September 25, 2009

USA Technologies Reports Full Year Fiscal 2009 Financial Results

Fourth Quarter Revenue Strongest for Year, Reflects Launch of New ePort Product
New Product Offerings Strengthen Company for Fiscal 2010

MALVERN, Pa., Sep 25, 2009 (BUSINESS WIRE) -- USA Technologies (NASDAQ:USAT), a leading provider of technology-enabled solutions that facilitate payment transactions within the vending and unattended Point-of-Sale ("POS") markets, has reported financial results for the fiscal year ended June 30, 2009.

Highlights for the Year Ended June 30, 2009

- Increased the installed base of devices connected to the USALive(R) Network by 37%, to 52,000, compared with 38,000 the year before;
- The number of transactions processed for the year increased 98% to 22.4 million, from 11.3 million the year before;
- Launched ePort G8(TM) and ePort EDGE(TM), both lower-cost and more efficient cashless payment products;
- Fourth quarter revenues were strongest of the year, with total revenue at $3.6 million, reflecting sales of the new ePort G8;
- Gross profit margins for fiscal year 2009 improved to 24% from 21% a year ago;
- Signed a major vending procurement company;
- Drove a 19% reduction in SG & A expenses as compared to the prior fiscal year.

George Jensen, Chairman and Chief Executive Officer, USA Technologies, Inc., said, "2009 was a building block year for USAT as we launched two lower-cost ePort(R) products near the end of the year. The launch of both products positions USAT to improve revenues in the upcoming year. The fourth quarter reflects sales of our newly launched ePort G8, helping drive fourth quarter revenues to the highest levels for the year. Despite the poor economic climate and customers delaying their purchase decisions until the new products were available, we increased the number of distributed assets connected to our network by 37% to 52,000 at year-end, strengthening our business as we enter fiscal 2010."

Mr. Jensen continued, "With leading industry reports projecting a strong shift away from paper-based transactions, there are several industry trends that we believe will help drive growth in demand for USAT's products and solutions."

These trends include:

- The rapidly growing shift toward electronic payment transactions, away from cash and checks;
- The increase in consumer and merchant/operator demand for electronic transaction functionality;
- Improving POS technology, combined with declining device manufacturing and technology costs;
- Increased market sponsorship from industry participants, including card associations, card issuers and payment processors, leading to increased market adoption.

Mr. Jensen said, "Fiscal 2009 was not only an important year in terms of the introduction of ePort G8and ePort EDGE, but also because of the interest in the Quick Start Program, designed to eliminate the need for customers to commit up-front capital for the purchase of our cashless payment products and services. Also, the addition of key, new customers enables us to anticipate revenue growth in fiscal 2010."

"Subsequent to the end of the quarter we completed our $13.1 million financing which is anticipated to be used for general working capital purposes including the Quick Start Program. Quick Start has made our products more appealing to a larger group of customers, including Foodbuy LLC, the leading procurement company for vending food service organizations, with whom we signed a three-year preferred supplier and provider agreement. Foodbuy is the procurement company for Compass Group USA, a leading vending organization."

Mr. Jensen concluded, "With the introduction of our new products and the anticipated increase in revenues, we enter fiscal 2010 well positioned. With all of these positive factors aligned, coupled with expected industry trends that project increases in cashless payment transactions, we are preparing to improve our revenues, expand our margins, and further decrease our net loss. Fourth quarter revenues began to demonstrate some of these anticipated improvements, and we expect to continue these trends into the upcoming year."

Financial Results for the Fiscal Year Ended June 30, 2009

Revenues for the 2009 fiscal year ended June 30, 2009 were $12,020,123 compared with $16,103,546 for the year ended June 30, 2008. The decrease in revenues was primarily due to a decrease in equipment sales of $6,226,853, offset by an increase in license and transaction fees of $2,143,430. The decrease in equipment sales was due to a decrease in sales of approximately $4,924,000 of e-Port vending equipment and approximately $1,250,000 in energy conservation equipment, as well as a net decrease in other equipment sales of approximately $53,000. The decrease in e-Port vending equipment sales was primarily related to the Company's key customers awaiting the availability of the e-Port G8 and e-Port Edge products, as well as a decrease in capital spending by some customers due to the current economic slowdown. The e-Port G8 product became available for sale at the end of the third quarter of fiscal 2009, while the e-Port Edge product became available for sale during the fourth quarter of fiscal 2009. The increase in license and transaction fees was primarily due to the increase in the number of e-Port units on the company's USALive network. As of June 30, 2009 there were approximately 52,000 distributed assets connected to the Company's USALive network as compared with approximately 38,000 distributed assets connected as of June 30, 2008.

During the 2009 fiscal year, the Company processed approximately 22.4 million transactions totaling over $47.1 million, compared with approximately 11.3 million transactions totaling over $34.4 million during the 2008 fiscal year, an increase of approximately 98% in transaction volume and approximately 37% in dollars processed.

Cost of sales for the 2009 fiscal year decreased 28%, or $3.5 million, over the prior fiscal year, and consisted of equipment costs of $4,490,519 and network and transaction services related costs of $4,680,087. The decrease in total cost of sales over the prior fiscal year was due to a decrease in equipment costs of $5,212,955 and an increase in network and transaction services related costs of $1,698,869.

Gross profit for the 2009 fiscal year was $2,849,517, compared with gross profit of $3,418,854 for the previous fiscal year. The decrease was primarily the result of a reduction in equipment sales. Gross profit margin for the same periods increased to 24% from 21%, primarily due to an increase in the profit margin of e-Port vending equipment sales driven by lower production costs primarily due to offshore production.

Selling, general and administrative expense decreased 19% to $15,183,847, compared with $18,643,215 last year, primarily due to cost reduction measures taken by the Company during the third and fourth quarters of fiscal year 2008 and during the third quarter of fiscal year 2009. The increase in product development costs and consulting services is directly attributable to the costs related to the development of our new e-Port G-8 and e-Port Edge products.

Net loss for the 2009 fiscal year improved to $13,731,818 (including approximately $2.6 million of non-cash charges) compared with a net loss of $16,417,893 (including approximately $3.2 million of non-cash charges) for the 2008 fiscal year. Net loss per share for the 2009 fiscal year was $0.95 compared with a net loss of $1.21 for the 2008 fiscal year.

As of June 30, 2009 the Company had $6.7 million in cash and cash equivalents.

About USA Technologies:

USA Technologies is a leader in the networking of wireless non-cash transactions associated financial/network services and energy management. It 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, MasterCard, First Data, Compass and others. To view a Company overview presentation, visit:
http://www.usatech.com/company_info/dl/USAT_company_overview.pdf

Statement under the Private Securities Litigation Reform Act:

With the exception of the historical information contained in this release, the matters described herein contain forward-looking statements that involve risk and uncertainties that may individually or mutually impact the matters herein described, including but not limited to, product acceptance, the ability to continually obtain increased orders of its products, the ability to meet installation goals, economic, competitive governmental impacts, whether pending patents will be granted or defendable, validity of intellectual property and patents, the ability to license patents, the ability to commercialize developmental products, as well as technological and/or other factors.

(FINANCIAL TABLES FOLLOW)

USA Technologies, Inc.
Consolidated Statements of Operations

	Year ended June 30	
	2009	2008
Revenues:		
Equipment sales	$ 6,158,017	$ 12,384,870
License and transaction fees	5,862,106	3,718,676
Total revenues	12,020,123	16,103,546
Cost of equipment	4,490,519	9,703,474
Cost of services	4,680,087	2,981,218
Gross profit	2,849,517	3,418,854
Operating expenses:		
Selling, general and administrative	15,183,847	18,643,215
Depreciation and amortization	1,583,426	1,923,491
Total operating expenses	16,767,273	20,566,706
Operating loss	(13,917,756)	(17,147,852)
Other income (expense):		
Interest income	282,930	877,159
Other loss	-	-
Interest expense:		
Coupon or stated rate	(96,992)	(147,200)
Non-cash interest and amortization of debt discount	--	--
Total interest expense	(96,992)	(147,200)
Total other income (expense)	185,938	729,959)
Net loss	(13,731,818)	(16,417,893)
Cumulative preferred dividends	(772,997)	(780,588)
Loss applicable to common shares	$(14,504,815)	$(17,198,481)
Loss per common share (basic and diluted)	$ (0.95)	$ (1.21)
Weighted average number of common shares outstanding (basic and diluted)	15,263,788	14,158,298

USA Technologies, Inc.
Consolidated Balance Sheets

	Year ended June 30	
	2009	2008
Assets		
Current assets:		
Cash and cash equivalents	$ 6,748,262	$ 9,970,691
Accounts receivable, less allowance for uncollectible accounts of $42,000 and $215,000, respectively	1,468,052	3,483,666
Finance receivables	212,928	399,427
Inventory	1,671,226	2,299,002
Prepaid expenses and other current assets	1,078,026	802,223
Total current assets	11,178,494	16,955,009
Available-for-sale securities	--	6,875,000
Finance receivables, less current portion	121,624	424,336
Property and equipment, net	2,081,909	2,024,842
Intangibles, net	4,845,053	5,885,432
Goodwill	7,663,208	7,663,208
Other assets	90,090	227,824
Total assets	$ 25,980,378	$ 40,055,651
Liabilities and shareholders' equity		
Current liabilities:		
Accounts payable	$ 3,794,691	$ 4,005,549
Accrued expenses	1,393,356	2,506,035
Current obligations under long-term debt	494,850	526,348

Total current liabilities	5,682,897	7,037,932
Long-term debt, less current portion	325,209	441,170
Total liabilities	6,008,106	7,479,102
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- 510,270 and 520,392, respectively (liquidation preference of $15,451,307 and $14,977,220, respectively)	3,614,554	3,686,218
Common stock, no par value: Authorized shares- 640,000,000 Issued and outstanding shares- 15,423,022 and 15,155,270, respectively	194,948,693	193,733,104
Accumulated deficit	(178,590,975)	(164,842,773)
Total shareholders' equity	19,972,272	32,576,549
Total liabilities and shareholders' equity	$ 25,980,378	$ 40,055,651

SOURCE: USA Technologies

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