



FOR IMMEDIATE RELEASE

Contact:

Veronica Rosa
VP Corp. Comm. & Investor Relations
USA Technologies
484-359-2138
vrosa@usatech.com

**USA TECHNOLOGIES, INC. REPORTS RESULTS FOR
THIRD QUARTER OF FISCAL 2012**

Revenues up 36% (year over year)
Recurring License and Transaction Fee Revenue Up 39% (year over year)
New Connections Added Up 300% (year over year);
Adjusted EBITDA Turns Positive

MALVERN, PA. – May 2, 2012 - USA Technologies, Inc. (NASDAQ: [USAT](#)), (“USAT”), a leader of wireless, cashless payment and M2M telemetry solutions for self-serve, small-ticket retail industries, today reported results for the third quarter of fiscal 2012 ended March 31, 2012. Revenues for the third quarter were \$7.5 million, an increase of 36% from the same period a year ago. Net loss applicable to common shareholders improved by 69% for the third quarter of fiscal 2012, narrowing to (\$0.9) million or (\$.03) per diluted share, from (\$2.8) million or (\$.11) per diluted share for the same period last year. Adjusted EBITDA, a measure used by USAT to gauge the progress of its operational performance and liquidity, improved considerably, to \$0.3 million, compared to (\$0.9) million for the same period a year ago.

Growing ePort Connect Service Base Drives Recurring Revenues

Revenue from license and transaction fees, which is fueled primarily by monthly ePort Connect® service fees and transaction processing fees, grew 39% to approximately \$6 million for the third quarter of fiscal 2012 from \$4.3 million for the same period a year ago. These recurring revenues represented 80% of total revenue for the third quarter of fiscal 2012.

License and transaction fee highlights included:

- 12,000 additional net connections to USAT's ePort Connect service in the third quarter, an increase of approximately 300% compared to connections added during the third quarter a year ago;
- 32% increase in the total connected service base, to 148,000 as of March 31, 2012, compared to 112,000 as of March 31, 2011;
- Increases in the number of small-ticket, credit/debit transactions and dollars handled in the third quarter of 33% and 35%, respectively, compared to the same period a year ago; and,
- 71% growth in ePort Connect customers from the prior year third quarter, fueled by 350 new customers in the fiscal 2012 third quarter, for 2,825 customers to date.

"Our results this quarter, particularly our crossover to positive Adjusted EBITDA, underscores our resolve to quickly achieve profitability through improved efficiencies and growth platforms that drive industry adoption and bring our recurring revenue base to scale," said Stephen P. Herbert, Chairman and Chief Executive Officer of USA Technologies, Inc. "With each connection, we further strengthen our financial profile. As a result, we are intensely focused on leveraging our strength as a service business, expanding our footprint of connections and the value of those connections through the ePort Connect service pipeline in vending, kiosk and other complementary small-ticket unattended markets."

Record Revenues of \$7.5 Million Strengthen Operational Performance

Revenues of \$7.5 million for the third quarter grew by 36% from the prior year and consisted of license and transaction fees of \$6 million and equipment sales of \$1.5 million. Growth in license and transaction fees of 39%, which represented 80% of total revenue in the third quarter, was the largest contributor to total revenue growth. As indicated above, license and transaction fees continue to grow as USAT adds more connections, processing dollars and new services to its ePort Connect service base. Equipment sales, comprised of USAT's ePort® branded devices for the small ticket, unattended cashless payment industry and USAT's line of energy-saving EnergyMiser® products, increased 27% in the third quarter compared to the prior year.

Gross profit and margin for the third quarter was \$2.8 million and 37%, up from \$1.6 million and 28% a year ago. Stronger gross profit was driven primarily by improved gross profit margins from license and transaction fees, which improved to 37% in the third quarter of fiscal 2012, from 26% in the third quarter of fiscal 2011 largely as a result of improved efficiencies stemming from recent partnership

agreements, such as Verizon Wireless and Elavon, contributing to lower cost of service and cost of handling transactions.

Third quarter operating loss narrowed by approximately \$1 million, to \$(0.64) million from (\$1.67) million in the prior year, driven by increased revenue and stronger gross profit dollars. These increases were slightly offset by increased operating expenses of \$212,000 in the quarter when compared to a year ago.

Net loss for the third quarter narrowed by \$2.0 million, to (\$0.5) million compared to a net loss of (\$2.5) million for the third quarter a year ago. Reductions in net loss were driven primarily by improved operational performance and a \$0.9 million change in adjustment for fair value of warrant liability. Net loss applicable to common shareholders for the quarter was (\$0.9) million or (\$0.03) per diluted share, compared to (\$2.8) million or (\$0.11) per diluted share a year ago.

Improved operational performance led to a \$1.3 million improvement in Adjusted EBITDA for the third quarter of fiscal 2012. Adjusted EBITDA was \$336,029 compared to an Adjusted EBITDA loss of \$(940,170) for the same period in fiscal 2011.

Reconciliation of GAAP Net Earnings to Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization (Adjusted EBITDA)

	Three months ended March 31	
	2012	2011
Net loss	\$(538,618)	\$ (2,514,268)
Less interest income	(14,029)	(13,936)
Plus interest expense	10,520	9,795
Plus income tax expense	--	--
Plus depreciation expense	631,330	468,611
Plus amortization expense	258,600	258,600
Less change in fair value of warrant liabilities	(95,074)	850,740
Plus stock-based compensation	<u>83,300</u>	<u>288</u>
Adjusted, EBITDA	<u>\$ 336,029</u>	<u>\$(940,170)</u>

Herbert continued, “We were very pleased to achieve positive EBITDA this quarter, especially since it was achieved with what we believe are sustainable improvements in our operational model via cost efficiencies and strategic actions that contributed to strong recurring revenues and gross margins this

quarter. As we communicated to shareholders in January, the USAT Board of Directors and management team are committed to achieving profitability and these results clearly indicate that we are on the right path.

“In the third quarter, we continued to build momentum and strengthen our prospects for profitable growth. For example, during the quarter:

- We achieved 6,000 connections through our JumpStart program, which has been a powerful driver to our Adjusted EBITDA goals and overall industry adoption;
- We saw meaningful growth and traction in one of our new developing markets, kiosk, in the quarter;
- We introduced our Two-Tier Pricing Program, giving vending operators the ability to reduce the cost of implementing cashless payment; and,
- We expanded our sales footprint by launching, on a national level, sales distribution of our ePort Connect service via Verizon Wireless’ M2M sales team as part of our strategic alliance with Verizon Wireless.
- In addition, we recently completed a multi-faceted platform upgrade that expanded our capacity and added scalability to our ePort Connect service infrastructure. This work set the stage for longer term growth platforms, such as those demonstrated to customers at the NAMA OneShow last week, that leverage our existing and future connected service base through the addition of value-add services, such as prepaid and loyalty programs and interactive digital media.

“All these actions align with our commitment to drive shareholder value through leadership in the industries we service. We are leveraging our strategic partnerships and bringing new, innovative cashless payment products and services to an ever-growing number of customers in the small-ticket unattended space. In short, we are making a USA Technologies connection increasingly valuable to them. For USAT, that means increased business opportunity through accelerated connections as well as greater revenue generated by each connection.” concluded Herbert.

USA Technologies’ financial results for the quarter and nine months ended March 31, 2012 will be reported in USAT’s Form 10-Q that USAT anticipates filing with the Securities and Exchange Commission by no later than May 11, 2012.

Webcast and Conference Call

USA Technologies will conduct a conference call and webcast at 10:00 a.m. Eastern Time on May 2, 2012. USA Technologies invites all interested parties to listen to the live webcast of the conference call, accessible on the [Investor Relations](#) section of USA Technologies' website. The webcast will be archived on the website within two hours of the live call. It will remain available for approximately 90 days. Interested parties unable to access the webcast may also participate by calling (866) 393-1608 or, if an international caller, (224) 357-2194. A replay of the call, available until midnight on May 3, can be accessed by calling (855) 859-2056; Conference ID# 75442809, (toll free).

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. 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.

As used herein, Adjusted EBITDA represents net income (loss) before interest income, interest expense, income taxes, depreciation, amortization, and change in fair value of warrant liabilities and stock-based compensation expense. We have excluded the non-operating item, change in fair value of warrant liabilities, because it represents a non-cash charge that is not related to USAT's operations. We have excluded the non-cash expenses, stock-based compensation, as it does not reflect the cash-based operations of USAT. Adjusted EBITDA is a non-GAAP financial measure which is not required by or defined under GAAP (Generally Accepted Accounting Principles). The presentation of this financial measure is not intended to be considered in isolation or as a substitute for the financial measures prepared and presented in accordance with GAAP, including the net income or net loss of USAT or net cash used in operating activities. Management recognizes that non-GAAP financial measures have limitations in that they do not reflect all of the items associated with USAT's net income or net loss as determined in accordance with GAAP, and are not a substitute for or a measure of USAT's profitability or net earnings. 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 and stock-based compensation expense.

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, achieving profitability, anticipated connections to our network, business strategy and the plans and objectives of the USAT'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 USAT or its management, identify forward-looking statements. Such forward-looking statements are based on the beliefs of the USAT's management, as well as assumptions made by and information currently available to USAT'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, the ability of USAT to generate sufficient sales to generate operating profits, or conduct operations at a profit; the ability of USAT to retain key customers from whom a significant portion of its revenues is derived; whether USAT's customers continue to operate or commence operating ePorts shipped to such customers under the Jumpstart program or otherwise at levels currently anticipated by USAT; the ability of USAT to compete with its competitors to obtain market share; whether USAT's customers continue to utilize the USAT's transaction processing and related services, as our customer agreements are generally cancelable by the customer on thirty to sixty days' notice; the ability of USAT to obtain widespread commercial acceptance of its products; the potential costs and management distractions attendant to Brad Tirpak's purported nomination of himself and six other candidates as director nominees at the 2012 annual meeting of shareholders; whether the actions of our former CEO which resulted in his separation from the Company or the Securities and Exchange Commission's recently commenced investigation would have a material adverse effect on the future financial results or condition of the Company; and whether the USAT's existing or anticipated customers purchase ePort devices in the future at levels currently anticipated by USAT. 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, USAT 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
(Unaudited)

	Three months ended March 31,		Nine months ended March 31,	
	2012	2011	2012	2011
Revenues:				
License and transaction fees	\$ 5,985,052	\$ 4,313,503	\$ 16,988,179	\$ 11,413,665
Equipment sales	1,541,999	1,209,474	4,126,218	4,566,494
Total revenues	7,527,051	5,522,977	21,114,397	15,980,159
Cost of services	3,749,862	3,187,601	11,494,690	8,308,612
Cost of equipment	981,969	782,244	2,836,995	2,274,825
Gross profit	2,795,220	1,553,132	6,782,712	5,396,722
Operating expenses:				
Selling, general and administrative	3,040,562	2,860,273	10,039,712	8,036,539
Depreciation and amortization	391,859	360,528	1,139,500	1,067,746
Total operating expenses	3,432,421	3,220,801	11,179,212	9,104,285
Operating loss	(637,201)	(1,667,669)	(4,396,500)	(3,707,563)
Other income (expense):				
Interest income	14,029	13,936	45,183	56,715
Interest expense	(10,520)	(9,795)	(70,756)	(32,424)
Change in fair value	95,074	(850,740)	1,983,442	(850,740)
Total other income, net	98,583	(846,599)	1,957,869	(826,449)
Net loss	(538,618)	(2,514,268)	(2,438,631)	(4,534,012)
Cumulative preferred dividends	(332,226)	(332,226)	(664,452)	(665,577)
Loss applicable to common shares	\$ (870,844)	\$ (2,846,494)	\$ (3,103,083)	\$ (5,199,589)
Loss per common share (basic and diluted)	\$ (0.03)	\$ (0.11)	\$ (0.10)	\$ (0.20)
Weighted average number of common shares outstanding (basic and diluted)	32,466,528	26,914,004	32,400,049	26,249,137

USA Technologies, Inc.
Consolidated Balance Sheets

	March 31, 2012 <u>(Unaudited)</u>	June 30, 2011 <u></u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 6,194,035	\$ 12,991,511
Accounts receivable, less allowance for uncollectible accounts of \$28,000 and \$113,000, respectively	2,131,845	1,634,719
Finance receivables	249,912	285,786
Inventory	3,233,320	2,670,332
Prepaid expenses and other current assets	1,275,630	846,033
Total current assets	13,084,742	18,428,381
Finance receivables, less current portion	\$ 309,690	\$ 195,601
Property and equipment, net	9,869,930	7,395,775
Intangibles, net	1,418,553	2,194,353
Goodwill	7,663,208	7,663,208
Other assets	83,236	126,687
Total assets	\$ 32,429,359	\$ 36,004,005
Liabilities and shareholders' equity		
Current liabilities:		
Accounts payable	\$ 4,607,580	\$ 5,638,361
Accrued expenses	1,880,772	1,088,090
Current obligations under long-term debt	267,869	155,428
Total current liabilities	6,756,221	6,881,879
Long-term liabilities:		
Long-term debt, less current portion	300,166	97,633
Accrued expenses, less current portion	428,495	166,709
Warrant liabilities, non-current	748,811	2,732,253
Total long-term liabilities	1,477,472	2,996,595
Total liabilities	8,233,693	9,878,474
Commitments and contingencies		
Shareholders' equity:		
Preferred stock, no par value:		
Authorized shares- 1,800,000 Series A convertible preferred- Issued and outstanding shares- 442,968 (liquidation preference of \$15,361,552 and \$14,697,100, respectively)	3,138,056	3,138,056
Common stock, no par value: Authorized shares- 640,000,000 Issued and outstanding shares- 32,470,934 and 32,281,140, respectively	220,281,364	219,772,598
Accumulated deficit	(199,223,754)	(196,785,123)
Total shareholders' equity	24,195,666	26,125,531
Total liabilities and shareholders' equity	\$ 32,429,359	\$ 36,004,005

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

	Nine months ended	
	March 31,	
	2012	2011
OPERATING ACTIVITIES:		
Net loss	\$ (2,438,631)	\$ (4,534,012)
Adjustments to reconcile net loss to net cash used in operating activities:		
Charges incurred in connection with the issuance and vesting of common stock for employee and director compensation	510,797	9,090
Charges incurred in connection with the Long-term Equity Incentive Program	-	54,395
Change in fair value of warrants	(1,983,442)	850,740
Loss on disposal of property and equipment	1,841	10,380
Depreciation, \$1,383,745 and \$781,329, respectively, of which is allocated to cost of services	1,747,445	1,073,275
Amortization	775,800	775,800
Bad debt expense (recovery)	(45,356)	2,552
Changes in operating assets and liabilities:		
Accounts receivable	(451,770)	456,326
Finance receivables	(78,215)	168,272
Inventory	(3,845,500)	(2,740,227)
Prepaid expenses and other assets	(290,883)	356,608
Accounts payable	(1,030,781)	449,861
Accrued expenses	1,054,468	(560,994)
Net cash used in operating activities	(6,074,227)	(3,627,934)
INVESTING ACTIVITIES:		
Purchase of property and equipment, net	(404,103)	(240,811)
Net cash used in investing activities	(404,103)	(240,811)
FINANCING ACTIVITIES:		
Net proceeds from issuance (retirements) of common stock and exercise of common stock warrants	(2,031)	9,915,590
Repayment of long-term debt	(317,115)	(359,292)
Net cash provided by (used in) financing activities	(319,146)	9,556,298
Net increase (decrease) in cash and cash equivalents	(6,797,476)	5,687,553
Cash and cash equivalents at beginning of period	12,991,511	7,604,324
Cash and cash equivalents at end of period	\$ 6,194,035	\$ 13,291,877
<i>Supplemental disclosures of cash flow information :</i>		
Cash paid for interest	\$ 28,419	\$ 32,141
Reclass of inventory to property and equipment for rental units, net	\$ 3,282,512	\$ 3,779,877
Equipment acquired under capital lease	\$ 495,955	\$ -
Equipment acquired with long-term debt	\$ 40,871	\$ -
Prepaid expenses financed with long-term debt	\$ 95,263	\$ 94,311
Disposal of property and equipment	\$ 54,638	\$ 140,931
Fair value of common stock warrants at issuance	\$ -	\$ 1,917,122
Conversion of cumulative preferred dividends to common stock	\$ -	\$ 33,000
Conversion of convertible preferred stock to common stock	\$ -	\$ 10,620