



Verifone Reports Results for the Fourth Quarter and Full Year Fiscal 2015

Record Annual Revenue of \$2 billion as Q4 Revenue and EPS Exceed Guidance

SAN JOSE, Calif. - (BUSINESS WIRE) - VeriFone Systems, Inc. (NYSE: PAY), the global leader in secure electronic payment solutions, today announced financial results for the fourth quarter and fiscal year ended October 31, 2015.

“We had a strong quarter closing out an important year for Verifone,” said Paul Galant, Chief Executive Officer of Verifone. “In 2015, we accelerated our revenue growth to 16% on a constant currency basis and improved our profitability. We also generated improved cash flow and completed the first half of our \$200 million stock repurchase authorization. Most significantly, we continued to strengthen our foundation and began the rollout of our next generation of products and services. This positions Verifone to delight our clients and deliver greater value for our shareholders in 2016 and beyond.”

Fourth Quarter Financial Highlights

- GAAP and Non-GAAP net revenues of \$514 million, growth of 5% reported and 15% on a constant currency basis
- GAAP net income per share of \$0.33
- Non-GAAP net income per diluted share of \$0.49
- Operating cash flow of \$81 million

Fiscal Year Financial Highlights

- GAAP net revenues of \$2.000 billion and Non-GAAP net revenues of \$2.001 billion, growth of 7% reported and 16% on a constant currency basis
- GAAP net income per share of \$0.68
- Non-GAAP net income per diluted share of \$1.83
- Operating cash flow of \$249 million

The table below provides additional summary GAAP and non-GAAP financial information and comparisons.

(UNAUDITED, IN MILLIONS, EXCEPT PER SHARE AND PERCENTAGES)

	Three Months Ended October 31,			Years Ended October 31,		
	2015	2014	Change (2)	2015	2014	Change (2)
GAAP:						
Net revenues	\$ 514	\$ 491	5 %	\$ 2,000	\$ 1,869	7 %
Gross margin as a % of net revenues	42.1%	40.1%	2.0 pts	41.3%	38.8%	2.5 pts
Net income (loss) per diluted share	\$ 0.33	\$ 0.27	nm	\$ 0.68	\$ (0.34)	nm
Non-GAAP (1):						
Net revenues	\$ 514	\$ 491	5 %	\$ 2,001	\$ 1,871	7 %
Gross margin as a % of net revenues	43.4%	42.3%	1.1 pts	42.6%	41.9%	0.7 pts
Net income per diluted share	\$ 0.49	\$ 0.44	11 %	\$ 1.83	\$ 1.51	21 %

(1) Reconciliations for the non-GAAP measures are provided at the end of this press release

(2) "nm" means not meaningful

Fiscal 2016 and First Quarter 2016 Outlook

“For fiscal 2016, the company expects non-GAAP net revenues of \$2.090 billion to \$2.110 billion, which at the mid-point is 5% annual growth or 9% annual growth on a constant currency basis,” said Marc Rothman, Executive Vice President and Chief Financial Officer. “The company also expects fiscal 2016 non-GAAP net income per diluted share of \$2.15 to \$2.17, representing growth of 18% at the mid-point over fiscal 2015 results, reflecting revenue growth, higher gross margins, and improved operating leverage. This guidance also reflects North America revenue growth of 5% and does not reflect revenue from pending acquisitions. The impact of acquisitions will be included in guidance provided on earnings calls after the acquisitions have closed.”

Guidance for the full fiscal year 2016 is as follows:

- Non-GAAP net revenues of \$2,090 million to \$2,110 million
- Non-GAAP net income per diluted share of \$2.15 to \$2.17

Guidance for the first fiscal quarter of 2016 is as follows:

- Non-GAAP net revenues of \$500 million
- Non-GAAP net income per diluted share of \$0.45

Conference Call

Verifone will hold its earnings conference call today, December 14th, at 1:30 pm (PT) / 4.30pm (ET). To listen to the call and view the slides, visit Verifone’s website <http://ir.verifone.com>. The recorded audio webcast will be available on Verifone’s website until January 14, 2016.

CAUTION CONCERNING FORWARD-LOOKING STATEMENTS

This press release includes certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are based on management's current expectations or beliefs and on currently available competitive, financial and economic data and are subject to uncertainty and changes in circumstances. Actual results may vary materially from those expressed or implied by the forward-looking statements herein due to changes in economic, business, competitive, technological, and/or regulatory factors, and other risks and uncertainties affecting the operation of the business of VeriFone Systems, Inc., including many factors beyond our control. These risks and uncertainties include, but are not limited to, those associated with: execution of our strategic plan and business and operational initiatives, including whether the expected benefits of our plan and initiatives are achieved within expected timeframes or at all, short product cycles and rapidly changing technologies, our ability to maintain competitive leadership position with respect to our payment solution offerings, our dependence on a limited number of customers, the conduct of our business and operations internationally, our ability to protect our computer systems and networks from fraud, cyber-attacks or security breaches, our assumptions, judgments and estimates regarding the impact on our business of political instability in markets where we conduct business, uncertainty in the global economic environment and financial markets, the status of our relationships with and condition of third parties such as our contract manufacturers, key customers, distributors and key suppliers upon whom we rely in the conduct of our business, our ability to effectively hedge our exposure to foreign currency exchange rate fluctuations, and our dependence on a limited number of key employees. For a further list and description of the risks and uncertainties affecting the operations of our business, see our filings with the Securities and Exchange Commission, including our annual report on Form 10-K and our quarterly reports on Form 10-Q. The forward-looking statements speak only as of the date such statements are made. Verifone is under no obligation to, and expressly disclaims any obligation to, update or alter its forward-looking statements, whether as a result of new information, future events, changes in assumptions or otherwise.

About Verifone

Verifone is transforming everyday transactions into opportunities for connected commerce. We're connecting more than 27 million payment devices to the cloud-merging the online and in-store shopping experience and creating the next generation of digital engagement between merchants and consumers. We are built on a 30-year history of uncompromised security. Our people are known as trusted experts that work with our clients and partners, helping to solve their most complex payments challenges. We have clients and partners in more than 150 countries, including the world's best-known retail brands, financial institutions and payment providers.

Verifone.com | (NYSE: PAY) | @verifone

Additional Resources:

<http://ir.verifone.com>

VERIFONE SYSTEMS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED, IN MILLIONS, EXCEPT PER SHARE DATA AND PERCENTAGES)

	Three Months Ended October 31,			Years Ended October 31,		
	2015	2014	% Change (1)	2015	2014	% Change (1)
Net revenues:						
System solutions	\$ 338.9	\$ 310.9	9.0 %	\$ 1,309.6	\$ 1,162.2	12.7 %
Services	175.2	179.6	(2.4)%	690.9	706.7	(2.2)%
Total net revenues	514.1	490.5	4.8 %	2,000.5	1,868.9	7.0 %
Cost of net revenues:						
System solutions	197.9	191.1	3.6 %	773.8	733.0	5.6 %
Services	99.8	102.9	(3.0)%	400.7	411.2	(2.6)%
Total cost of net revenues	297.7	294.0	1.3 %	1,174.5	1,144.2	2.6 %
Total gross margin	216.4	196.5	10.1 %	826.0	724.7	14.0 %
Operating expenses:						
Research and development	51.0	50.0	2.0 %	201.6	203.7	(1.0)%
Sales and marketing	58.1	56.3	3.2 %	227.5	217.4	4.6 %
General and administrative	53.9	50.6	6.5 %	206.2	208.7	(1.2)%
Litigation settlement and loss contingency expense (benefit)	—	(17.6)	nm	1.2	(8.6)	nm
Amortization of purchased intangible assets	19.6	23.7	(17.3)%	82.5	97.6	(15.5)%
Total operating expenses	182.6	163.0	12.0 %	719.0	718.8	— %
Operating income	33.8	33.5	nm	107.0	5.9	nm
Interest expense, net	(7.9)	(7.2)	9.7 %	(31.5)	(42.5)	(25.9)%
Other income (expense), net	0.9	3.4	nm	(2.6)	(3.3)	nm
Income (loss) before income taxes	26.8	29.7	nm	72.9	(39.9)	nm
Income tax benefit	(11.7)	(1.6)	nm	(7.5)	(3.5)	nm
Consolidated net income (loss)	38.5	31.3	nm	80.4	(36.4)	nm
Net income attributable to noncontrolling interests	(0.3)	(0.2)	nm	(1.3)	(1.7)	nm
Net income (loss) attributable to VeriFone Systems, Inc. stockholders	\$ 38.2	\$ 31.1	nm	\$ 79.1	\$ (38.1)	nm
Net income (loss) per share attributable to VeriFone Systems, Inc. stockholders:						
Basic	\$ 0.33	\$ 0.27		\$ 0.69	\$ (0.34)	
Diluted	\$ 0.33	\$ 0.27		\$ 0.68	\$ (0.34)	
Weighted average number of shares used in computing net income (loss) per share attributable to VeriFone Systems, Inc. stockholders:						
Basic	114.4	113.1		114.0	111.6	
Diluted	115.6	115.1		115.9	111.6	

(1) "nm" means not meaningful

VERIFONE SYSTEMS, INC.
NET REVENUES INFORMATION
(UNAUDITED, IN MILLIONS, EXCEPT PERCENTAGES)

Note	Three Months Ended					Years Ended		
	October 31, 2015	July 31, 2015	October 31, 2014	% Change (1) SEQ	% Change (1) YoY	October 31, 2015	October 31, 2014	% Change (1)
GAAP net revenues:								
	\$ 229.9	\$ 208.6	\$ 149.1	10.2 %	54.2 %	\$ 791.7	\$ 526.3	50.4 %
	62.8	73.7	82.1	(14.8)%	(23.5)%	275.7	323.0	(14.6)%
	164.1	172.6	189.2	(4.9)%	(13.3)%	696.4	754.6	(7.7)%
	57.3	55.0	70.1	4.2 %	(18.3)%	236.7	265.0	(10.7)%
	<u>\$ 514.1</u>	<u>\$ 509.9</u>	<u>\$ 490.5</u>	0.8 %	4.8 %	<u>\$ 2,000.5</u>	<u>\$ 1,868.9</u>	7.0 %
Non-GAAP net revenues: (2)								
A	\$ 229.9	\$ 208.6	\$ 149.0	10.2 %	54.3 %	\$ 791.8	\$ 526.2	50.5 %
A	62.8	73.7	82.1	(14.8)%	(23.5)%	275.7	323.0	(14.6)%
A	164.2	172.7	189.4	(4.9)%	(13.3)%	697.2	756.5	(7.8)%
A	57.3	55.0	70.2	4.2 %	(18.4)%	236.8	265.3	(10.7)%
	<u>\$ 514.2</u>	<u>\$ 510.0</u>	<u>\$ 490.7</u>	0.8 %	4.8 %	<u>\$ 2,001.5</u>	<u>\$ 1,871.0</u>	7.0 %
GAAP net revenues								
	\$ 514.1	\$ 509.9	\$ 490.5	0.8 %	4.8 %	\$ 2,000.5	\$ 1,868.9	7.0 %
A	0.1	0.1	0.2	nm	nm	1.0	2.1	nm
Non-GAAP net revenues (2)								
	<u>\$ 514.2</u>	<u>\$ 510.0</u>	<u>\$ 490.7</u>	0.8 %	4.8 %	<u>\$ 2,001.5</u>	<u>\$ 1,871.0</u>	7.0 %

(1) "nm" means not meaningful.

(2) Reconciliations for the non-GAAP measures are provided at the end of this press release.

	For three months ended October 31, 2015 compared with three months ended October 31, 2014					For year ended October 31, 2015 compared with year ended October 31, 2014				
	Net revenues growth	Impact due to Non-GAAP net revenues adjustments (A)	Non-GAAP net revenues growth	Impact due to foreign currency (B)	Non-GAAP net revenues at constant currency growth	Net revenues growth	Impact due to Non-GAAP net revenues adjustments (A)	Non-GAAP net revenues growth	Impact due to foreign currency (B)	Non-GAAP net revenues at constant currency growth
North America	54.2 %	(0.1)pts	54.3 %	(0.9)pts	55.2 %	50.4 %	(0.1)pts	50.5 %	(0.5)pts	51.0 %
Latin America	(23.5)%	0.0pts	(23.5)%	(18.6)pts	(4.9)%	(14.6)%	0.0pts	(14.6)%	(14.8)pts	0.2 %
EMEA	(13.3)%	0.0pts	(13.3)%	(11.3)pts	(2.0)%	(7.7)%	0.1pts	(7.8)%	(11.5)pts	3.7 %
Asia-Pacific	(18.3)%	0.1pts	(18.4)%	(15.2)pts	(3.2)%	(10.7)%	0.0pts	(10.7)%	(8.8)pts	(1.9)%
Total	4.8 %	0.0pts	4.8 %	(9.9)pts	14.7 %	7.0 %	0.0pts	7.0 %	(8.6)pts	15.6 %

VERIFONE SYSTEMS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(UNAUDITED, IN MILLIONS)

	<u>October 31, 2015</u>	<u>October 31, 2014</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 208.9	\$ 250.2
Accounts receivable, net of allowances of \$8.8 and \$9.9	362.0	305.5
Inventories	129.7	124.3
Prepaid expenses and other current assets	81.7	78.4
Total current assets	782.3	758.4
Fixed assets, net	191.0	177.7
Purchased intangible assets, net	317.5	457.6
Goodwill	1,084.0	1,185.9
Long-term deferred tax assets, net	35.9	51.3
Other long-term assets	62.4	50.6
Total assets	\$ 2,473.1	\$ 2,681.5
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	\$ 189.4	\$ 161.2
Accruals and other current liabilities	229.9	206.6
Deferred revenue, net	82.9	92.1
Short-term debt	39.1	31.8
Total current liabilities	541.3	491.7
Long-term deferred revenue, net	55.3	51.0
Long-term debt	760.2	836.6
Long-term deferred tax liabilities, net	102.9	130.5
Other long-term liabilities	78.9	101.0
Total liabilities	1,538.6	1,610.8
Redeemable noncontrolling interest in subsidiary	—	0.8
Stockholders' equity:		
Common stock	1.1	1.1
Additional paid-in capital	1,726.5	1,675.7
Accumulated deficit	(535.7)	(538.2)
Accumulated other comprehensive loss	(292.3)	(104.8)
Total VeriFone Systems, Inc. stockholders' equity	899.6	1,033.8
Noncontrolling interests in subsidiaries	34.9	36.1
Total equity	934.5	1,069.9
Total liabilities and equity	\$ 2,473.1	\$ 2,681.5

VERIFONE SYSTEMS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED, IN MILLIONS)

	Years Ended October 31,	
	2015	2014
Cash flows from operating activities		
Consolidated net income (loss)	\$ 80.4	\$ (36.4)
Adjustments to reconcile consolidated net income (loss) to net cash provided by operating activities:		
Depreciation and amortization, net	169.4	213.6
Stock-based compensation expense	42.3	53.9
Deferred income taxes, net	(31.6)	(38.0)
Write-off of debt issuance cost upon extinguishment	—	7.2
Other	13.0	16.8
Net cash provided by operating activities before changes in operating assets and liabilities	273.5	217.1
Changes in operating assets and liabilities:		
Accounts receivable, net	(75.4)	(29.5)
Inventories	(16.4)	9.5
Prepaid expenses and other assets	(16.9)	10.2
Accounts payable	41.2	47.4
Deferred revenue, net	12.7	20.0
Other current and long-term liabilities	30.6	(75.6)
Net change in operating assets and liabilities	(24.2)	(18.0)
Net cash provided by operating activities	249.3	199.1
Cash flows from investing activities		
Capital expenditures	(106.4)	(85.0)
Acquisition of businesses, net of cash and cash equivalents acquired	(22.1)	—
Other investing activities, net	0.1	7.1
Net cash used in investing activities	(128.4)	(77.9)
Cash flows from financing activities		
Proceeds from debt, net of issuance costs	125.0	1,099.4
Repayments of debt	(198.3)	(1,260.8)
Proceeds from issuance of common stock through employee equity incentive plans	13.2	35.4
Stock repurchases	(70.1)	—
Other financing activities, net	(3.4)	(2.1)
Net cash used in financing activities	(133.6)	(128.1)
Effect of foreign currency exchange rate changes on cash and cash equivalents	(28.6)	(11.1)
Net decrease in cash and cash equivalents	(41.3)	(18.0)
Cash and cash equivalents, beginning of period	250.2	268.2
Cash and cash equivalents, end of period	\$ 208.9	\$ 250.2

VERIFONE SYSTEMS, INC.
RECONCILIATIONS OF NON-GAAP FINANCIAL MEASURES
(UNAUDITED, IN MILLIONS, EXCEPT PER SHARE AMOUNTS AND PERCENTAGES)

	<i>Note</i>	Net revenues	Gross margin	Gross margin percentage	Operating income	Income tax provision	Net income attributable to VeriFone Systems, Inc. stockholders
Three Months Ended October 31, 2015							
GAAP		\$ 514.1	\$ 216.4	42.1%	\$ 33.8	\$ (11.7)	\$ 38.2
Adjustments:							
Amortization of step-down in deferred services net revenues at acquisition	A	0.1	0.1		0.1	—	0.1
Amortization of purchased intangible assets	C	—	4.5		24.1	—	24.1
Other merger and acquisition related expenses	C	—	0.3		1.1	—	(1.8)
Stock based compensation	D	—	1.0		10.0	—	10.0
Restructuring charges	E	—	0.1		1.2	—	1.2
Other charges and income	E	—	0.8		5.7	—	5.7
Income tax effect of non-GAAP exclusions and adjustment to cash basis tax rate	E	—	—		—	21.3	(21.3)
Non-GAAP		\$ 514.2	\$ 223.2	43.4%	\$ 76.0	\$ 9.6	\$ 56.2

	Weighted average number of shares used in computing net income per share:		Net income per share attributable to VeriFone Systems, Inc. stockholders (1)	
	Basic	Diluted	Basic	Diluted
GAAP	114.4	115.6	\$ 0.33	\$ 0.33
Non-GAAP	114.4	115.6	\$ 0.49	\$ 0.49

(1) Net income per share is calculated by dividing the Net income attributable to VeriFone Systems, Inc. stockholders by the Weighted average number of shares.

VERIFONE SYSTEMS, INC.
RECONCILIATIONS OF NON-GAAP FINANCIAL MEASURES
(UNAUDITED, IN MILLIONS, EXCEPT PER SHARE AMOUNTS AND PERCENTAGES)

	<i>Note</i>	Net revenues	Gross margin	Gross margin percentage	Operating income	Income tax provision	Net income attributable to VeriFone Systems, Inc. stockholders
Three Months Ended July 31, 2015							
GAAP		\$ 509.9	\$ 206.5	40.5%	\$ 20.3	\$ 1.4	\$ 9.5
Adjustments:							
Amortization of step-down in deferred services net revenues at acquisition	A	0.1	0.1		0.1	—	0.1
Amortization of purchased intangible assets	C	—	4.5		24.5	—	24.5
Other merger and acquisition related expenses	C	—	0.5		1.7	—	3.2
Stock based compensation	D	—	0.4		11.2	—	11.2
Restructuring charges	E	—	0.2		6.0	—	6.0
Other charges and income	E	—	0.5		7.7	—	7.7
Income tax effect of non-GAAP exclusions and adjustment to cash basis tax rate	E	—	—		—	7.9	(7.9)
Non-GAAP		<u>\$ 510.0</u>	<u>\$ 212.7</u>	41.7%	<u>\$ 71.5</u>	<u>\$ 9.3</u>	<u>\$ 54.3</u>
		Weighted average number of shares used in computing net income per share:			Net income per share attributable to VeriFone Systems, Inc. stockholders (1)		
		Basic	Diluted		Basic	Diluted	
GAAP		114.4	116.4		\$ 0.08	\$ 0.08	
Non-GAAP		114.4	116.4		\$ 0.47	\$ 0.47	

(1) Net income per share is calculated by dividing the Net income attributable to VeriFone Systems, Inc. stockholders by the Weighted average number of shares.

VERIFONE SYSTEMS, INC.
RECONCILIATIONS OF NON-GAAP FINANCIAL MEASURES
(UNAUDITED, IN MILLIONS, EXCEPT PER SHARE AMOUNTS AND PERCENTAGES)

	<i>Note</i>	Net revenues	Gross margin	Gross margin percentage	Operating income	Income tax provision (benefit)	Net income attributable to VeriFone Systems, Inc. stockholders
Three Months Ended October 31, 2014							
GAAP		\$ 490.5	\$ 196.5	40.1%	\$ 33.5	\$ (1.6)	\$ 31.1
Adjustments:							
Amortization of step-down in deferred services net revenues at acquisition	A	0.2	0.2		0.2	—	0.2
Amortization of purchased intangible assets	C	—	10.0		33.8	—	33.8
Other merger, acquisition and divestiture related expenses	C	—	0.6		1.0	—	(3.5)
Stock based compensation	D	—	0.7		13.0	—	13.0
Restructuring charges	E	—	0.2		1.5	—	1.5
Other charges and income	E	—	(0.8)		(14.9)	—	(15.9)
Income tax effect of non-GAAP exclusions and adjustment to cash basis tax rate	E	—	—		—	10.1	(10.1)
Non-GAAP		<u>\$ 490.7</u>	<u>\$ 207.4</u>	42.3%	<u>\$ 68.1</u>	<u>\$ 8.5</u>	<u>\$ 50.1</u>

	Weighted average number of shares used in computing net income per share:		Net income per share attributable to VeriFone Systems, Inc. stockholders (1)	
	Basic	Diluted	Basic	Diluted
GAAP	<u>113.1</u>	<u>115.1</u>	<u>\$ 0.27</u>	<u>\$ 0.27</u>
Non-GAAP	<u>113.1</u>	<u>115.1</u>	<u>\$ 0.44</u>	<u>\$ 0.44</u>

(1) Net income per share is calculated by dividing the Net income attributable to VeriFone Systems, Inc. stockholders by the Weighted average number of shares.

VERIFONE SYSTEMS, INC.
RECONCILIATIONS OF NON-GAAP FINANCIAL MEASURES
(UNAUDITED, IN MILLIONS, EXCEPT PER SHARE AMOUNTS AND PERCENTAGES)

	<i>Note</i>	Net revenues	Gross margin	Gross margin percentage	Operating income	Income tax provision	Net income attributable to VeriFone Systems, Inc. stockholders
Year Ended October 31, 2015							
GAAP		\$ 2,000.5	\$ 826.0	41.3%	\$ 107.0	\$ (7.5)	\$ 79.1
Adjustments:							
Amortization of step-down in deferred services net revenues at acquisition	A	1.0	1.0		1.0	—	1.0
Amortization of purchased intangible assets	C	—	18.3		100.8	—	100.8
Other merger and acquisition related expenses	C	—	1.5		4.3	—	1.2
Stock based compensation	D	—	2.6		42.3	—	42.3
Restructure charges	E	—	0.3		8.7	—	8.7
Other charges and income	E	—	2.2		22.9	—	22.9
Income tax effect of non-GAAP exclusions and adjustment to cash basis tax rate	E	—	—		—	43.9	(43.9)
Non-GAAP		\$ 2,001.5	\$ 851.9	42.6%	\$ 287.0	\$ 36.4	\$ 212.1

	Weighted average number of shares used in computing net income per share:		Net income per share attributable to VeriFone Systems, Inc. stockholders (1)	
	Basic	Diluted	Basic	Diluted
GAAP	114.0	115.9	\$ 0.69	\$ 0.68
Non-GAAP	114.0	115.9	\$ 1.86	\$ 1.83

(1) Net income per share is calculated by dividing the Net income attributable to VeriFone Systems, Inc. stockholders by the Weighted average number of shares.

VERIFONE SYSTEMS, INC.
RECONCILIATIONS OF NON-GAAP FINANCIAL MEASURES
(UNAUDITED, IN MILLIONS, EXCEPT PER SHARE AMOUNTS AND PERCENTAGES)

	<i>Note</i>	Net revenues	Gross margin	Gross margin percentage	Operating income	Income tax provision (benefit)	Net income (loss) attributable to VeriFone Systems, Inc. stockholders
Year Ended October 31, 2014							
GAAP		\$ 1,868.9	\$ 724.7	38.8%	\$ 5.9	\$ (3.5)	\$ (38.1)
Adjustments:							
Amortization of step-down in deferred net revenues at acquisition	A	2.1	2.1		2.1	—	2.1
Amortization of purchased intangible assets	C	—	42.7		140.3	—	140.3
Other merger and acquisition related expenses	C	—	4.9		8.2	—	6.6
Stock based compensation	D	—	2.0		53.9	—	53.9
Restructuring charges	E	—	2.9		18.1	—	18.1
Cost of debt refinancing	E	—	—		4.1	—	11.2
Other charges and income	E	—	4.9		11.7	—	10.3
Income tax effect of non-GAAP exclusions and adjustment to cash basis tax rate	E	—	—		—	32.6	(32.6)
Non-GAAP		<u>\$ 1,871.0</u>	<u>\$ 784.2</u>	41.9%	<u>\$ 244.3</u>	<u>\$ 29.1</u>	<u>\$ 171.8</u>

		Weighted average number of shares used in computing net income (loss) per share:		Net income (loss) per share attributable to VeriFone Systems, Inc. stockholders (1)	
		Basic	Diluted	Basic	Diluted
GAAP		<u>111.6</u>	<u>111.6</u>	<u>\$ (0.34)</u>	<u>\$ (0.34)</u>
Adjustment for diluted shares	F	—	2.2		
Non-GAAP		<u>111.6</u>	<u>113.8</u>	<u>\$ 1.54</u>	<u>\$ 1.51</u>

(1) Net income (loss) per share is calculated by dividing the Net income (loss) attributable to VeriFone Systems, Inc. stockholders by the Weighted average number of shares.

VERIFONE SYSTEMS, INC.
RECONCILIATIONS OF NON-GAAP FINANCIAL MEASURES
(UNAUDITED, IN MILLIONS)

Note	GAAP net revenues	Amortization of step-down in deferred revenue at acquisition (A)	Non-GAAP net revenues (A)	Constant currency adjustment (B)	Non-GAAP net revenues at constant currency (B)
Three Months Ended October 31, 2015					
North America	\$ 229.9	\$ —	\$ 229.9	\$ 1.3	\$ 231.2
Latin America	62.8	—	62.8	15.2	78.0
EMEA	164.1	0.1	164.2	21.6	185.8
Asia-Pacific	57.3	—	57.3	10.6	67.9
Total	<u>\$ 514.1</u>	<u>\$ 0.1</u>	<u>\$ 514.2</u>	<u>\$ 48.7</u>	<u>\$ 562.9</u>
Three Months Ended July 31, 2015					
System Solutions	\$ 338.9	\$ —	\$ 338.9		
Services	175.2	0.1	175.3		
Total	<u>\$ 514.1</u>	<u>\$ 0.1</u>	<u>\$ 514.2</u>		
Three Months Ended October 31, 2014					
North America	\$ 149.1	\$ (0.1)	\$ 149.0		
Latin America	82.1	—	82.1		
EMEA	189.2	0.2	189.4		
Asia-Pacific	70.1	0.1	70.2		
Total	<u>\$ 490.5</u>	<u>\$ 0.2</u>	<u>\$ 490.7</u>		
Three Months Ended July 31, 2014					
System Solutions	\$ 310.9	\$ —	\$ 310.9		
Services	179.6	0.2	179.8		
Total	<u>\$ 490.5</u>	<u>\$ 0.2</u>	<u>\$ 490.7</u>		

VERIFONE SYSTEMS, INC.
RECONCILIATIONS OF NON-GAAP FINANCIAL MEASURES
(UNAUDITED, IN MILLIONS)

Note	GAAP net revenues	Amortization of step-down in deferred revenue at acquisition (A)	Non-GAAP net revenues (A)	Constant currency adjustment (B)	Non-GAAP net revenues at constant currency (B)
Year Ended October 31, 2015					
North America	\$ 791.7	\$ 0.1	\$ 791.8	\$ 2.6	\$ 794.4
Latin America	275.7	—	275.7	48.1	323.8
EMEA	696.4	0.8	697.2	87.4	784.6
Asia-Pacific	236.7	0.1	236.8	23.4	260.2
Total	<u>\$ 2,000.5</u>	<u>\$ 1.0</u>	<u>\$ 2,001.5</u>	<u>\$ 161.5</u>	<u>\$ 2,163.0</u>
Year Ended October 31, 2014					
System Solutions	\$ 1,309.6	\$ —	\$ 1,309.6		
Services	690.9	1.0	691.9		
Total	<u>\$ 2,000.5</u>	<u>\$ 1.0</u>	<u>\$ 2,001.5</u>		
Year Ended October 31, 2014					
North America	\$ 526.3	\$ (0.1)	\$ 526.2		
Latin America	323.0	—	323.0		
EMEA	754.6	1.9	756.5		
Asia-Pacific	265.0	0.3	265.3		
Total	<u>\$ 1,868.9</u>	<u>\$ 2.1</u>	<u>\$ 1,871.0</u>		
Year Ended October 31, 2014					
System Solutions	\$ 1,162.2	\$ —	\$ 1,162.2		
Services	706.7	2.1	708.8		
Total	<u>\$ 1,868.9</u>	<u>\$ 2.1</u>	<u>\$ 1,871.0</u>		

VERIFONE SYSTEMS, INC.
RECONCILIATIONS OF NON-GAAP FINANCIAL MEASURES
(UNAUDITED, IN MILLIONS)

	<i>Note</i>	Three Months Ended					Years Ended		
		October 31, 2015	July 31, 2015	October 31, 2014	% Change SEQ	% Change YoY	October 31, 2015	October 31, 2014	% Change
Free Cash Flow									
GAAP net cash provided by operating activities	G	\$ 80.5	\$ 71.4	\$ 51.6	12.7 %	56.0%	\$ 249.3	\$ 199.1	25.2%
Less: GAAP capital expenditures	G	(28.0)	(29.6)	(22.2)	(5.4)%	26.1%	(106.4)	(85.0)	25.2%
Free cash flow	G	\$ 52.5	\$ 41.8	\$ 29.4	25.6 %	78.6%	\$ 142.9	\$ 114.1	25.2%

Guidance	Three Months Ending January 31, 2016		Year Ending October 31, 2016	
	Range of Guidance	Range of Guidance	Range of Guidance	Range of Guidance
GAAP net revenues	\$ 500	\$ 500	\$ 2,089	\$2,109
Adjustments to net revenues	A	—	—	1
Non-GAAP net revenues	\$ 500	\$ 500	\$ 2,090	\$2,110

NON-GAAP FINANCIAL MEASURES

This press release and its attachments include several non-GAAP financial measures, including non-GAAP net revenues; non-GAAP Services net revenues; non-GAAP net revenues at constant currency; non-GAAP gross margin as a percentage of non-GAAP net revenues; non-GAAP net income (loss) per diluted share, and free cash flow. This press release also includes certain forward-looking non-GAAP financial measures, specifically projected non-GAAP net revenues and non-GAAP net income per diluted share for the first fiscal quarter and full fiscal year 2016. The corresponding reconciliations of these non-GAAP financial measures to the most comparable GAAP financial measures, to the extent available without unreasonable effort, are included in this press release.

Management uses non-GAAP financial measures only in addition to and in conjunction with results presented in accordance with GAAP. Management believes that these non-GAAP financial measures help it to evaluate Verifone's performance and operations and to compare Verifone's current results with those for prior periods as well as with the results of peer companies. Verifone incurs, due to differences in debt, capital structure and investment history, certain income and expense items, such as stock based compensation, amortization of acquired intangibles and other non-cash expenses, that differ significantly from Verifone's competitors. The non-GAAP financial measures reflect Verifone's reported operating performance without such items. Management also uses these non-GAAP financial measures in Verifone's budget and planning process. Management believes that the presentation of these non-GAAP financial measures is useful to investors in comparing Verifone's operating performance in any period with its performance in other periods and with the performance of other companies that represent alternative investment opportunities. These non-GAAP financial measures contain limitations and should be considered as a supplement to, and not as a substitute for, or superior to, disclosures made in accordance with GAAP.

These non-GAAP financial measures are not based on any comprehensive set of accounting rules or principles and may therefore differ from non-GAAP financial measures used by other companies. In addition, these non-GAAP financial measures do not reflect all amounts and costs, such as acquisition related costs, employee stock-based compensation costs, cash that may be expended for future capital expenditures or contractual commitments, working capital needs, cash used to service interest or principal payments on Verifone's debt, income taxes and the related cash requirements, and restructuring charges, associated with Verifone's results of operations as determined in accordance with GAAP.

Furthermore, Verifone expects to continue to incur income and expense items that are similar to those that are excluded by the non-GAAP adjustments described herein. Management compensates for these limitations by also relying on the comparable GAAP financial measures.

Our GAAP and non-GAAP net revenues are presented for our geographic regions: North America, Latin America, EMEA and Asia-Pacific. North America includes the US and Canada. Latin America includes South America, Central America, Mexico and the Caribbean. EMEA includes Europe, Russia, the Middle East, and Africa. Asia-Pacific includes Australia, New Zealand, China, India and throughout the rest of Greater Asia, including other Asia-Pacific Rim countries.

Note A: Non-GAAP net revenues. Non-GAAP net revenues exclude the fair value decrease (step-down) in deferred revenue at acquisition. Although the step-down of deferred revenue fair value at acquisition is reflected in our GAAP financial statements, it results in net revenues immediately post-acquisition that are lower than net revenues that would be recognized in accordance with GAAP on those same services if they were sold under contracts entered into post-acquisition. We adjust the step-down to achieve comparability to net revenues of the acquired entity earned pre-acquisition and to our GAAP net revenues to be earned on contracts sold in future periods. These non-GAAP net revenues amounts are not intended to be a substitute for our GAAP disclosures of net revenues, and should be read together with our GAAP disclosures.

Note B: Non-GAAP net revenues at constant currency. Verifone determines non-GAAP net revenues at constant currency by recomputing non-GAAP net revenues denominated in currencies other than U.S. Dollars in the current fiscal period using average exchange rates for that particular currency during the corresponding financial period of the prior year. Verifone uses this non-GAAP measure to evaluate performance on a comparable basis excluding the impact of foreign currency fluctuations.

Note C: Merger and Acquisition Related. Verifone adjusts certain revenues and expenses for items that are the result of merger and acquisitions.

Acquisition related adjustments include the amortization of intangible assets, fixed asset fair value adjustments, contingent consideration adjustments, incremental costs associated with acquisitions (such as legal fees related to litigation assumed as part of acquisitions) and acquisition integration expenses (such as costs of personnel required to assist with integration transitions). In addition, we adjust for changes in estimate and final resolution of contingencies that existed at the time of acquisition. Acquisition related expenses also result from events which arise from unforeseen circumstances which often occur outside the ordinary course of business.

Verifone analyzes the performance of its operations without regard to these adjustments. In determining whether any merger or acquisition related adjustment is appropriate, Verifone takes into consideration, among other things, how such adjustments would or would not aid the understanding of the performance of its operations.

Note D: Stock-Based Compensation. Our non-GAAP financial measures eliminate the effect of expense for stock-based compensation because they are non-cash expenses that management believes are not reflective of ongoing operating results. In particular, because of varying available valuation methodologies, subjective assumptions and the variety of award types which affect the calculations of stock-based compensation, we believe that the exclusion of stock-based compensation allows for more accurate comparisons of our operating results to our peer companies. Stock-based compensation is very different from other forms of compensation. A cash salary or bonus has a fixed and unvarying cash cost. In contrast the expense associated with an award of an option or other stock based award is unrelated to the amount of compensation ultimately received by the employee; and the cost to the company is based on valuation methodology and underlying assumptions that may vary over time and does not reflect any cash expenditure by the company. Furthermore, the expense associated with granting an employee an option or other stock based award can be spread over multiple years and may be reversed based on forfeitures which may differ from our original assumptions unlike cash compensation expense which is typically recorded contemporaneously with the time of award or payment.

Note E: Other Charges and Income. Verifone excludes certain expenses and other income (expense) that we have determined is not reflective of ongoing operating results. It is difficult to estimate the amount or timing of these items in advance. Although these events are reflected in our GAAP financial statements, we exclude them in our non-GAAP financial measures because we believe these items may limit the comparability of our ongoing operations with prior and future periods. These adjustments for other charges and income include:

- Litigation settlement and loss contingency expense.
- Certain costs incurred in connection with senior executive management changes, such as separation payments, non-compete arrangement fees, legal fees, recruiter fees and sign on bonuses.
- Certain expenses, such as professional services and certain personnel costs, incurred on initiatives to transform, streamline and centralize our global operations.
- Restructure and impairment charges related to certain exit activities initiated as part of our global transformation initiatives.
- Gain or loss on financial transactions, such as the accelerated amortization of capitalized debt issuance costs due to the early repayment of debt and costs incurred to refinance our debt.

We assess our operating performance with these amounts included and excluded, and by providing this information, we believe that users of our financial statements are better able to understand the financial results of what we consider to be our continuing operations.

Income taxes are adjusted for the tax effect of the adjusting items related to our non-GAAP financial measures and to reflect our medium to long term estimate of cash taxes on a non-GAAP basis, in order to provide our management and users of the financial statements with better clarity regarding the on-going comparable performance and future liquidity of our business. Under GAAP our Income tax provision (benefit) as a percentage of Income (loss) before income taxes was (43.7)% for the fiscal quarter ended October 31, 2015, 12.6% for the fiscal quarter ended July 31, 2015, (5.3)% for the fiscal quarter ended October 31, 2014, (10.2)% for the year ended October 31, 2015 and 8.6% for the year ended October 31, 2014. For non-GAAP purposes, we used a 14.5% rate for all periods presented.

Note F: Non-GAAP diluted shares. Diluted non-GAAP weighted average shares include additional shares that are dilutive for non-GAAP computations of earnings per share in periods when we have a non-GAAP net income and a GAAP basis net loss.

Note G: Free Cash Flow. Free cash flow is not defined under GAAP. Therefore, it should not be considered a substitute for income or cash flow data prepared in accordance with GAAP and may not be comparable to similarly titled measures used by other companies. Verifone determines free cash flow as net cash provided by operating activities less capital expenditures. We use this non-GAAP measure to evaluate our operating cash spend including the impact of our investments in long-term operating assets, such as property, equipment and capitalized software.

Contacts

VeriFone Systems, Inc.

Investor Relations:

Douglas D. Reed, 408-232-7979

SVP, Treasury & Investor Relations

ir@verifone.com

or

Media Relations:

Andy Payment, 770-754-3541

andy.payment@verifone.com

Source: VeriFone Systems, Inc.