



November 10, 2010

## USA Technologies, Inc. Reports Results for Fiscal 2011 First Quarter

**Company on Track to Achieve over 100,000 Connections by December 31, 2010 and Anticipates being EBITDA Positive for quarter ending December 31, 2010**

MALVERN, Pa.--(BUSINESS WIRE)-- USA Technologies, Inc. (NASDAQ:[USAT](#)), a leader in the networking of wireless cashless transactions, today reported results for the quarter ended September 30, 2010.

### Results for First Quarter

Total revenue for the quarter increased by 16% to \$4.4 million, compared to \$3.8 million in the first quarter of the prior year. Gross profit was \$1.4 million, up 32% versus \$1.0 million from last year's fiscal first quarter. Gross profit margin expanded to 30.5%, compared to 26.9% a year ago. Earnings before interest, taxes, depreciation and amortization (EBITDA) improved to a loss of \$1.4 million for the quarter, our best quarterly EBITDA performance since listing on NASDAQ. The prior year first quarter EBITDA loss was \$2.5 million.

During the first quarter the Company recorded significant growth across its operating performance metrics as compared to the first quarter of the prior year:

- During the month of September 2010, achieved an annualized run rate of over \$100 million of cashless payment volume;
- Increased the number of devices connected to its network by 54%, bringing the total number of devices connected at quarter end to approximately 88,000, compared to 57,000 as of September 30, 2009;
- The number of cashless transactions processed during the quarter increased to 13.9 million and processing volume reached \$24.5 million, representing increases of 89% and 68%, respectively;
- Customers on our USALive® Network are up 100% compared to a year ago, as we added approximately 150 new customers during the quarter, bringing the total number of such customers to over 1,200 as of September 30, 2010. In the first quarter of last year the Company added 75 new customers to end the quarter with approximately 600 customers.
- Ranked #6 in the United States and #31 worldwide by respected industry research firm Nilson Report for POS terminal shipments;
- USA Technologies was named to Deloitte LLP's 2010 "FAST 500" List of the Fastest Growing Companies in North America;
- The Company expects the total number of connections to its service to exceed 100,000 by December 31, 2010;
- Based upon results to date, current financial forecasts and related assumptions, the Company anticipates being EBITDA positive for the quarter ending December 31, 2010.

"Our first quarter of fiscal 2011 represents a great start to what we believe will be a transformational year for USA Technologies," said George Jensen, Chairman and CEO of USA Technologies. "With approximately 93,000 connections to our USALive® network as of today, and signed contracts for delivery before December 31, 2010 that will result in approximately 100,000 connections, and annualized cashless payment volume over \$100 million, we will surpass two significant mileposts that we believe signify an important inflection point. We anticipate that the recurring nature of our license and transaction fee revenue and increasing customer base provide a solid foundation for future growth."

Jensen continued, "Having doubled our customer base to over 1,200 customers on our service in the past twelve months, we have achieved significant market penetration, which we believe has positioned us as the industry leader for wireless, unattended cashless payments."

### Non-GAAP Financial Measures: EBITDA

This press release includes the following financial measure defined as a non-GAAP financial measure by the Securities and Exchange Commission: EBITDA. This supplemental financial measure is not required by GAAP, nor is the presentation of this financial information intended to be considered in isolation or as a substitute for the financial information prepared and presented in accordance with GAAP. Management recognizes that non-GAAP financial measures have limitations in that they do not reflect all of the items associated with USA Technologies Inc.'s (USAT) earnings results as determined in accordance with GAAP. However, for the reasons described below, we used this non-GAAP measure to evaluate the performance of USAT's business. See "Reconciliation of GAAP Net Earnings to Earnings Before Interest, Taxes, Depreciation, and Amortization (EBITDA)" table included in this press release for further information regarding these non-GAAP financial measures. In addition, EBITDA is presented because the Company has a publicly stated goal of achieving positive EBITDA for the quarter ending December 31, 2010 and believes it is frequently used by securities analysts, investors and others in the evaluation of companies.

EBITDA is calculated by adding income taxes, interest expense, depreciation and amortization to net earnings, EBITDA is not defined under GAAP and should not be considered in isolation or as a substitute for net earnings and other consolidated earnings data prepared in accordance with GAAP or as a measure of USAT's profitability.

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

	Q1 FY 11	Q1 FY 10
Net Loss	\$(1,886,614)	\$(2,926,199)
Interest Income	(25,310)	(14,938)
Interest Expense	12,652	20,416
Taxes	--	--
Depreciation	266,306	153,532

Amortization	258,600	258,600
EBITDA	\$(1,374,366)	\$(2,508,589)

**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 been granted 78 patents and has agreements with AT&T, Visa, Compass and others. Visit our 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 anticipated "inflection point" in the markets in which the Company serves, future financial results of the Company (including our EBITDA for the December 31, 2010 quarter), and the number of devices predicted to be connected to its network as of December 31, 2010 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, whether or not the marketplace continues to adopt cashless transaction processing; whether or not the marketplace continues to purchase the Company's products in the future; 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 in the future; the ability of the Company to obtain widespread commercial acceptance of its products in the future; whether the Company's existing or anticipated customers lease or purchase ePort devices or other Company products at levels currently anticipated by the Company; whether customers participate in the Jump Start program at levels currently anticipated by the Company; or the ability of the Company to reduce its cash-based SG&A expenses for the quarter ending December 31, 2010 to the levels anticipated. 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.

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

	<b>Three months ended</b>	
	<b>September 30,</b>	
	<b>2010</b>	<b>2009</b>
Revenues:		
Equipment sales	\$ 1,096,193	\$ 1,937,407
License and transaction fees	3,344,472	1,890,229
Total revenues	4,440,665	3,827,636
Cost of equipment	648,898	1,309,356
Cost of services	2,436,200	1,488,157
Cost of sales	3,085,098	2,797,513
Gross profit	1,355,567	1,030,123
Operating expenses:		
Selling, general and administrative	2,913,298	3,565,778
Depreciation and amortization	341,541	385,066
Total operating expenses	3,254,839	3,950,844
Operating loss	(1,899,272)	(2,920,721)
Other income (expense):		
Interest income	25,310	14,938
Interest expense	(12,652)	(20,416)
Total other income (expense), net	12,658	(5,478)
Net loss	(1,886,614)	(2,926,199)
Cumulative preferred dividends	(333,351)	(382,703)
Loss applicable to common shares	\$ (2,219,965)	\$ (3,308,902)
Loss per common share (basic and diluted)	\$ (0.09)	\$ (0.17)
Weighted average number of common shares outstanding (basic and diluted)	25,842,604	19,819,926

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

	<b>September 30,</b>	<b>June 30,</b>
	<b>2010</b>	<b>2010</b>
	<b>(Unaudited)</b>	
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 5,467,381	\$ 7,604,324
Accounts receivable, less allowance for uncollectible accounts of \$32,000 and \$41,000, respectively	1,896,529	2,048,421
Finance receivables	193,576	242,452
Inventory, net	3,102,162	2,633,971

Prepaid expenses and other current assets	772,466	847,344
Total current assets	<u>11,432,114</u>	<u>13,376,512</u>
Finance receivables, less current portion	276,393	339,341
Property and equipment, net	4,818,789	4,511,889
Intangibles, net	3,552,053	3,810,653
Goodwill	7,663,208	7,663,208
Other assets	183,090	146,821
Total assets	<u>\$ 27,925,647</u>	<u>\$ 29,848,424</u>
<b>Liabilities and shareholders' equity</b>		
Current liabilities:		
Accounts payable	\$ 4,550,912	\$ 4,570,730
Accrued expenses	1,862,775	1,869,367
Current obligations under long-term debt	<u>374,081</u>	<u>344,652</u>
Total current liabilities	<u>6,787,768</u>	<u>6,784,749</u>
Long-term debt, less current portion	<u>196,133</u>	<u>251,503</u>
Total liabilities	<u>6,983,901</u>	<u>7,036,252</u>
Commitments and contingencies		
Shareholders' equity:		
Preferred stock, no par value: Authorized shares- 1,800,000		
Series A convertible preferred- Authorized shares 900,000; Issued and outstanding shares- 444,468 and 444,468, respectively (liquidation preference of \$14,412,874 and \$14,079,523, respectively)	3,148,676	3,148,676
Common stock, no par value: Authorized shares- 640,000,000; Issued and outstanding shares-25,910,608 and 25,497,155, respectively	209,974,740	209,958,552
Accumulated deficit	<u>(192,181,670)</u>	<u>(190,295,056)</u>
Total shareholders' equity	<u>20,941,746</u>	<u>22,812,172</u>
Total liabilities and shareholders' equity	<u>\$ 27,925,647</u>	<u>\$ 29,848,424</u>

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

	<b>Three months ended</b>	
	<b>September 30,</b>	
	<b>2010</b>	<b>2009</b>
<b>Operating activities</b>		
Net loss	\$(1,886,614)	\$ (2,926,199)
Adjustments to reconcile net loss to net cash used in operating activities:		
Charges incurred in connection with the vesting and issuance of common stock for employee compensation	8,103	40,574
Charges incurred in connection with the Long-term Equity Incentive Program	61,303	77,258
Bad debt expense	8,316	15,970
Amortization	258,600	258,600
Depreciation, \$183,365 and \$27,066 of which is allocated to cost of services for the three months ended September 30, 2010 and 2009	266,306	153,532
Loss on disposal of property and equipment	10,380	-
Changes in operating assets and liabilities:		
Accounts receivable	143,576	(89,225)
Finance receivables	111,824	(583,642)
Inventory	(961,778)	(28,293)
Prepaid expenses and other assets	132,920	199,099
Accounts payable	(19,818)	(288,603)
Accrued expenses	<u>(67,895)</u>	<u>344,315</u>
Net cash used in operating activities	<u>(1,934,777)</u>	<u>(2,826,614)</u>
<b>Investing activities</b>		
Purchase of property and equipment, net	<u>(89,999)</u>	<u>(24,015)</u>
Net cash used in investing activities	<u>(89,999)</u>	<u>(24,015)</u>
<b>Financing activities</b>		
Net proceeds from the issuance (retirement) of common stock	8,085	13,035,942
Payments for the retirement of preferred stock	-	(48,272)
Repayment of long-term debt	<u>(120,252)</u>	<u>(194,834)</u>
Net cash provided by (used in) financing activities	<u>(112,167)</u>	<u>12,792,836</u>
Net increase (decrease) in cash and cash equivalents	<u>(2,136,943)</u>	<u>9,942,207</u>
Cash and cash equivalents at beginning of period	7,604,324	6,748,262
Cash and cash equivalents at end of period	<u>\$ 5,467,381</u>	<u>\$16,690,469</u>
Supplemental disclosures of cash flow information:		
Prepaid insurance financed with long-term debt	<u>\$ 94,311</u>	<u>\$ 85,991</u>
Cash paid for interest	<u>\$ 13,472</u>	<u>\$ 19,751</u>

Equipment acquired under capital lease  
Disposal of Property Plant and Equipment  
Reclass of inventory to fixed assets for rental units

	\$	-	\$	17,337
	\$	140,931	\$	-
	\$	493,587	\$	-

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