year increase of 26%
- Free cashflow of \$2.7 million\*

\*(defined as cash flow from operations less cash used for the purchase of property for the JumpStart rental program.)

### Fourth Quarter Financial Results:

|   | Three months ended |                  |           |          |
|---|--------------------|------------------|-----------|----------|
|   | June 30,           |                  | \$Change  | % Change |
|   | 2015               | 2014             |           |          |
| (\$ in thousands except-per share data)                 |                    |                  |           |          |
| Revenues:   |                    |                  |           |          |
| License and transaction fees                            | \$ 11,938          | \$ 9,460         | \$ 2,478  | 26%      |
| Equipment sales   | \$ 5,708           | \$ 1,747         | \$ 3,961  | 227%     |
| Total revenues  | <u>\$ 17,646</u>   | <u>\$ 11,207</u> | \$ 6,439  | 57%      |
| Operating income (loss)                                 | <u>\$ 93</u>       | <u>\$ (568)</u>  | \$ 661    | 116%     |
| Adjusted EBITDA   | <u>\$ 1,701</u>    | <u>\$ 1,266</u>  | \$ 435    | 34%      |
| Net income (loss)                                       | <u>\$ 69</u>       | <u>\$ (39)</u>   | \$ 108    | 277%     |
| Non-GAAP net income (loss)                              | <u>\$ 58</u>       | <u>\$ (619)</u>  | \$ 677    | 109%     |
| Net earnings (loss) per common share - diluted          | <u>\$ (0.01)</u>   | <u>\$ -</u>      | \$ (0.01) | -100%    |
| Non-GAAP net earnings (loss) per common share - diluted | <u>\$ -</u>        | <u>\$ (0.02)</u> | \$ 0.02   | 100%     |

"Our leadership position in mobile and NFC payments, combined with our extensive experience with the self-service retail market, is fueling our growth and propels us toward achieving our long-term goals," said Stephen P. Herbert, USA Technologies' chairman and chief executive officer. "With Google's launch of Android Pay, and our collaboration with them, it is another validation of the broader market acceptance of the mobile payments technology we have championed for more than 10 years. With a record number of gross connections this quarter coupled with an increase in equipment sales, we ended the quarter with a year-over-year revenue increase of 57%. We continue to strengthen our balance sheet with the success of the QuickStart program which has increased our cash position significantly and are focused on expanding our presence with our current customers and developing a growing list of new customers."

### Fourth Quarter Connection and Transaction Data:

|   | Three Months Ended |       |          |
|---|--------------------|-------|----------|
|   | June 30            |       | % Change |
|   | 2015               | 2014  |          |
| Gross New Connections ('000s)           | 34                 | 25    | 36%      |
| % from Existing Customer Base           | 89%                | 84%   | 5%       |
| Net New Connections ('000s)             | 31                 | 22    | 41%      |
| Total Connections ('000s)               | 333                | 266   | 25%      |
| New Customers Added                     | 675                | 650   | 4%       |
| Total Customers                         | 9,600              | 7,300 | 32%      |
| Total Number of Transactions (millions) | 62                 | 47    | 32%      |

Transaction Volume (\$millions)            \$112.8     \$82.9     36%

**Fiscal 2015 Financial Highlights:**

- Record net connections of 67,000 for the year
- Record total revenue of \$58.1 million, a year-over-year increase of 37%
- Year end cash position of \$11.4 million

**Fiscal 2015 Financial Results:**

|  | Year ended      |                 | \$Change         | % Change   |
|--|-----------------|-----------------|------------------|------------|
|  | 2015            | 2014            |                  |            |
| (\$ in thousands except-per share data)        |                 |                 |                  |            |
| <b>Revenues:</b>                               |                 |                 |                  |            |
| License and transaction fees                   | \$43,633        | \$35,638        | \$ 7,995         | 22%        |
| Equipment sales                                | \$14,444        | \$ 6,707        | \$ 7,737         | 115%       |
| <b>Total revenues</b>                          | <b>\$58,077</b> | <b>\$42,345</b> | <b>\$ 15,732</b> | <b>37%</b> |
| Operating income                               | \$ 210          | \$ 436          | \$ (226)         | -52%       |
| Adjusted EBITDA                                | \$ 6,709        | \$ 6,451        | \$ 258           | 4%         |
| Net income (loss)                              | \$ (819)        | \$27,531        | \$(28,350)       | -103%      |
| Non-GAAP net income (loss)                     | \$ (20)         | \$ 189          | \$ (209)         | -111%      |
| Net earnings (loss) per common share - diluted | \$ (0.04)       | \$ 0.78         | \$ (0.82)        | -105%      |
| Non-GAAP net loss per common share - diluted   | \$ (0.02)       | \$ (0.01)       | \$ (0.01)        | -100%      |

**Fiscal 2016 Outlook**

For full year fiscal 2016, management expects to add more than 75,000 net new connections, bringing total connections on the service to over 400,000 and expects total revenue to be between \$69 million and \$71 million. Additionally, QuickStart will remain a popular program for customers, and management expects it to drive positive free cash flows in 2016.

**Webcast and Conference Call**

Management will host a conference call today, September 10, 2015 at 5:00 pm EST. To participate in the conference call, please dial (866) 393-1608 approximately 10 minutes prior to the call. International callers should dial (224) 357-2194. Please reference conference ID # 25774520.

A live webcast of the conference call will be available at <http://investor.usatech.com/events.cfm>. Please access the website 15 minutes prior to the start of the call to download and install any necessary audio software.

A telephone replay of the conference call will be available from 10:00 p.m. Eastern Time on September 10, 2015 until 11:59 p.m. Eastern Time on September 13, 2015 and may be accessed by calling (855) 859-2056 (domestic dial-in) or (404) 537-3406 (international dial-in) and reference conference ID # 25774520. An archived replay of the conference call will also be available in the investor relations section of the company's website.

**About USA Technologies**

USA Technologies is a leader of wireless, cashless payment and M2M telemetry 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 ePortG-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, Chase Paymentech and customers such as Compass, 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 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 to prevent a security breach of our systems or services or third party services or systems utilized by us; 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; whether USAT would be able to sell sufficient ePort hardware to third party leasing companies as part of the QuickStart program in order to significantly increase cash flows from operations; 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 Statement of Operations**

|  | Three months ended |                    | Year ended            |                      |
|--|--------------------|--------------------|-----------------------|----------------------|
|  | June 30,           |                    | June 30,              |                      |
|  | 2015               | 2014               | 2015                  | 2014                 |
| <b>Revenues:</b>   |                    |                    |                       |                      |
| License and transaction fees                                 | \$ 11,937,898      | \$ 9,460,303       | \$ 43,633,462         | \$ 35,638,121        |
| Equipment sales  | 5,708,297          | 1,747,157          | 14,444,012            | 6,706,843            |
| <b>Total revenues</b>  | <b>17,646,195</b>  | <b>11,207,460</b>  | <b>58,077,474</b>     | <b>42,344,964</b>    |
| <br>   |                    |                    |                       |                      |
| Cost of services   | 7,863,105          | 6,327,432          | 29,429,385            | 23,018,001           |
| Cost of equipment  | 4,975,089          | 1,217,884          | 11,825,455            | 4,254,127            |
| <b>Gross profit</b>  | <b>4,808,001</b>   | <b>3,662,144</b>   | <b>16,822,634</b>     | <b>15,072,836</b>    |
| <br>   |                    |                    |                       |                      |
| <b>Operating expenses:</b>                                   |                    |                    |                       |                      |
| Selling, general and administrative                          | 4,558,816          | 4,067,804          | 16,001,255            | 14,036,016           |
| Depreciation and amortization                                | 155,697            | 162,151            | 611,682               | 600,488              |
| <b>Total operating expenses</b>                              | <b>4,714,513</b>   | <b>4,229,955</b>   | <b>16,612,937</b>     | <b>14,636,504</b>    |
| <b>Operating income (loss)</b>                               | <b>93,488</b>      | <b>(567,811)</b>   | <b>209,697</b>        | <b>436,332</b>       |
| <br>   |                    |                    |                       |                      |
| <b>Other income (expense):</b>                               |                    |                    |                       |                      |
| Interest income  | 42,204             | 8,995              | 82,695                | 30,337               |
| Other income   | 52,178             | -                  | 52,178                | -                    |
| Interest expense   | (92,078)           | (74,529)           | (301,767)             | (256,844)            |
| Change in fair value of warrant liabilities                  | 262,643            | 53,125             | (393,144)             | 65,429               |
| <b>Total other income (expense), net</b>                     | <b>264,947</b>     | <b>(12,409)</b>    | <b>(560,038)</b>      | <b>(161,078)</b>     |
| <br>   |                    |                    |                       |                      |
| <b>Income (loss) before provision for income taxes</b>       | <b>358,435</b>     | <b>(580,220)</b>   | <b>(350,341)</b>      | <b>275,254</b>       |
| <b>Benefit (provision) for income taxes</b>                  | <b>(289,436)</b>   | <b>541,501</b>     | <b>(469,141)</b>      | <b>27,255,398</b>    |
| <br>   |                    |                    |                       |                      |
| <b>Net income (loss)</b>                                     | <b>68,999</b>      | <b>(38,719)</b>    | <b>(819,482)</b>      | <b>27,530,652</b>    |
| Cumulative preferred dividends                               | -                  | -                  | (664,452)             | (664,452)            |
| <b>Net income (loss) applicable to common shares</b>         | <b>\$ 68,999</b>   | <b>\$ (38,719)</b> | <b>\$ (1,483,934)</b> | <b>\$ 26,866,200</b> |
| <b>Net earnings (loss) per common share - basic</b>          | <b>\$ -</b>        | <b>\$ -</b>        | <b>\$ (0.04)</b>      | <b>\$ 0.78</b>       |
| Basic weighted average number of common shares outstanding   | 35,716,603         | 35,517,099         | 35,663,386            | 34,613,497           |
| <b>Net earnings (loss) per common share - diluted</b>        | <b>\$ (0.01)</b>   | <b>\$ -</b>        | <b>\$ (0.04)</b>      | <b>\$ 0.78</b>       |
| Diluted weighted average number of common shares outstanding | 36,310,919         | 35,517,099         | 35,663,386            | 34,613,497           |

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

|                           | June 30,      |              |
|---------------------------|---------------|--------------|
|                           | 2015          | 2014         |
| <b>Assets</b>             |               |              |
| <b>Current assets:</b>    |               |              |
| Cash and cash equivalents | \$ 11,373,973 | \$ 9,072,320 |

|  |                      |                      |
|--|----------------------|----------------------|
| Accounts receivable, less allowance for uncollectible accounts of \$494,000 and \$63,000, respectively   | 4,671,544            | 2,683,579            |
| Finance receivables  | 941,150              | 119,793              |
| Inventory  | 4,216,396            | 1,486,777            |
| Prepaid expenses and other current assets  | 574,479              | 363,367              |
| Deferred income taxes  | 1,257,796            | 907,691              |
| <b>Total current assets</b>  | <b>23,035,338</b>    | <b>14,633,527</b>    |
| Finance receivables, less current portion  | 3,697,513            | 352,794              |
| Other assets   | 350,041              | 190,703              |
| Property and equipment, net  | 12,868,808           | 21,138,580           |
| Deferred income taxes  | 25,608,187           | 26,353,330           |
| Intangibles, net   | 432,100              | 432,100              |
| Goodwill   | 7,663,208            | 7,663,208            |
| <b>Total assets</b>  | <b>\$ 73,655,195</b> | <b>\$ 70,764,242</b> |
| <b>Liabilities and shareholders' equity</b>  |                      |                      |
| <b>Current liabilities:</b>  |                      |                      |
| Accounts payable   | \$ 8,792,672         | \$ 7,753,911         |
| Accrued expenses   | 2,107,530            | 1,915,799            |
| Line of credit   | 4,000,000            | 5,000,000            |
| Current obligations under long-term debt   | 477,522              | 172,911              |
| Income taxes payable   | 54,086               | 21,021               |
| Deferred gain from sale-leaseback transactions   | 860,391              | 380,895              |
| <b>Total current liabilities</b>   | <b>16,292,201</b>    | <b>15,244,537</b>    |
| <b>Long-term liabilities:</b>  |                      |                      |
| Long-term debt, less current portion   | 1,854,424            | 249,865              |
| Accrued expenses, less current portion   | 49,160               | 186,174              |
| Warrant liabilities  | 978,353              | 585,209              |
| Deferred gain from sale-leaseback transactions, less current portion   | 900,348              | 761,790              |
| <b>Total long-term liabilities</b>   | <b>3,782,285</b>     | <b>1,783,038</b>     |
| <b>Total liabilities</b>   | <b>20,074,486</b>    | <b>17,027,575</b>    |
| <b>Commitments and contingencies</b>   |                      |                      |
| <b>Shareholders' equity:</b>   |                      |                      |
| <b>Preferred stock, no par value:</b>  |                      |                      |
| Authorized shares- 1,800,000 Series A convertible preferred- Authorized shares- 900,000 Issued and outstanding shares- 442,968 (liquidation preference of \$17,354,908 and \$16,690,456, respectively) | 3,138,056            | 3,138,056            |
| Common stock, no par value: Authorized shares- 640,000,000 Issued and outstanding shares- 35,747,242 and 35,514,685, respectively  | 224,873,721          | 224,210,197          |
| Accumulated deficit  | (174,431,068)        | (173,611,586)        |
| <b>Total shareholders' equity</b>  | <b>53,580,709</b>    | <b>53,736,667</b>    |
| <b>Total liabilities and shareholders' equity</b>  | <b>\$ 73,655,195</b> | <b>\$ 70,764,242</b> |

**USA Technologies, Inc.**  
**Consolidated Statements of Cash Flows**

|   | Three months ended June<br>30 |             | Year ended June 30 |               |
|---|-------------------------------|-------------|--------------------|---------------|
|   | 2015                          | 2014        | 2015               | 2014          |
| <b>OPERATING ACTIVITIES:</b>  |                               |             |                    |               |
| Net income (loss)   | \$ 68,999                     | \$ (38,719) | \$ (819,482)       | \$ 27,530,652 |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities:                            |                               |             |                    |               |
| Charges incurred in connection with the vesting and issuance of common stock for employee and director compensation | 174,598                       | 280,161     | 715,762            | 529,041       |
| (Gain) loss on disposal of property and equipment   | (3,926)                       | (2,808)     | (17,357)           | 4,245         |
| Non-cash interest and amortization of debt discount   | -                             | -           | -                  | 2,095         |

|   |                      |                     |                      |                     |
|---|----------------------|---------------------|----------------------|---------------------|
| Bad debt expense  | 47,184               | 67,403              | 649,528              | 134,176             |
| Depreciation  | 1,380,983            | 1,553,875           | 5,731,356            | 5,463,985           |
| Amortization  | -                    | -                   | -                    | 21,953              |
| Change in fair value of warrant liabilities   | (262,643)            | (53,125)            | 393,144              | (65,429)            |
| Deferred income taxes, net  | 211,086              | (587,369)           | 395,038              | (27,301,266)        |
| Gain on sale of finance receivables   | (52,178)             | -                   | (52,178)             | -                   |
| Recognition of deferred gain from sale-leaseback transactions                                     | (215,097)            | (9,522)             | (833,619)            | (9,522)             |
| Changes in operating assets and liabilities:  |                      |                     |                      |                     |
| Accounts receivable   | (1,260,064)          | (736,633)           | (2,517,493)          | (157,071)           |
| Finance receivables   | (331,606)            | (39,938)            | (4,113,898)          | 52,531              |
| Inventory   | (638,693)            | 31,689              | (1,930,857)          | 370,104             |
| Prepaid expenses and other current assets   | (96,924)             | (128,280)           | (304,229)            | (190,783)           |
| Accounts payable  | 3,528,851            | 1,341,699           | 918,761              | 412,664             |
| Accrued expenses  | 93,273               | 567,988             | 54,717               | 267,004             |
| Income taxes payable  | 37,312               | 21,021              | 33,065               | 21,021              |
| Net cash provided by (used in) operating activities   | 2,681,155            | 2,267,442           | (1,697,742)          | 7,085,400           |
| <b>INVESTING ACTIVITIES:</b>  |                      |                     |                      |                     |
| Purchase of property and equipment  | (6,080)              | (50,760)            | (60,309)             | (111,121)           |
| Purchase of property for rental program   | -                    | (3,671,812)         | (1,641,993)          | (10,883,473)        |
| Proceeds from sale of rental equipment under sale-leaseback transaction                           | -                    | 2,995,095           | 4,993,879            | 2,995,095           |
| Proceeds from sale of property and equipment  | 7,676                | 51,672              | 61,914               | 82,047              |
| Net cash provided by (used in) investing activities   | 1,596                | (675,805)           | 3,353,491            | (7,917,452)         |
| <b>FINANCING ACTIVITIES:</b>  |                      |                     |                      |                     |
| Net proceeds from the issuance (retirement) of common stock and exercise of common stock warrants | -                    | (13,913)            | (61,987)             | 2,272,936           |
| Excess tax benefits from share-based compensation   | 9,749                | 24,847              | 9,749                | 24,847              |
| Proceeds from (repayment of) line of credit   | -                    | 1,000,000           | (1,000,000)          | 2,000,000           |
| Proceeds from long-term debt  | 304,007              | -                   | 2,056,724            | -                   |
| Repayment of long-term debt   | (97,240)             | (107,368)           | (358,582)            | (374,411)           |
| Net cash provided by financing activities   | 216,516              | 903,566             | 645,904              | 3,923,372           |
| Net increase (decrease) in cash and cash equivalents  | 2,899,267            | 2,495,203           | 2,301,653            | 3,091,320           |
| Cash and cash equivalents at beginning of period  | 8,474,706            | 6,577,117           | 9,072,320            | 5,981,000           |
| Cash and cash equivalents at end of period  | <u>\$ 11,373,973</u> | <u>\$ 9,072,320</u> | <u>\$ 11,373,973</u> | <u>\$ 9,072,320</u> |
| <i>Supplemental disclosures of cash flow information:</i>   |                      |                     |                      |                     |
| Cash paid for interest  | \$ 99,474            | \$ 70,617           | \$ 301,767           | \$ 259,820          |
| Depreciation expense allocated to cost of services  | \$ 1,252,485         | \$ 1,386,803        | \$ 5,119,674         | \$ 4,880,529        |
| Reclass of rental program property to inventory, net  | \$ (718,816)         | \$ 6,463            | \$ 674,280           | \$ 33,266           |
| Prepaid items financed with debt  | \$ -                 | \$ -                | \$ 103,125           | \$ 101,850          |
| Equipment and software acquired under capital lease   | \$ -                 | \$ 107,670          | \$ 107,903           | \$ 325,431          |
| Disposal of property and equipment  | \$ 447,338           | \$ 475,781          | \$ 842,204           | \$ 709,638          |
| Disposal of property and equipment under sale-leaseback transactions                              | \$ -                 | \$ 1,918,920        | \$ 3,873,275         | \$ 1,918,920        |

#### **Discussion of Non-GAAP Financial Measures:**

This press release contains certain non-GAAP financial measures. Generally, a non-GAAP financial measure is a numerical measure of a company's performance, financial position or cash flows that either excludes or includes amounts that are not normally excluded or included in the most directly comparable measure calculated and presented in accordance with GAAP. Reconciliations between non-GAAP and GAAP measures are set forth below.

The following non-GAAP financial measures are discussed herein: adjusted EBITDA, non-GAAP net income (loss) and non-GAAP net earnings (loss) per common share - basic and diluted. 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 below the reconciliations of the non-GAAP financial measures to the most directly

comparable GAAP financial measures.

As used herein, non-GAAP net income represents GAAP net income (loss) excluding costs or benefits relating to any adjustment for fair value of warrant liabilities and non-cash portions of the Company's income tax benefit (provision).

Non-GAAP net earnings (loss) per common share - diluted is calculated by dividing non-GAAP net income (loss) applicable to common shares by the number of diluted weighted average shares outstanding.

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 change in fair value of warrant liabilities, because it represents a non-cash gain or (charge) that is not related to USAT's operations. We have excluded the non-cash expense stock-based compensation as it does 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.

Management believes that non-GAAP net income (loss) and non-GAAP net earnings (loss) per common share - diluted 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.

### Non GAAP Reconciliation

#### Reconciliation of Net Income (Loss) to Non-GAAP Net Income (loss) and Earnings (loss) Per Common Share to Non-GAAP Earnings (loss) Per Common Share

|  | Three months ended<br>June 30,<br>2015 | Three months ended<br>March 31,<br>2015 | Three months ended<br>December 31,<br>2014 | Three months ended<br>September 30,<br>2014 | Three months ended<br>June 30,<br>2014 |
|--|--|---|--|---|--|
| Net income (loss)  | \$ 68,999                              | \$ (566,610)                            | \$ (260,915)                               | \$ (60,956)                                 | \$ (38,719)                            |
| Non-GAAP adjustments:  |  |   |  |   |  |
| Non-cash portion of income tax provision/benefit             | 252,124                                | 121,046                                 | 402,358                                    | (369,452)                                   | (527,001)                              |
| Fair value of warrant adjustment                             | (262,643)                              | 1,101,241                               | (135,402)                                  | (310,052)                                   | (53,125)                               |
| Non-GAAP net income (loss)                                   | \$ 58,480                              | \$ 655,677                              | \$ 6,041                                   | \$ (740,460)                                | \$ (618,845)                           |
| Net income (loss)  | \$ 68,999                              | \$ (566,610)                            | \$ (260,915)                               | \$ (60,956)                                 | \$ (38,719)                            |
| Cumulative preferred dividends                               | \$ -                                   | \$ (332,226)                            | \$ -                                       | \$ (332,226)                                | \$ -                                   |
| Net income (loss) applicable to common shares                | \$ 68,999                              | \$ (898,836)                            | \$ (260,915)                               | \$ (393,182)                                | \$ (38,719)                            |
| Non-GAAP net income (loss)                                   | \$ 58,480                              | \$ 655,677                              | \$ 6,041                                   | \$ (740,460)                                | \$ (618,845)                           |
| Cumulative preferred dividends                               | -                                      | (332,226)                               | -  | (332,226)                                   | -                                      |
| Non-GAAP net income (loss) applicable to common shares       | \$ 58,480                              | \$ 323,451                              | \$ 6,041                                   | \$ (1,072,686)                              | \$ (618,845)                           |
| Net earnings (loss) per common share - basic                 | \$ -                                   | \$ (0.03)                               | \$ (0.01)                                  | \$ (0.01)                                   | \$ -                                   |
| Non-GAAP net earnings (loss) per common share - basic        | \$ -                                   | \$ 0.01                                 | \$ -                                       | \$ (0.03)                                   | \$ (0.02)                              |
| Basic weighted average number of common shares outstanding   | 35,716,603                             | 35,687,650                              | 35,657,519                                 | 35,586,455                                  | 35,517,099                             |
| Net loss per common share - diluted                          | \$ (0.01)                              | \$ (0.03)                               | \$ (0.01)                                  | \$ (0.01)                                   | \$ -                                   |
| Non-GAAP net earnings (loss) per common share - diluted      | \$ -                                   | \$ 0.01                                 | \$ -                                       | \$ (0.03)                                   | \$ (0.02)                              |
| Diluted weighted average number of common shares outstanding | 36,310,919                             | 35,687,650                              | 35,657,519                                 | 35,586,455                                  | 35,517,099                             |

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

|  | <u>Year ended June 30,</u> |                      |
|--|----------------------------|----------------------|
|  | <u>2015</u>                | <u>2014</u>          |
| Net income (loss)  | \$ (819,482)               | \$ 27,530,652        |
| Non-GAAP adjustments:  |                            |                      |
| Non-cash portion of income tax provision/benefit                         | 406,076                    | (27,276,419)         |
| Fair value of warrant adjustment   | 393,144                    | (65,429)             |
| Non-GAAP net income (loss)   | <u>\$ (20,262)</u>         | <u>\$ 188,804</u>    |
| Net income (loss)  | \$ (819,482)               | \$ 27,530,652        |
| Cumulative preferred dividends   | (664,452)                  | (664,452)            |
| Net income (loss) applicable to common shares                            | <u>\$ (1,483,934)</u>      | <u>\$ 26,866,200</u> |
| Non-GAAP net income (loss)   | \$ (20,262)                | \$ 188,804           |
| Cumulative preferred dividends   | (664,452)                  | (664,452)            |
| Non-GAAP net loss applicable to common shares                            | <u>\$ (684,714)</u>        | <u>\$ (475,648)</u>  |
| Net earnings (loss) per common share - basic and diluted                 | <u>\$ (0.04)</u>           | <u>\$ 0.78</u>       |
| Non-GAAP net loss per common share - basic and diluted                   | <u>\$ (0.02)</u>           | <u>\$ (0.01)</u>     |
| Weighted average number of common shares outstanding - basic and diluted | 35,663,386                 | 34,613,497           |

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

|  | Three months<br>ended<br>June 30,<br>2015 | Three months<br>ended<br>March 31,<br>2015 | Three months<br>ended<br>December 31,<br>2014 | Three months<br>ended<br>September 30,<br>2014 | Three months<br>ended<br>June 30,<br>2014 |
|--|---|--|---|--|---|
| Net income (loss)                                | \$ 68,999                                 | \$ (566,610)                               | \$ (260,915)                                  | \$ (60,956)                                    | \$ (38,719)                               |
| Less interest income                             | (42,204)                                  | (26,394)                                   | (4,015)                                       | (10,082)                                       | (8,995)                                   |
| Plus interest expense                            | 92,078                                    | 85,349                                     | 49,429  | 74,911   | 74,529                                    |
| Plus income tax expense (benefit)                | 289,436                                   | 137,820                                    | 402,358                                       | (360,473)                                      | (541,501)                                 |
| Plus depreciation expense                        | 1,380,983                                 | 1,433,251                                  | 1,443,710                                     | 1,473,412                                      | 1,553,875                                 |
| Plus change in fair value of warrant liabilities | (262,643)                                 | 1,101,241                                  | (135,402)                                     | (310,052)                                      | (53,125)                                  |
| Plus stock-based compensation                    | 174,598                                   | 216,469                                    | 185,891                                       | 138,804  | 280,161                                   |
| Adjusted EBITDA                                  | <u>\$ 1,701,247</u>                       | <u>\$ 2,381,126</u>                        | <u>\$ 1,681,056</u>                           | <u>\$ 945,564</u>                              | <u>\$ 1,266,225</u>                       |

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

|                       | <u>Year ended June 30,</u> |               |
|-----------------------|----------------------------|---------------|
|                       | <u>2015</u>                | <u>2014</u>   |
| Net income (loss)     | \$ (819,482)               | \$ 27,530,652 |
| Less interest income  | (82,695)                   | (30,337)      |
| Plus interest expense | 301,767                    | 256,844       |

|  |                     |                     |
|--|---------------------|---------------------|
| Plus income tax expense (benefit)                | 469,141             | (27,255,398)        |
| Plus depreciation expense                        | 5,731,356           | 5,463,985           |
| Plus amortization expense                        | -                   | 21,953              |
| Plus change in fair value of warrant liabilities | 393,144             | (65,429)            |
| Plus stock-based compensation                    | 715,762             | 529,041             |
| Adjusted EBITDA                                  | <u>\$ 6,708,993</u> | <u>\$ 6,451,311</u> |

**Supplemental Tables:**

**USA Technologies, Inc.**  
**Consolidated Statement of Operations**

|  | Three months ended<br>June 30,<br>2015 | Three months ended<br>March 31,<br>2015 | Three months ended<br>December 31,<br>2014 | Three months ended<br>September 30,<br>2014 | Three months ended<br>June 30,<br>2014 |
|--|--|---|--|---|--|
| <b>Revenues:</b>   |  |   |  |   |  |
| License and transaction fees                                 | \$ 11,937,898                          | \$ 11,059,846                           | \$ 10,479,496                              | \$ 10,156,222                               | \$ 9,460,303                           |
| Equipment sales  | 5,708,297                              | 4,297,894                               | 2,341,441                                  | 2,096,380                                   | 1,747,157                              |
| <b>Total revenues</b>  | <b>17,646,195</b>                      | <b>15,357,740</b>                       | <b>12,820,937</b>                          | <b>12,252,602</b>                           | <b>11,207,460</b>                      |
| <b>Cost of services</b>                                      |  |   |  |   |  |
| Cost of services   | 7,863,105                              | 7,157,333                               | 7,157,840                                  | 7,251,107                                   | 6,327,432                              |
| Cost of equipment  | 4,975,089                              | 3,054,268                               | 1,929,841                                  | 1,866,257                                   | 1,217,884                              |
| <b>Gross profit</b>  | <b>4,808,001</b>                       | <b>5,146,139</b>                        | <b>3,733,256</b>                           | <b>3,135,238</b>                            | <b>3,662,144</b>                       |
| <b>Operating expenses:</b>                                   |  |   |  |   |  |
| Selling, general and administrative                          | 4,558,816                              | 4,279,888                               | 3,530,064                                  | 3,632,487                                   | 4,067,804                              |
| Depreciation and amortization                                | 155,697                                | 134,845                                 | 151,737                                    | 169,403                                     | 162,151                                |
| <b>Total operating expenses</b>                              | <b>4,714,513</b>                       | <b>4,414,733</b>                        | <b>3,681,801</b>                           | <b>3,801,890</b>                            | <b>4,229,955</b>                       |
| <b>Operating income (loss)</b>                               | <b>93,488</b>                          | <b>731,406</b>                          | <b>51,455</b>                              | <b>(666,652)</b>                            | <b>(567,811)</b>                       |
| <b>Other income (expense):</b>                               |  |   |  |   |  |
| Interest income  | 42,204                                 | 26,394                                  | 4,015                                      | 10,082                                      | 8,995                                  |
| Other income   | 52,178                                 | -                                       | -  | -   | -                                      |
| Interest expense   | (92,078)                               | (85,349)                                | (49,429)                                   | (74,911)                                    | (74,529)                               |
| Change in fair value of warrant liabilities                  | 262,643                                | (1,101,241)                             | 135,402                                    | 310,052                                     | 53,125                                 |
| <b>Total other income (expense), net</b>                     | <b>264,947</b>                         | <b>(1,160,196)</b>                      | <b>89,988</b>                              | <b>245,223</b>                              | <b>(12,409)</b>                        |
| <b>Income (loss) before provision for income taxes</b>       |  |   |  |   |  |
| Income (loss) before provision for income taxes              | 358,435                                | (428,790)                               | 141,443                                    | (421,429)                                   | (580,220)                              |
| Benefit (provision) for income taxes                         | (289,436)                              | (137,820)                               | (402,358)                                  | 360,473                                     | 541,501                                |
| <b>Net income (loss)</b>                                     | <b>68,999</b>                          | <b>(566,610)</b>                        | <b>(260,915)</b>                           | <b>(60,956)</b>                             | <b>(38,719)</b>                        |
| Cumulative preferred dividends                               | -                                      | (332,226)                               | -  | (332,226)                                   | -                                      |
| <b>Net income (loss) applicable to common shares</b>         | <b>\$ 68,999</b>                       | <b>\$ (898,836)</b>                     | <b>\$ (260,915)</b>                        | <b>\$ (393,182)</b>                         | <b>\$ (38,719)</b>                     |
| <b>Net earnings (loss) per common share - basic</b>          | <b>\$ -</b>                            | <b>\$ (0.03)</b>                        | <b>\$ (0.01)</b>                           | <b>\$ (0.01)</b>                            | <b>\$ -</b>                            |
| Basic weighted average number of common shares outstanding   | 35,716,603                             | 35,687,650                              | 35,657,519                                 | 35,586,455                                  | 35,517,099                             |
| <b>Net earnings (loss) per common share - diluted</b>        | <b>\$ (0.01)</b>                       | <b>\$ (0.03)</b>                        | <b>\$ (0.01)</b>                           | <b>\$ (0.01)</b>                            | <b>\$ -</b>                            |
| Diluted weighted average number of common shares outstanding | 36,310,919                             | 35,687,650                              | 35,657,519                                 | 35,586,455                                  | 35,517,099                             |



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

|  | June 30,<br>2015    | March 31,<br>2015   | December 31,<br>2014 | September 30,<br>2014 | June 30,<br>2014    |
|--|---------------------|---------------------|----------------------|-----------------------|---------------------|
| <b>Assets</b>  |                     |                     |                      |                       |                     |
| <b>Current assets:</b>   |                     |                     |                      |                       |                     |
| Cash   | \$11,373,973        | \$ 8,474,706        | \$ 6,734,077         | \$ 10,916,078         | \$ 9,072,320        |
| Accounts receivable, less allowance for uncollectible accounts       | 4,671,544           | 3,403,489           | 2,758,475            | 2,444,748             | 2,683,579           |
| Finance receivables  | 941,150             | 749,631             | 362,898              | 279,216               | 119,793             |
| Inventory  | 4,216,396           | 4,241,057           | 3,448,374            | 2,629,361             | 1,486,777           |
| Prepaid expenses and other current assets                            | 574,479             | 414,046             | 586,144              | 376,823               | 363,367             |
| Deferred income taxes  | 1,257,796           | 907,691             | 907,691              | 907,691               | 907,691             |
| <b>Total current assets</b>  | <b>23,035,338</b>   | <b>18,190,620</b>   | <b>14,797,659</b>    | <b>17,553,917</b>     | <b>14,633,527</b>   |
| Finance receivables, less current portion                            | 3,697,513           | 3,505,248           | 1,643,363            | 948,833               | 352,794             |
| Prepaid expenses and other assets                                    | 350,041             | 423,255             | 410,838              | 382,563               | 190,703             |
| Property and equipment, net  | 12,868,808          | 13,574,402          | 16,450,712           | 17,780,294            | 21,138,580          |
| Deferred income taxes  | 25,608,187          | 26,169,378          | 26,290,424           | 26,713,803            | 26,353,330          |
| Intangibles, net   | 432,100             | 432,100             | 432,100              | 432,100               | 432,100             |
| Goodwill   | 7,663,208           | 7,663,208           | 7,663,208            | 7,663,208             | 7,663,208           |
| <b>Total assets</b>  | <b>\$73,655,195</b> | <b>\$69,958,211</b> | <b>\$ 67,688,304</b> | <b>\$ 71,474,718</b>  | <b>\$70,764,242</b> |
| <b>Liabilities and shareholders' equity</b>                          |                     |                     |                      |                       |                     |
| <b>Current liabilities:</b>  |                     |                     |                      |                       |                     |
| Accounts payable   | \$ 8,792,672        | \$ 5,208,646        | \$ 5,385,822         | \$ 7,632,643          | \$ 7,753,911        |
| Accrued expenses   | 2,107,530           | 1,994,746           | 1,726,614            | 1,779,037             | 1,915,799           |
| Line of credit   | 4,000,000           | 4,000,000           | 4,000,000            | 5,000,000             | 5,000,000           |
| Current obligations under long-term debt                             | 477,522             | 416,695             | 203,621              | 207,383               | 172,911             |
| Income taxes payable   | 54,086              | 16,774              | -                    | -                     | 21,021              |
| Deferred gain from sale-leaseback transactions                       | 860,391             | 860,390             | 860,390              | 860,390               | 380,895             |
| <b>Total current liabilities</b>                                     | <b>16,292,201</b>   | <b>12,497,251</b>   | <b>12,176,447</b>    | <b>15,479,453</b>     | <b>15,244,537</b>   |
| <b>Long-term liabilities:</b>  |                     |                     |                      |                       |                     |
| Long-term debt, less current portion                                 | 1,854,424           | 1,708,484           | 261,716              | 222,907               | 249,865             |
| Accrued expenses, less current portion                               | 49,160              | 68,671              | 102,338              | 137,045               | 186,174             |
| Warrant liabilities  | 978,353             | 1,240,996           | 139,755              | 275,157               | 585,209             |
| Deferred gain from sale-leaseback transactions, less current portion | 900,348             | 1,115,446           | 1,330,544            | 1,545,641             | 761,790             |
| <b>Total long-term liabilities</b>                                   | <b>3,782,285</b>    | <b>4,133,597</b>    | <b>1,834,353</b>     | <b>2,180,750</b>      | <b>1,783,038</b>    |
| <b>Total liabilities</b>   | <b>20,074,486</b>   | <b>16,630,848</b>   | <b>14,010,800</b>    | <b>17,660,203</b>     | <b>17,027,575</b>   |
| <b>Commitments and contingencies</b>                                 |                     |                     |                      |                       |                     |
| <b>Shareholders' equity:</b>   |                     |                     |                      |                       |                     |
| Total shareholders' equity   | 53,580,709          | 53,327,363          | 53,677,504           | 53,814,515            | 53,736,667          |
| <b>Total liabilities and shareholders' equity</b>                    | <b>\$73,655,195</b> | <b>\$69,958,211</b> | <b>\$ 67,688,304</b> | <b>\$ 71,474,718</b>  | <b>\$70,764,242</b> |

**USA Technologies, Inc.**  
**Consolidated Statements of Cash Flows**

| Three months ended<br>June 30,<br>2015 | Three months ended<br>March 31,<br>2015 | Three months ended<br>December 31,<br>2014 | Three months ended<br>September 30,<br>2014 | Three months ended<br>June 30,<br>2014 |
|--|---|--|---|--|
|--|---|--|---|--|

|   |    |             |    |             |    |             |    |             |             |           |
|---|----|-------------|----|-------------|----|-------------|----|-------------|-------------|-----------|
| OPERATING ACTIVITIES:   |    |             |    |             |    |             |    |             |             |           |
| Net income (loss)   | \$ | 68,999      | \$ | (566,610)   | \$ | (260,915)   | \$ | (60,956)    | (38,719)    |           |
| 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 |    | 174,598     |    | 216,469     |    | 185,891     |    | 138,804     | 280,161     |           |
| (Gain) loss on disposal of property and equipment   |    | (3,926)     |    | (6,353)     |    | (3,794)     |    | (3,284)     | (2,808)     |           |
| Non-cash interest and amortization of debt discount   |    | -           |    | -           |    | -           |    | -           | -           |           |
| Bad debt expense (recoveries), net  |    | 47,184      |    | 302,632     |    | 140,996     |    | 158,716     | 67,403      |           |
| Depreciation  |    | 1,380,983   |    | 1,433,251   |    | 1,443,710   |    | 1,473,412   | 1,553,875   |           |
| Amortization  |    | -           |    | -           |    | -           |    | -           | -           |           |
| Change in fair value of warrant liabilities   |    | (262,643)   |    | 1,101,241   |    | (135,402)   |    | (310,052)   | (53,125)    |           |
| Deferred income taxes, net  |    | 211,086     |    | 121,046     |    | 423,379     |    | (360,473)   | (551,848)   |           |
| Gain on sale of finance receivables   |    | (52,178)    |    | -           |    | -           |    | -           | -           |           |
| Recognition of deferred gain from sale-leaseback transactions   |    | (215,097)   |    | (215,098)   |    | (215,097)   |    | (188,327)   | (9,522)     |           |
| Changes in operating assets and liabilities:  |    |             |    |             |    |             |    |             |             |           |
| Accounts receivable   |    | (1,260,064) |    | (974,176)   |    | (363,368)   |    | 80,115      | (736,633)   |           |
| Finance receivables   |    | (331,606)   |    | (2,248,618) |    | (778,212)   |    | (755,462)   | (39,938)    |           |
| Inventory   |    | (638,693)   |    | 650,784     |    | (804,629)   |    | (1,138,319) | 31,689      |           |
| Prepaid expenses and other current assets   |    | (96,924)    |    | 150,159     |    | (246,709)   |    | (110,755)   | (128,280)   |           |
| Accounts payable  |    | 3,528,851   |    | (150,646)   |    | (2,338,176) |    | (121,268)   | 1,341,699   |           |
| Accrued expenses  |    | 93,273      |    | 234,465     |    | (87,130)    |    | (185,891)   | 567,988     |           |
| Income taxes payable  |    | 37,312      |    | 16,774      |    | -           |    | (21,021)    | (14,500)    |           |
| Net cash provided by (used in) operating activities   |    | 2,681,155   |    | 65,320      |    | (3,039,456) |    | (1,404,761) | 2,267,442   |           |
| INVESTING ACTIVITIES:   |    |             |    |             |    |             |    |             |             |           |
| Purchase of property and equipment  |    | (6,080)     |    | (3,860)     |    | (18,879)    |    | (31,490)    | (50,760)    |           |
| Purchase of property for rental program   |    | -           |    | -           |    | -           |    | (1,641,993) | (3,671,812) |           |
| Proceeds from sale of rental equipment under sale-leaseback transaction   |    | -           |    | -           |    | -           |    | 4,993,879   | 2,995,095   |           |
| Proceeds from sale of property and equipment  |    | 7,676       |    | 19,327      |    | 11,177      |    | 23,734      | 51,672      |           |
| Net cash provided by (used in) investing activities   |    | 1,596       |    | 15,467      |    | (7,702)     |    | 3,344,130   | (675,805)   |           |
| FINANCING ACTIVITIES:   |    |             |    |             |    |             |    |             |             |           |
| Net proceeds from the issuance (retirement) of common stock and exercise of common stock warrants                   |    | -           |    | -           |    | (61,987)    |    | -           | (13,913)    |           |
| Excess tax benefits from share-based compensation   |    | 9,749       |    | -           |    | -           |    | -           | 24,847      |           |
| Proceeds from (repayment of) line of credit   |    | -           |    | -           |    | (1,000,000) |    | -           | 1,000,000   |           |
| Proceeds from long-term debt  |    | 304,007     |    | 1,752,717   |    | -           |    | -           | -           |           |
| Repayment of long-term debt   |    | (97,240)    |    | (92,875)    |    | (72,856)    |    | (95,611)    | (107,368)   |           |
| Net cash provided by (used in) financing activities   |    | 216,516     |    | 1,659,842   |    | (1,134,843) |    | (95,611)    | 903,566     |           |
| Net increase (decrease) in cash   |    | 2,899,267   |    | 1,740,629   |    | (4,182,001) |    | 1,843,758   | 2,495,203   |           |
| Cash at beginning of period   |    | 8,474,706   |    | 6,734,077   |    | 10,916,078  |    | 9,072,320   | 6,577,117   |           |
| Cash at end of period   | \$ | 11,373,973  | \$ | 8,474,706   | \$ | 6,734,077   | \$ | 10,916,078  | \$          | 9,072,320 |

*Supplemental disclosures of cash flow information:*

|  |    |           |    |           |    |           |    |           |    |           |
|--|----|-----------|----|-----------|----|-----------|----|-----------|----|-----------|
| Cash paid for interest   | \$ | 99,474    | \$ | 67,102    | \$ | 55,992    | \$ | 79,199    | \$ | 70,617    |
| Depreciation expense allocated to cost of services                   | \$ | 1,252,485 | \$ | 1,288,884 | \$ | 1,282,860 | \$ | 1,295,445 | \$ | 1,386,803 |
| Reclass of rental program property to inventory, net                 | \$ | (718,816) | \$ | 1,374,447 | \$ | 14,384    | \$ | 4,265     | \$ | 6,463     |
| Prepaid items financed with debt                                     | \$ | -         | \$ | -         | \$ | -         | \$ | 103,125   | \$ | (144,312) |
| Equipment and software acquired under capital lease                  | \$ | -         | \$ | -         | \$ | 107,903   | \$ | -         | \$ | 107,670   |
| Disposal of property and equipment                                   | \$ | 447,338   | \$ | 342,963   | \$ | (755)     | \$ | 52,658    | \$ | 475,781   |
| Disposal of property and equipment under sale-leaseback transactions | \$ | -         | \$ | -         | \$ | -         | \$ | 3,873,275 | \$ | 1,918,920 |

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Investor Contact:

The Blueshirt Group

Mike Bishop, +1 415-217-4968

[mike@blueshirtgroup.com](mailto:mike@blueshirtgroup.com)

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