PARTICIPANTS

Corporate Participants

Veronica Rosa – Vice President-Communication & Investor Relations
Stephen P. Herbert – Chairman & Chief Executive Officer
David M. DeMedio – Chief Financial Officer

Other Participants

Mike Latimore – Analyst, Northland Securities, Inc.
Matthew Joseph McCormack – Analyst, BGB Securities, Inc.

MANAGEMENT DISCUSSION SECTION

Operator: Good day and welcome to USA Technologies, Fourth Quarter Fiscal 2012 Earnings Conference Call. Today's conference call is being recorded. At this time, I would like to turn the call over to Veronica Rosa, Vice President of Investor Relations. Please go ahead.

Veronica Rosa, Vice President-Communication & Investor Relations

Thank you, and good morning. Before beginning today's call, I would like to remind our listeners that all statements other than statements of historical fact included in this call are forward-looking statements. Actual results could differ materially from those contemplated by the forward-looking statements as a result of certain factors including but not limited to business, financial market and economic conditions.

A detailed discussion of risks and uncertainties that could cause actual events to differ materially from such forward-looking statements is included in our filings with the Securities and Exchange Commission including our most recent Annual Report on Form 10-K and the Form 10-Q report for the quarter ended March 31, 2012. USA Technologies financial results for the quarter and full fiscal year ended June 30, 2012 will be reported in USAT's Form 10-K that USAT intends to file with the SEC by its due date, September 28, 2012.

Listeners are cautioned not to place undue reliance on any such forward-looking statements which reflect management's view only as of the date they are made. USA Technologies undertake no obligation to update any forward-looking statements whether as a result of new information, future events or otherwise. This call will also include a discussion of certain non-GAAP financial measures that we believe are useful for understanding our ongoing operations. These non-GAAP financial measures are supplemental to and not a substitute for GAAP financial measures such as net income or loss. Details of these items and a reconciliation of these non-GAAP financial measures to GAAP financial measures can be found in our press release issued this morning and on the Investor Relations page of our website www.usatech.com.

On our call this morning are Steve Herbert, Chairman and Chief Executive Officer; and Dave DeMedio, Chief Financial Officer. Steve will begin our discussion this morning with an overview of the full fiscal year and then Dave will go through the fourth quarter and the financial highlights in more detail. Steve will wrap up the call with some comments regarding the business outlook before opening the call to questions.

At this time, I'd like to introduce Steve Herbert, Chairman and Chief Executive Officer of USA Technologies. Please go ahead, Steve.

Stephen P. Herbert, Chairman & Chief Executive Officer

Thank you, Ronnie, and good morning everyone. Since Dave will be discussing the fourth quarter financial results, my comments this morning will be geared more to the full-year and how that translates to what we're looking forward to in the business this fiscal year and further out.

Revenues for the fiscal year ended June 30, 2012 grew by 27%, fueled in large part by growth in license and transaction fees of 42%. As we continue to bring more connections and customers onto our turnkey ePort Connect service. We also saw more of those revenues drop to the bottom line in fiscal 2012, as we negotiated key partnership agreements and made improvements to our service and product platform to improve margins, scalability and performance. And we began to see the results of those improvements in the second half particularly in the fourth quarter with gross profit margin on license and transaction fees crossing the 40% mark, demonstrating the leverage inherent in our service and business model.

In fiscal 2012, we expanded our customer base by 69% and it's now tripled what it was two years ago. Going forward, we anticipate these 3300 customers will be an important part of our growth story as we cultivate existing relationship and help drive further penetration in those accounts. As a result of these customers wins in fiscal 2012, our installed base of connections to our ePort Connect service grew by 38% from 119,000 to 164,000 as of June 30, 2012.

Fiscal 2012 was clearly packed with a number of important milestones for the business and certainly a number of unexpected challenges and events. We managed through the unintended consequences of the Durbin Amendment, an unexpected CEO separation and found ourselves engaged in a costly and distracting proxy contest, right when the business was coming to scale.

As you can see from the financial results for the fourth quarter, the contest and related litigation cost the company $2.2 million in the fourth quarter. Despite these challenges and distractions the business itself did exceptionally well over the course of fiscal 2012. In January 2012, we set forth our plan in a letter to shareholders as part of our CEO leadership transition. Over the course of this year, we made tremendous progress on each and every objective set forth in that letter. Delivery of value to our customers with continued additions to our product and service portfolio improved governance and transparency including a reconstituted highly qualified and actively engaged Board, and most importantly, markedly improved business performance as we carved out and continued to execute against an accelerated path toward profitability.

Positive adjusted EBITDA as many of you remember was the first milestone we sought to reach in that path toward profitability. Positive adjusted EBITDA provides us with important insight regarding the cash generation of the business. Quite simply, it tells us that the core operations of the business are no longer burning cash. As many of you know, we achieved that important marker in the third fiscal quarter ended 3/31/12, with adjusted EBITDA of $336,000.

More importantly, we achieved that on a stronger base of reliable recurring revenues and gross margins, now representing 81% of our overall revenue backed by solid connection and customer wins that offered continued opportunity for growth.

In the fourth quarter ended June 30, as we anticipated and communicated to shareholders adjusted EBITDA would have been even stronger than our 3/31 performance slightly over $800,000 when including the costs related to the proxy contest versus the $1.4 million adjusted EBITDA loss that's reported.

While costs related to the proxy contest threw us a curveball in terms of that measure for the fourth quarter, its fundamental operations of the business strengthen nonetheless and as Dave will walk through in more detail, we continue to feel good about our ability to support our growth going forward through a mixture of three things, current cash on hand at June 30 of $6.4 million, cash expected to be generated from operations as well as our new credit line.

Net loss which is before preferred dividends was $5.2 million for fiscal year 2012. On a non-GAAP basis net loss was $3.8 million compared to non-GAAP net loss of $5.1 million for fiscal 2011, narrowing with every quarter as our top line and margins grew stronger. With that increased visibility, our next important milestone as we communicated to shareholders is profitability. Aside from any unexpected or unusual non-operational events, the steady growth in our recurring revenue base is taking us increasingly closer to profitability, which we defined as non-GAAP net income, something we publicly projected to achieve in the last quarter of calendar 2012, our second fiscal quarter.

Dave will take you through some of our financial assumptions around this goal, but strategically we view this target as a real turning point for our company. It speaks to the fundamental strength of our business model including the greater scale, technical know-how and service quality we've developed to get there, aspects of the business we intend to fully leverage as we look to add value to the business for both customers and shareholders in the years ahead.

In fiscal 2013, our priorities will continue to be shaped around our service delivery model, specifically by driving an accelerated number of new connections to our ePort Connect service and by creating more value from each of those connections for our customers and for our shareholders.

We believe the opportunity in the small-ticket, unattended, point-of-sale market, a market where we have a solid reputation as an industry leader is vast. Our addressable market includes a number of traditionally cash-based industries such as vending, kiosk, laundry, car washes, tolls and others amounting to an estimated $119 billion in transaction volume per year, very little of which is just to make the transition to cashless payment and M2M technologies. That equates to millions of potential connections to our service. In addition, the pace of change in the payment space is clearly accelerating as new players and new forms of mobile-based payment and related services attract both consumer and payment industry interests.

We believe the kiosk market represents another powerful opportunity for us to leverage our turnkey and comprehensive ePort Connect service. Self service retail comes in many forms, gaming, digital jukeboxes, photo booth, car washes, electric vehicles, charging stations and many need a reliable cashless payment and M2M partner with a service model that was designed specifically for the unattended space. Based on estimates from IDC and our own knowledge of this broad market segment, we believe our opportunity in the kiosk market is as large as the vending space with an estimated $45 billion and $42 billion in annual transaction revenues generated in these market areas respectively that are open for cashless payments.

We also believe that an important catalyst to the market adoption of cashless technology is mobile. We believe a comprehensive mobile strategy is vital in today's market and it will continue to underlay our strategic framework in fiscal 2013. As consumers increasingly look to pay via the convenience of an NFC-enabled phone and/or digital wallet and to enjoy couponing and other loyalty programs that are emerging as a result, we anticipate that market adoption of cashless in our markets are primed to benefit. And for USAT, with approximately 50% or more, said another way approximately 80,000 units of our connected base being NFC-enabled, we represent valuable touch points for many of the key market stakeholders in mobile, like Google Wallet, PayPal, Isis and others in this emerging space.

As I like to say, a rising tide floats all boats, and as market forces begin to converge and accelerate, I believe we're in a very strong position to benefit. Predominantly in vending and kiosk, we now have 3300 customers on our service, more than triple the count from two years ago. More than 450 of those customers were added in the fourth quarter, an increase of 80% versus fourth quarter a year ago. The highest we've seen over those same two years. Based on our own review of these accounts, we believe they're in excess of 2.5 million potential connections within our own customer base. A great opportunity for us as demand for cashless and M2M solutions intensifies.

In fiscal 2013, we've aligned our approach to these substantial market, consumer and customer opportunities around four major areas. Accelerating adoption in our core vending space, continued expansion in to adjacent markets such as kiosk, leveraging partners to expand our distribution and sales coverage, and fourth, expanding services that strengthen the value of a USAT connection.

In vending, while the benefits of cashless adoption are clearly evident in the data coming through our knowledge base and while we're encouraged by several recent trends, the culture is still one of gradual adoption. Many operators are simply weighed down by the realities of an industry marked by low single-digit growth. A major goal for us in fiscal 2013, therefore, is to accelerate adoption especially with existing customers and we believe we have a number of approaches that are unique to USA Technologies that will help our customers and USAT to get there.

Most important to our customers and therefore to adoption is the value proposition cashless can provide. We are leveraging the largest pool of industry data available to help these business owners intelligently and effectively deploy cashless in the right locations and with the right tools.

Customers like CNC vending and Snackworks were recently featured in national publications like Vending Times and Automated (sic) [Automatic] (14:47) Merchandiser share common themes including the simplicity of our service, the value of our deployment planning services and vast knowledge base and financial tools such as JumpStart and our Two-Tier Pricing Program.

Secondly, we believe new services will have an impact on driving adoption as well. And as customer demands regarding payment and telemetry solutions get more sophisticated, we're beginning to see many of these operators recognize the benefits of integrating other technologies such as vending management systems. In fact, we recently completed our first integrated deployment planning under our DEX partner program, the next level of deployment planning services, USAT can offer to help customers optimize cashless through integrated technologies.

Based on this customer success to-date, I think we'll continue to see continued interest in solutions like this that are rooted in cashless adoption with USAT. Lastly, it's important to take into account that Durbin put a real damper on the whole small-ticket marketplace last year. Fortunately, however, we have a strong relationship with Visa that has allowed us to negate this for USAT and its customers.

Turning to kiosk, we expect steady expansion into this complementary market in fiscal 2013. Most of these customers utilize the software version of our front-end technology, our ePort SDK, in combination with our ePort Connect service.

Last quarter we saw increased traction with AMI Entertainment as they ramped up on their digital jukeboxes and Megatouch game machine. We expect this exclusive AMI relationship to be a solid contributor to our kiosk footprint in fiscal year 2013, at the same time we're making advancements with other kiosk customers and applications as well. Starbucks is expanding a single cup brewed coffee kiosks, Eaton Corporation, electric vehicle charging stations, battery charging stations, goCharge's cell phone charging stations and more. We think developers in this area are increasingly recognizing our ePort Connect service as a valuable element to their product offering due to its turnkey nature. And from a back-end development perspective, we've now made it easier for those developers to connect to our service with the recent announcement of our QuickConnect web services. This web service speeds up the time to market for kiosk and other developers who need a cashless payment and end-to-end capability incorporated into their solutions and devices.

Expanding the value of the USAT connection beyond our traditional ePort Connect package essential to our long-term competitiveness and customer value proposition. As a result, service expansion is the third plank of our platform for growth that we expect to more broadly develop in fiscal 2013.

While Two Tier pricing implemented in January 2012 was our first deliverable in this area, the majority of other services you'll see in this area will leverage the growing use of mobile technology. With more and more consumers utilizing their mobile devices as an alternative form of payments, we expect that prepaid and loyalty programs could provide us with a highly profitable avenue for leveraging our core infrastructure and NFC footprint.

Approximately 50% or 80,000 devices in our connected base are NFC enabled. And almost 80% of our ePort connections go to our NFC-ready G8. So we're in a great position to help customers and new business partners tap into this emerging market trend. For example, we recently introduced several programs under development with customers and partners in concert with our mobile strategy including prepaid programs, loyalty and couponing and mostly recently our ePort mobile merchants.

In terms of prepaid and loyalty, we've been testing with customers over the past few months in anticipation of commercial availability for second quarter fiscal 2013 and are looking forward to some exciting announcements over the coming month. For those that might have missed our ePort mobile introduction a few weeks ago, this enhancement to our core offering allows us to tap into a whole new multi-billion dollar segment of the unattended market that never had a viable option for cashless acceptance.

Many of our customers in our existing base are diversified. In addition, for example, the servicing vending or kiosk locations, they have staff on the road delivering products and services which require payments. All of them are still taking cash, checks or billing. ePort Mobile provides another way for these existing customers to realize the benefits of connectivity in cashless payment technology, and for USAT, it's yet another way that we're driving more connections to our service. After a period of customer trial, we expect to commercially launch ePort Mobile in the second half of fiscal 2013.

The fourth prong of our growth platform relates to expanding our sales coverage, essentially building the sales pipeline internally and via our joint marketing agreement with Verizon's end-to-end sales team. We've already closed sales as a result of the leads stemming from this strategic relationship, and the pipeline is building nicely. These Verizon end-to-end sales resources are trained to recognize how customers can benefit by connecting machine-to-machine technology, a fast emerging and very visionary market space that we're excited to be a part of with Verizon as it continuous to develop.

The dominant theme behind all of these growth priorities in fiscal 2013 is working towards profitability. With 81% of our revenue stemming from our ePort Connect service, getting there means continued and steady progress in maximizing our turnkey platform, while we leverage the capacity for growth we built into our service delivery platform.

I'd like to wrap up the call today with some other comments on fiscal 2013 targets, but I'm first going to turn the call over to Dave for some additional financial comments relative to the fourth quarter. Dave?

David M. DeMedio, Chief Financial Officer

Thank you, Steve. Total revenues for the fourth quarter of fiscal 2012 of $7.9 million grew 15% up from $6.9 million in Q4 of 2011. License and transaction fees represented 81% of our total revenue mix for both the fourth quarter and full year for fiscal year 2012 and, therefore, remains the largest contributor to overall top line growth and improved gross profit and gross profit margin.

Gross profit increased to $3.2 million from $2.4 million in Q4 of 2011 and actions taken earlier in the year specifically the negotiation of several important partner agreements help drive the gross margin increase from 34% to 40%, a 6-point or 18% improvement. Growth in license and transaction fees is fueled primarily by connections. Specifically, the monthly service and/or JumpStart fees from those connections, and processing dollars that relate to our ePort Connect service platform.

As of June, our total connected days stood at 164,000 connections to our ePort Connect service. New connections in the fourth quarter totaled 16,000, 129% greater than the same period of last year, and our highest quarter of connections in fiscal 2012. These new connections will contribute to future license and transaction fee revenues as it generally takes 30 to 60 days in some cases for the ePort Connect and/or JumpStart fees begin to hit the top line.

For example, these 16,000 Q4 connections should add over $0.5 million in additional recurring revenue per quarter. And while the timing is dependent when a particular connection was added within the quarter, the 16,000 connections in Q4 gives us added visibility regarding our December non-GAAP net income target, at least from the top line in gross margin standpoint.

Coming off this year end push of 16,000 connections, now based on historical cycles, we would expect that the September quarter, Q1 of September – Q1 of fiscal 2013, connections to be down sequentially, but compared to Q1 of fiscal year 2012, we expect it to be an increase. Approximately, 90% of connections in Q4 related to traditional and non-traditional vending in the quarter was about 10% attributable to kiosk.

For the fiscal year, kiosk has averaged about 20% of total connections. We have an exclusive relationship with AMI Entertainment for their Megatouch gaming kiosk and digital jukeboxes. So we continue to expect added connections on the kiosk side from this and other new kiosk opportunities Steve had mentioned in the works since fiscal year 2013. We also handled $27.5 million cashless-transactions in the fourth quarter, representing $47 million in small-ticket transaction, increases of 22% and 27% respectively over the prior year.

Equipment sales comprises ePort Connect service activation fees, USAT's ePort branded devices and parts, and our energy-saving Miser products decreased 18% in the fourth quarter compared to a year ago, predominantly, as a result of decreased EnergyMiser product sales. Going forward, we think the EnergyMiser line will continue to be a steady product for us contributing on average approximately $2 million in revenue per year.

Operating expenses were relatively consistent in the fourth quarter compared to the prior three quarters throughout the fiscal year. Outside of the proxy cost of $2.2 million and the cost of the CEO separation in the second fiscal quarter of this year, both of which are included in selling, general and administrative expenses, operating expenses remained relatively consistent.

Operating margin was minus 33% for the quarter due predominantly to the proxy expenses, but on a non-GAAP basis, which excludes these expenses for the current quarter and the impairment charge for Q4 a year ago, our operating margin improved considerably from minus 20% in Q4 a year ago to minus 5% in Q4 of fiscal year 2012.

Outside of any unusual non-operating expenses in fiscal 2013, we should see a steady improvement here as we add scale to the top line with every new connection. Pertaining to unusual operating expenses, we will have approximately $300,000 of final legal expenses related to the proxy contest litigation and August settlement agreement, trail into Q1 of fiscal year 2013.

As Steve mentioned, we are getting increasingly closer to achieving non-GAAP net income in our second fiscal quarter, and it will continue to be an important target for us for the full fiscal year as well. We are leveraging the infrastructure to grow recurring revenues while improving margins and controlling expenses. So outside of any unexpected events, we continue to expect to achieve non-GAAP net income in our second fiscal quarter ended December 31.

As we initially disclosed, in some GAAP measures are difficult to control specifically the accounting for the fair market value of warrant liabilities, our non-GAAP net income goal assumes there will be no change related to this line item on our statement of operation. This is the primary reason that we'll be tracking our progress by presenting a non-GAAP view of net income and loss as we did this quarter. And to be clear, any expense or income related to the fair market value of the warrant liability is non-cash in nature. Also note that the non-GAAP net income measure is before preferred dividend, which currently accrues two times a year in February and August for a yearly total of approximately $664,000. These non-GAAP reconciliations also are posted on our IR page of our website www.usatech.com.

For the fourth quarter of fiscal 2012, GAAP net loss and GAAP net loss applicable to common shareholders were the same since there was no preferred dividend accrued during the quarter. GAAP net loss was $2.8 million for the fourth quarter of fiscal 2012.

On a non-GAAP basis, which removes the adjustment for fair value of warrants, proxy cost of $2.2 million in the current quarter and the impairment charge in Q4 a year ago, non-GAAP net income loss narrowed to $374,000 for the quarter. And, when you compare that to the non-GAAP loss of $634,000 in Q3 and a non-GAAP loss of $998,000 in Q2, you can see that operationally, we are clearly making progress towards our profitability goal.

Moving to cash and liquidity. Adjusted EBITDA has been a non-GAAP measure we have used to help track operational progress from a cash perspective. As promised in the third quarter, we crossed over into positive territory on revenues of $7.5 million and gross margins of 37%. This quarter adjusted EBITDA loss was reported at $1.4 million, a proxy cost of $2.2 million were the main reason for this loss. Without proxy cost, adjusted EBITDA would have taken a clear path of improvement from a loss of $366,000 for Q4 a year ago, to positive $336,000 in the third quarter, to positive $815,000 in the current fourth quarter. It's unfortunate the cost of the proxy contest clouded the continued momentum we have been achieving.

But going forward, our recurring revenue model is building and beginning to deliver improved results. In fact, for the September quarter, we are looking at an adjusted EBITDA of minimum of $800,000, but we would like to cross the $1 million threshold. And this, of course, excludes approximately $300,000 of proxy-related cost that trailed into the September quarter.

As a result of these improvements, from a cash planning perspective, we believe that we are now much better positioned to fund and grow the business, provided there are no unexpected non-operating events during the fiscal 2013 year.

Our cash resources available come in three forms; first as I had noted, growing adjusted EBITDA indicates that the business has potential to generate cash each quarter. Second, in July, we closed on a credit line with Avidbank that provides us access to additional capital at competitive terms with an interest rate of 2% above the prime rate, with a floor of 5%, and there were no warrants issued in connection with the agreement. And of course, third resource of cash is cash on hand at June 30, 2012.

Our cash balance was $6.4 million as of June 30, compared to $6.2 million at the end of March. On our cash flow statement this quarter, you will see that we are now reflecting the use of cash for JumpStart connection in the investing section of the cash flow statement. In this quarter's non-GAAP reconciliation, which can be found on the IR page of our website, we present a quarterly breakdown on this change for fiscal 2012 and fiscal 2011. The primary use of cash during the fourth quarter was approximately $2.4 million used for JumpStart units connected during the quarter. And JumpStart represented about 75% of our Q4 connections. Due predominantly to the year-end sales push of the program, this rate was a bit higher than the first three quarters of the fiscal year, where JumpStart accounted for approximately 60% of connections added during that period.

For the year, JumpStart connections accounted for about two-thirds of all connections, the majority of which were attributable to the vending industry. Next year, we would like to see JumpStart as a percent of all connections go down to approximately 55% to 60% with the added potential for diversification via the kiosk market, where many customers only require our ePort SDK or now our new QuickConnect web service, which is intended to drive more developers and OEMs to our service network.

With that, I'd now like to turn the call back over to Steve.

Stephen P. Herbert, Chairman & Chief Executive Officer

Thank you, David. In the fourth quarter and throughout the year, we've been diligently working toward the primary goal outlined in my first letter as CEO to shareholders in January: profitability; and we will not have gotten there by stripping the company of staff, reducing the quality of our technology or breadth of services. Rather, we have and will continue to strengthen the relationships with key partners like Verizon, Elavon, Visa and others. We further diversified into new markets and trends like kiosks and mobile-based services.

We invested in our service platform for added scalability and even greater turnkey service. And while many of our competitors are just at the early stages of building the kind of scale to support such a substantial untapped market, both on the top line and operationally, we achieved positive EBITDA on a solid base of recurring revenues during the third quarter of fiscal 2012, to the point where every new connection contributes incremental cash flows to the business.

So the team here is very excited about the business and the work we have underway for fiscal 2013. I hope many of the comments today regarding our plans for this fiscal year are helpful as increased visibility is something many of you have requested.

In addition to those comments, some of our key measures that we'll be tracking closely through the 2013 fiscal year includes new connections of 60,000, 36% more than the 44,000 connections added in fiscal 2012, which will take our ePort Connect service space to approximately 225,000 connections; revenue growth of over 30% to approximately $38 million; continued strong gross margins in the 40% range; non-GAAP net income, as Dave just walked you through, and cash generated from operations of approximately $4 million to $5 million.

Finally in closing, I want to thank everyone, our customers, our employees, our board members and most importantly our shareholders for their support during the year and during the proxy contest. The proxy matter has been settled, both parties dropped all litigation, settled their disputes, and SAVE accepted the results of the election.

So with that, let's move on to Q&A and talk about the business. Ronnie, I'll turn it over to you.

Veronica Rosa, Vice President-Communication & Investor Relations

Thank you, Steve. Before we open up the call for questions, please keep in mind that the purpose of today's call is to discuss the financial results of the business. Let me ask that your questions be directed in that regard. Also, in order to provide an opportunity for listeners to participate, we ask that you limit your questions to one and a follow-up and then return to the queue.

So operator, if you could please open the call and provide instructions for Q&A. Thank you.

QUESTION AND ANSWER SECTION

Operator: [Operator Instruction] Our first question comes from the line of Mike Latimore with Northland Capital. Your line is open.

<Q – Mike Latimore – Northland Securities, Inc.>: Hi. Good morning. Great EBITDA results there.

<A – Steve Herbert – USA Technologies, Inc.>: Well, thank you very much.

<Q – Mike Latimore – Northland Securities, Inc.>: Just on the license and transaction gross margin is in the 40% range. I think you've guided to overall gross margin being about 40% for the year. I guess on that license and transaction gross margin line, is there an opportunity to expand that further or is that pretty good for this year as well for that specific revenue segment.

<A – Dave DeMedio – USA Technologies, Inc.>: Good morning, Mike. It's Dave DeMedio. Thanks for your question. For the fiscal year 2013, we expect that the margin to maintain in that low 40% range, the key contributor to that will be renegotiation of the Visa terms into 2013, which we feel confident about, but we would expect that margin would stay relatively at that same rate that we experienced in the Q4 current quarter.

<Q – Mike Latimore – Northland Securities, Inc.>: And then your connection guidance for the year looks pretty strong there, I guess how much of an effect do you think the Durbin Amendment is still having on your customer base, if at all. I mean what kind of – do you think there is still somewhat of an impediment from that out there? Or is there a increasing comfort level?

<A – Steve Herbert – USA Technologies, Inc.>: Mike, it's Steve Herbert. Thanks for the question. But it's a great question. I think in terms of adoption, it did slow things down a bit and it did have something to do with the way the whole thing was rolled out. It was done very quickly and abruptly. We were fortunate enough to have a very strong relationship with Visa and we mitigated the impact on the company as well as our customers. But to be sure, there is – we believe there is still some minor hesitancy as a result of the action that was taken.

<Q – Mike Latimore – Northland Securities, Inc.>: Great. Thank you.

Operator: Thank you. Our next question comes from the line of Matt McCormack with BGB Securities. Your line is open.

<Q – Matt McCormack – BGB Securities, Inc.>: Hi. Good morning. Just in terms of the revenue guidance for fiscal year 2012, just to clarify, I guess that you are targeting double-digit revenue growth but connection growth of 30%, should we assume that license and transaction fees will grow in line with connections, while equipment sales will be lower than the consolidated growth rate?

<A – Dave DeMedio – USA Technologies, Inc.>: Matt, this is David DeMedio. Thank you for your question. That is fair. The growth in revenue in the 2013 year is going to come largely, predominantly all from growth in license and transaction fees. We expect equipment revenues to remain flat year-over-year.

<Q – Matt McCormack – BGB Securities, Inc.>: Okay. And then a lot of talk about your strategy with the kiosk market. Could you just give us some information on the different economics, possibly, of a traditional ePort customer versus – or a vending customer versus a customer on the kiosk in terms of the cost of the hardware and then also the transaction sizes and possibly the monthly fee, what the difference in economics between those two customers are?

<A – Steve Herbert – USA Technologies, Inc.>: Well, Matt, this is Steve Herbert. By and large, the customers in our kiosk market, the up and down the street customers, as I call them, really operate on the same model of monthly fee and a transaction rate. There are certain kiosk customers that have, for instance, a very high average transaction, where we flex our model and we have little to no monthly fee and we really make it up on essentially a transaction fee whereby the company is making a spread. Very similar to the return that we get on a regular connection.

In addition to that, Matt, I believe you asked about the hardware. Most of our kiosks – most of our kiosk customers don't use an ePort; they use the ePort SDK software, which they install on the computer inside their kiosk; and in many cases this is done in an OEM fashion; it's done on the line. So AMI Entertainment is a classic example. They will do a production run and they install our software as they go. It comes off the line ready.

<Q – Matt McCormack – BGB Securities, Inc.>: Okay. Thank you.

Operator: Thank you. Our next question comes from the line of [ph] Sam Bergman with Bayberry Asset Management (42:21). Your line is open.

<Q>: Good morning, Steve, Dave and Ronnie, how are you?

<A – Steve Herbert – USA Technologies, Inc.>: Good morning [ph] Sam (42:29), good to hear from you.

<Q>: A couple of questions, can you tell me if you – since having Pepi Foods as a good reference point, should we expect another win or two this year from a similar company because it seems like it's been a while since you've had a win like that.

<A – Steve Herbert – USA Technologies, Inc.>: And [ph] Sam (42:52), just to be clear, you're referring to the Pepi Foods essentially going 100% with our solution?

<Q>: Absolutely.

<A – Steve Herbert – USA Technologies, Inc.>: Yes, I think it's fair to say that one can accept – one can expect more of that type of activity in this fiscal year.

<Q>: I think David mentioned something about sequentially that connections would be up for the quarter but down from the prior year?

<A – Steve Herbert – USA Technologies, Inc.>: [indiscernible] (43:27).

<A – Dave DeMedio – USA Technologies, Inc.>: [ph] Sam (43:27), it's David. It was the opposite. Sequentially, compared to Q4 of 2012, Q1 of 2013 will be down. But when we compare it against Q1 of fiscal 2012, we expect it to be an increase comparatively to a quarter a year ago.

<Q>: And what's the reasoning behind that?

<A – Dave DeMedio – USA Technologies, Inc.>: Right. The reason behind that is the year-end sales push that we had in Q4, 16,000 connections in Q4 was the largest in the fiscal year 2012 and that push – the year-end sales push pushed us to a 16,000 connection mark.

<Q>: So do you believe it will have an increase going into 2013 exclusive of that quarter?

<A – Dave DeMedio – USA Technologies, Inc.>: I'm not certain I followed the question. We would expect comparatively quarter-over-quarter we continue to improve connections, but I think Steve had mentioned and alluded to at the tail end of the discussion, we are expecting about

60,000 for the fiscal year, and that will tend to be increased quarter-over-quarter, but it's difficult to predict right now how each quarter will shake out.

<Q>: And the recent agreement with, I guess Aviva Bank (sic) [Avidbank] (45:07) has any funds been drawn on that credit line or not?

<A – Dave DeMedio – USA Technologies, Inc.>: Not at June 30. We closed the agreement in July and we did access the line in July. And we would expect to access that line routinely throughout this fiscal year as needed.

<Q>: So, currently, what is the balance of that line?

<A – Dave DeMedio – USA Technologies, Inc.>: Today, I'm not certain exactly where the balance stands, the availability or the agreement was for a $3 million line of credit.

<A – Steve Herbert – USA Technologies, Inc.>: And we'll access that line periodically and I think it will move up and down over time.

<Q>: Okay. Thank you very much.

<A – Steve Herbert – USA Technologies, Inc.>: Sure.

<A – Dave DeMedio – USA Technologies, Inc.>: Yes.

Operator: Thank you. [Operator Instructions] Our next question is a follow-up from the line of Mike Latimore. Your line is open.

<Q – Mike Latimore – Northland Securities, Inc.>: Yes, thanks. I guess just some minor things here. What do you think the stock-based comp expense might be per quarter going forward and then the second question is do you feel comfortable with your – getting all the supplies you need, particularly in the NFC space?

<A – Dave DeMedio – USA Technologies, Inc.>: Mike, this is Dave. Regarding your question on stock-based comp, I would expect that stock-based comp will remain similar to where it was in fiscal year 2012. There hasn't been a formal program announced, but I would anticipate that stock-based program that was in place in 2012, the 2013 plan will be similar and would yield a similar expense.

<Q – Mike Latimore – Northland Securities, Inc.>: And on the supplier question there, do you feel like you have the – all the supplies you need, particularly in the NFC arena?

<A – Steve Herbert – USA Technologies, Inc.>: Oh, sure, absolutely Mike, we have multiple suppliers in that space and we feel very comfortable with what we have access to.

<Q – Mike Latimore – Northland Securities, Inc.>: Thank you.

Operator: Thank you. And I'm not showing any further questions at this time. I'd like to turn the call back over to management for closing remarks.

Veronica Rosa, Vice President-Communication & Investor Relations

And I think we're going to wrap up there. I want to thank everybody for their participation and for calling in, and we are at two conferences; one is tomorrow in Boston and the other is in New York on Monday, both of which will be webcast and available on the Investor Relations page. So we invite you to join in on one or both of those. Thank you and have a great day.

Operator: Ladies and gentlemen, thank you for participating in today's conference. This does conclude the program and you may all disconnect. Everyone have a great day.