



February 8, 2012

USA Technologies, Inc. Reports Results for Second Quarter of Fiscal 2012

• Customers on ePort Connect Service up 77% • Number of Transactions Processed up 50% • Recurring License and Transaction Fee Revenue Up 49%

MALVERN, PA. - February 8, 2012 - USA Technologies, Inc. (NASDAQ: USAT), a leader of wireless, cashless payment and M2M telemetry solutions for self-serve, small-ticket retail industries, today reported results for the second quarter of fiscal 2012 (ended December 31, 2011).

Second Quarter Highlights

Compared to the same quarter a year ago, USA Technologies:

- Increased the number of customers on its ePort Connect Service 77%;
- Increased the number and dollar value of small-ticket transactions handled by its network 50% and 54%, respectively;
- Increased recurring revenue from license and transaction fees 49%;
- Increased the number of connected devices 25%

"The results for the second quarter of 2012 reflect the steady growth of our portfolio of customers in the vending, kiosk and other small-ticket, unattended industries as they continue to adopt cashless payment technology at their historically cash-only points of sale," said Stephen P. Herbert, Chairman and Chief Executive Officer of USA Technologies, Inc. "We are intently focused on our strategy to achieve profitability as soon as practicable by gaining wider acceptance of our technology and improving our operating efficiency."

Rising Connections and Transaction Volumes Driving Growth of Recurring Revenues

With approximately 7,000 connections and 250 new customers added during the three months ended December 31, 2011, connections to and customers on the Company's ePort Connect Service at December 31, 2011 increased to approximately 136,000 and 2,475, respectively, compared to approximately 109,000 and 1,400, respectively, at the same point a year ago. In the quarter, the Company handled 24 million transactions representing \$40 million in small ticket transactions, increases of 50% and 54%, respectively, compared to approximately 16 million transactions representing \$26 million in volume during the second fiscal quarter of the preceding year.

The significant increase in connections, customers, and transaction volume drove revenue from recurring license and transaction fees up 49% to \$5.6 million in the quarter compared to \$3.8 million for the second quarter of fiscal 2011. The dollar gross profit on recurring revenues from license and transaction fees in the quarter was \$1.6 million, up from \$1.1 million in the same year ago quarter.

Mr. Herbert, commenting on the significant increase in recurring revenues, said, "We believe that the significant increase in recurring revenues illustrates that the rate of adoption and the penetration of cashless payments at the unattended, small-ticket point-of-sale is on the rise. The increase in transaction volume on our network is attributable to our expanded footprint, as additional devices are connected to our network, as well as increased usage of cashless payments. Driving increased volume on our network is one of the key elements of our strategy to achieve profitability as soon as practicable. The gross margin on recurring revenue this quarter rose slightly compared to the same year ago quarter, despite the dampening effect of a period of higher interchange rates during the quarter. Management addressed the higher debit interchange challenge with its successful negotiation of its October 2011 Visa Agreement."

Total Revenues Up 14% in the Second Quarter of Fiscal 2012

Total revenue for the quarter increased 14% to \$6.9 million, compared to \$6.0 million in the second quarter of the prior year. Total dollar gross profits for the quarter were \$1.9 million, compared to \$2.5 million a year ago. Selling, general and administrative expenses in the quarter were \$3.5 million up from \$2.3 million in the like quarter a year ago. A majority of the increase in selling, general and administrative expenses (\$886,000) was due to costs associated with the Audit Committee's investigation of postings concerning the Company made on an internet message board and the severance arrangements with

the Company's former Chief Executive Officer.

For the quarter, the Company incurred an operating loss of \$1.9 million, compared to an operating loss of \$141,000 in the comparable year ago quarter. The increase in the operating loss in the quarter compared to a year ago primarily reflects higher cost of goods sold attributable to temporarily higher debit interchange rates and the costs associated with the Audit Committee's investigation and the severance arrangements with the Company's former Chief Executive Officer. The increased operating loss also reflects decreases in revenue from fewer activation fees earned in the current quarter and the Visa support funding in the prior year's same fiscal quarter. Net loss applicable to common shareholders for the quarter was \$1.8 million, or (\$0.06) per diluted share, compared to a net loss of \$133,000, or (\$0.01) per diluted share a year ago. Results for the second quarter of fiscal 2012 include a \$152,000 gain on change in fair value of warrant liability, whereas there was no like gain in the year ago quarter.

The Adjusted EBITDA loss for the quarter was \$938,000 compared to positive Adjusted EBITDA of \$450,000 in the second quarter of last year.

Mr. Herbert concluded, "Over the past several months we have taken a hard look at our organization in order to implement strategies that will accelerate our path towards profitability as soon as practicable. One of the first indicators of progress that management expects to achieve on our path towards profitability would be sustainable positive adjusted EBITDA. The actions we have taken are focused on three primary strategies: to increase revenues, improve margins and reduce costs. In the quarter we signed a new processing agreement with Elavon, which we believe provides a solid foundation to support both improvements in functionality as well as continued increases in customers, connections and resulting transactions processed. Our ability to achieve growth despite the numerous distractions in the quarter is a testament to both a vibrant market and our ability to deliver outstanding value to our customers. Over the long term we believe our commitment to industry leadership will create value for our shareholders."

Non-GAAP Financial Measures: Adjusted EBITDA

This press release includes the following financial measure defined as a non-GAAP financial measure by the Securities and Exchange Commission: Adjusted EBITDA. See "Reconciliation of GAAP Net Earnings to Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization Expense (Adjusted EBITDA)" table included in this press release for further information regarding these non-GAAP financial measures.

As used herein, 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 item, change in fair value of warrant liabilities, because it represents a non-cash charge that is not related to the Company's operations. We have excluded the non-cash expenses, stock-based compensation, as it does not reflect the cash-based operations of the Company. Adjusted EBITDA is a non-GAAP financial measure which is not required by or defined under GAAP (Generally Accepted Accounting Principles). The presentation of this financial measure is not intended to be considered in isolation or as a substitute for the financial measures prepared and presented in accordance with GAAP, including the net income or net loss of the Company 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 the Company's net income or net loss as determined in accordance with GAAP, and are not a substitute for or a measure of the Company's profitability or net earnings. 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.

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

	Q2 FY 12	Q2 FY 11
Net loss	\$(1,821,061)	\$(133,131)
Less interest income	(13,286)	(17,469)
Plus interest expense	49,072	9,977
Plus income tax expense	—	—
Plus depreciation expense	552,990	338,358
Plus amortization expense	258,600	258,600
Less change in fair value of warrant liabilities	(151,759)	—
Plus stock-based compensation	187,044	(6,209)
Adjusted EBITDA	\$ (938,400)	\$ 450,126

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 financial position, anticipated connections to our network, business strategy and the plans and objectives of the Company'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 the Company or its management, identify forward-looking statements. Such forward-looking statements are based on the beliefs of the Company's management, as well as assumptions made by and information currently available to the Company'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, business, financial market and economic conditions, including but not limited to, the ability of the Company to retain key customers from whom a significant portion of its revenues is derived; the ability of the Company to compete with its competitors to obtain market share; the ability of the Company to obtain widespread commercial acceptance of its products; and whether the Company's existing or anticipated customers purchase ePort devices in the future at levels currently anticipated by the Company. 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, the Company 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.