



May 3, 2010

USA Technologies, Inc. Announces Third Quarter Fiscal 2010 Financial Results

-- Record Quarterly Gross Profit and License and Transaction Fee Revenue --

MALVERN, Pa., May 03, 2010 (BUSINESS WIRE) -- USA Technologies (NASDAQ:USAT), a leading supplier of networked devices and wireless non-cash transactions, associated financial/network services and energy management, reports financial results for its third fiscal quarter ended March 31, 2010.

Highlights for the Third Fiscal Quarter Ended March 31, 2010

- Increased the installed base by 52%, with approximately 73,000 devices connected to its USALive(R) network as compared to approximately 48,000 devices in the third quarter a year ago; the number of connections surpassed the Company's anticipated goal of 71,000 devices;
- Revenue from license and transaction fees was a record \$2.4 million for the three months ended March 31, 2010, a 69% increase compared with \$1.4 million in the year-ago quarter;
- Total revenues increased 60% to \$3.7 million, for the three months ended March 31, 2010, compared with \$2.3 million for the year-ago quarter;
- Gross profit for the fiscal year 2010 third quarter of \$1.3 million was a quarterly record; this compared with \$591,184 during last year's third quarter;
- Total gross profit margins improved to 35% for the third quarter compared with 26% during last year's third quarter;
- Gross profit margins from license and transaction fees improved to 31% for the quarter compared with 22% in the year-ago quarter, while gross profit margins from equipment sales were 42% in the quarter compared with 31% in the year-ago third quarter;
- SG&A expenses decreased approximately 15% to \$3.2 million compared with \$3.8 million in the year-ago third quarter;
- The company recorded its lowest quarterly earnings before interest, taxes, depreciation and amortization (EBITDA) loss since its listing on the NASDAQ, in March 2007, with a loss of \$1.9 million compared with an EBITDA loss of \$3.2 million in last year's comparable quarter;
- Net loss applicable to common shares for the third quarter decreased to \$2.7 million or \$0.12 per share compared with a net loss applicable to common shares of \$3.9 million, or \$0.26 per share, for the third quarter a year ago;
- The Company's customer base on the USALive(R) Network increased to approximately 900 at March 31, 2010, with approximately 125 new customers added during the three months ended March 31, 2010;
- The number of transactions processed increased 67% to 9.7 million transactions, compared with 5.8 million transactions processed during the prior year's third quarter;
- The dollar volume of transactions processed increased by 51% to \$17.2 million, compared with \$11.4 million in the year-ago third quarter; and
- The new ePort Jump Start Program accounted for approximately 79% of ePort unit shipments during the third quarter ended March 31, 2010.

George Jensen, Chairman and Chief Executive Officer of USA Technologies said, "I am proud of the USA Technologies' team for the improvements made in our financial results for the quarter and for exceeding our quarterly expectations in terms of the number of connections on our network. We reported quarterly records for license and transaction fee revenue and gross profit dollars and had the lowest quarterly EBITDA loss since our listing on NASDAQ. Our financial performance was driven by a number of factors this quarter, which include increases in license and transaction fees emanating from the increased number of connections to our USALive(R) network, as well as the success of our newly launched Jump Start program."

Mr. Jensen added, "Our gross profit improvements resulted from increased revenue and the reduction in costs that we successfully negotiated with one of our suppliers. We also continued to benefit from the reductions in SG & A expenses that we implemented over the past year."

"I am also very proud that ePort(R) EDGE received the inaugural NAMA (National Automatic Merchandising Award) iSpot Innovation Award for the vending technology category," Mr. Jensen said. "The awards, which were judged by an independent panel of innovation experts, recognize the industry's most innovative products, ideas, new inventions, services and processes. We also participated in the recent NAMA OneShow Expo in Chicago last week, where we believe that our products and solutions were very well received. Exhibitions such as these provide the company excellent visibility, enabling us to demonstrate how our ePort(R) devices can benefit our customers as they seek electronic payment solutions."

Mr. Jensen concluded, "We continue to focus on achieving our anticipated goals, including having at least 100,000 connections by December 31, 2010, and attaining positive EBITDA for the quarter ended December 31, 2010."

Key Metrics Achieved by USA Technologies The following table illustrates the progress and sequential quarterly growth the company has achieved in its key metrics:

	3/31/10	12/31/09	9/30/09	6/30/09	3/31/09
# of connected units	73,000	63,000	57,000	52,000	48,000
# of transactions (millions)	9.7	8.2	7.4	6.7	5.8
\$ Value of transactions (millions)	\$17.2	\$15.0	\$14.6	\$13.5	\$11.4

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 76 patents and has agreements with AT&T, Visa, Compass and others. For further information on USA Technologies, please visit 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, 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; the ability of the Company to compete with its competitors to obtain market share; the ability of the Company to estimate, anticipate, or control its cash and non-cash expenses, costs, or charges; the ability of the Company to obtain widespread and continued commercial acceptance of its products or services; the ability of the Company to receive reductions from the credit card companies of transaction processing charges in the future as anticipated by the Company; the ability of the Company to obtain reduced pricing from its manufacturers for its e-Port devices in the future as anticipated by the Company; whether the Company's customers purchase or lease e-Port devices in the future at levels currently anticipated by the Company; or whether the Company's customers participate in the Jump Start program 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 hereof. 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.

(FINANCIAL TABLES)

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

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2010	2009	2010	2009
Revenues:				
Equipment sales	\$ 1,280,214	\$ 883,318	\$ 4,914,674	\$ 4,166,927
License and transaction fees	2,413,312	1,425,614	6,377,326	4,207,113
Total revenues	3,693,526	2,308,932	11,292,000	8,374,040
Cost of equipment	738,431	608,943	3,128,666	2,939,529
Cost of services	1,659,500	1,108,805	4,828,222	3,274,789

Cost of sales	2,397,931	1,717,748	7,956,888	6,214,318
Gross profit	1,295,595	591,184	3,335,112	2,159,722
Operating expenses:				
Selling, general and administrative	3,200,739	3,755,245	11,623,882	11,971,078
Depreciation and amortization	395,598	381,388	1,181,029	1,188,420
Total operating expenses	3,596,337	4,136,633	12,804,911	13,159,498
Operating loss	(2,300,742)	(3,545,449)	(9,469,799)	(10,999,776)
Other income (expense):				
Interest income	9,226	38,700	36,863	263,237
Interest expense	(18,622)	(23,804)	(48,758)	(76,942)
Total other income (expense), net	(9,396)	14,896	(11,895)	186,295
Net loss	(2,310,138)	(3,530,553)	(9,481,694)	(10,813,481)
Cumulative preferred dividends	(352,436)	(382,703)	(735,139)	(772,997)
Loss applicable to common shares	(2,662,574)	(3,913,256)	(10,216,833)	(11,586,478)
Loss per common share (basic and diluted)	\$ (.12)	\$ (0.26)	\$ (0.47)	\$ (0.76)
Weighted average number of common shares outstanding (basic and diluted)	22,730,828	15,345,492	21,752,580	15,236,442

USA Technologies, Inc.
Consolidated Balance Sheets

	March 31, 2010 (Unaudited)	June 30, 2009
Assets		
Current assets:		
Cash and cash equivalents	\$ 7,620,612	\$ 6,748,262
Accounts receivable, less allowance for uncollectible accounts of \$93,000 and \$42,000, respectively	2,199,555	1,468,052
Finance receivables	289,112	212,928
Inventory, net	2,318,432	1,671,226
Prepaid expenses and other current assets	864,501	1,078,026
Total current assets	13,292,212	11,178,494
Finance receivables, less current portion	396,623	121,624
Property and equipment, net	3,631,356	2,081,909
Intangibles, net	4,069,253	4,845,053
Goodwill	7,663,208	7,663,208
Other assets	172,558	90,090
Total assets	\$ 29,225,210	\$ 25,980,378
Liabilities and shareholders' equity		
Current liabilities:		
Accounts payable	\$ 3,880,970	\$ 3,794,691
Accrued expenses	1,574,419	1,393,356
Current obligations under long-term debt	318,902	494,850
Total current liabilities	5,774,291	5,682,897
Long-term debt, less current portion	305,712	325,209
Total liabilities	6,080,003	6,008,106
Commitments and contingencies (Note 7)		
Shareholders' equity:		
Preferred stock, no par value:		
Authorized shares- 1,800,000		
Series A convertible preferred- Authorized shares 900,000;		
Issued and outstanding shares- 469,615 and 510,270, respectively (liquidation preference of \$14,924,128 and \$15,451,307, respectively)	3,326,717	3,614,554
Common stock, no par value:		

Authorized shares- 640,000,000;		
Issued and outstanding shares-22,728,201 and 15,423,022, respectively	207,977,707	194,948,693
Accumulated deficit	(188,159,217)	(178,590,975)
Total shareholders' equity	<u>23,145,207</u>	<u>19,972,272</u>
Total liabilities and shareholders' equity	<u>\$ 29,225,210</u>	<u>\$ 25,980,378</u>

SOURCE: USA Technologies

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