

**USA Technologies, Inc.
(USAT.OB)**

We are initiating coverage on USA Technologies, Inc. We believe the company has many catalysts both short and long term which could provide shareholders significant upside from current levels.

Investment considerations:

USA Technologies is a leader in cashless transaction and network services for the self service market.

Diversified product offerings leading to multiple recurring revenue streams.

Cashless transactions now surpassing cash and checks combined.

Rising energy prices.

Excellent management team with long term relationships within industry.

30MM vending machines worldwide (8MM in U.S.) will look to adopt cashless vending as cashless continues to grow in popularity.

Management:

CEO: George Jensen
Years of service: 14
Shares owned: 108,210
Options owned: none

CFO: Dave DeMedio
Years of service: 7
Shares owned: 3,576
Options owned: none

Recent Financings:

Date: February 17, 2006
Size: \$15,000,000
Shares sold: varies
Warrants: none

Note: Stand-by equity distribution agreement with an individual shareholder who has been a shareholder for over 5 years.

Date: December 13, 2005
Size: \$4,000,000
Shares sold: 400,000
Warrants: none

Competitors:

Cashless Vending - Transaction Network Services
Cashless Laundry (eSuds) - Mac-Gray Corporation (ticker: TUC)
Energy Management - none
Automated Business Center - three competitors

Twelve month outlook:

Best Case: \$21.00

Base Case: \$15.00

Worst Case: \$9.00

Stock data:

Ticker: USAT.OB	Beta: n/a
Price (3/30/06): \$6.75	52-Week Change: n/a
Mkt Cap: \$33.66	52-Week High: \$19.50
Cash & STI (12/31/05): \$4.08MM	52-Week Low: \$6.30
Enterprise Value: n/a	Avg Vol (3 month): 23,000
Return on Equity (ttm): (134.08%)	Price/Book (mrq): 5.28
Return on Assets (ttm): (28.26%)	Price/Sales (ttm): 5.90



Summary:

USA Technologies, Inc. offers a suite of networked devices and associated wireless noncash payment, control/access management, remote monitoring, and data reporting services, as well as energy management products. Its networked devices and associated services enable the owners and operators of distributed assets, such as vending machines, personal computers, copiers, faxes, kiosks, and laundry equipment the ability to remotely monitor, control, and report on the results of these distributed assets, as well as the ability to offer their customers alternative cashless payment options. The company's energy management products reduce the power consumption of various equipments, such as refrigerated vending machines and glass front coolers. Its energy control devices include VendingMiser, CoolerMiser, SnackMiser, and PlugMiser. The company offers Intelligent Vending, a vending solution that bundles e-Port, USALive, and its Web-based remote monitoring, management, reporting, and payment processing; eSuds, a solution developed for the commercial laundry industry; TransAct, a payment technology system developed for self-service business center devices; Business Express, a solution comprising the TransAct payment terminal and a suite of office equipment; and KIOSK, a solution that utilizes e-Port and USALive to offer a cash-free payment option and Web-based remote monitoring and management for all kiosk types. Its customers include vending machine owners and/or operators, business center operators, commercial laundry operators, energy utility companies, schools, and operators of glass front coolers. USA Technologies markets its products through direct sales and channel sales. The company has strategic relationships with IBM Corporation; ZILOG, Inc.; Mars Electronics, Inc.; and Cingular Wireless. USA Technologies was founded in 1992 and is based in Malvern, Pennsylvania.

At the time of this report, Vista Partners LLC "Vista" is not a registered broker-dealer and thusly does not make a market in USA Technologies, Inc. "Company". Further, the Analyst preparing this report is not compensated in any way, directly or indirectly, by Company for the publication of this report, and the subject company had no influence with regards to the Analyst's statement of valuation, rating, or otherwise. Neither the Analyst nor his family, currently maintain a long or short position in the subject company's securities. Although the statements in this report have been obtained from sources deemed reliable, Vista cannot guarantee their factual accuracy. All opinions and estimates included in this report constitute the Analyst's judgment as of the date of this report, and are thusly subject to change without notice. The securities discussed or mentioned in this report may be considered unsuitable for some investors pursuant to their investment objectives and financial profiles. This report is provided for informational purposes only; and does not constitute an offer to buy or a solicitation to sell any securities mentioned herein in any jurisdiction where such offer would be prohibited. Investors should consult with their financial planners before making an investment in any security. Additional information is available upon request.

Analyst Certification: I, Ross Silver and Jeremy Thum hereby certify that the views expressed in this report accurately reflect my personal views about the subject security and the issuer.

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USA Technologies, Inc.

Income Statement (\$ in thousands)

Base-Case Scenario

Fiscal Year Ends June	Actuals					Estimates										
	2005A	1Q06A	2Q06A	3Q06E	4Q06E	2006E	1Q07E	2Q07E	3Q07E	4Q07E	2007E	1Q08E	2Q08E	3Q08E	4Q08E	2008E
		Sept. '05	Dec. '05	Mar. '06	June '06		Sept. '06	Dec. '06	Mar. '07	June '07		Sept. '07	Dec. '07	Mar. '08	June '08	
Revenue	\$4,678	\$1,364	\$1,958	\$2,000	\$2,352	\$7,674	\$3,018	\$3,924	\$5,185	\$6,978	\$19,105	\$8,374	\$10,049	\$12,059	\$14,471	\$44,953
Equipment sales	\$3,535	\$1,072	\$1,667	\$1,680	\$2,000	\$6,419	\$2,440	\$2,977	\$3,632	\$4,431	\$13,479	\$5,317	\$6,380	\$7,656	\$9,187	\$28,541
License and transaction fees	\$1,143	\$292	\$291	\$320	\$352	\$1,255	\$578	\$947	\$1,554	\$2,548	\$5,626	\$3,057	\$3,669	\$4,403	\$5,283	\$16,412
Cost of sales	\$3,479	\$1,049	\$1,170	\$1,299	\$1,402	\$4,920	\$1,571	\$2,058	\$2,654	\$3,451	\$9,733	\$4,106	\$4,804	\$5,717	\$6,804	\$21,432
Gross Profit	\$1,199	\$315	\$788	\$702	\$950	\$2,754	\$1,447	\$1,866	\$2,531	\$3,528	\$9,372	\$4,268	\$5,245	\$6,342	\$7,667	\$23,521
<i>Gross margin</i>	26%	23%	40%	35%	40%	36%	48%	48%	49%	51%	49%	51%	52%	53%	53%	52%
Operating expenses																
General and administrative	\$6,429	\$1,108	\$1,136	\$1,159	\$1,182	\$4,586	\$1,218	\$1,254	\$1,292	\$1,324	\$5,089	\$1,364	\$1,405	\$1,447	\$1,491	\$5,707
Compensation	\$5,560	\$1,354	\$1,436	\$1,479	\$1,523	\$5,791	\$1,569	\$1,616	\$1,664	\$1,714	\$6,563	\$1,766	\$1,819	\$1,873	\$1,929	\$7,386
Depreciation and amortization	\$1,600	\$410	\$422	\$443	\$465	\$1,740	\$470	\$475	\$479	\$484	\$1,908	\$489	\$494	\$499	\$504	\$1,985
Total operating expenses	\$13,590	\$2,871	\$2,994	\$3,081	\$3,171	\$12,116	\$3,256	\$3,345	\$3,436	\$3,523	\$13,559	\$3,619	\$3,717	\$3,819	\$3,924	\$15,079
Pro-Forma Operating Income (loss)	(\$12,390)	(\$2,556)	(\$2,206)	(\$2,379)	(\$2,221)	(\$9,362)	(\$1,810)	(\$1,478)	(\$905)	\$5	(\$4,187)	\$649	\$1,527	\$2,523	\$3,743	\$8,443
<i>Operating Margin</i>	nm	nm	nm	nm	nm	nm	nm	nm	nm	0%	nm	8%	15%	21%	26%	19%
Other income (loss)																
Interest income (loss), net	(\$3,067)	(\$641)	(\$658)	(\$665)	(\$671)	(\$2,635)	(\$671)	(\$651)	(\$618)	(\$575)	(\$2,516)	(\$529)	(\$508)	(\$488)	(\$463)	(\$1,988)
Total other income (loss), net	(\$3,109)	(\$641)	(\$658)	(\$665)	(\$671)	(\$2,635)	(\$671)	(\$651)	(\$618)	(\$575)	(\$2,516)	(\$529)	(\$508)	(\$488)	(\$463)	(\$1,988)
Net income (loss)	(\$15,499)	(\$3,197)	(\$2,864)	(\$3,044)	(\$2,892)	(\$11,997)	(\$2,481)	(\$2,129)	(\$1,523)	(\$570)	(\$6,703)	\$120	\$1,019	\$2,035	\$3,280	\$6,454
Cumulative preferred dividends	\$784	\$392	\$0	\$0	\$0	\$392	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Loss applicable to common shares	(\$16,283)	(\$3,589)	(\$2,864)	(\$3,044)	(\$2,892)	(\$12,389)	(\$2,481)	(\$2,129)	(\$1,523)	(\$570)	(\$6,703)	\$120	\$1,019	\$2,035	\$3,280	\$6,454
Pro-forma EPS (basic)	(\$4.18)	(\$0.89)	(\$0.61)	(\$0.61)	(\$0.55)	(\$2.60)	(\$0.45)	(\$0.36)	(\$0.25)	(\$0.09)	(\$1.14)	\$0.02	\$0.16	\$0.30	\$0.47	\$0.97
Basic shares outstanding	3,894	4,028	4,710	4,993	5,293	4,756	5,557	5,835	6,010	6,190	5,898	6,376	6,567	6,764	6,967	6,669
Diluted shares outstanding	3,894	4,028	4,710	4,993	5,293	4,756	5,557	5,835	6,010	6,190	5,898	6,376	6,567	6,764	6,967	6,669
CY Revenue	\$5,832					\$11,294					\$30,587					
% Y/Y	39%					94%					171%					
CY EPS	(\$3.55)					(\$1.97)					(\$0.17)					
% Y/Y	nm					nm					nm					
Margin Analysis:																
Gross margin	25.6%	23.1%	40.2%	35.1%	40.4%	35.9%	47.9%	47.6%	48.8%	50.6%	49.1%	51.0%	52.2%	52.6%	53.0%	52.3%
General and administrative	137.4%	81.2%	58.0%	58.0%	50.3%	59.8%	40.4%	32.0%	24.9%	19.0%	26.6%	16.3%	14.0%	12.0%	10.3%	12.7%
Compensation	118.9%	99.2%	73.3%	73.9%	64.7%	75.5%	52.0%	41.2%	32.1%	24.6%	34.4%	21.1%	18.1%	15.5%	13.3%	16.4%
Depreciation and amortization	34.2%	30.0%	21.6%	22.2%	19.8%	22.7%	15.6%	12.1%	9.2%	6.9%	10.0%	5.8%	4.9%	4.1%	3.5%	4.4%
Operating income	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	7.8%	15.2%	20.9%	25.9%	18.8%
Net income	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	10.1%	16.9%	22.7%	nm
Percentage change (Y/Y):																
Revenues		32.1%	72.4%	78.2%	69.5%	64.0%	121.3%	100.4%	159.2%	196.7%	149.0%	177.5%	156.1%	132.6%	107.4%	135.3%
Gross Profit		141.3%	129.9%	23.8%	496.0%	129.6%	359.4%	136.9%	260.7%	271.4%	240.3%	195.0%	181.0%	150.6%	117.3%	151.0%
General and administrative		-23.2%	-35.1%	-25.1%	-30.0%	-28.7%	10.0%	10.4%	11.5%	12.0%	11.0%	12.0%	12.0%	12.0%	12.6%	12.1%
Compensation		4.1%	5.6%	0.6%	6.4%	4.2%	15.9%	12.6%	12.6%	12.6%	13.3%	12.6%	12.6%	12.6%	12.6%	12.6%
Depreciation and amortization		3.4%	7.6%	10.9%	12.9%	8.7%	14.7%	12.5%	8.2%	4.1%	9.6%	4.1%	4.1%	4.1%	4.1%	4.1%
Operating income		nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm
Net income		nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm
Percentage change (sequential):																
Revenue		-1.7%	43.5%	2.2%	17.6%		28.3%	30.0%	32.1%	34.6%		20.0%	20.0%	20.0%	20.0%	
Balance Sheet:																
Cash and Equivalents		\$829	\$4,082													
Stockholders' Equity		\$8,119	\$10,160													
Book Value per share		(\$3.11)	(\$2.16)													