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.
Charles Bellows – Portfolio Manager, White Pine Capital LLC
Hamed Khorsand – Founder, President & Chief Compliance Officer, BWS Financial, Inc.

MANAGEMENT DISCUSSION SECTION

Operator: Good day and welcome to USA Technologies Second Quarter Fiscal 2013 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

Good morning, and welcome to USA Technologies second quarter conference call.

Before beginning today's call, I'd 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 results and 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 reports for the quarter ended September 30, 2012.

USA Technologies financial results for the quarter and six months ended December 31, 2012 will be reported in our Form 10-Q that we intend to file with the Securities and Exchange Commission by its due date. 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 under takes no obligations to update our 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 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 Stephen Herbert, Chairman and Chief Executive Officer; and Dave DeMedio, Chief Financial Officer. Steve will begin our discussion this morning with an overview of

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the quarter as it relates to our longer term strategy and objectives, and then Dave will go through the financial highlights for the second quarter in more detail. Steve will then wrap up the call with some closing comments before opening the call to questions.

At this point, I would like to introduce Steve Herbert, Chairman and CEO of USA Technologies. Please go ahead, Steve.

Stephen P. Herbert, Chairman & Chief Executive Officer

Thank you, Veroni, and good morning everyone. We are delighted to be conducting our second quarter earnings call from the NASDAQ market site in Times Square this morning. Later today, we'll ring the NASDAQ closing bell in celebration of the turnaround and reshaping of our company in the last year, culminating with a major milestone event for USAT that was reported today, profitability.

USAT pioneered wireless, cashless and telemetry for the self-serve retail market, so achieving the kind of scale that we're celebrating today, at a time when many exciting things are beginning to happen in this space, is thrilling for the company and its shareholders.

The following financial highlights for the second quarter of fiscal 2013 represent the culmination of the successful execution of the plan we set forth in a letter to our shareholders just over a year ago. We achieved non-GAAP net income of $557,000 and GAAP net income of $154,000 for the second quarter. In the second quarter a year ago, those numbers were a non-GAAP net loss of approximately $1 million and a GAAP net loss of $1.8 million.

Revenues for the second quarter came in at $8.9 million, up 29% from the second quarter a year ago, with license and transaction fees – specifically our recurring revenues from our ePort Connect service – delivering 83% of our total revenue mix this quarter.

Gross profit in our second fiscal quarter grew by 86% year-over-year, and adjusted EBITDA grew to $1.8 million in the second quarter, a $2.7 million swing from second quarter a year ago, a measure that reflects the steady improvements to revenue, cost and expense leverage over the past four quarters.

Our turnaround plan was concise and focused with four primary objectives: getting the company to profitability, broadening and strengthening corporate governance, enhancing shareholder visibility, and very importantly, delivering maximum value to our customers.

Actions taken to broaden and strengthen corporate governance have included, among other things, the addition of five new independent directors over the last year, and we named a lead independent director, Steve Barnhart, to strengthen our board leadership structure.

The board, I have to say, is very engaged in the business. Directors like Al Moschner, with his extensive wireless and manufacturing experience, and Debbie Arnold, a former Visa executive who now leads the NFC Forum, for example, are bringing great value to USAT. And in the latter part of 2012, we expanded the responsibilities of our nominating committee – now the nominating and corporate governance committee – to include identifying and recommending best practices in the area of corporate governance for USAT. It's really a great team that is working together cohesively to bring the most value to USAT and its shareholders.

We've enhanced shareholder visibility by increasing direct communication, such as my letter to shareholders a year ago outlining our key goals, instituting quarterly earnings calls, a new IR website, and by adding a dedicated investor-relations resource in Veronica Rosa, who kicked off this call.

Accelerating our path to profitability was one of the most important elements of the comprehensive plan we put in place and communicated to shareholders a little more than a year ago. Our work included strengthening our recurring revenue base with strategies directed at optimizing our service platform and building new customers and connections. We improved our gross margins by reducing costs and improving efficiencies related to the delivery of our service, and management instituted nearly a dozen changes including those just noted which impacted numerous elements of the financial statements. And importantly, we successfully took these actions while also maintaining double-digit growth.

These efforts allowed us to hit our initial target of positive adjusted EBITDA. Then based upon the visibility afforded by a strengthened recurring revenue base and the improvements we were already seeing in our operational performance, in May of last year, we publicly communicated that we had set our sights on achieving non-GAAP profitability for our December quarter. The strength of our results this quarter enabled us to deliver non-GAAP as well as GAAP profitability this quarter. So, we are all, obviously, very excited and many, many thanks go out to all of our employees, our customers, partners and suppliers for helping USAT reach this important milestone.

All of these efforts are directed at one thing, increasing shareholder value. The market cap has doubled since December of 2011. So we've taken some big steps there. As we look ahead we believe the financial and strategic actions we've taken on this path towards profitability provide us with sustainability and a great foundation to boost our leadership in the small-ticket unattended retail market. The self-serve retail space, such as vending and kiosk, for example, where we believe there are millions of cash-only devices generating some $120 billion in transactions are ripe for adoption.

Quite simply, our overall approach to driving maximum shareholder value involves two things, driving the number of connections to our ePort Connect service by leveraging our existing customer base, developing new distribution channels and diversifying into markets beyond traditional vendors, and delivering more value to every connection via expanded services and unmatched customer service. We believe our second quarter results reflect steady execution in these areas.

In terms of connections, our stated goal for the full fiscal year is 60,000 new connections versus the 45,000 achieved in fiscal 2012. Our approach to that goal is that we continue to do everything we can to further stimulate the rate of adoption. That requires that we continue to penetrate our existing customer base, leverage our partners, diversify into vertical markets like kiosk and take advantage of emerging trends like mobile payment. In the second quarter, we saw evidence of our work in all of these areas, in all enhanced performance on multiple levers to sustain and enhance growth going forward.

Net new connections for the second quarter totaled 12,000, up 71% year-over-year, for total connections to our ePort Connect service as of December 31 of 186,000, a 37% increase from a year ago. The 71% growth in connections added for the quarter was influenced by the fact that last year news of the Durbin Amendment had a negative impact on the small-ticket space. We've done a great deal of work to address this issue including USAT's agreement with Visa that was renewed early in the second quarter.

Also in the second quarter, we signed 10 exclusive contracts with existing customers. These contracts reflect the value these customers are placing on having priority access to our various programs and service offerings. In addition, we're pleased to see our customers think more comprehensively about the future of cashless and telemetry adoption in the long-term plans for their businesses. They serve as useful indicators of accelerating market adoption and they say a lot to other potential customers about the confidence that our existing customers are placing in USAT. We also saw our second mid-size vending operator state its intent to go 100% by 2014 in the second quarter, following our work with The Pepi Companies. We hope that these stories will

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continue to inspire others to think holistically about the benefits of cashless and telemetry which can be brought to their businesses.

Based on a recent study generated from USAT's knowledge-based study of 76,000 locations for the September to November 2012 time period, the percentage of cashless usage appears to be building. In the study, cashless transactions grew as a percentage – cashless transactions as a percentage of total transactions grew 14% from an average of 27% using our 2012 study to 31% on average. With little customer turnover adding new customers to the USAT fold, only serves to strengthen our potential for future connections.

In the second quarter, we increased the number of ePort customers by 375; a 50% increase from the 250 we added to the ePort Connect service in the second quarter of last year. We now have approximately 4,100 customers to our ePort Connect service as of quarter end. Just two years ago, this number stood at only 1,450 total customers. We believe these 4,100 customers operate approximately 2 million locations in our market space that are still primarily taking cash. So, they represent a significant part of our growth platform going forward.

Another key driver to driving connections as well as value-added services is mobile. A great deal of our efforts in the last year have been dedicated to strategically positioning the company for the emerging trends in mobile payment. From the use of Mobile Wallet and our NFC-enabled cashless locations to new loyalty and couponing capabilities, it has long been our vision that these new forces – market forces have the potential to move the rate of adoption in our market at a much faster clip. That's why our work with partners like Verizon and Isis is so important.

Through our relationship with Isis for example, we are extending our reach to accelerate consumer demand for cashless payment with our participation in the Isis Mobile Wallet launch in the Salt Lake City and Austin markets. Our agreement with Isis helps them gain access to additional NFC touchpoints for their Mobile Wallet. And for USAT it continues to bring cashless into the spotlight, thereby driving continued adoption. Our customers in these cities have already noticed how the Isis Mobile Wallet has been a huge facilitator to driving traffic to their cashless locations especially with the Gen X and Y demographic. So we're seeing some nice traction with Isis and we believe they're pleased with the traction they're seeing with USAT. We look forward to supporting their Mobile Wallet offering through our growing population of NFC-enabled touchpoints in the many customers and locations we serve.

Our Verizon relationship, which has several facets including wireless connectivity to our service as well as expanded distribution through their M2M sales team, move farther along in the quarter with respect to our loyalty and couponing program solution.

This is a very exciting new service capability that we've been working on that is essentially the result of our co-marketing agreement with Verizon. An expansion of our ePort Connect service, it's a solution that allows for delivery of loyalty and couponing programs directly to a consumer smartphone. It includes a mobile app that enables consumers to manage and redeem loyalty points, receive coupons and even search for participating locations based on where they are geographically. And for our customers, it's a view of the future, if you will, as they can now develop one-to-one relationships with consumers that they can leverage to enhance their businesses, something this market sector has never experienced.

Based on trial work in the second quarter, we added more enhancements, like the ability to give points, all demonstrated in the Verizon booth at the 2013 Consumer Electronics Show in early January. This is a service that is still evolving quite rapidly, so we'll be keeping you informed as our work here continues to develop.

Our ePort Mobile product is yet another way we're using mobile trends and technologies to drive connections to our ePort Connect service. This product allows us to support our customers with

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employees that are still collecting cash or invoicing at the point of delivery or sale and who have expressed a need for this kind of mobile payment acceptance solution. It's also a great way for both USAT and our customers to leverage integrated service and reporting capabilities through ePort Connect.

During the second quarter we conducted a targeted customer launch, so we hit our initial connections related to this product line. In the second half of the fiscal year, we will look to gain more traction and continue work with this new offering. That's just some of the work that we're doing to bolster our opportunities for added connections and adding value to those connections for our customers. We are leading the industry by far in the vending space, and we have a lot of lines in the water in many areas that I'll group under kiosk. Car washes, laundry, gaming, et cetera that should represent additional opportunity for USAT.

With our turnaround plan outlined a year ago essentially completed, I'd like to make a few comments regarding what's next for USAT, and our view of the future including the strategic priorities that we believe will deliver the best long-term value for the company, and that as a result form the basis of much of our work today.

In the near term, we're focused on hitting our targets for the fiscal year. Equally as important, we're working to leverage the work that we've already started, important work with Verizon, Isis and many potential customers that have come to USAT as a leading force in the small-ticket unattended retail market. And, while driving top line growth through those activities, we continue to look for ways to leverage our infrastructure and improve the capital efficiency of the business. All things we believe that will deliver great value to our customers and great returns for shareholders.

Longer term our vision for USAT is based on a number of core principles. First, market leadership, this is a big industry with some $120 billion in transactions in the small-ticket unattended markets we're targeting, yet it remains lightly penetrated and still dominated by cash.

We've attained a leadership position in this market because of programs like JumpStart that dramatically accelerated the adoption curve, particularly in the vending space. I can't even begin to quantify the huge head start JumpStart provided this company in terms of acquiring a critical customer base and new connections such that 83% of our revenues are now recurring, adding a strong sustainability factor to the profitability we're reporting today. So, creative market moving approaches that build long-term value will continue to be a part of the USAT brand.

Second, we'll remain committed to customer focused innovation. Our customer base gives us unique insight as to what will drive adoption and customer loyalty and therefore what will bring the most value to USAT. It forms the basis for new services like two tier pricing, ePort Mobile and other services and products currently under development. Mobile as a rapidly emerging consumer trend cannot be overlooked and thus will remain an integral part of our approach as we integrate this important element into our pipeline of product and service innovations underway.

And third, strength through scale, our work in the areas of governance, seating important growth platforms and creating a culture of success and accountability that has materialized into the profitability reported today are the stepping stones to even bigger strategic plays we believe. They can come in many forms, for example strategic relationships with the likes of Verizon, Isis and others simply weren't feasible 18 months ago.

In closing, know that the management team and board have and will continue to do everything within our power to keep USAT at the forefront of this rapidly emerging market.

We've opened up the market with JumpStart. We've positioned USAT to benefit as the adoption curve strengths with over 4,100 customers, both of which have helped our leadership position in the market become further entrenched. And while competition is inevitable as the market of this size opens up, that's also a signal that market forces are strengthening, which we believe is a good thing.

Through all of this, we must remain agile, as well as aggressive in our approach. We have a lot of great work going on that hopefully will yield new successes and solid financial performance in the coming quarters and years, so I remain very optimistic about our future.

And now, I am going to turn the call over to Dave DeMedio, our CFO for a review of the financial results.

David M. DeMedio, Chief Financial Officer

Thank you, Steve.

We are very pleased to cross over into profitability this quarter by reporting both non-GAAP net income of $557,000, as well as GAAP net income of $154,000. Our stated target was non-GAAP profitability, which removes non-operational adjustments like the fair value of warrant adjustment. But the financial results are strong enough for us to achieve GAAP profitability for the second consecutive quarter.

In comparison for the same period a year ago, non-GAAP net loss was $997,000 and GAAP net loss was $1.8 million. Net income for common share for the quarter was $0.00 per share and on a non-GAAP basis net income for common share was $0.02 compared to minus $0.03 for 2Q a year ago. There were no preferred dividends declared this quarter as that occurs in our first and third fiscal quarters.

For the near term, we will continue to use a non-GAAP measure to remove significant non-operational adjustments to our P&L, as we think this allows for a better view of our progress and our potential. As a reminder these non-GAAP reconciliations can be found in the Investor Relations section of our website www.usatech.com with the other second quarter information.

As Steve mentioned, reaching profitability was driven by a number of factors including service programs and customer acquisition investments we have made to drive adoption throughout the small-ticket unattended market. A 43% three-year compounded annual growth rate in connections and a corresponding 74% compounded annual growth rate in customers has driven our march to profitability.

As part of our turnaround plan, we accelerated our path towards profitability via improvements in gross margins including negotiating new and/or renegotiating existing supplier contracts that leveraged our growing scale, as well as to operating expense controls to obtain greater operating leverage as we continue to grow. With 83% of total revenue from license and transaction fees, which we refer to as recurring revenues, we're building an attractive business model that continue to garner the attention of customers, partners, and hopefully the investment community.

Revenues for the second quarter came in at $8.9 million, up 29% from $6.9 million for the same period a year ago. Equipment sales, which includes sales of our ePort device, activation fees on ePorts either sold or deployed under JumpStart and Energy Miser product sales came in at $1.5 million, up 14% from 2Q a year ago. Contributing to this growth were increased activation fees from ePort connections which increased approximately 70% from a quarter a year ago.

Sales of our Energy Miser product represented about 5% of total 2Q revenues. Miser sales which have been down for the past few quarters grew sequentially from the first quarter, but were still down 20% when comparing year-over-year due to a strong second quarter last fiscal year for that product line.

License and transaction fees came in at $7.4 million, a 33% increase from $5.6 million a year ago. The recurring revenues represented 83% of total revenues for the quarter. For perspective, just two fiscal years ago, for the similar second fiscal quarter that ratio was 62%. So you really can see how the accumulation of connections to our ePort Connect service have shifted and strengthened the business model within a fairly short timeframe.

For additional background on our business model, customers can either purchase one of our ePort devices, which is reported in equipment sales or they can obtain a device under our JumpStart program by paying a higher monthly ePort Connect service fee. Some of our customers mostly in the kiosk market today only need the software version of our product ePort SDK or QuickConnect web service. Our standard customer pays a monthly ePort Connect service fee and a blended transaction fee on cashless transactions handled by USAT. JumpStart fees, the ePort monthly fee and transaction fees are all reflected in license and transaction fee revenue. Total connections through our ePort Connect service grew to 186,000 as of December 31, up 37% from 136,000 as of December 31, 2011.

Net new connections in the second quarter totaled 12,000, up 71% when compared to 7,000 for the same period last year. As Steve indicated, the increase in regulated debit interchange related to the Durbin Amendment, which significantly increased the rate for accepting small-ticket transactions, dramatically stall the rate of connections in the year ago quarter. So a 71% year-over-year growth rate reflects recovery from that depressed level.

In terms of overall connections, approximately 75% of our connections are in the vending space, and the remaining in the kiosks, laundry, and other areas. ePort devices whether through JumpStart or regular sales represented 88% of new connections in the quarter that compares to 96% last quarter and an average of about 76% for the fiscal 2012 year. Of the current quarter connections that were ePort devices, substantially all were from JumpStart, the cash related to funding those JumpStart units in the quarter is visible in the investing activity section of the consolidated statement of cashless. About 12% of 2Q connections came from SDK, QuickConnect products and our new ePort Mobile devices of which there are just a handful of mobile connections in the 2Q quarter.

AMI Entertainment remains our largest customer in this area, as they continue to roll-out Megatouch gaming and digital jukeboxes with cashless payment capabilities from USAT. Since they require little in the way of our upfront capital, our diversification strategies call for connections from SDK or QuickConnect products to grow from 12% to 30%.

Transaction dollars during the quarter totaled $51 million, up 29% from 2Q a year ago. Pursuant to its agreement with customers, the company earns transaction processing fees equal to percentages this volume, which are included as license and transaction processing revenues in its consolidated statement of operations.

Because we structure this aspect of our ePort Connect service very close to a pass-through of our cost, growth in this component of license and transaction fees impacts the top-line, but doesn't necessarily translate to corresponding increases in gross margin dollars. That said, as the business continues to scale and the market opens up long-term, there may be opportunity to have this element of our service model contribute to higher gross margins.

Gross profit of $3.6 million showed a huge improvement from 2Q fiscal 2012, up 86% year-over-year. Part of that dramatic change is the several hundred thousand dollar hit we took in last year's quarter related to absorbing the higher debit interchange associated with Durbin before we reached our agreement with Visa, as well as other actions we implemented. The remainder of the improvement essentially stems from actions taken to improve margins from license and transaction

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fees such as the negotiation of supplier contracts that affect the cost of delivering our ePort Connect service.

As a result gross profit margin was 40.5% for 2Q, up from 28.2% of 2Q of last year. Again license and transaction fees were 83% of the revenue mix for the second quarter. Gross profit on those fees improved by $1.4 million, with gross profit margin for 2Q climbing to 41.1%, from 28.7% for 2Q in fiscal 2012. Going forward, since we expect margins on license and transaction fees to remain around 40%, and since this recurring revenue represents over 80% of our revenue mix, we continue to be comfortable with a 40% gross margin target.

Operating expenses held steady in the second quarter, while supporting an increasingly greater level of revenues. As a result of improved revenues and gross profit margins, operating margins for the second quarter reached positive territory for the first time, coming in at 6.4% on both the GAAP and non-GAAP basis for the second quarter.

For the near term, we think this operating margin percent should stay in this range or slightly better as we reinvest in additional sales resources in the second half of the fiscal year. However, we continuously focus on cost management to supplement those growth needs as well. As an example, we recently negotiated a new lease and location for our fulfillment center, which is expected to reduce our lease expense on that center by approximately 75% or over $600,000 over the 38-month lease term. Those savings begin in our third quarter ending March 31, 2013.

Adjusted EBITDA is a non-GAAP measure, which we've used to help track operational progress from a cash perspective. With $1.8 million adjusted EBITDA this quarter, we've come a long way from using cash from operating losses. When in 2Q a year ago, we reported an adjusted EBITDA loss of $938,000. You can see that translate to the cash flow statement with cash generated from operations of $1.9 million for the second quarter, compared to cash used in operations of $2.5 million in 2Q of fiscal 2012.

Stronger operational performance is evidenced by the $2.7 million swing in adjusted EBITDA I've just noted was the biggest driver, with changes in working capital netting to a source of about $160,000 for the second quarter. We used approximately $2.5 million of cash in the JumpStart program for about $4.5 million year-to-date. From a dollar perspective this was a bit higher than we had planned to use to- date due to the higher mix of hardware connections versus software connections and a greater number of those hardware connections using the JumpStart program in the quarter.

Cash stood at $5 million as of December 31, down from $6.4 million at the beginning of the fiscal year, as we used cash to fund growth, particularly in driving connections to our service fee JumpStart. The credit line liability stood at $1 million as of December 31. And as we've indicated securing this $3 million line of credit several months ago was an important step for a company with a track record of losses. Due to our improved financial performance thus far, in early January, we negotiated $1 million increase to our borrowing base under this line of credit.

Our fiscal 2013 business plan calls for us to fund growth through cash on hand, cash generated from operations and this credit line. Our largest capital requirement is obviously JumpStart, which last year contributed to about two-thirds of our connections. We were targeting 55% to 60% for fiscal 2013 under the assumption that we would have a greater mix of connections away from JumpStart, such as through our SDK and QuickConnect connections. As we look at how this impacts the second half of our fiscal year, we may choose to adjust the JumpStart levels or to modify the JumpStart program to ensure cash balances remain on target with our planned levels.

For a recap of our targets for the year, net new connections of 60,000 connections for the fiscal year, even though JumpStart could be modified or limited, we are optimistic that our sales,

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marketing, development and partnering actions underway will help us achieve this target. Reaching 60,000 connections will bring our ePort Connect base to 224,000 connections.

Revenue growth of over 30% bringing total revenues to approximately $38 million for the year based on the mix of recurring revenues of about 80%. We expect continued gross margins in the 40% range, non-GAAP net income for the full fiscal year, and cash generated from operations of approximately $4 million to $5 million to be used along with cash on hand and our credit lines to support USAT's growth.

With that, I would like to turn the call back over to Steve.

Stephen P. Herbert, Chairman & Chief Executive Officer

Thank you, David.

It's great to be here today to celebrate this great milestone for USAT. We've made great strides in the business over the last year, and more importantly, planted powerful seeds relative to our future. Thank you all again for joining us here today and for being a part of the USAT story. Check us out on NASDAQ.com, Bloomberg, Fox or CNBC as we ring the closing bell at NASDAQ this afternoon.

At this point, we're happy to take any questions. Operator, can you please open the call and provide instructions for our Q&A session. Thank you.

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QUESTION AND ANSWER SECTION

Operator: [Operator Instruction]. And our first question comes from Mike Latimore of Northland Capital. Please proceed.

<Q – Mike Latimore – Northland Securities, Inc.>: I guess first on connections, you've done I think 22,000 in the first half of the year, so that suggests maybe 38,000 you need to kind of get you, in the second half of the year, your goals. I guess what do you see as sort of different in the second half of the year that would drive that growth? And maybe talk a little bit about seasonality, too.

<A – Steve Herbert – USA Technologies, Inc.>: Sure. Mike, thank you very much. It's Steve Herbert. I appreciate your question.

One of the things that we – is a trend in our business in the second half is typically that we have a strong second half. As an example, in the June 30 quarter of last fiscal year, we had 16,000 connections. So we did – we do expect to have a strong second half.

In addition, I think both Dave and I alluded to a pipeline that we feel confident about that will help to fuel connections as we move forward through the second half of the fiscal year.

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

<A – Steve Herbert – USA Technologies, Inc.>: Did you have a follow up?

<Q – Mike Latimore – Northland Securities, Inc.>: I know your connections are usually pretty diverse, but do you expect one or two customers to represent – I don't know – 10% or 20% of the connections in the second half?

<A – Steve Herbert – USA Technologies, Inc.>: I don't think we do, Mike. The customer base is becoming more diverse by the day.

With 4,100 customers on the service, yeah, we have a significant amount of connections coming from existing customers, which will be a major focus for us. And many of those are in the vending industry, as David mentioned; however, were getting some impressive traction in some of these other markets, as well. Some of the markets that we mentioned earlier, such as kiosk, laundry, et cetera.

So we don't – I don't – I personally don't see – just to bring it back full circle, I don't see, at this point, a major concentration.

<Q – Mike Latimore – Northland Securities, Inc.>: Got it. And then I wasn't completely clear on your JumpStart comments. Can you kind of refresh us on what the original goal was for JumpStart as a percent of connections, and what you think it might be for the year now?

<A – Dave DeMedio – USA Technologies, Inc.>: Mike, this is Dave DeMedio. Our original goal at the beginning of the year was to have JumpStart to be about 55% to 60%, as a percent of all connections. And it's been trending higher than that in the first fiscal half of the year. The most recent quarter, 2Q quarter, was around 88% of connections.

In terms of overall, when we end the year, I think we'll probably end the year slightly higher than the 55% to 60% of all connections. But nonetheless, we're expecting connections from other places in the second half to come away from JumpStart.

<**Q – Mike Latimore – Northland Securities, Inc.**>**:** Got it. And just last, you've historically reported transaction volume and number of transactions in the quarter. Do you happen to have that data?

<**A – Dave DeMedio – USA Technologies, Inc.**>**:** Well, we had $51 million of transactions handled. And the number of transactions – the average ticket per transaction was around $1.65. I think that translates to around 29 million transactions.

<**Q – Mike Latimore – Northland Securities, Inc.**>**:** Okay. Great. I guess last question. Just the SG&A came down I think about $500,000 sequentially. I know you touched on it from a high level, but can you talk a little bit about – excuse me – was that mostly employee cost, or were those outsourced consultants? That was a pretty big change sequentially. What were the main factors there? Employee versus, say, outsourced cost versus marketing?

<**A – Dave DeMedio – USA Technologies, Inc.**>**:** Mike, this is Dave again. If you remember in Q1 of our fiscal year, we had several hundred thousand dollars related – that carried over into that quarter – related to proxy. That went away in this quarter, Q2. We didn't have anything related to that issue in the summer. So that was one of the reasons for the decrease.

And then there are other reasons for the decrease, really relate to year-end type of accrual accounting. Payroll tax, PTO, those types of things, which lended itself to reduced expenses in this quarter compared to Q1.

<**Q – Mike Latimore – Northland Securities, Inc.**>**:** Okay, thanks a lot.

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

<**Q – Mike Latimore – Northland Securities, Inc.**>**:** Yeah, thanks a lot. Bye.

Operator: The next question comes from Charles Bellows of White Pine Capital. Please proceed.

<**Q – Charles Bellows – White Pine Capital LLC**>**:** [Question Inaudible] (43:22 – 43:32) plans? And what do you see the fall out being?

<**A – Veroni Rosa – USA Technologies, Inc.**>**:** I think we need that question repeated. The beginning – getting cut off from the beginning.

<**Q – Charles Bellows – White Pine Capital LLC**>**:** What do you see from the Crane acquisition of MEI? And how does that affect your strategies?

<**A – Steve Herbert – USA Technologies, Inc.**>**:** Thank you for the question. It's Steve Herbert here.

We actually – we do business with both companies. We, being primarily a service business with 83% of our revenues coming from our service, and the two of those companies really being hardware companies, Crane, even before they purchased MEI, had a payment systems division called [ph] Parenza (44:21) and they make vending machines, as well.

So they are very much a hardware company. And MEI too is a device company. And we actually have many devices from both of those companies on our service.

So the combination of the two businesses we see as, in part, a validation of the marketplace in terms of where it's headed. And in addition to that, perhaps after their integration, we'll be doing business with one company instead of two.

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<Q – Charles Bellows – White Pine Capital LLC>: Okay, so you do not see a negative fallout from this?

<A – Steve Herbert – USA Technologies, Inc.>: Not at this point. Not from what we can see. We don't see it as an existential threat.

As I mentioned, we're in business with both companies. We have healthy relationships. So that's definitely not the way we view it.

<Q – Charles Bellows – White Pine Capital LLC>: Okay, great. Thanks.

Operator: [Operator Instructions]. The next question comes from Hamed Khorsand of BWS Financial. Please proceed.

<Q – Hamed Khorsand – BWS Financial, Inc.>: Good morning. Just really one question here. Your customer count has increased year-over-year by 66%. But if I look at total unit growth, that's only up 37% year-over-year. So what's the catalyst? Especially when you gave earlier comments that you've only really penetrated [ph] less than 200,000 – 2 million (46:12) install base. So could you comment on that please?

<A – Steve Herbert – USA Technologies, Inc.>: Well, in the early days, of course, one targets the larger players. And we had a couple of very large hits, good hits, in the marketplace as we got started.

Examples include things like our work with [ph] I believe (46:41) seven of the top nine Coca-Cola bottlers. In addition to that, our work with Compass, which is a relationship that still continues to build, and we're many years into it. Their canteen division is the largest independent vending operating company in the United States, if not the world.

And also I would mention our work with MasterCard, Visa and Discover drove to our company about $10 million in funding to place terminals in the marketplace with our customers.

So with the limited number of large customers in the early days, you had those big hits. Now we're making our way through the market, and some of our customers are smaller, so you're going to see – I think you're going to see an evolution of that type.

<Q – Hamed Khorsand – BWS Financial, Inc.>: Okay. But going back to – the second part of my question was you're less than 10% penetrated, right? Up to what you're saying your customers could install – the wireless, the credit card readers. So what's going to be the catalyst to get these guys to adopt your services?

<A – Steve Herbert – USA Technologies, Inc.>: Well, that's a different question and a great question.

We are moving some very impressive data. We mentioned our knowledge base – we have data from somewhere in the neighborhood of 75,000 locations that we watch very closely. And one of the things that will motivate our customers to drive penetration, further penetration, into their business will be showing them good data, showing them good results. Increases in net operating profit, increases in average ticket, et cetera.

Those are the types of things that will help our customers move further into their businesses, and that is a major priority for our team.

<Q – Hamed Khorsand – BWS Financial, Inc.>: Okay. Thank you.

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

Operator: I am showing no further questions in the queue. Ladies and gentlemen, thank you for participating in today's conference. This does conclude the program and you may all disconnect. Everyone have a good day.

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