



September 27, 2011

USA Technologies Reports Record Full Year and Fourth Quarter Revenues

Connections Increase 45% During Fiscal 2011 to 119,000; License and Transaction Revenue Up 72% to a Record \$5 Million for Three Months Ended June 30, 2011 Compared to Similar Quarter a Year Ago

MALVERN, Pa.--(BUSINESS WIRE)-- USA Technologies, Inc. (NASDAQ: USAT), a leader of wireless, cashless payment and M2M telemetry solutions for small-ticket, self-serve retailing industries, today reported record revenues for the full fiscal year and fourth quarter ended June 30, 2011.

Record Revenues for Fiscal Year 2011

Total Revenues increased approximately 45% to \$22.9 million for the fiscal year ended June 30, 2011, compared to \$15.8 million for the prior fiscal year with gross profit increasing approximately 57% to \$7.7 million from \$4.9 million last fiscal year. For the year, gross profit margins expanded to 34% from 31% in fiscal 2010, supported in large part by an improvement in gross profits as a result of increased activation fees related to the JumpStart program. Also contributing to this was an improvement in the profitability of recurring revenues from license and transaction fees. For the 2011 fiscal year, selling, general and administrative (SG&A) expenses were reduced by approximately 23% to \$11.4 million, compared to the 2010 fiscal year of \$14.9 million.

Net loss for fiscal year 2011 improved to a \$6.5 million net loss (including approximately \$4.6 million of non-cash charges) compared to an \$11.6 million net loss (including approximately \$2.0 million of non-cash charges) for the 2010 fiscal year, a \$5.1 million reduction or approximate 44% improvement. This improvement was driven by the increase in revenues and gross profit, and decreases in SG&A expenses described above. Net loss per share applicable to common shares was \$0.26 for fiscal year 2011 compared to a loss of \$0.55 per common share for fiscal year 2010.

Adjusted EBITDA loss for fiscal year 2011 improved to a loss of \$2.2 million compared to \$9.6 million for fiscal year 2010, an improvement of \$7.4 million or approximately 77%. A reconciliation of net loss to Adjusted EBITDA loss is presented below.

As of June 30, 2011, the Company had approximately 119,000 connections, compared to approximately 82,000 as of June 30, 2010, a 45% year-over-year increase, while customer count increased approximately 83% from approximately 1,050 customers at June 30, 2010 to approximately 1,925 customers at June 30, 2011. The Company announced on August 18, 2011 that it had surpassed this June 30, 2011 number by 4,000 during July 2011 bringing the most recent tally to 123,000.

We have recently been notified by our credit and debit card processor that effective October 1, 2011, Visa and MasterCard will significantly raise their interchange fees for small-ticket debit card transactions issued by regulated banks. The rates would increase from 1.55% of a transaction plus 4 cents, to 0.5% of a transaction plus 22 cents. The Company intends to largely or fully mitigate the impact of this rate increase and is working in conjunction with the card associations, its card processors and customers to consider various alternatives.

"Fiscal 2011 may be remembered as the inflection point when the small ticket, self-service retail market recognized the appeal of cashless payments, and USA Technologies is capitalizing on this rising demand with the market's only one-stop shop, end-to-end cashless-wireless solution," said George Jensen, Chairman and CEO of USA Technologies. "In addition to offering the industry's most comprehensive solution, we have implemented a number of programs designed to accelerate our growth, with our JumpStart program continuing to encourage cashless payment adoption across a number of industries. In fact, JumpStart has been so successful, we recently expanded its availability to our standalone telemetry solution, including a feature which enables telemetry customers to quickly and easily upgrade their system to also accept cashless. At this very important time in the development of our market, we believe USA Technologies is well positioned to make the most of these tremendous growth opportunities and continue to create value for our shareholders."

Stephen P. Herbert, President and Chief Operating Officer of USA Technologies, added, "We are in the midst of an impressive and continued increase in the rate of adoption of cashless payments solutions for vending and similar small-ticket retail markets, driven by both customer and consumer demand. We are working hard to capitalize on the confluence of events that is driving strong industry demand by continuing to improve our service, increasing our network capabilities, expanding our distribution system and offering an independent telemetry solution. We believe these activities, in addition to our already unique turn-key solution, enable us to not only maintain, but strengthen our position as the industry's leading provider of cashless payments and M2M telemetry services to the small-ticket retail markets that we serve."

Fourth Quarter Fiscal 2011 Results

For the fourth quarter of fiscal 2011, total revenue increased approximately 54% to \$6.9 million, compared to \$4.5 million in the fourth quarter of the prior year, while revenue from recurring license and transaction fees increased approximately 72% to \$5.0 million compared to \$2.9 million in the same quarter last year. Gross profit for the quarter was \$2.4 million up approximately 60% from \$1.5 million a quarter a year ago. Net loss for the quarter was \$1.9 million (including approximately \$1.8 million of non-cash charges), reduced from the net loss of \$2.1 million (including approximately \$0.5 million of non-cash charges) a year ago. The net loss in the fourth quarter of 2011 includes a \$582,000 non-cash asset impairment charge. Adjusted EBITDA loss for the fourth quarter fiscal year 2011 improved to a loss of \$0.4 million compared to \$1.6 million for the fourth quarter of fiscal year 2010, an improvement of \$1.2 million or approximately 75%. A reconciliation of net loss to Adjusted EBITDA loss is presented below.

In the fourth quarter of fiscal 2011, the ePort Connect Network processed 22.5 million transactions and \$37.4 million in volume, increases of 92% and 80%, respectively, from the fourth quarter of fiscal 2010.

The momentum in new customer growth continued into the first few months of the Company's fiscal 2012, with approximately 150 new ePort customers added during July and August, increasing total ePort customers to approximately 2,075 as of August 31, 2011. In addition, as previously disclosed, transactions and volume processed in the first two months exceeded comparable period year ago performance by 81% and 71%, respectively, a reflection of both additional connections and increased average connection usage.

Fully audited financial reports for the year ended June 30, 2011 were filed on form 10-K with the Securities and Exchange commission today. The 10-K, as well as all of the Company's S.E.C. filings, can be viewed at <http://www.usatech.com>.

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. 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 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. In addition, 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, stock-based compensation expense and impairment expense on intangible assets.

Adjusted EBITDA is calculated by adding income taxes, interest expense, depreciation and amortization, stock-based compensation, intangible asset impairment and change in fair value of warrant liabilities to net earnings. Adjusted 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 Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization (Adjusted EBITDA)

	Q4 FY11	Q4 FY10	FY11	FY10
Net Loss	\$(1,923,055)	\$(2,089,801)	\$(6,457,067)	\$(11,571,495)
Interest income	(25,519)	(48,281)	(82,234)	(85,144)
Interest expense	3,529	12,184	35,953	60,942
Income tax expense	-	-	-	-
Depreciation expense	480,703	264,273	1,553,978	783,415
Amortization expense	258,600	258,600	1,034,400	1,034,400
Change in fair value of warrant liabilities	(35,609)	-	815,131	-
Stock-based compensation	293,381	(19,351)	356,866	130,525
Intangible asset impairment	581,900	-	581,900	-
Adjusted EBITDA loss	\$ (366,070)	\$(1,622,376)	\$(2,161,073)	\$ (9,647,357)

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 79 patents and has strategic agreements with Verizon, Visa, Crane, Compass and others. Visit our website at 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, 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; whether the Company's customers continue to utilize the Company's transaction processing and related services, as our customer agreements are generally cancelable by the customer on thirty to sixty days notice; whether the Company's customers continue to operate or commence operating ePorts received under the JumpStart program or otherwise at levels currently anticipated by the Company; the ability of the Company to compete with its competitors to obtain market share; whether the recent significant increase in the interchange fees to be charged by Visa and MasterCard for small ticket debit card transactions would adversely affect our business, including our revenues, gross profits, and anticipated future connections to our network; whether the Company would be able to pass along to its customers the recent significant increase in interchange fees charged by Visa and MasterCard for small ticket debit card transactions without those customers cancelling their contracts with us; 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.

USA Technologies, Inc. Consolidated Statements of Operations

	Year ended June 30		
	2011	2010	2009
Revenues:			
Equipment sales	\$ 6,426,304	\$ 6,464,006	\$ 6,158,017
License and transaction fees	16,442,485	9,307,100	5,862,106
Total revenues	22,868,789	15,771,106	12,020,123
Cost of equipment	3,468,993	4,049,433	4,490,519
Cost of services	11,651,138	6,861,642	4,680,087
Gross profit	7,748,658	4,860,031	2,849,517
Operating expenses:			
Selling, general and administrative	11,430,610	14,885,685	15,183,847
Depreciation and amortization	1,424,365	1,570,043	1,583,426
Impairment of intangible asset	581,900	-	-
Total operating expenses	13,436,875	16,455,728	16,767,273
Operating loss	(5,688,217)	(11,595,697)	(13,917,756)
Other income (expense):			
Interest income	82,234	85,144	282,930
Interest expense	(35,953)	(60,942)	(96,992)
Change in fair value	(815,131)	-	-
Total other income (expense), net	(768,850)	24,202	185,938

Net loss	(6,457,067)	(11,571,495)	(13,731,818)
Cumulative preferred dividends	(665,577)	(735,139)	(772,997)
Loss applicable to common shares	<u>\$ (7,122,644)</u>	<u>\$(12,306,634)</u>	<u>\$(14,504,815)</u>
Loss per common share (basic and diluted)	\$ (0.26)	\$ (0.55)	\$ (0.95)
Weighted average number of common shares outstanding (basic and diluted)	27,665,345	22,370,068	15,263,788

USA Technologies, Inc.
Consolidated Balance Sheets

	June 30	
	<u>2011</u>	<u>2010</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 12,991,511	\$ 7,604,324
Accounts receivable, less allowance for uncollectible accounts of \$113,000 and \$41,000, respectively	1,634,719	2,048,421
Finance receivables	285,786	242,452
Inventory	2,670,332	2,633,971
Prepaid expenses and other current assets	<u>846,033</u>	<u>847,344</u>
Total current assets	18,428,381	13,376,512
Finance receivables, less current portion	\$ 195,601	\$ 339,341
Property and equipment, net	7,395,775	4,511,889
Intangibles, net	2,194,353	3,810,653
Goodwill	7,663,208	7,663,208
Other assets	126,687	146,821
Total assets	<u>\$ 36,004,005</u>	<u>\$ 29,848,424</u>
Liabilities and shareholders' equity		
Current liabilities:		
Accounts payable	\$ 5,638,361	\$ 4,570,730
Accrued expenses	1,088,090	1,869,367
Current obligations under long-term debt	<u>155,428</u>	<u>344,652</u>
Total current liabilities	6,881,879	6,784,749
Long-term liabilities:		
Long-term debt, less current portion	97,633	251,503
Accrued expenses, less current portion	166,709	-
Warrant liabilities, non-current	<u>2,732,253</u>	<u>-</u>
Total long-term liabilities	2,996,595	251,503
Total liabilities	<u>9,878,474</u>	<u>7,036,252</u>
Commitments and contingencies (Note 15)		
Shareholders' equity:		
Preferred stock, no par value:		
Authorized shares- 1,800,000 Series A convertible preferred shares- 900,000 Issued and outstanding shares- 442,968 and 444,468, respectively (liquidation preference of \$14,697,100 and \$14,079,523, respectively)	3,138,056	3,148,676
Common stock, no par value: Authorized shares- 640,000,000 Issued and outstanding shares- 32,281,140 and 25,497,155, respectively	219,772,598	209,958,552
Accumulated deficit	<u>(196,785,123)</u>	<u>(190,295,056)</u>
Total shareholders' equity	26,125,531	22,812,172
Total liabilities and shareholders' equity	<u>\$ 36,004,005</u>	<u>\$ 29,848,424</u>

USA Technologies, Inc.

Consolidated Statements of Cash Flows

	Year ended June 30		
	2011	2010	2009
OPERATING ACTIVITIES:			
Net loss	\$(6,457,067)	\$(11,571,495)	\$(13,731,818)
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 and director compensation	302,471	87,354	1,324,643
Charges incurred (reduced) in connection with the Long-term Equity Incentive Program	54,395	43,171	(375,866)
Charges incurred for change in fair value of warrants	815,131	-	-
Loss on disposal of property and equipment	116,828	25,059	-
Depreciation, \$1,164,013, \$247,772, and \$89,361, respectively, of which is allocated to cost of services	1,553,978	783,415	632,408
Amortization	1,034,400	1,034,400	1,040,379
Impairment of intangible asset	581,900	-	-
Bad debt expense (recovery)	92,025	(506)	(17,158)
Changes in operating assets and liabilities:			
Accounts receivable	321,677	(579,863)	2,032,772
Finance receivables	100,406	(247,241)	489,211
Inventory	(4,299,663)	(3,468,027)	627,776
Prepaid expenses and other assets	115,756	337,672	181,114
Accounts payable	1,067,631	776,039	(210,858)
Accrued expenses	(571,397)	432,840	(470,283)
Net cash used in operating activities	(5,171,529)	(12,347,182)	(8,477,680)
INVESTING ACTIVITIES:			
Purchase of property and equipment, net	(291,390)	(520,835)	(264,863)
Net proceeds from redemption/sale of available-for-sale securities	-	-	6,875,000
Net cash provided by (used in) investing activities	(291,390)	(520,835)	6,610,137

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

	Year ended June 30		
	2011	2010	2009
FINANCING ACTIVITIES:			
Net proceeds from the issuance (payments for retirement) of common stock	\$11,287,511	\$14,922,505	\$ (375,584)
Payments for retirement of preferred stock	-	(598,464)	(88,048)
Proceeds from the issuance of long-term debt	-	7,500	-
Repayment of long-term debt	(437,405)	(607,462)	(891,254)
Net cash provided by (used in) financing activities	10,850,106	13,724,079	(1,354,886)
Net increase (decrease) in cash and cash equivalents	5,387,187	856,062	(3,222,429)
Cash and cash equivalents at beginning of year	7,604,324	6,748,262	9,970,691
Cash and cash equivalents at end of year	<u>\$12,991,511</u>	<u>\$ 7,604,324</u>	<u>\$ 6,748,262</u>
<i>Supplemental disclosures of cash flow information:</i>			
Cash paid for interest	<u>\$ 37,962</u>	<u>\$ 63,883</u>	<u>\$ 97,385</u>
Equipment and software acquired under capital lease	<u>\$ -</u>	<u>\$ 17,337</u>	<u>\$ 424,612</u>
Equipment and software financed with long-term debt	<u>\$ -</u>	<u>\$ 195,000</u>	<u>\$ -</u>
Conversion of convertible preferred stock to common stock	<u>\$ (10,620)</u>	<u>\$ -</u>	<u>\$ -</u>
Conversion of cumulative preferred dividends to common stock	<u>\$ (33,000)</u>	<u>\$ -</u>	<u>\$ -</u>

Prepaid insurance financed with long-term debt	<u>\$ 94,311</u>	<u>\$ -</u>	<u>\$ 225,785</u>
Prepaid software licenses and maintenance financed with long-term debt	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 93,398</u>
Disposal of property and equipment	<u>\$ -</u>	<u>\$ 581,124</u>	<u>\$ -</u>
Reclass of inventory to fixed assets for rental units	<u>\$ 4,263,302</u>	<u>\$ 2,505,282</u>	<u>\$ -</u>
Fair value of warrants at issuance	<u>\$ 1,917,122</u>	<u>\$ -</u>	<u>\$ -</u>

Investor Contact:

Gregory FCA

Joe Hassett

Senior Vice President

610-228-2110

joeh@gregcomm.com

or

Press Contact:

Gregory FCA

Katie Nicolai

Account Executive

610-228-2128

katien@gregcomm.com

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