



Verifone Reports Results for the Third Quarter of Fiscal 2016 and Updates Outlook for Full Year

SAN JOSE, Calif. – (BUSINESS WIRE) – Verifone (NYSE: PAY), a world leader in payments and commerce solutions, today announced financial results for the three months ended July 31, 2016.

Third Quarter Financial Highlights

- GAAP net revenues of \$488 million and Non-GAAP net revenues of \$493 million
- GAAP net loss per diluted share of \$0.28
- Non-GAAP net income per diluted share of \$0.42
- Operating cash flow of \$13 million

"We made real progress during the third quarter in further repositioning Verifone, building our services business and bringing our new devices to market. Despite this progress, Q3 was a challenging quarter for Verifone on revenues. We moved decisively to reduce our cost structure, and those initial efforts helped us exceed our revised EPS target," said Paul Galant, Chief Executive Officer of Verifone. "We are managing through what we believe are difficult but temporary local market and lingering EMV adoption issues. Our outlook for Q4 now assumes a significantly slower EMV rollout, and we are projecting fiscal year 2017 consolidated revenues to be approximately 3% below fiscal year 2016 levels. That said, we are relentlessly executing the long-term vision for Verifone to transform from a box shipper to a services provider."

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

	Three Months Ended July 31,			Nine Months Ended July 31,		
	2016	2015	Change	2016	2015	Change
GAAP:						
Net revenues	\$ 488	\$ 510	(4.3)%	\$ 1,528	\$ 1,486	2.8%
Gross margin as a % of net revenues	39.2%	40.5%	(1.3) pts	40.4%	41.0%	(0.6) pts
Net income (loss) per diluted share	\$ (0.28)	\$ 0.08	nm	\$ (0.04)	\$ 0.35	nm
Non-GAAP (1):						
Net revenues	\$ 493	\$ 510	(3.4)%	\$ 1,539	\$ 1,487	3.4%
Gross margin as a % of net revenues	42.2%	41.7%	0.5pts	42.5%	42.3%	0.2pts
Net income per diluted share	\$ 0.42	\$ 0.47	(10.6)%	\$ 1.36	\$ 1.34	1.5%

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

Fourth Quarter and Fiscal Year 2016 Outlook

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

- Non-GAAP net revenues of \$460 million
- Non-GAAP net income per diluted share of \$0.28-0.29

Guidance for the full fiscal year 2016 is as follows:

- Non-GAAP net revenues of \$2.0 billion
- Non-GAAP net income per diluted share of \$1.64 - \$1.65

Conference Call

Verifone will hold its earnings conference call today, September 1st, 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 September 30, 2016.

About Verifone

Verifone is transforming everyday transactions into opportunities for connected commerce. We're connecting 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 with approximately 29 million devices and terminals deployed worldwide. 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>

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 pace of EMV adoption in the United States, the conduct of our business and operations internationally, including the complexity of compliance with international laws and regulations and risks related to adverse regulatory actions, including tax-related audits and assessments, 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 integrate the businesses we acquire and to achieve the expected benefits of such acquisitions, our ability to effectively hedge our exposure to foreign currency exchange rate fluctuations, successful execution of our restructuring plans, including whether the expected benefits of restructuring plans are achieved within expected timeframes or at all, 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.

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

	Three Months Ended July 31,			Nine Months Ended July 31,		
	2016	2015	% Change (1)	2016	2015	% Change (1)
Net revenues:						
Systems	\$ 292.1	\$ 333.0	(12.3)%	\$ 972.1	\$ 970.7	0.1 %
Services	196.0	176.9	10.8 %	555.8	515.6	7.8 %
Total net revenues	488.1	509.9	(4.3)%	1,527.9	1,486.3	2.8 %
Cost of net revenues:						
Systems	175.7	201.2	(12.7)%	571.0	575.9	(0.9)%
Services	121.3	102.2	18.7 %	340.1	300.8	13.1 %
Total cost of net revenues	297.0	303.4	(2.1)%	911.1	876.7	3.9 %
Total gross margin	191.1	206.5	(7.5)%	616.8	609.6	1.2 %
Operating expenses:						
Research and development	52.4	50.8	3.1 %	158.1	147.2	7.4 %
Sales and marketing	52.8	55.5	(4.9)%	167.3	167.5	(0.1)%
General and administrative	49.7	54.1	(8.1)%	157.0	150.4	4.4 %
Restructuring and related charges	33.6	5.8	nm	34.2	7.2	nm
Litigation settlement and loss contingency expense	0.6	—	nm	0.6	1.2	nm
Amortization of purchased intangible assets	24.3	20.0	21.5 %	65.9	62.9	4.8 %
Total operating expenses	213.4	186.2	14.6 %	583.1	536.4	8.7 %
Operating income (loss)	(22.3)	20.3	nm	33.7	73.2	nm
Interest expense, net	(9.0)	(8.2)	9.8 %	(25.9)	(23.5)	10.2 %
Other income (expense), net	0.1	(0.6)	nm	(6.8)	(3.5)	nm
Income (loss) before income taxes	(31.2)	11.5	nm	1.0	46.2	nm
Income tax provision	0.3	1.4	nm	5.4	4.3	nm
Consolidated net income (loss)	(31.5)	10.1	nm	(4.4)	41.9	nm
Net (income) loss attributable to noncontrolling interests	0.4	(0.6)	nm	(0.3)	(1.0)	nm
Net income (loss) attributable to VeriFone Systems, Inc. stockholders	\$ (31.1)	\$ 9.5	nm	\$ (4.7)	\$ 40.9	nm
Net income (loss) per share attributable to VeriFone Systems, Inc. stockholders:						
Basic	\$ (0.28)	\$ 0.08		\$ (0.04)	\$ 0.36	
Diluted	\$ (0.28)	\$ 0.08		\$ (0.04)	\$ 0.35	
Weighted average number of shares used in computing net income (loss) per share attributable to VeriFone Systems, Inc. stockholders:						
Basic	110.7	114.4		110.8	113.9	
Diluted	110.7	116.4		110.8	116.0	

(1) "nm" means not meaningful

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

	July 31, 2016	October 31, 2015
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 156.6	\$ 208.9
Accounts receivable, net of allowances of \$13.5 and \$8.8	370.1	362.0
Inventories	183.1	129.7
Prepaid expenses and other current assets	136.5	81.7
Total current assets	846.3	782.3
Property and equipment, net	195.5	191.0
Purchased intangible assets, net	340.2	317.5
Goodwill	1,134.5	1,084.0
Deferred tax assets, net	39.0	35.9
Other long-term assets	80.0	62.4
Total assets	\$ 2,635.5	\$ 2,473.1
 LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	\$ 191.8	\$ 189.4
Accruals and other current liabilities	226.8	229.9
Deferred revenue, net	108.6	82.9
Short-term debt	65.7	39.1
Total current liabilities	592.9	541.3
Long-term deferred revenue, net	62.5	55.3
Long-term debt	907.8	760.2
Deferred tax liabilities, net	110.9	102.9
Other long-term liabilities	90.1	78.9
Total liabilities	1,764.2	1,538.6
Redeemable noncontrolling interest in subsidiary	6.3	—
Stockholders' equity:		
Common stock	1.1	1.1
Additional paid-in capital	1,760.8	1,726.5
Accumulated deficit	(613.8)	(535.7)
Accumulated other comprehensive loss	(317.2)	(292.3)
Total VeriFone Systems, Inc. stockholders' equity	830.9	899.6
Noncontrolling interests in subsidiaries	34.1	34.9
Total equity	865.0	934.5
Total liabilities, redeemable noncontrolling interest in subsidiary and equity	\$ 2,635.5	\$ 2,473.1

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

	Nine Months Ended July 31,	
	2016	2015
Cash flows from operating activities		
Consolidated net income (loss)	\$ (4.4)	\$ 41.9
Adjustments to reconcile consolidated net income (loss) to net cash provided by operating activities:		
Depreciation and amortization, net	133.8	127.7
Stock-based compensation expense	32.9	32.2
Deferred income taxes, net	(7.2)	(8.7)
Non-cash restructuring and related charges	29.1	—
Other	5.0	14.5
Net cash provided by operating activities before changes in operating assets and liabilities	<u>189.2</u>	<u>207.6</u>
Changes in operating assets and liabilities:		
Accounts receivable, net	13.5	(33.4)
Inventories	(53.3)	(6.7)
Prepaid expenses and other assets	(27.0)	(20.8)
Accounts payable	(2.3)	(0.2)
Deferred revenue, net	28.4	10.1
Other current and long-term liabilities	(21.8)	12.2
Net change in operating assets and liabilities	<u>(62.5)</u>	<u>(38.8)</u>
Net cash provided by operating activities	<u>126.7</u>	<u>168.8</u>
Cash flows from investing activities		
Capital expenditures	(82.2)	(78.5)
Acquisition of businesses, net of cash acquired	(172.2)	(13.6)
Other investing activities, net	1.9	0.1
Net cash used in investing activities	<u>(252.5)</u>	<u>(92.0)</u>
Cash flows from financing activities		
Proceeds from debt, net of issuance costs	490.4	60.0
Repayments of debt	(333.9)	(130.3)
Proceeds from issuance of common stock through employee equity incentive plans	3.3	12.7
Stock repurchases	(79.9)	—
Other financing activities, net	(4.1)	(2.5)
Net cash provided by (used in) financing activities	<u>75.8</u>	<u>(60.1)</u>
Effect of foreign currency exchange rate changes on cash and cash equivalents	<u>(2.3)</u>	<u>(24.8)</u>
Net decrease in cash and cash equivalents	(52.3)	(8.1)
Cash and cash equivalents, beginning of period	208.9	250.2
Cash and cash equivalents, end of period	<u>\$ 156.6</u>	<u>\$ 242.1</u>

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

	Note	Three Months Ended				Nine Months Ended			
		July 31, 2016	April 30, 2016	July 31, 2015	% Change (1) SEO	% Change (1) YoY	July 31, 2016	July 31, 2015	% Change (1)
GAAP net revenues:									
North America		\$ 191.5	\$ 209.3	\$ 208.6	(8.5)%	(8.2)%	\$ 636.5	\$ 561.8	13.3 %
Latin America		55.1	69.8	73.7	(21.1)%	(25.2)%	179.6	212.9	(15.6)%
EMEA		190.0	197.0	172.6	(3.6)%	10.1 %	557.4	532.2	4.7 %
Asia-Pacific		51.5	50.2	55.0	2.6 %	(6.4)%	154.4	179.4	(13.9)%
Total		<u>\$ 488.1</u>	<u>\$ 526.3</u>	<u>\$ 509.9</u>	(7.3)%	(4.3)%	<u>\$ 1,527.9</u>	<u>\$ 1,486.3</u>	2.8 %
Non-GAAP net revenues: (2)									
North America	A	\$ 196.0	\$ 215.4	\$ 208.6	(9.0)%	(6.0)%	\$ 647.1	\$ 561.9	15.2 %
Latin America	A	55.1	69.8	73.7	(21.1)%	(25.2)%	179.6	212.9	(15.6)%
EMEA	A	190.0	197.0	172.7	(3.6)%	10.0 %	557.4	532.9	4.6 %
Asia-Pacific	A	51.5	50.2	55.0	2.6 %	(6.4)%	154.4	179.5	(14.0)%
Total		<u>\$ 492.6</u>	<u>\$ 532.4</u>	<u>\$ 510.0</u>	(7.5)%	(3.4)%	<u>\$ 1,538.5</u>	<u>\$ 1,487.2</u>	3.4 %
GAAP net revenues		\$ 488.1	\$ 526.3	\$ 509.9	(7.3)%	(4.3)%	\$ 1,527.9	\$ 1,486.3	2.8 %
Plus: Non-GAAP net revenues adjustments	A	4.5	6.1	0.1	nm	nm	10.6	0.9	nm
Non-GAAP net revenues (2)		492.6	532.4	\$ 510.0	(7.5)%	(3.4)%	1,538.5	\$ 1,487.2	3.4 %
Net revenues from businesses acquired in the past 12 months	B	(22.8)	(24.6)	(0.1)	nm	nm	(52.6)	(0.3)	nm
Non-GAAP organic net revenues (2)		\$ 469.8	\$ 507.8	\$ 509.9	(7.5)%	(7.9)%	\$ 1,485.9	\$ 1,486.9	(0.1)%

(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 July 31, 2016 compared with three months ended July 31, 2015					For nine months ended July 31, 2016 compared with nine months ended July 31, 2015				
	Net revenues growth	Impact due to acquired businesses (A) (B)	Non-GAAP organic net revenues growth	Impact due to foreign currency (C)	Non-GAAP organic net revenues at constant currency growth	Net revenues growth	Impact due to acquired businesses (A) (B)	Non-GAAP organic net revenues growth	Impact due to foreign currency (C)	Non-GAAP organic net revenues at constant currency growth
North America	(8.2)%	1.3pts	(9.5)%	(0.2)pts	(9.3)%	13.3 %	0.9pts	12.4 %	(0.1)pts	12.5 %
Latin America	(25.2)%	0.1pts	(25.3)%	(8.4)pts	(16.9)%	(15.6)%	0.0pts	(15.6)%	(16.7)pts	1.1 %
EMEA	10.1 %	9.1pts	1.0 %	(2.6)pts	3.6 %	4.7 %	7.0pts	(2.3)%	(5.3)pts	3.0 %
Asia-Pacific	(6.4)%	0.0pts	(6.4)%	(3.9)pts	(2.5)%	(13.9)%	0.1pts	(14.0)%	(6.4)pts	(7.6)%
Total	(4.3)%	3.6pts	(7.9)%	(2.6)pts	(5.3)%	2.8 %	2.9pts	(0.1)%	(5.1)pts	5.0 %

Non-GAAP Reconciliations

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	Non-GAAP net revenues	Net revenues from businesses acquired in the past 12 months	Non-GAAP organic net revenues	Constant currency adjustment	Non-GAAP organic net revenues at constant currency
	(A)	(A)	(B)	(B)	(C)	(C)	
Three Months Ended July 31, 2016							
North America	\$ 191.5	\$ 4.5	\$ 196.0	\$ (7.1)	\$ 188.9	\$ 0.3	\$ 189.2
Latin America	55.1	—	55.1	—	55.1	6.1	61.2
EMEA	190.0	—	190.0	(15.7)	174.3	4.6	178.9
Asia-Pacific	51.5	—	51.5	—	51.5	2.2	53.7
Total	<u>\$ 488.1</u>	<u>\$ 4.5</u>	<u>\$ 492.6</u>	<u>\$ (22.8)</u>	<u>\$ 469.8</u>	<u>\$ 13.2</u>	<u>\$ 483.0</u>
Systems	\$ 292.1	\$ —	\$ 292.1	\$ (2.3)	\$ 289.8	\$ 8.7	\$ 298.5
Services	196.0	4.5	200.5	(20.5)	180.0	4.5	184.5
Total	<u>\$ 488.1</u>	<u>\$ 4.5</u>	<u>\$ 492.6</u>	<u>\$ (22.8)</u>	<u>\$ 469.8</u>	<u>\$ 13.2</u>	<u>\$ 483.0</u>
Three Months Ended April 30, 2016							
North America	\$ 209.3	\$ 6.1	\$ 215.4	\$ (7.7)	\$ 207.7		
Latin America	69.8	—	69.8	—	69.8		
EMEA	197.0	—	197.0	(16.9)	180.1		
Asia-Pacific	50.2	—	50.2	—	50.2		
Total	<u>\$ 526.3</u>	<u>\$ 6.1</u>	<u>\$ 532.4</u>	<u>\$ (24.6)</u>	<u>\$ 507.8</u>		
Systems	\$ 342.5	\$ —	\$ 342.5	\$ —	\$ 342.5		
Services	183.8	6.1	189.9	(24.6)	165.3		
Total	<u>\$ 526.3</u>	<u>\$ 6.1</u>	<u>\$ 532.4</u>	<u>\$ (24.6)</u>	<u>\$ 507.8</u>		
Three Months Ended July 31, 2015							
North America	\$ 208.6	\$ —	\$ 208.6	\$ —	\$ 208.6		
Latin America	73.7	—	73.7	—	73.7		
EMEA	172.6	0.1	172.7	(0.1)	172.6		
Asia-Pacific	55.0	—	55.0	—	55.0		
Total	<u>\$ 509.9</u>	<u>\$ 0.1</u>	<u>\$ 510.0</u>	<u>\$ (0.1)</u>	<u>\$ 509.9</u>		
Systems	\$ 333.0	\$ —	\$ 333.0	\$ —	\$ 333.0		
Services	176.9	0.1	177.0	(0.1)	176.9		
Total	<u>\$ 509.9</u>	<u>\$ 0.1</u>	<u>\$ 510.0</u>	<u>\$ (0.1)</u>	<u>\$ 509.9</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)	Net revenues from businesses acquired in the past 12 months (B)	Non-GAAP organic net revenues (B)	Constant currency adjustment (C)	Non-GAAP net revenues at constant currency (C)
Nine Months Ended July 31, 2016							
North America	\$ 636.5	\$ 10.6	\$ 647.1	\$ (15.7)	\$ 631.4	\$ 1.0	\$ 632.4
Latin America	179.6	—	179.6	—	179.6	35.6	215.2
EMEA	557.4	—	557.4	(36.9)	520.5	27.9	548.4
Asia-Pacific	154.4	—	154.4	—	154.4	11.4	165.8
Total	<u>\$ 1,527.9</u>	<u>\$ 10.6</u>	<u>\$ 1,538.5</u>	<u>\$ (52.6)</u>	<u>\$ 1,485.9</u>	<u>\$ 75.9</u>	<u>\$ 1,561.8</u>
Systems	\$ 972.1	\$ —	\$ 972.1	\$ (7.1)	\$ 965.0	\$ 45.0	\$ 1,010.0
Services	555.8	10.6	566.4	(45.5)	520.9	30.9	551.8
Total	<u>\$ 1,527.9</u>	<u>\$ 10.6</u>	<u>\$ 1,538.5</u>	<u>\$ (52.6)</u>	<u>\$ 1,485.9</u>	<u>\$ 75.9</u>	<u>\$ 1,561.8</u>

Nine Months Ended July 31, 2015

North America	\$ 561.8	\$ 0.1	\$ 561.9	\$ —	\$ 561.9		
Latin America	212.9	—	212.9	—	212.9		
EMEA	532.2	0.7	532.9	(0.3)	532.6		
Asia-Pacific	179.4	0.1	179.5	—	179.5		
Total	<u>\$ 1,486.3</u>	<u>\$ 0.9</u>	<u>\$ 1,487.2</u>	<u>\$ (0.3)</u>	<u>\$ 1,486.9</u>		
Systems	\$ 970.7	\$ —	\$ 970.7	\$ —	\$ 970.7		
Services	515.6	0.9	516.5	(0.3)	516.2		
Total	<u>\$ 1,486.3</u>	<u>\$ 0.9</u>	<u>\$ 1,487.2</u>	<u>\$ (0.3)</u>	<u>\$ 1,486.9</u>		

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

	Note	Net revenues	Gross margin	Gross margin percentage	Operating income (loss)	Income tax provision	Net income (loss) attributable to VeriFone Systems, Inc. stockholders
Three Months Ended July 31, 2016							
GAAP		\$ 488.1	\$ 191.1	39.2%	\$ (22.3)	\$ 0.3	\$ (31.1)
Adjustments:							
Amortization of step-down deferred services net revenues and associated costs of goods sold at acquisition	A	4.5	3.1		3.1		3.1
Merger and acquisition related	D	—	3.9		29.2	—	27.1
Stock based compensation	E	—	0.9		10.8	—	10.8
Restructuring and related charges	F	—	5.2		38.9	—	38.9
Other charges and income	F	—	3.8		5.2	—	5.2
Income tax effect of non-GAAP exclusions	G	—	—		—	7.7	(7.7)
Non-GAAP		\$ 492.6	\$ 208.0	42.2%	\$ 64.9	\$ 8.0	\$ 46.3
		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		110.7	110.7			\$ (0.28)	\$ (0.28)
Adjustment for diluted shares	H	—	0.7				
Non-GAAP		110.7	111.4			\$ 0.42	\$ 0.42
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
Merger and acquisition related	D	—	5.0		26.2	—	27.7
Stock based compensation	E	—	0.4		11.2	—	11.2
Restructuring and related charges	F	—	0.2		6.0	—	6.0
Other charges and income	F	—	0.5		7.7	—	7.7
Income tax effect of non-GAAP exclusions	G	—	—		—	7.9	(7.9)
Non-GAAP		\$ 510.0	\$ 212.7	41.7%	\$ 71.5	\$ 9.3	\$ 54.3
		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) Diluted 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 used in computing net income (loss) per share attributable to VeriFone Systems, Inc. stockholders.

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 (loss) attributable to VeriFone Systems, Inc. <i>stockholder</i>
Nine Months Ended July 31, 2016							
GAAP		\$ 1,527.9	\$ 616.8	40.4%	\$ 33.7	\$ 5.4	\$ (4.7)
Adjustments:							
Amortization of step-down in deferred services net revenues and associated costs of goods sold at acquisition	A	10.6	7.5		7.5	—	7.5
Merger and acquisition related	D	—	11.8		82.3	—	80.3
Stock based compensation	E	—	2.5		32.9	—	32.9
Restructuring and related charges	F	—	5.1		39.3	—	39.3
Other charges and income	F	—	10.4		13.6	—	17.3
Income tax effect of non-GAAP exclusions	G	—	—		—	20.8	(20.8)
Non-GAAP		<u>\$ 1,538.5</u>	<u>\$ 654.0</u>	42.5%	<u>\$ 209.4</u>	<u>\$ 26.2</u>	<u>\$ 151.9</u>
		Weighted average number of shares used in computing net income per share:				Net income per share attributable to VeriFone Systems, Inc. stockholders (1)	
		<u>Basic</u>	<u>Diluted</u>			<u>Basic</u>	<u>Diluted</u>
GAAP		<u>110.8</u>	<u>110.8</u>			<u>\$ (0.04)</u>	<u>\$ (0.04)</u>
Adjustment for diluted shares	H	—	0.9				
Non-GAAP		<u>110.8</u>	<u>111.7</u>			<u>\$ 1.37</u>	<u>\$ 1.36</u>
Nine Months Ended July 31, 2015							
GAAP		\$ 1,486.3	\$ 609.6	41.0%	\$ 73.2	\$ 4.3	\$ 40.9
Adjustments:							
Amortization of step-down in deferred services net revenues at acquisition	A	0.9	0.9		0.9	—	0.9
Merger and acquisition related	D	—	14.9		79.9	—	79.6
Stock based compensation	E	—	1.6		32.2	—	32.2
Restructuring and related charges	F	—	0.3		7.5	—	7.5
Other charges and income	F	—	1.4		17.3	—	17.3
Income tax effect of non-GAAP exclusions	G	—	—		—	22.5	(22.5)
Non-GAAP		<u>\$ 1,487.2</u>	<u>\$ 628.7</u>	42.3%	<u>\$ 211.0</u>	<u>\$ 26.8</u>	<u>\$ 155.9</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)	
		<u>Basic</u>	<u>Diluted</u>			<u>Basic</u>	<u>Diluted</u>
GAAP		<u>113.9</u>	<u>116.0</u>			<u>\$ 0.36</u>	<u>\$ 0.35</u>
Non-GAAP		<u>113.9</u>	<u>116.0</u>			<u>\$ 1.37</u>	<u>\$ 1.34</u>

(1) Diluted 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 used in computing net income (loss) per share attributable to VeriFone Systems, Inc. stockholders.

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

Guidance	Three Months Ending October 31, 2016	Year Ending October 31, 2016
GAAP net revenues	\$ 456	\$ 1,986
Adjustments to net revenues	A 4	14
Non-GAAP net revenues	\$ 460	\$ 2,000

NON-GAAP FINANCIAL MEASURES

This press release and its attachments include several non-GAAP financial measures, including non-GAAP net revenues; non-GAAP Systems net revenues; non-GAAP Services net revenues; net revenues from businesses acquired in the past 12 months; non-GAAP organic net revenues; non-GAAP organic net revenues at constant currency; non-GAAP gross margin; non-GAAP gross margin as a percentage of non-GAAP net revenues; non-GAAP operating income; non-GAAP income tax provision; non-GAAP net income attributable to Verifone Systems, Inc. shareholders; non-GAAP weighted average diluted shares; and non-GAAP net income (loss) per diluted share. 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 fourth 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, geographic presence and associated currency impacts, 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 four main 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, costs of goods sold and gross margin. Non-GAAP net revenues exclude the fair value decrease (step-down) in deferred revenue at acquisition. Non-GAAP costs of goods sold exclude the costs of goods associated with the fair value decrease (step-down) in deferred revenue at acquisition. Although the step-down of deferred revenue fair value at acquisition and associated costs of goods sold are reflected in our GAAP financial statements, they result in net revenues and gross margins immediately post-acquisition that are lower than net revenues and gross margins 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 and gross margins of the acquired entity earned pre-acquisition and to our GAAP net revenues and gross margins to be earned on contracts sold in future periods. These non-GAAP net revenues, costs of goods sold and gross margin amounts are not intended to be a substitute for our GAAP disclosures of net revenues, costs of goods sold and gross margin, and should be read together with our GAAP disclosures.

Note B: Non-GAAP organic net revenues. "Non-GAAP organic net revenues" is a non-GAAP financial measure of net revenues excluding "net revenues from businesses acquired in the past 12 months" (as defined below). Verifone determines non-GAAP organic net revenues by deducting net revenues from businesses acquired in the past 12 months from non-GAAP net revenues. This non-GAAP measure is used to evaluate Verifone net revenues without the impact of net revenues from acquired businesses, as Verifone analyzes performance both with and without the impact of our recent acquisitions.

Net revenues from businesses acquired in the past 12 months consists of net revenues derived from the sales channels of acquired resellers and distributors, and net revenues from Systems and Services attributable to businesses acquired in the 12 months preceding the respective financial quarter(s). For acquisitions of small businesses that are integrated within a relatively short time after the close of the acquisition, we assume quarterly net revenues attributable to such acquired businesses during the 12 months following acquisition remain at the same level as in the first full quarter after the acquisition closed. During periods prior to our acquisition of former customers, net revenues from businesses acquired in the past 12 months consists of sales by Verifone to that former customer for that period.

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

Merger and 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 and other professional fees) 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 E: 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 a 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 a 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 F: Other Charges and Income (Loss). Verifone excludes certain expenses, other income (expense) and losses that we have determined are 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:

- Certain costs incurred in connection with senior executive management changes, such as 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.
- Restructuring and related charges, including restructure costs, write down of assets held for sale, and charges for costs to terminate a contract related to a service we will no longer offer in Turkey, as well as losses related to certain exit activities initiated as part of our strategic review of under-performing businesses and global transformation initiatives.
- Foreign exchange losses related to obligations denominated in currencies of highly inflationary economies.
- Costs associated with litigation and other loss contingencies, penalties and settlements.

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.

Note G: Income Tax Effect of Non-GAAP exclusions. 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 as a percentage of Income before income taxes was 0.9% for the fiscal quarter ended July 31, 2016, 12.6% for the fiscal quarter ended July 31, 2015, 567.6% for the nine months ended July 31, 2016 and 9.3% for the nine months ended July 31, 2015. For non-GAAP purposes, we used a 14.5% rate for all periods presented.

Note H: 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.