



February 11, 2010

USA Technologies, Inc. Reports Second Quarter Fiscal 2010 Financial Results

-- Improvements in Revenue and Gross Profits--

MALVERN, Pa., Feb 11, 2010 (BUSINESS WIRE) -- USA Technologies (NASDAQ:USAT), a leading supplier of networked devices and wireless non-cash transactions, associated financial/network services and energy management, reports financial results for its second fiscal quarter ended December 31, 2009.

Highlights for the Second Fiscal Quarter Ended December 31, 2009

- Increased the installed base by 47%, with approximately 63,000 devices connected to its USALive(R) network as compared to approximately 43,000 devices as of the year before;
- Transaction volume increased approximately 61% to 8.2 million transactions, compared with 5.1 million transactions processed during the prior year's quarter;
- Increased the dollar volume of transactions processed by 42% to \$15.0 million, compared with \$10.6 million in the year-ago second quarter;
- Total revenues increased 41% to \$3.8 million compared with \$2.7 million for the year-ago second quarter;
- SG&A expenses increased approximately \$1,081,000 compared to the year-ago second quarter due to expenses related to the proxy contest, related litigation and settlement. Excluding \$1.5 million of proxy costs (see paragraph below), SG&A expenses decreased by 12% compared with last year's quarter ended December 31, 2008;
- The number of customers utilizing the e-Port Connect service increased to approximately 775 at December 31, 2009;
- The Quick Start Program accounted for 31% of e-Port equipment sales for the second quarter ended December 31, 2009;
- Net loss for the 2009 quarter was \$4.2 million, or \$0.19 per share compared with \$3.4 million, or \$0.23 per share, for the 2008 second quarter. Included in the net loss for the 2009 second quarter was \$1.5 million of proxy costs (see paragraph below). Net loss excluding the proxy costs was \$2.7 million, or \$0.12 per share.

As previously announced, on February 4, 2010, the Company settled a proxy contest and related litigation, and the pending litigation was voluntarily dismissed with prejudice by all the parties. Among other things, the Company agreed to reimburse the shareholder group for their actual out-of-pocket expenses in the aggregate amount of \$1,160,441 incurred in connection with the proxy contest of which \$450,000 will be contributed by the Company's insurance carrier. In addition to the settlement amount, during the quarter ended December 31, 2009, the Company incurred approximately \$831,319 of proxy contest and related litigation expense, of which \$21,889 will be contributed by the Company's insurance carrier. The total expense of \$1,519,871, net of insurance carrier contribution, is included in selling, general and administrative ("SG&A") expenses in the Company's consolidated financial statements for the three and six months ended December 31, 2009.

George Jensen, Chairman and Chief Executive Officer of USA Technologies said, "During the second quarter our management team exceeded our anticipated goals as to the number of connections on the network, and we also broadened our customer base. We believe we are well positioned in the market as customers seek electronic payment solutions. We continue to diversify our customer base that currently includes small- to medium sized businesses as well as well-known national companies. It is our intent to continue to capture market share as our clients seek to add electronic payment solutions."

Mr. Jensen continued, "USA Technologies has implemented sales programs and cost-saving measures over the past calendar year that were designed to increase our revenue and create operating efficiencies. Excluding the cost of the proxy contest and related litigation, we reduced SG&A expense; without the cost of the proxy contest and related litigation, our SG&A expense was approximately \$3.3 million, a 12% improvement over the approximately \$3.8 million recorded during last year's second quarter. Our new ePort devices and implementation of the Quick Start program contributed to our goals of increasing revenue and connections to our network."

He concluded, "We will continue to focus on achieving our anticipated goals, including achieving positive earnings before interest, taxes, depreciation and amortization in the quarter ending December 31, 2010, and increasing connections to at least 100,000 by December 31, 2010. Our management team looks forward to working in concert with our board of directors to

attempt to achieve these goals."

Key Metrics Achieved by USA Technologies The following table illustrates the progress and sequential quarterly growth the company has achieved in its key metrics:

	12/31/09	9/30/09	6/30/09	3/30/09	12/31/08
# of installed units	63,000	57,000	52,000	48,000	43,000
# of transactions (millions)	8.2	7.4	6.7	5.7	5.1
\$ Value of transactions (millions)	\$15.0	\$14.6	\$13.5	\$11.3	\$10.6

About USA Technologies:

USA Technologies is a leader in the networking of wireless non-cash transactions, associated financial/network services and energy management. USA Technologies provides networked credit card and other non-cash systems in the vending, commercial laundry, hospitality and digital imaging industries. The Company has agreements with AT&T, Visa, Compass and others. For further information on USA Technologies, please visit 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 financial position, 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 estimate, anticipate, or control its cash and non-cash expenses, costs, or charges; the ability of the Company to obtain widespread and continued commercial acceptance of its products or services; the ability of the Company to receive reductions from the credit card companies of transaction processing charges in the future as anticipated by the Company; the ability of the Company to obtain reduced pricing from its manufacturers for its e-Port devices in the future as anticipated by the Company; or whether the Company's customers purchase e-Port 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 hereof. 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.

(FINANCIAL TABLES)

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

	Three months ended December 31,		Six months ended December 31,	
	2009	2008	2009	2008
Revenues:				
Equipment sales	\$ 1,697,053	\$ 1,244,694	\$ 3,634,460	\$ 3,283,609
License and transaction fees	2,073,786	1,425,535	3,964,015	2,781,499
Total revenues	3,770,839	2,670,229	7,598,475	6,065,108
Cost of equipment	1,080,878	896,742	2,390,235	2,330,586
Cost of services	1,680,565	1,108,358	3,168,722	2,165,984
Cost of sales	2,761,443	2,005,100	5,558,957	4,496,570
Gross profit	1,009,396	665,129	2,039,518	1,568,538
Operating expenses:				
Selling, general and administrative	4,857,366	3,776,302	8,423,143	8,215,833
Depreciation and amortization	400,366	388,252	785,431	807,032
Total operating expenses	5,257,732	4,164,554	9,208,574	9,022,865
Operating loss	(4,248,336)	(3,499,425)	(7,169,056)	(7,454,327)
Other income (expense):				

Interest income	12,699	96,572	27,636	224,537
Interest expense	(9,719)	(26,180)	(30,135)	(52,138)
Total other income (expense), net	2,980	70,392	(2,499)	171,399
Net loss	(4,245,356)	(3,429,033)	(7,171,555)	(7,282,928)
Cumulative preferred dividends	-	-	(382,703)	(390,294)
Loss applicable to common shares	\$ (4,245,356)	\$ (3,429,033)	\$ (7,554,258)	\$ (7,673,222)
Loss per common share (basic and diluted)	\$ (0.19)	\$ (0.23)	\$ (0.36)	\$ (0.51)
Weighted average number of common shares outstanding (basic and diluted)	22,728,252	15,196,988	21,274,089	15,183,102

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

	December 31, 2009	June 30, 2009
	(Unaudited)	
Assets		
Current assets:		
Cash and cash equivalents	\$ 11,572,878	\$ 6,748,262
Accounts receivable, less allowance for uncollectible accounts of \$111,000 and \$42,000, respectively	1,896,257	1,468,052
Finance receivables	883,436	212,928
Inventory, net	2,265,549	1,671,226
Prepaid expenses and other current assets	1,021,029	1,078,026
Total current assets	17,639,149	11,178,494
Finance receivables, less current portion	415,848	121,624
Property and equipment, net	2,161,896	2,081,909
Intangibles, net	4,327,853	4,845,053
Goodwill	7,663,208	7,663,208
Other assets	45,052	90,090
Total assets	\$ 32,253,006	\$ 25,980,378
Liabilities and shareholders' equity		
Current liabilities:		
Accounts payable	\$ 3,107,488	\$ 3,794,691
Accrued expenses	2,941,927	1,393,356
Current obligations under long-term debt	369,951	494,850
Total current liabilities	6,419,366	5,682,897
Long-term debt, less current portion	223,412	325,209
Total liabilities	6,642,778	6,008,106
Commitments and contingencies (Note 7)		
Shareholders' equity:		
Preferred stock, no par value:		
Authorized shares- 1,800,000		
Series A convertible preferred- Authorized shares 900,000;		
Issued and outstanding shares- 488,657 and 510,270, respectively (liquidation preference of \$15,163,344 and \$15,451,307, respectively)	3,461,534	3,614,554
Common stock, no par value:		
Authorized shares- 640,000,000;		
Issued and outstanding shares- 22,725,701 and 15,423,022, respectively	207,959,115	194,948,693
Accumulated deficit	(185,810,421)	(178,590,975)
Total shareholders' equity	26,610,228	19,972,272
Total liabilities and shareholders' equity	\$ 32,253,006	\$ 25,980,378

SOURCE: USA Technologies, Inc.

USA Technologies:

George Jensen, Chairman & CEO
Stephen P. Herbert, President & COO
sherbert@usatech.com

Phone: (800) 633-0340

or

Investor Relations:

Porter, LeVay & Rose

Marlon Nurse, (212) 564-4700

Vice President

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