Appendix

Reconciliation of GAAP to Non-GAAP net revenues

$M, except percentages	*Note*	Year-ended October 31, 2014			
		Service net revenues		**Total net revenues**	
GAAP net revenues		**$**	**706.7**	**$**	**1,868.9**
% of total GAAP net revenues			**37.8%**		
Amortization of step down deferred service net revenues at acquisition	A		2.1		2.1
Non-GAAP net revenues		$	708.8	$	1871.0
Services net revenues as a % of total Non-GAAP net revenues			37.9%		

Reconciliation of GAAP to Non-GAAP Research and Development Expense

$M	*Note*	**Year-ended October 31, 2013**	
GAAP research and development expenses		**$**	**173.3**
Acquisition, divestiture & restructure related costs	B		**(2.7)**
Stock based compensation	C		(6.1)
Non-GAAP		$	164.5

Reconciliation of operating cash flow to free cash flow

		Year ending		Three years ending
$M	*Note*	October 31, 2017	October 31, 2016	October 31, 2016
GAAP net cash provided by operating activities	D	**$ 225.0**	**$ 193.7**	**$ 640**
Less: GAAP capital expenditures	D	(105.0)	(105.3)	(300)
Free cash flow	D	$ 120.0	$ 88.4	$ 340

Reconciliation of GAAP to Non-GAAP projected net revenues

$ in millions	*Note*		**Three months ending January 31, 2017**		**Year ending October 31, 2017**
GAAP net revenues		**$**	**446**	**$**	**1,895-1,910**
Adjustment to net revenues	A		4		5
Non-GAAP net revenues		$	450	$	1,900-1,915

Reconciliation of GAAP to Non-GAAP Earnings per Share

$ in millions	*Note*		**Three months ending January 31, 2017**		**Year ending October 31, 2017**
Diluted GAAP earnings per share (1)		**$**	**(0.08)**	**$**	**0.37-0.41**
Adjustments: (2)					
Amortization of step-down in deferred services net revenues at acquisition	A	$	0.02	$	0.02
Amortization of purchased intangible assets	B	$	0.20	$	0.70
Stock based compensation	C	$	0.10	$	0.40
Income tax effect of non-GAAP exclusions (3)	E	$	(0.04)	$	(0.14)
Diluted Non-GAAP earnings per share (1)		$	0.20	$	1.35-1.39

(1) Diluted GAAP and non-GAAP earnings per share are determined using the most dilutive weighted average number of shares, which includes outstanding RSU and RSA shares in the calculation of the weighted average diluted shares outstanding for periods in which we expect net income.
(2) Except for the adjustments noted herein, this guidance does not include the effects of any future acquisition or divestiture related costs, restructuring activities, significant legal matters, and non-recurring income tax adjustments, which are difficult to predict and may or may not be significant.
(3) Assuming a GAAP effective tax rate of 12.5% applied to the above non-GAAP exclusions.

Explanatory Notes to reconciliations of GAAP to non-GAAP items

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. Accordingly, 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 adjustments, which relate principally to our acquisition of AJB during February 2016, enhance the ability of our management and our investors to assess our financial performance and trends. 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: 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, contingent consideration fair market value adjustments, interest on contingent consideration, transaction expenses associated with acquisitions, and acquisition integration expenses.

Amortization of intangible assets: Verifone incurs amortization of intangible assets in connection with its acquisitions, such as amortization of finite lived customer relationships intangibles. We are required to allocate a portion of the purchase price of each business acquisition to the intangible assets acquired and to amortize this amount over the estimated useful lives of those acquired intangible assets. Because these amounts have no direct correlation to Verifone's underlying business operations, we eliminate these amortization charges and any associated minority interest impact from our non-GAAP operating results to provide better comparability of pre-acquisition and post-acquisition operating results.

Contingent consideration fair market value adjustments and interest on contingent consideration: In connection with its acquisitions, Verifone owes contingent consideration payments based upon the post-acquisition performance of and other factors related to acquired businesses. These contingent consideration liabilities are reported at fair market value and incur non-cash imputed interest. Changes in the fair market value of contingent consideration and imputed interest expense vary independent of our ongoing operating results and have no direct correlation to our underlying business operations. Accordingly, Verifone excludes these amounts from our non-GAAP operating results to provide better comparability of pre-acquisition and post-acquisition operating results.

Transaction expenses associated with acquisitions: Verifone incurs transaction expenses in connection with its acquisitions, which include legal and other professional fees such as advisory, accounting, valuation and consulting fees. These transaction expenses are related to acquisitions and have no direct correlation with the ongoing operation of Verifone's business. Accordingly, Verifone excludes these amounts from our non-GAAP operating results to provide better comparability of pre-acquisition and post-acquisition operating results.

Acquisition integration expenses: In connection with its acquisitions, Verifone incurs costs relating to the integration of the acquired business with Verifone's ongoing business, which includes expenses relating to the integration of facilities and other infrastructure, information technology systems and employee-related costs such as costs of personnel required to assist with integration transitions. These acquisition integration expenses are related to acquisitions and have no direct correlation with the ongoing operation of Verifone's business. Accordingly, Verifone excludes these amounts from our non-GAAP operating results to provide better comparability of pre-acquisition and post-acquisition operating results.

Explanatory Notes to reconciliations of GAAP to non-GAAP items

Note C: 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. Accordingly, we believe that excluding stock-based compensation expense from our non-GAAP operating results facilitates better understanding of our long-term business performance and enhances period-to-period comparability.

Note D: Free Cash Flow. Verifone determines free cash flow as net cash provided by operating activities less capital expenditures.

Note E: 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 701.2% for the fiscal quarter ended January 31, 2017 and 7.8% for the fiscal quarter ended January 31, 2016. For non-GAAP purposes, we used a 14.5% rate for all periods presented.