



## Verifone Reports Results for the Second Quarter of Fiscal 2015

### Revenues and Earnings per Share Exceed Guidance

SAN JOSE, Calif. - (BUSINESS WIRE) - VeriFone Systems, Inc. (NYSE: PAY):

#### Second Quarter Financial Highlights

- GAAP and Non-GAAP net revenues of \$490 million
- GAAP net income per diluted share of \$0.15
- Non-GAAP net income per diluted share of \$0.44
- Operating cash flow of \$56 million

VeriFone Systems, Inc. (NYSE: PAY), the global leader in secure electronic payment solutions, today announced financial results for the three months ended April 30, 2015. GAAP net revenues for the quarter were \$490 million, compared to \$466 million a year ago, a 5% increase. Non-GAAP net revenues were \$490 million, compared to \$467 million a year ago, a 5% increase on a reported basis, and a 14% increase on a constant currency basis. GAAP net income per diluted share for the quarter was \$0.15, compared to a net loss of \$0.22 a year ago. Non-GAAP net income per diluted share was \$0.44, compared to \$0.37 a year ago, a 19% increase.

“Q2 was an important quarter for Verifone. The team performed extremely well across a number of key areas as we achieved record North America results while also gaining share across several key European markets,” said Paul Galant, Chief Executive Officer of Verifone. “The progress we are making in our Year of Product with more certified solutions and offerings is beginning to yield benefits. Our clients are taking notice and we are earning both their first call and their business.”

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

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

	<b>Three Months Ended April 30,</b>		
	<b>2015</b>	<b>2014</b>	<b>Change (2)</b>
<b>GAAP:</b>			
Net revenues	\$ 490	\$ 466	5 %
Gross margin as a % of net revenues	41.6%	37.6%	4.0 pts
Net income (loss) per diluted share	\$ 0.15	\$ (0.22)	nm
<b>Non-GAAP (1):</b>			
Net revenues	\$ 490	\$ 467	5 %
Gross margin as a % of net revenues	42.8%	41.4%	1.4 pts
Net income per diluted share	\$ 0.44	\$ 0.37	19 %

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

(2) "nm" means not meaningful

### **Additional Financial and Business Highlights**

- Achieved record North America net revenues for the 2<sup>nd</sup> consecutive quarter driven by security and EMV migration, growth in Payment as a Service offerings, and momentum for mobility solutions
- Secured 28 large U.S. retail client wins for EMV-capable devices including 13 clients rolling out terminals for the first time
- Continued to grow U.S. SMB market share through processing partners and the ISO channel, propelled by additional certified products and EMV and NFC demand
- Increased Petrol revenues more than 60% year-over-year as demand continued for our next-generation site controllers and point of sale (POS) systems
- Signed a substantial deal with one of the world's largest convenience store retailers to install LiftRetail in-store marketing solution in more than 4,500 locations
- Completed certifications for our new VX685 portable terminal in Brazil and secured orders from two large processors
- Increased market share in key European countries, including France, Germany, Spain, Portugal, Italy, and the U.K.
- Signed 31 U.S. merchants for Secure Commerce Architecture to help remove consumer payment data from their integrated POS
- Continued rollout of Payment as a Service solutions to large banking clients in Australia and New Zealand

### **Guidance**

Third fiscal quarter of 2015:

- Non-GAAP net revenues of \$495 million to \$500 million
- Non-GAAP net income per diluted share of \$0.44 to \$0.46

Full fiscal year 2015:

- Non-GAAP net revenues of \$1,995 million to \$2,000 million
- Non-GAAP net income per diluted share of \$1.81 to \$1.84

**Conference Call**

Verifone will hold its earnings conference call today, June 4<sup>th</sup>, at 1:30 pm (PT). 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 June 11, 2015.

## **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 and customer preferences, 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 and service providers upon whom we rely in the conduct of our business, the impact of foreign currency exchange rate fluctuations on our business and results and 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 April 30,			Six Months Ended April 30,		
	2015	2014	% Change (1)	2015	2014	% Change (1)
<b>Net revenues:</b>						
System solutions	\$ 324.3	\$ 290.7	11.6 %	\$ 637.7	\$ 551.9	15.5 %
Services	165.8	175.7	(5.6)%	338.7	350.6	(3.4)%
Total net revenues	490.1	466.4	5.1 %	976.4	902.5	8.2 %
<b>Cost of net revenues:</b>						
System solutions	189.0	187.5	0.8 %	374.6	355.1	5.5 %
Services	97.2	103.6	(6.2)%	198.7	201.9	(1.6)%
Total cost of net revenues	286.2	291.1	(1.7)%	573.3	557.0	2.9 %
<b>Total gross margin</b>	203.9	175.3	16.3 %	403.1	345.5	16.7 %
<b>Operating expenses:</b>						
Research and development	47.6	50.0	(4.8)%	96.5	100.5	(4.0)%
Sales and marketing	55.3	56.4	(2.0)%	112.8	107.0	5.4 %
General and administrative	49.5	48.7	1.6 %	96.8	99.7	(2.9)%
Litigation settlement and loss contingency expense	1.2	9.0	(86.7)%	1.2	9.0	(86.7)%
Amortization of purchased intangible assets	20.6	24.7	(16.6)%	42.9	49.3	(13.0)%
Total operating expenses	174.2	188.8	(7.7)%	350.2	365.5	(4.2)%
<b>Operating income (loss)</b>	29.7	(13.5)	nm	52.9	(20.0)	nm
Interest, net	(7.4)	(9.5)	(22.1)%	(15.3)	(20.9)	(26.8)%
Other income (expense), net	(3.2)	(1.2)	nm	(3.0)	(6.3)	nm
Income (loss) before income taxes	19.1	(24.2)	nm	34.6	(47.2)	nm
Income tax provision (benefit)	1.4	(0.7)	nm	2.8	(7.6)	nm
<b>Consolidated net income (loss)</b>	17.7	(23.5)	nm	31.8	(39.6)	nm
Net income attributable to noncontrolling interests	(0.1)	(0.4)	nm	(0.4)	(0.5)	nm
<b>Net income (loss) attributable to VeriFone Systems, Inc. stockholders</b>	\$ 17.6	\$ (23.9)	nm	\$ 31.4	\$ (40.1)	nm
<b>Net income (loss) per share attributable to VeriFone Systems, Inc. stockholders:</b>						
Basic	\$ 0.15	\$ (0.22)		\$ 0.28	\$ (0.36)	
Diluted	\$ 0.15	\$ (0.22)		\$ 0.27	\$ (0.36)	
<b>Weighted average number of shares used in computing net income (loss) per share:</b>						
Basic	113.9	111.1		113.7	110.7	
Diluted	115.9	111.1		115.7	110.7	

(1) "nm" means not meaningful

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

Note	Three Months Ended					Six Months Ended		
	April 30, 2015	January 31, 2015	April 30, 2014	% Change (1) SEQ	% Change (1) YoY	April 30, 2015	April 30, 2014	% Change (1)
<b>GAAP net revenues:</b>								
North America	\$ 193.0	\$ 160.3	\$ 125.3	20.4 %	54.0 %	\$ 353.3	\$ 247.4	42.8 %
LAC	68.1	71.1	83.3	(4.2)%	(18.2)%	139.1	151.7	(8.3)%
EMEA	179.4	180.0	190.2	(0.3)%	(5.7)%	359.6	375.5	(4.2)%
Asia-Pacific	49.6	74.8	67.6	(33.7)%	(26.6)%	124.4	127.9	(2.7)%
Total	<u>\$ 490.1</u>	<u>\$ 486.2</u>	<u>\$ 466.4</u>	0.8 %	5.1 %	<u>\$ 976.4</u>	<u>\$ 902.5</u>	8.2 %
<b>Non-GAAP net revenues: (2)</b>								
North America	A \$ 193.0	\$ 160.4	\$ 125.3	20.3 %	54.0 %	\$ 353.4	\$ 247.4	42.8 %
LAC	68.1	71.1	83.3	(4.2)%	(18.2)%	139.1	151.7	(8.3)%
EMEA	A 179.6	180.5	190.6	(0.5)%	(5.8)%	360.2	376.9	(4.4)%
Asia-Pacific	A 49.6	74.9	67.6	(33.8)%	(26.6)%	124.5	127.9	(2.7)%
Total	<u>\$ 490.3</u>	<u>\$ 486.9</u>	<u>\$ 466.8</u>	0.7 %	5.0 %	<u>\$ 977.2</u>	<u>\$ 903.9</u>	8.1 %
<b>GAAP net revenues</b>	<b>\$ 490.1</b>	<b>\$ 486.2</b>	<b>\$ 466.4</b>	<b>0.8 %</b>	<b>5.1 %</b>	<b>\$ 976.4</b>	<b>\$ 902.5</b>	<b>8.2 %</b>
Plus: Non-GAAP net revenues adjustments	A 0.2	0.7	0.4	nm	nm	0.8	1.4	nm
<b>Non-GAAP net revenues (2)</b>	<b><u>\$ 490.3</u></b>	<b><u>\$ 486.9</u></b>	<b><u>\$ 466.8</u></b>	<b>0.7 %</b>	<b>5.0 %</b>	<b><u>\$ 977.2</u></b>	<b><u>\$ 903.9</u></b>	<b>8.1 %</b>

(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 April 30, 2015 compared with three months ended April 30, 2014					For six months ended April 30, 2015 compared with six months ended April 30, 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	54.0 %	0.0pts	54.0 %	(0.4)pts	54.4 %	42.8 %	0.0pts	42.8 %	(0.3)pts	43.1%
LAC	(18.2)%	0.0pts	(18.2)%	(12.1)pts	(6.1)%	(8.3)%	0.0pts	(8.3)%	(11.7)pts	3.4%
EMEA	(5.7)%	0.1pts	(5.8)%	(13.4)pts	7.6 %	(4.2)%	0.2pts	(4.4)%	(10.2)pts	5.8%
Asia-Pacific	(26.6)%	0.0pts	(26.6)%	(5.3)pts	(21.3)%	(2.7)%	0.0pts	(2.7)%	(4.4)pts	1.7%
Total	5.1 %	0.1pts	5.0 %	(8.6)pts	13.6 %	8.2 %	0.1pts	8.1 %	(7.0)pts	15.1%

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

	<u>April 30, 2015</u>	<u>October 31, 2014</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 234.2	\$ 250.2
Accounts receivable, net of allowances of \$9.0 and \$9.9	328.4	305.5
Inventories	129.4	124.3
Prepaid expenses and other current assets	112.8	105.6
<b>Total current assets</b>	<b>804.8</b>	<b>785.6</b>
Fixed assets, net	178.4	177.7
Purchased intangible assets, net	360.8	457.6
Goodwill	1,087.1	1,185.9
Deferred tax assets, net	13.2	30.4
Other long-term assets	68.6	65.0
<b>Total assets</b>	<b>\$ 2,512.9</b>	<b>\$ 2,702.2</b>
<b>LIABILITIES AND EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 170.9	\$ 161.2
Accruals and other current liabilities	199.1	207.0
Deferred revenue, net	92.4	92.1
Short-term debt	32.0	32.1
<b>Total current liabilities</b>	<b>494.4</b>	<b>492.4</b>
Long-term deferred revenue, net	53.1	51.0
Long-term debt	811.4	851.0
Long-term deferred tax liabilities, net	121.4	136.1
Other long-term liabilities	70.2	101.0
<b>Total liabilities</b>	<b>1,550.5</b>	<b>1,631.5</b>
Redeemable noncontrolling interest in subsidiary	—	0.8
Stockholders' equity:		
Common stock	1.1	1.1
Additional paid-in capital	1,705.4	1,675.7
Accumulated deficit	(506.8)	(538.2)
Accumulated other comprehensive loss	(271.8)	(104.8)
<b>Total VeriFone Systems, Inc. stockholders' equity</b>	<b>927.9</b>	<b>1,033.8</b>
Noncontrolling interest in subsidiaries	34.5	36.1
<b>Total equity</b>	<b>962.4</b>	<b>1069.9</b>
<b>Total liabilities and equity</b>	<b>\$ 2,512.9</b>	<b>\$ 2,702.2</b>



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

	<b>Six Months Ended April 30,</b>	
	<b>2015</b>	<b>2014</b>
<b>Cash flows from operating activities</b>		
Consolidated net income (loss)	\$ 31.8	\$ (39.6)
Adjustments to reconcile consolidated net income (loss) to net cash provided by operating activities:		
Depreciation and amortization, net	86.3	106.1
Stock-based compensation expense	21.0	27.6
Deferred income taxes, net	(7.2)	(14.4)
Other	10.0	6.4
Net cash provided by operating activities before changes in operating assets and liabilities	141.9	86.1
Changes in operating assets and liabilities:		
Accounts receivable, net	(35.2)	(16.7)
Inventories	(11.7)	24.9
Prepaid expenses and other assets	(19.3)	4.5
Accounts payable	17.3	29.8
Deferred revenue, net	12.7	18.8
Other current and long-term liabilities	(8.3)	(59.0)
Net change in operating assets and liabilities	(44.5)	2.3
Net cash provided by operating activities	97.4	88.4
<b>Cash flows from investing activities</b>		
Capital expenditures	(48.9)	(41.9)
Acquisition of businesses, net of cash and cash equivalents acquired	(11.0)	—
Other investing activities, net	0.1	2.6
Net cash used in investing activities	(59.8)	(39.3)
<b>Cash flows from financing activities</b>		
Proceeds from debt, net of issuance costs	30.0	86.9
Repayments of debt	(70.2)	(182.6)
Proceeds from issuance of common stock through employee equity incentive plans	9.5	10.4
Other financing activities, net	(2.2)	(2.0)
Net cash used in financing activities	(32.9)	(87.3)
Effect of foreign currency exchange rate changes on cash and cash equivalents	(20.7)	(0.2)
Net decrease in cash and cash equivalents	(16.0)	(38.4)
Cash and cash equivalents, beginning of period	250.2	268.2
Cash and cash equivalents, end of period	\$ 234.2	\$ 229.8

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

	<i>Note</i>	<b>Net revenues</b>	<b>Gross margin</b>	<b>Gross margin percentage</b>	<b>Operating income</b>	<b>Income tax provision</b>	<b>Net income attributable to VeriFone Systems, Inc. stockholders</b>
<b>Three Months Ended April 30, 2015</b>							
<b>GAAP</b>		<b>\$ 490.1</b>	<b>\$ 203.9</b>	<b>41.6%</b>	<b>\$ 29.7</b>	<b>\$ 1.4</b>	<b>\$ 17.6</b>
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	—	4.6		25.2	—	25.2
Other merger and acquisition related expenses	C	—	0.4		0.5	—	1.5
Stock based compensation	D	—	0.4		8.9	—	8.9
Restructuring charges	E	—	—		0.2	—	0.2
Other charges and income	E	—	0.2		4.6	—	4.6
Income tax effect of non-GAAP exclusions and adjustment to cash basis tax rate	E	—	—		—	7.3	(7.3)
<b>Non-GAAP</b>		<b>\$ 490.3</b>	<b>\$ 209.7</b>	<b>42.8%</b>	<b>\$ 69.3</b>	<b>\$ 8.7</b>	<b>\$ 50.9</b>

	<b>Weighted average number of shares used in computing net income per share:</b>		<b>Net income per share attributable to VeriFone Systems, Inc. stockholders (1)</b>	
	<b>Basic</b>	<b>Diluted</b>	<b>Basic</b>	<b>Diluted</b>
<b>GAAP</b>	<b>113.9</b>	<b>115.9</b>	<b>\$ 0.15</b>	<b>\$ 0.15</b>
Non-GAAP	113.9	115.9	\$ 0.45	\$ 0.44

(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
<b>Three Months Ended January 31, 2015</b>							
<b>GAAP</b>		\$ 486.2	\$ 199.2	41.0%	\$ 23.2	\$ 1.4	\$ 13.8
Adjustments:							
Amortization of step-down in deferred services net revenues at acquisition	A	0.7	0.7		0.7	—	0.7
Amortization of purchased intangible assets	C	—	4.7		27.0	—	27.0
Other merger and acquisition related expenses	C	—	0.3		0.7	—	(1.9)
Stock based compensation	D	—	0.7		12.2	—	12.2
Restructuring charges	E	—	—		1.4	—	1.4
Other charges and income	E	—	0.8		4.9	—	4.9
Income tax effect of non-GAAP exclusions and adjustment to cash basis tax rate	E	—	—		—	7.3	(7.3)
<b>Non-GAAP</b>		<u>\$ 486.9</u>	<u>\$ 206.4</u>	42.4%	<u>\$ 70.1</u>	<u>\$ 8.7</u>	<u>\$ 50.8</u>
		<b>Weighted average number of shares used in computing net income per share:</b>			<b>Net income per share attributable to VeriFone Systems, Inc. stockholders (1)</b>		
		<b>Basic</b>	<b>Diluted</b>		<b>Basic</b>	<b>Diluted</b>	
<b>GAAP</b>		<u>113.4</u>	<u>115.5</u>		<u>\$ 0.12</u>	<u>\$ 0.12</u>	
Non-GAAP		<u>113.4</u>	<u>115.5</u>		<u>\$ 0.45</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 (loss)	Income tax provision (benefit)	Net income (loss) attributable to VeriFone Systems, Inc. stockholders
<b>Three Months Ended April 30, 2014</b>							
<b>GAAP</b>		\$ 466.4	\$ 175.3	37.6%	\$ (13.5)	\$ (0.7)	\$ (23.9)
Adjustments:							
Amortization of step-down in deferred services net revenues at acquisition	A	0.4	0.4		0.4	—	0.4
Amortization of purchased intangible assets	C	—	11.1		35.7	—	35.7
Other merger and acquisition related expenses	C	—	1.7		2.9	—	2.5
Stock based compensation	D	—	0.2		11.9	—	11.9
Restructuring charges	E	—	0.9		5.7	—	5.7
Other charges and income	E	—	3.7		16.9	—	17.0
Income tax effect of non-GAAP exclusions and adjustment to cash basis tax rate	E	—	—		—	7.7	(7.7)
<b>Non-GAAP</b>		<u>\$ 466.8</u>	<u>\$ 193.3</u>	41.4%	<u>\$ 60.0</u>	<u>\$ 7.0</u>	<u>\$ 41.6</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
<b>GAAP</b>		<u>111.1</u>	<u>111.1</u>	<u>\$ (0.22)</u>	<u>\$ (0.22)</u>
Adjustment for diluted shares	F	—	2.4		
<b>Non-GAAP</b>		<u>111.1</u>	<u>113.5</u>	<u>\$ 0.37</u>	<u>\$ 0.37</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, 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
<b>Six Months Ended April 30, 2015</b>							
<b>GAAP</b>		\$ 976.4	\$ 403.1	41.3%	\$ 52.9	\$ 2.8	\$ 31.4
Adjustments:							
Amortization of step-down in deferred services net revenues at acquisition	A	0.8	0.8		0.8	—	0.8
Amortization of purchased intangible assets	C	—	9.3		52.2	—	52.2
Other merger and acquisition related expenses	C	—	0.7		1.4	—	(0.3)
Stock based compensation	D	—	1.1		21.0	—	21.0
Restructure charges	E	—	—		1.5	—	1.5
Other charges and income	E	—	1.0		9.6	—	9.6
Income tax effect of non-GAAP exclusions and adjustment to cash basis tax rate	E	—	—		—	14.6	(14.6)
<b>Non-GAAP</b>		<u>\$ 977.2</u>	<u>\$ 416.0</u>	42.6%	<u>\$ 139.4</u>	<u>\$ 17.4</u>	<u>\$ 101.6</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
<b>GAAP</b>	113.7	115.7	\$ 0.28	\$ 0.27
Non-GAAP	<u>113.7</u>	<u>115.7</u>	<u>\$ 0.89</u>	<u>\$ 0.88</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 (loss)	Income tax provision (benefit)	Net income (loss) attributable to VeriFone Systems, Inc. stockholders
<b>Six Months Ended April 30, 2014</b>							
<b>GAAP</b>		\$ 902.5	\$ 345.5	38.3%	\$ (20.0)	\$ (7.6)	\$ (40.1)
Adjustments:							
Amortization of step-down in deferred net revenues at acquisition	A	1.4	1.4		1.4	—	1.4
Amortization of purchased intangible assets	C	—	22.5		71.9	—	71.9
Other merger and acquisition related expenses	C	—	3.8		6.2	—	8.2
Stock based compensation	D	—	0.8		27.6	—	27.6
Restructuring charges	E	—	0.9		5.7	—	5.7
Other charges and income	E	—	3.7		20.4	—	22.2
Income tax effect of non-GAAP exclusions and adjustment to cash basis tax rate	E	—	—		—	20.5	(20.5)
<b>Non-GAAP</b>		<u>\$ 903.9</u>	<u>\$ 378.6</u>	41.9%	<u>\$ 113.2</u>	<u>\$ 12.9</u>	<u>\$ 76.4</u>
		<b>Weighted average number of shares used in computing net income (loss) per share:</b>			<b>Net income (loss) per share attributable to VeriFone Systems, Inc. stockholders (1)</b>		
		<u>Basic</u>	<u>Diluted</u>		<u>Basic</u>	<u>Diluted</u>	
<b>GAAP</b>		<u>110.7</u>	<u>110.7</u>		<u>\$ (0.36)</u>	<u>\$ (0.36)</u>	
Adjustment for diluted shares	F	—	2.2				
<b>Non-GAAP</b>		<u>110.7</u>	<u>112.9</u>		<u>\$ 0.69</u>	<u>\$ 0.68</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)
<b>Three Months Ended April 30, 2015</b>					
North America	\$ 193.0	\$ —	\$ 193.0	\$ 0.4	\$ 193.4
LAC	68.1	—	68.1	10.2	78.3
EMEA	179.4	0.2	179.6	25.5	205.1
Asia-Pacific	49.6	—	49.6	3.6	53.2
Total	<u>\$ 490.1</u>	<u>\$ 0.2</u>	<u>\$ 490.3</u>	<u>\$ 39.7</u>	<u>\$ 530.0</u>
<b>Three Months Ended January 31, 2015</b>					
System Solutions	\$ 324.3	\$ —	\$ 324.3		
Services	165.8	0.2	166.0		
Total	<u>\$ 490.1</u>	<u>\$ 0.2</u>	<u>\$ 490.3</u>		
<b>Three Months Ended April 30, 2014</b>					
North America	\$ 125.3	\$ —	\$ 125.3		
LAC	83.3	—	83.3		
EMEA	190.2	0.4	190.6		
Asia-Pacific	67.6	—	67.6		
Total	<u>\$ 466.4</u>	<u>\$ 0.4</u>	<u>\$ 466.8</u>		
<b>Three Months Ended April 30, 2014</b>					
System Solutions	\$ 290.7	\$ —	\$ 290.7		
Services	175.7	0.4	176.1		
Total	<u>\$ 466.4</u>	<u>\$ 0.4</u>	<u>\$ 466.8</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)
<b>Six Months Ended April 30, 2015</b>					
North America	\$ 353.3	\$ 0.1	\$ 353.4	\$ 0.7	\$ 354.1
LAC	139.1	—	139.1	17.8	156.9
EMEA	359.6	0.6	360.2	38.7	398.9
Asia-Pacific	124.4	0.1	124.5	5.6	130.1
Total	<u>\$ 976.4</u>	<u>\$ 0.8</u>	<u>\$ 977.2</u>	<u>\$ 62.8</u>	<u>\$ 1,040.0</u>
System Solutions	\$ 637.7	\$ —	\$ 637.7		
Services	338.7	0.8	339.5		
Total	<u>\$ 976.4</u>	<u>\$ 0.8</u>	<u>\$ 977.2</u>		
<b>Six Months Ended April 30, 2014</b>					
North America	\$ 247.4	\$ —	\$ 247.4		
LAC	151.7	—	151.7		
EMEA	375.5	1.4	376.9		
Asia-Pacific	127.9	—	127.9		
Total	<u>\$ 902.5</u>	<u>\$ 1.4</u>	<u>\$ 903.9</u>		
System Solutions	\$ 551.9	\$ —	\$ 551.9		
Services	350.6	1.4	352.0		
Total	<u>\$ 902.5</u>	<u>\$ 1.4</u>	<u>\$ 903.9</u>		



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

	<i>Note</i>	Three Months Ended				Years Ended			
		April 30, 2015	January 31, 2015	April 30, 2014	% Change SEQ	% Change YoY	April 30, 2015	April 30, 2014	% Change
<b>Free Cash Flow</b>									
GAAP net cash provided by operating activities	G	\$ 56.3	\$ 41.1	\$ 56.5	37.0%	(0.4)%	\$ 97.4	\$ 88.4	10.2%
Less: GAAP capital expenditures	G	(29.3)	(19.6)	(21.0)	49.5%	39.5 %	(48.9)	(41.9)	16.7%
Free cash flow	G	\$ 27.0	\$ 21.5	\$ 35.5	25.6%	(23.9)%	\$ 48.5	\$ 46.5	4.3%

<b>Guidance</b>	Three Months Ending July 31, 2015		Year Ending October 31, 2015	
	Range of Guidance	Range of Guidance	Range of Guidance	Range of Guidance
<b>GAAP net revenues</b>	\$ 495 \$ 500	\$ 1,994 \$ 1,999		
Adjustments to net revenues	A — —	1 1		
Non-GAAP net revenues	\$ 495 \$ 500	\$ 1,995 \$ 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 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 third fiscal quarter and full fiscal year 2015. 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, LAC, EMEA and Asia-Pacific. North America includes the US and Canada. LAC includes South America, Central America, 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 revenue, 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.

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 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 7.6% for the fiscal quarter ended April 30, 2015, 9.0% for the fiscal quarter ended January 31, 2015, 2.7% for the fiscal quarter ended April 30, 2014, 8.2% for the six months ended April 30, 2015 and 15.9% for the six months ended April 30, 2014. For non-GAAP purposes, we used a 14.5% rate for the fiscal quarters ended April 30, 2015, January 31, 2015 and April 30, 2014 and the six months ended April 30, 2015 and 2014.

**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.

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