



February 9, 2009

USA Technologies Reports Second Quarter Fiscal 2009 Results

-- Ends Second Fiscal Quarter in Strong Cash Position ---Operating Costs Reduced---- Next Generation ePort Products On Schedule for Roll-out during Fiscal 3rd Quarter --

MALVERN, Pa., Feb 09, 2009 (BUSINESS WIRE) -- USA Technologies (NASDAQ: USAT), a leading supplier of networked devices and wireless non-cash transactions, associated financial/network services and energy management, reported its financial results for its second fiscal quarter 2009 ended December 31, 2008.

Highlights for the Quarter

- Introduced and neared completion of its improved and lower-cost ePortG 8(TM) and ePort Edge(TM) products, which at \$199, have a larger addressable market than its current products;
- Ended the year with a strong cash position, which was strengthened on January 2, 2009 with the sale of its Auction Rate Securities at par;
- Entered a three-year joint marketing agreement with First Data Corporation to jointly market and sell to vending operators and soft-drink bottlers in the U.S. a prepaid vending solution using USA Technology's ePort device and First Data's GO-Tag contactless payment presentation device;
- Expanded to three, the Company's exclusive three-year agreements for ePort devices and ePort Connect cashless services: customers include:
 - an unnamed major soft drink bottler that is listed on the NYSE
 - AIR-Serv, a leader in the kiosk market and
 - Merit Entertainment, a major participant in the entertainment industry;
- Named to Deloitte's prestigious Fast 50 Program for Greater Philadelphia, ranking 26 of the 50 fastest-growing technology, media, telecommunications and life sciences in the area;

Management Discussion

George Jensen, Chairman and Chief Executive Officer of USA Technologies said, "With the development of our new ePort G8 and ePort Edge products basically behind us, we are anxiously looking forward to the roll-out, which we anticipate will begin before the close of the third fiscal quarter. Our customers have been a key driver in the development of these products, and they are looking forward to the product enhancements and their expected economic benefits."

He continued, "Not only do we anticipate great market acceptance for our new products, but the development costs will be behind us beginning in the fourth fiscal quarter. Because of this reduction in development expenses, and other cost cutting measures, we anticipate a reduction of our monthly cash operating expenses by about 36% beginning in April 2009 from our average monthly cash operating expenses incurred during the first six months of the fiscal year, at about the same time that we expect the commencement of the sales of our new products."

Financial Results

Fiscal second quarter 2009 total revenues were \$2,670,229 compared with \$3,459,403 for the 2008 second quarter. License and transaction fees increased 72% to \$1,425,535 for the fiscal second quarter 2009, compared with \$828,342 in the comparable 2008 quarter. Equipment sales were \$1,244,694 for the 2009 second quarter, a 53% decline compared with \$2,631,061 reported for the comparable 2008 quarter. The increase in license and transaction fees was due to the increase in the number of e-Port units on the Company's USALive(R) network, primarily as a result of the recurring revenues being generated by the e-Port units connected to our network. The decrease in equipment revenue was related to the company's key customers awaiting release of the e-Port G8 and e-Port Edge(TM) products, anticipated to occur during the third quarter of fiscal 2009, as well as a decrease in capital spending by some of our customers due to the current economic slowdown.

During the second fiscal quarter of 2009, the Company processed approximately 5.1 million transactions totaling over \$10.6 million as compared to approximately 2.4 million transactions totaling over \$7.7 million during the corresponding quarter of fiscal 2008, an increase of 113% in transaction volume and 38% in dollars processed.

Gross profit for the second fiscal quarter of 2009 was \$665,129, compared with a gross profit of \$1,042,910 for the

corresponding quarter in the previous fiscal year. The decrease in gross profit is primarily the result of a decrease in sales of both energy conservation equipment as well as e-Port vending equipment, offset by an increase in the gross profit from license and transaction fees.

Operating expenses for the second fiscal quarter 2009 were \$4,164,554, a 15.9% decrease compared with \$4,949,694 in the 2008 second fiscal quarter. The overall decrease was due to focused cost reduction measures taken by the Company during the third and fourth quarters of fiscal year 2008, offset by increases in product development costs and consulting costs related to the development the Company's new e-Port G-8 and e-Port Edge products which are expected to be released prior to the end of the third quarter of this fiscal year.

Net loss for the second fiscal quarter 2009 was \$3,429,033 or \$0.23 per share, compared with \$3,639,666 or \$0.25 per share reported in the second quarter fiscal 2008.

As of December 31, 2008, the Company had \$10,961,637 in cash and cash equivalents and Available-for-sale securities. On January 2, 2009, the Company reported its cash position was approximately \$11 million following the sale of its Auction Rate Securities at par.

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, Honeywell, Blackboard, MasterCard and others. For further information on USA Technologies, please visit www.usatech.com. 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 defensible, 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 (Unaudited)

	Three months ended		Six months ended	
	December 31,		December 31,	
	2008	2007	2008	2007
Revenues:				
Equipment sales	\$ 1,244,694	\$ 2,631,061	\$ 3,283,609	\$ 5,281,325
License and transaction fees	1,425,535	828,342	2,781,499	1,533,734
Total revenues	2,670,229	3,459,403	6,065,108	6,815,059
Cost of equipment	896,742	1,756,000	2,330,586	4,028,492
Cost of services	1,108,358	660,493	2,165,984	1,224,481
Cost of sales	2,005,100	2,416,493	4,496,570	5,252,973
Gross profit	665,129	1,042,910	1,568,538	1,562,086
Operating expenses:				
Selling, general and administrative	3,776,302	4,442,646	8,215,833	9,834,680
Depreciation and amortization	388,252	507,048	807,032	1,007,675
Total operating expenses	4,164,554	4,949,694	9,022,865	10,842,355
Operating loss	(3,499,425)	(3,906,784)	(7,454,327)	(9,280,269)
Other expense:				

Interest income	96,572	302,661	224,537	451,553
Interest expense	(26,180)	(35,543)	(53,138)	(73,939)
Total other income	70,392	267,118	171,399	377,614
Net loss	(3,429,033)	(3,639,666)	(7,282,928)	(8,902,655)
Cumulative preferred dividends	-	-	(390,294)	(390,294)
Loss applicable to common shares	\$(3,429,033)	\$(3,639,666)	\$(7,673,222)	\$(9,292,949)
Loss per common share (basic and diluted)	\$(0.23)	\$(0.25)	\$(0.51)	\$(0.70)
Weighted average number of common shares outstanding (basic and diluted)	15,196,988	14,469,667	15,183,102	13,250,598

USA Technologies, Inc.

Consolidated Balance Sheets

	December 31, 2008	June 30, 2008
	(Unaudited)	
Assets		
Current assets:		
Cash and cash equivalents	\$ 6,111,637	\$ 9,970,691
Available-for-sale securities	4,850,000	-
Accounts receivable, less allowance for uncollectible accounts of approximately \$92,000 at December 31, 2008 and \$215,000 at June 30, 2008	909,460	3,483,666
Finance receivables	324,257	399,427
Inventory, net	2,481,791	2,299,002
Prepaid expenses and other current assets	644,074	802,223
Total current assets	15,321,219	16,955,009
Available-for-sale securities	-	6,875,000
Finance receivables, less current portion	253,343	424,336
Property and equipment, net	2,293,635	2,024,842
Intangibles, net	5,362,253	5,885,432
Goodwill	7,663,208	7,663,208
Other assets	240,365	227,824
Total assets	\$ 31,134,023	\$ 40,055,651
Liabilities and shareholders' equity		
Current liabilities:		
Accounts payable	\$ 2,505,270	\$ 4,005,549
Accrued expenses	1,446,613	2,506,035
Current obligations under long-term debt	690,665	526,348
Total current liabilities	4,642,548	7,037,932
Long-term debt, less current portion	496,372	441,170
Total liabilities	5,138,920	7,479,102
Commitments and contingencies (Note 6)		
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 at December 31, 2008 and 520,392 at June 30, 2008 (liquidation preference of \$15,098,161 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- 15,275,527 at December 31, 2008 and 15,155,270 at June 30, 2008	194,522,634	193,733,104
Accumulated deficit	(172,142,085)	(164,842,773)
Total shareholders' equity	25,995,103	32,576,549
Total liabilities and shareholders' equity	\$ 31,134,023	\$ 40,055,651

SOURCE: USA Technologies

USA Technologies Contact:

George Jensen, Chairman & CEO

Stephen P. Herbert, President & COO

sherbert@usatech.com

800-633-0340

or

Porter, LeVay & Rose

Investor Relations Contact:

Marlon Nurse, Vice President

212-564-4700

Copyright Business Wire 2009