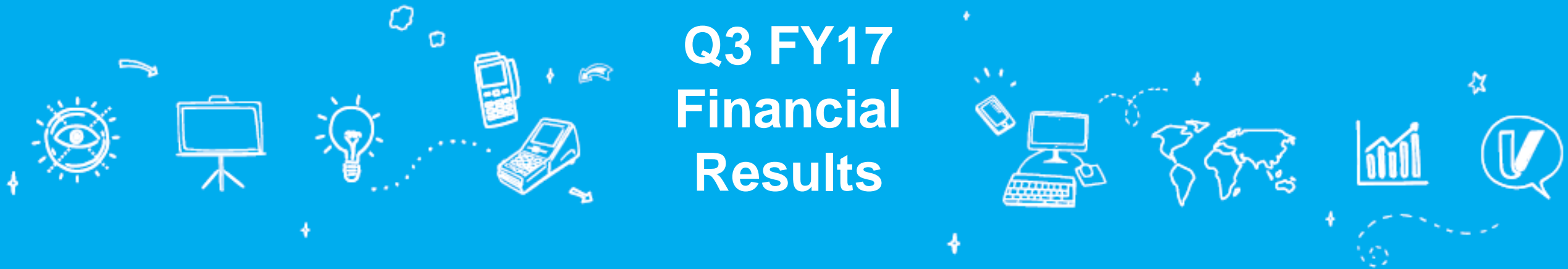


Verifone®

Q3 FY17 Financial Results

September 7, 2017



Forward Looking Statements

Today's discussion may include "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements relate to future events and expectations and involve known and unknown risks and uncertainties. Verifone's actual results or actions may differ materially from those projected in the forward-looking statements. For a summary of the specific risk factors that could cause results to differ materially from those expressed in the forward-looking statements, please refer to Verifone's filings with the Securities and Exchange Commission, including its annual report on Form 10-K and quarterly reports on Form 10-Q. 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

Non-GAAP Financial Measures

With respect to any non-GAAP financial measures presented, reconciliations of non-GAAP to GAAP financial measures may be found in Verifone's quarterly earnings release as filed with the Securities and Exchange Commission as well as the Appendix to these slides. 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 to compare Verifone's current results with those for prior periods as well as with the results of peer companies. 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



Agenda

Business Update

Paul Galant, CEO

Financial Update

Marc Rothman, CFO

Q&A

Paul Galant, CEO
Marc Rothman, CFO
Vin D'Agostino, Strategy
Chris Mammone, IR



Solid Execution in Q3 FY17

Q3 Non-GAAP Revenues	\$467M	Above guidance
Q3 Non-GAAP EPS	\$0.36	High end of guidance

High-single digit growth in **Services Revenue**

North America SMB vertical grew year-over-year for the first time in five quarters

Achieving objectives for **new product launches**

Poised for return to **annual growth in FY 2018**



Executing Strategic Initiatives and Divestitures



China

- **Completed** restructuring into minority holding during Q3
- Improves competitive position of newly created local company
- **Removes earnings-dilutive business** from Verifone portfolio



Petro Media JV

- Transaction **closed in Q2**
- 50-50 JV creates scaled national media platform
- Early indications that **JV is outperforming expectations**
- **Removes earnings-dilutive business** from Verifone portfolio



Taxi

- Active sales **process underway**
- Expect to complete in the coming quarters
- Divestiture **will enhance Verifone margin profile**



Successfully Launching Next Generation Devices

Engage



- Leading the industry in **PCI 5.0 certifications**
- **Generating revenue** across 7 countries
- Q4 launches will grow footprint to **15 countries**

Carbon



- First-out client **pilots on track**
- **Full rollout in FY18**
- Client engagements underway in **all regions**; demand from **all sales channels**

Mobile



- **Fast-growing** device segment
- North America mobility revenue up **>20% in FY17**
- New mid-range device driving demand in **emerging markets**

Generating Annuity Revenue via Broad Service Capabilities

Device Services



Combination of physical and digital services for estate management

Payment Services



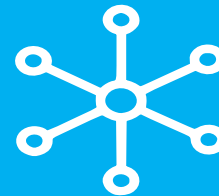
Provide flexible and secure payment acceptance across all form factors and payment types

Commerce Services



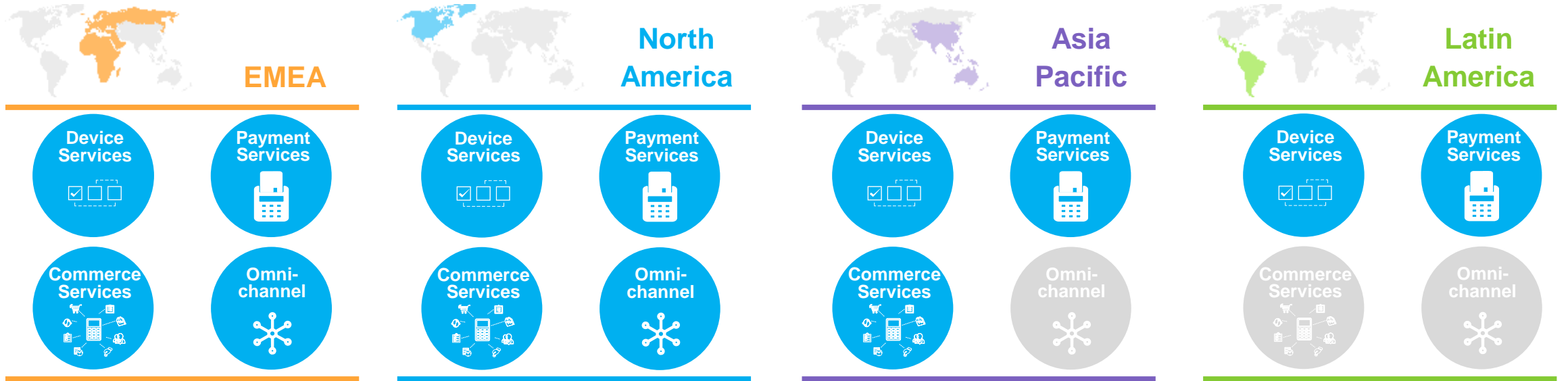
Create and distribute value-added apps to help merchants grow and manage their business

Omni-channel



Seamless interoperability between online and offline channels

Generating Annuity Services Revenue via Global Execution



- Most **advanced** Services market
- Some countries derive ~90% of total revenue from Services
- Complete **bundled** POS acceptance solutions for merchants

- Fastest-**growing** Services market
- ~400K connected devices by end of 2017
- Payment Services **revenue of >\$30M** in FY17, double-digit **organic** growth

- Provide **bundled** Device and Services packages
- **Accelerating growth** of connected devices
- **Adding Commerce** Services capabilities

- Thriving **Device Services** operation today
- Opportunities to deliver **more Payment and Commerce** Services



Non-GAAP* Financial Results

\$ in million, except EPS	Q3 17				
	Q3 16	Q2 17	Q3 17	% QoQ	% YoY
Net Revenues	493	474	467	(1)%	(5)%
Gross Margin	208	187	190	1%	(9)%
<i>% of Revenue</i>	42.2%	39.5%	40.7%	1.2pts	(1.5)pts
Operating Expenses	143	138	132	(5)%	(8)%
Operating Income	65	49	58	19%	(10)%
<i>% of Revenue</i>	13.2%	10.3%	12.5%	2.2pts	(0.7)pts
Net Income**	46	33	40	22%	(13)%
EPS	0.42	0.30	0.36	20%	(14)%
Operating Cash Flow***	13	36	60		
Free Cash Flow***	(11)	19	44		

*Reconciliation of GAAP to Non-GAAP financial results may be found in the Appendix

**Net Income = Net Income attributable to VeriFone Systems, Inc. stockholders

***Operating Cash Flow = GAAP net cash provided by operating activities



Non-GAAP* Revenue and Gross Margin by Business

<i>\$ in million</i>	Q3 16	Q2 17	Q3 17	<i>As a % of Revenue</i>	Q3 16	Q2 17	Q3 17
Systems	292	286	266	Systems	41.4%	38.7%	37.9%
Services	201	188	201	Services	43.5%	40.7%	44.4%
Total Net Revenue	493	474	467	Gross Margin	42.2%	39.5%	40.7%
Services / Net Revenue	41%	40%	43%				

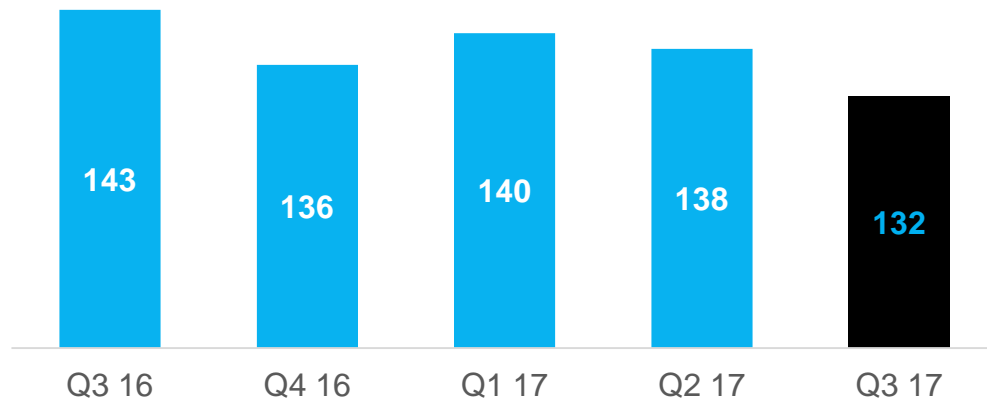
*Reconciliation of GAAP to Non-GAAP financial results may be found in the Appendix



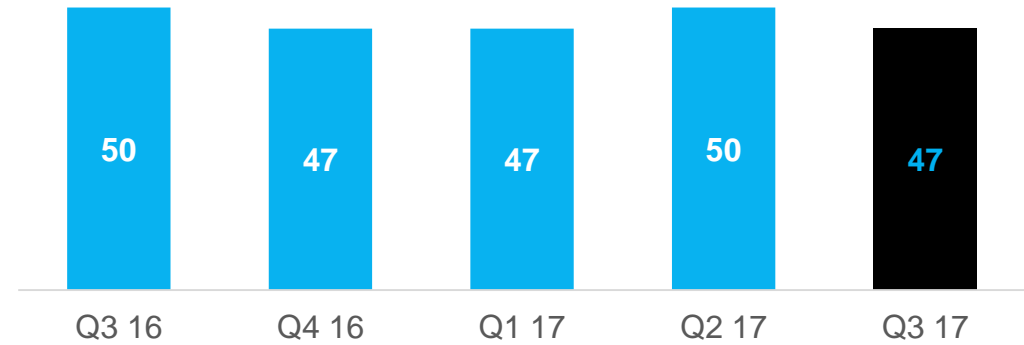
Non-GAAP* Operating Expenses

\$ in million

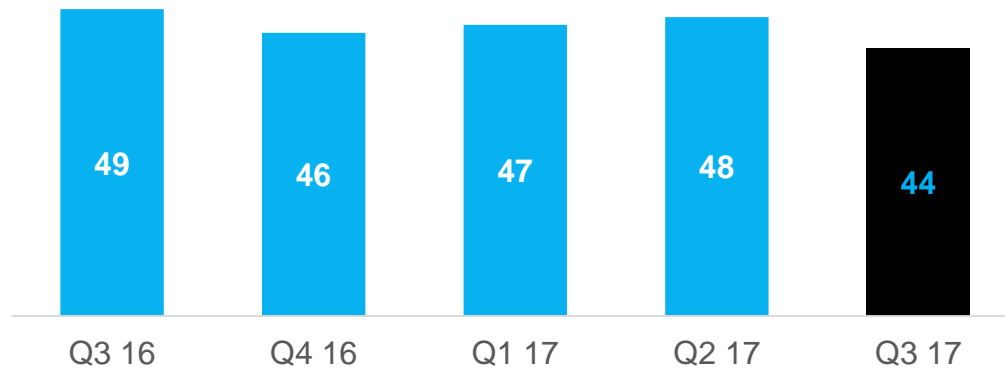
Total OPEX



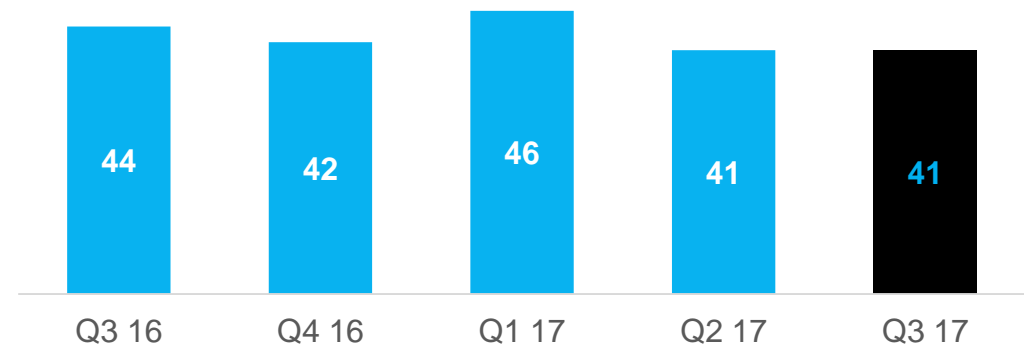
Total R&D



Total S&M



Total G&A



Non-GAAP* Revenue by Geography

\$ in million	Q3 17					
	Q3 16	Q2 17	Q3 17	% QoQ Inc (Dec)	% YoY Inc (Dec)	% YoY Constant FX
North America	196	158	153	(3)%	(22)%	(22)%
<i>% of Revenue</i>	40%	33%	33%			
Latin America	55	63	71	14%	29%	25%
<i>% of Revenue</i>	11%	13%	15%			
EMEA	190	178	194	9%	2%	2%
<i>% of Revenue</i>	39%	38%	41%			
APAC	52	76	49	(35)%	(4)%	(6)%
<i>% of Revenue</i>	10%	16%	11%			
TOTAL	493	474	467	(1)%	(5)%	(6)%

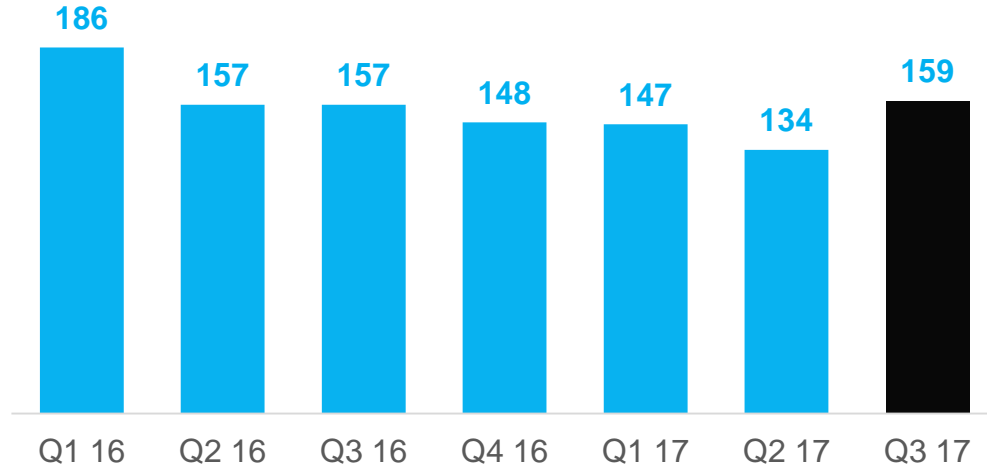
*Reconciliation of GAAP to Non-GAAP financial results may be found in the Appendix



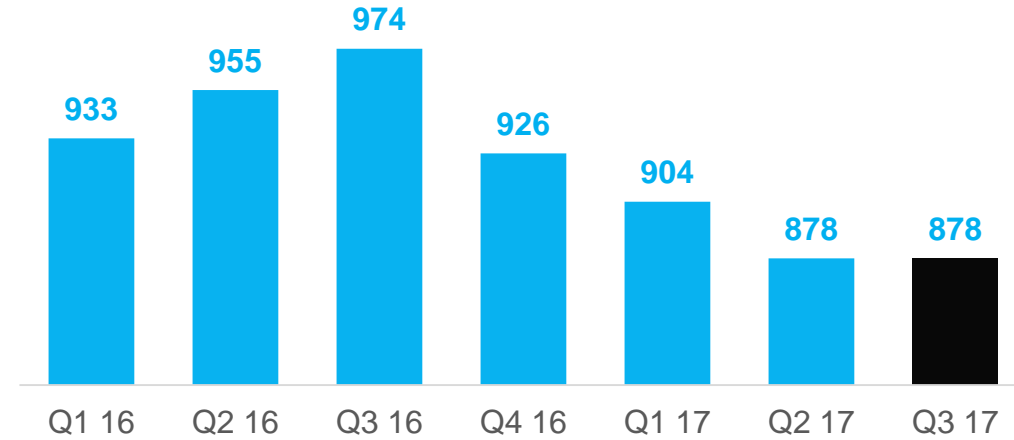
Cash & Debt

\$ in million

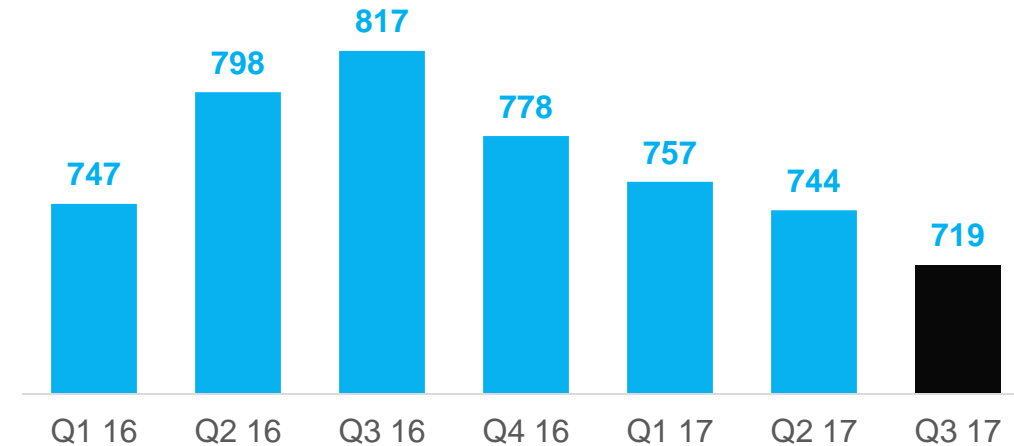
Total Cash



Gross Debt



Net Debt



Debt Statistics

As of July 31, 2017

Short Term	\$68M
Long Term	\$810M
Outstanding	\$878M

Credit Ratings

S&P	BB
Moody's	Ba2



Balance Sheet & Working Capital Metrics*

\$ in million

	Q3 16		Q2 17		Q3 17	
	\$	Days	\$	Days	\$	Days
Accounts Receivable, net	370	68	335	64	326	63
Inventories	183	53	142	47	127	44
Accounts Payable	192	61	155	49	157	51
Cash Conversion Cycle		60		62		56

*Reconciliation of GAAP to Non-GAAP financial results may be found in the Appendix

Accounts Receivable Days is calculated as Accounts Receivable, net divided by Non-GAAP Total Net Revenues multiplied by 90 days

Inventory Days is calculated as Average Inventory divided by Non-GAAP Total Cost of Net Revenues multiplied by 90 days

Accounts Payable Days is calculated as Accounts Payable divided by Non-GAAP Total Cost of Net Revenues multiplied by 90 days

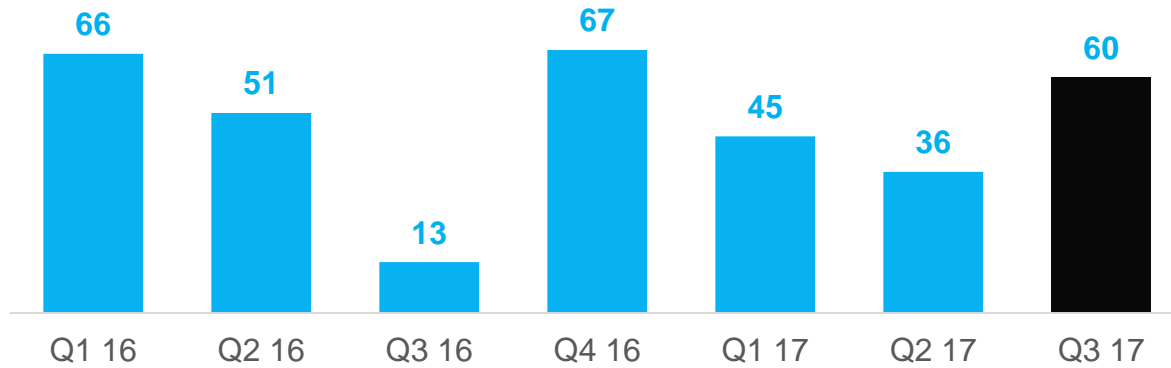
Cash Conversion Cycle is calculated as Accounts Receivable Days plus Inventory Days less Accounts Payable Days



Cash Flow*

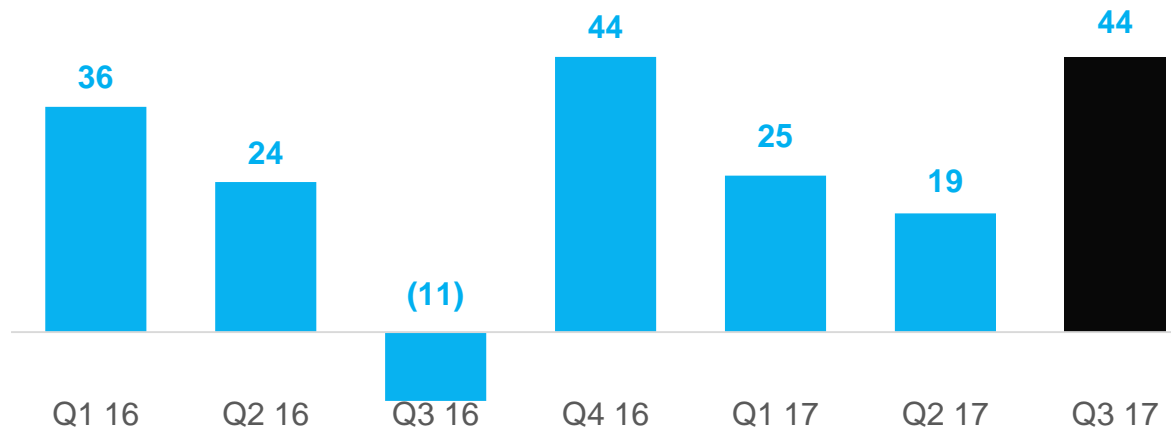
\$ in million

Operating cash flow**



\$60M
Operating Cash Flow

Free cash flow**



\$16M
Cap Ex

\$44M
Free Cash Flow

*Reconciliation of GAAP to Non-GAAP financial results may be found in the Appendix

**Operating Cash Flow = GAAP net cash provided by operating activities. Free Cash Flow is a non-GAAP financial measure



Non-GAAP* Guidance

	Q4 17	FY17
Net Revenues	\$470-473M	\$1.867-1.870B
Gross Margin	~42%	~40.5%
Operating Expenses	Low \$130M's	~\$540M
Operating Margin	~14%	~11.5%
Effective Tax Rate	~15%	~15%
EPS	\$0.43	\$1.30
Fully Diluted Shares	~113M	~112M
Free Cash Flow	~\$10-20M	>\$100M
Capital Expenditure	~\$20M	~\$75M

*Reconciliation of GAAP to Non-GAAP guidance may be found in the Appendix





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APPENDIX

Reconciliation of GAAP to Non-GAAP Key Metrics Q317

(In millions, except per share data and percentages)

Three Months Ended July 31, 2017	Note	Net revenues	Gross margin	Gross margin percentage	Operating income (loss)	Income tax provision	Net income (loss) attributable to VeriFone Systems, Inc. stockholders
GAAP		\$ 466.9	\$ 174.5	37.4%	\$ (50.2)	\$ 10.3	\$ (71.0)
Adjustments:							
Amortization of purchased intangible assets	D	—	1.4		18.1	—	19.4
Other merger and acquisition related expenses	D	—	—		0.4	—	0.4
Stock based compensation	E	—	1.2		9.3	—	9.3
Restructuring and related charges	F	—	12.9		78.6	—	78.6
Other charges and income	F	—	—		2.1	—	0.4
Income tax effect of non-GAAP exclusions	G	—	—		—	(3.3)	3.3
Non-GAAP		\$ 466.9	\$ 190.0	40.7%	\$ 58.3	\$ 7.0	\$ 40.4
		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		112.0	112.0		\$ (0.63)	\$ (0.63)	
Adjustment for diluted shares	H	—	0.6				
Non-GAAP		112.0	112.6		\$ 0.36	\$ 0.36	

(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.



Reconciliation of GAAP to Non-GAAP Key Metrics Q217

(In millions, except per share data and percentages)

Three Months Ended April 30, 2017	Note	Net revenues	Gross margin	Gross margin percentage	Operating income (loss)	Income tax provision	Net income (loss) attributable to VeriFone Systems, Inc. stockholders
GAAP		\$ 473.7	\$ 172.8	36.5%	\$ (81.4)	\$ 8.9	\$ (89.3)
Adjustments:							
Amortization of step-down deferred services net revenues at acquisition and associated costs of goods sold	A	0.2	0.2		0.2	—	0.2
Amortization of purchased intangible assets	D	—	1.6		20.0	—	20.0
Other merger and acquisition related expenses	D	—	—		0.7	—	(0.5)
Stock based compensation	E	—	1.1		11.2	—	11.2
Goodwill impairment	F	—	—		17.4	—	17.4
Restructuring and related charges	F	—	11.6		80.8	—	80.8
Other charges and income	F	—	—		—	—	(9.6)
Income tax effect of non-GAAP exclusions	G	—	—		—	(3.1)	3.1
Non-GAAP		\$ 473.9	\$ 187.3	39.5%	\$ 48.9	\$ 5.8	\$ 33.3
		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		111.7	111.7		\$ (0.80)	\$ (0.80)	
Adjustment for diluted shares	H	—	0.6				
Non-GAAP		111.1	112.3		\$ 0.30	\$ 0.30	

(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.



Reconciliation of GAAP to Non-GAAP Key Metrics Q316

(In millions, except per share data and percentages)

Three Months Ended July 31, 2016	Note	Net revenues	Gross margin	Gross margin percentage	Operating income (loss)	Income tax provision	Net income (loss) attributable to VeriFone Systems, Inc. stockholders
GAAP		\$ 488.1	\$ 191.1	39.2%	\$ (22.3)	\$ 0.3	\$ (31.1)
Adjustments:							
Amortization of step-down in deferred services net revenues at acquisition and associated cost of goods sold	A	4.5	3.1		3.1	—	3.1
Amortization of purchased intangible assets	D	—	3.9		28.2	—	28.2
Other merger and acquisition related expenses	D	—	—		1.0	—	(1.1)
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

	Note	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

(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.



Reconciliation of GAAP to Non-GAAP Gross Margin

(In millions, except percentages)

	Note	Systems net revenues	Services net revenues	Total net revenues	Total cost of net revenues	Systems gross margin	Services gross margin	Total gross margin
Three Months Ended July 31, 2017								
GAAP		\$ 266.0	\$ 200.9	\$ 466.9	\$ 292.4	\$ 88.2	\$ 86.3	\$ 174.5
Percentage of GAAP net revenues		57.0%	43.0%		62.6%	33.2%	43.0%	37.4%
Amortization of purchased intangible assets	D	—	—	—	(1.4)	0.3	1.1	1.4
Stock based compensation	E	—	—	—	(1.2)	0.8	0.4	1.2
Restructuring and related charges	F	—	—	—	(12.9)	11.4	1.5	12.9
Non-GAAP		\$ 266.0	\$ 200.9	\$ 466.9	\$ 276.9	\$ 100.7	\$ 89.3	\$ 190.0
Percentage of Non-GAAP net revenues		57.0%	43.0%		59.3%	37.9%	44.4%	40.7%
Three Months Ended April 30, 2017								
GAAP		\$ 285.7	\$ 188.0	\$ 473.7	\$ 300.9	\$ 109.5	\$ 63.3	\$ 172.8
Percentage of GAAP net revenues		60.3%	39.7%		63.5%	38.3%	33.7%	36.5%
Amortization of step-down deferred services net revenues at acquisition and associated costs of goods sold	A	—	0.2	0.2	—	—	0.2	0.2
Amortization of purchased intangible assets	D	—	—	—	(1.6)	0.3	1.3	1.6
Stock based compensation	E	—	—	—	(1.1)	0.7	0.4	1.1
Restructuring and related charges	F	—	—	—	(11.6)	0.1	11.5	11.6
Non-GAAP		\$ 285.7	\$ 188.2	\$ 473.9	\$ 286.6	\$ 110.6	\$ 76.7	\$ 187.3
Percentage of Non-GAAP net revenues		60.3%	39.7%		60.5%	38.7%	40.7%	39.5%
Three Months Ended July 31, 2016								
GAAP		\$ 292.1	\$ 196.0	\$ 488.1	\$ 297.0	\$ 116.4	\$ 74.7	\$ 191.1
Percentage of Non-GAAP net revenues		59.8%	40.2%		60.8%	39.8%	38.1%	39.2%
Amortization of step-down in deferred services net revenues at acquisition and associated cost of goods sold	A	—	4.5	4.5	1.4	—	3.1	3.1
Amortization of purchased intangible assets	D	—	—	—	(3.9)	2.2	1.7	3.9
Stock based compensation	E	—	—	—	(0.9)	0.6	0.3	0.9
Restructuring and related charges	F	—	—	—	(5.2)	1.3	3.9	5.2
Other charges and income	F	—	—	—	(3.8)	0.3	3.5	3.8
Non-GAAP		\$ 292.1	\$ 200.5	\$ 492.6	\$ 284.6	\$ 120.8	\$ 87.2	\$ 208.0
Percentage of Non-GAAP net revenues		59.3%	40.7%		57.8%	41.4%	43.5%	42.2%



Reconciliation of GAAP to Non-GAAP Operating Expenses

(In millions, except percentages)

Three Months Ended July 31, 2017	Note	Research and development	Sales and marketing	General and administrative	Restructuring and related charges	Goodwill impairment	Amortization of purchased intangible assets	Total
GAAP		\$ 50.7	\$ 46.7	\$ 44.9	\$ 65.7	\$ —	\$ 16.7	\$ 224.7
% of total GAAP net revenues		10.9%	10.0%	9.6%	13.9%	—%	3.6%	48.1%
Amortization of purchased intangible assets	D	—	—	—	—	—	(16.7)	(16.7)
Other merger and acquisition related expenses	D	—	—	(0.4)	—	—	—	(0.4)
Stock based compensation	E	(1.8)	(2.9)	(3.4)	—	—	—	(8.1)
Restructuring and related charges	F	—	—	—	(65.7)	—	—	(65.7)
Other charges and income	F	(1.9)	—	(0.2)	—	—	—	(2.1)
Non-GAAP		\$ 47.0	\$ 43.8	\$ 40.9	\$ —	\$ —	\$ —	\$ 131.7
% of total Non-GAAP net revenues		10.1%	9.4%	8.8%	—%	—%	—%	28.2%

Three Months Ended April 30, 2017

GAAP		\$ 51.8	\$ 50.9	\$ 46.8	\$ 68.9	\$ 17.4	\$ 18.4	\$ 254.2
% of total GAAP net revenues		10.9%	10.7%	9.9%	14.5%	3.7%	3.9%	53.7%
Amortization of purchased intangible assets	D	—	—	—	—	—	(18.4)	(18.4)
Other merger and acquisition related expenses	D	—	—	(0.7)	—	—	—	(0.7)
Stock based compensation	E	(1.9)	(3.2)	(5.0)	—	—	—	(10.1)
Restructuring and related charges	F	—	—	—	(68.9)	—	—	(68.9)
Other charges and income	F	—	—	(0.3)	—	—	—	(0.3)
Goodwill impairment	F	—	—	—	—	(17.4)	—	(17.4)
Non-GAAP		\$ 49.9	\$ 47.7	\$ 40.8	\$ —	\$ —	\$ —	\$ 138.4
% of total Non-GAAP net revenues		10.5%	10.1%	8.6%	—%	—%	—%	29.2%



Reconciliation of GAAP to Non-GAAP Operating Expenses

(In millions, except percentages)

Three Months Ended July 31, 2016	Note	Research and development	Sales and marketing	General and administrative	Litigation settlement and loss contingency expense	Restructuring and related charges	Amortization of purchased intangible assets	Total
GAAP		\$ 52.4	\$ 52.8	\$ 49.7	\$ 0.6	\$ 33.6	\$ 24.3	\$ 213.4
% of total GAAP net revenues		10.7%	10.8%	10.2%	0.1%	6.9%	5.0%	43.7%
Amortization of purchased intangible assets	D	—	—	—	—	—	(24.3)	(24.3)
Other merger and acquisition related expenses	D	—	—	(0.9)	—	—	—	(0.9)
Stock based compensation	E	(1.9)	(3.2)	(4.9)	—	—	—	(10.0)
Restructuring and related charges	F	—	—	—	—	(33.6)	—	(33.6)
Other charges and income	F	(0.5)	(0.4)	—	(0.6)	—	—	(1.5)
Non-GAAP		\$ 50.0	\$ 49.2	\$ 43.9	\$ —	\$ —	\$ —	\$ 143.1
% of total Non-GAAP net revenues		10.2%	10.0%	8.9%	—%	—%	—%	29.0%



Reconciliation of GAAP to Non-GAAP Net Revenues

	<i>\$ in millions</i>							
	<i>Note</i>	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 organic net revenues at constant currency (C)
Three Months Ended July 31, 2017								
North America		\$ 152.8	\$ —	\$ 152.8	\$ —	\$ 152.8	\$ 0.1	\$ 152.9
Latin America		71.3	—	71.3	—	71.3	(2.3)	69.0
EMEA		193.5	—	193.5	(0.5)	193.0	0.9	193.9
Asia-Pacific		49.3	—	49.3	—	49.3	(0.9)	48.4
Total		\$ 466.9	\$ —	\$ 466.9	\$ (0.5)	\$ 466.4	\$ (2.2)	\$ 464.2

Three Months Ended April 30, 2017

North America		\$ 157.4	\$ 0.2	\$ 157.6	\$ —	\$ 157.6		
Latin America		62.5	—	62.5	—	62.5		
EMEA		177.8	—	177.8	(0.2)	177.6		
Asia-Pacific		76.0	—	76.0	—	76.0		
Total		\$ 473.7	\$ 0.2	\$ 473.9	\$ (0.2)	\$ 473.7		

Three Months Ended July 31, 2016

North America		\$ 191.5	\$ 4.5	\$ 196.0	\$ —	\$ 196.0		
Latin America		55.1	—	55.1	—	55.1		
EMEA		190.0	—	190.0	—	190.0		
Asia-Pacific		51.5	—	51.5	—	51.5		
Total		\$ 488.1	\$ 4.5	\$ 492.6	\$ —	\$ 492.6		



Reconciliation of Operating Cash Flow to Free Cash Flow

			Three Months Ended			
			July 31, 2017	April 30, 2017	January 31, 2017	October 31, 2016
	<i>\$ in millions, except percentages</i>	<i>Note</i>				
GAAP net cash provided by operating activities		I	\$ 59.9	\$ 35.6	\$ 44.7	\$ 66.8
Less: GAAP capital expenditures		I	(16.4)	(16.9)	(19.5)	(23.1)
Free cash flow		I	\$ 43.5	\$ 18.7	\$ 25.2	\$ 43.7
Non-GAAP Net income attributable to VeriFone Systems, Inc. stockholders			\$ 40.4	\$ 33.3		
Free cash flow conversion ratio, excluding the impact of restricted cash		I	107.7%	56.2%		
Restricted cash - beginning of period			\$ 14.1	\$ 11.1	\$ 10.8	\$ 11.0
Restricted cash - end of period			25.6	14.1	11.1	10.8
Change in restricted cash			11.5	3.0	0.3	(0.2)
GAAP net cash provided by operating activities, excluding the impact of restricted cash		I	\$ 48.4	\$ 32.6	\$ 44.4	\$ 67.0
Less: GAAP capital expenditures		I	(16.4)	(16.9)	(19.5)	(23.1)
Free cash flow, excluding the impact of restricted cash		I	\$ 32.0	\$ 15.7	\$ 24.9	\$ 43.9
Non-GAAP Net income attributable to VeriFone Systems, Inc. stockholders			\$ 40.4	\$ 33.3		
Free cash flow conversion ratio, excluding the impact of restricted cash		I	79.2%	47.1%		

Reconciliation of Operating Cash Flow to Free Cash Flow

			Three Months Ended		
			July 31, 2016	April 30, 2016	January 31, 2016
	<i>\$ in millions, except percentages</i>	<i>Note</i>			
GAAP net cash provided by operating activities		I	\$ 13.0	\$ 51.4	\$ 66.3
Less: GAAP capital expenditures		I	(23.9)	(27.8)	(30.6)
Free cash flow		I	\$ (10.9)	\$ 23.6	\$ 35.7
Non-GAAP Net income attributable to VeriFone Systems, Inc. stockholders			\$ 46.3		
Free cash flow conversion ratio, excluding the impact of restricted cash		I	(23.5)%		
Restricted cash - beginning of period			\$ 10.6	\$ 20.1	\$ 7.0
Restricted cash - end of period			11.0	10.6	20.1
Change in restricted cash			0.4	(9.5)	13.1
Change in restricted cash attributed to operating cash flows		I	0.4	0.5	3.1
Change in restricted cash attributed to investing cash flows		I	—	(10.0)	10.0
GAAP net cash provided by operating activities, excluding the impact of restricted cash		I	\$ 12.6	\$ 50.9	\$ 63.2
Less: GAAP capital expenditures		I	(23.9)	(27.8)	(30.6)
Free cash flow, excluding the impact of restricted cash		I	\$ (11.3)	\$ 23.1	\$ 32.6
Non-GAAP Net income attributable to VeriFone Systems, Inc. stockholders			\$ 46.3		
Free cash flow conversion ratio, excluding the impact of restricted cash		I	(24.4)%		



Reconciliation of Net Revenues and Gross Margin Guidance

		Three Months Ending October 31, 2017	Year Ending October 31, 2017
	<i>\$ in millions, except percentages</i>		
	<i>Note</i>		
GAAP net revenues		\$ 470-473	\$ 1,864-1,867
Adjustments to net revenues:	A	—	3.0
Non-GAAP net revenues		\$ 470-473	\$ 1,867-1,870
GAAP Gross Margin Percentage		41.5%	38.3%
Adjustments: (1)			
Amortization of step-down deferred services net revenues and associated costs of goods sold at acquisition	A	—%	0.2%
Amortization of purchased intangible assets	D	0.3%	0.4%
Stock based compensation	E	0.2%	0.2%
Restructuring and related charges	F	—%	1.4%
Non-GAAP Gross Margin Percentage		42.0%	40.5%

(1) Except for the adjustments noted herein, this guidance does not include the effects of any future acquisitions/divestitures, restructuring activities, significant legal matters, and non-recurring income tax adjustments, which are difficult to predict and which may or may not be significant.



Reconciliation of Operating Expenses and Operating Margin Guidance

		Three Months Ending October 31, 2017	Year Ending October 31, 2017
	\$ in millions, except percentages	Note	
GAAP Operating Expenses	\$	156.3	\$ 811.0
Adjustments: (1)			
Amortization of purchased intangible assets	D	15.4	69.2
Other merger and acquisition related expenses	D	—	1.1
Stock based compensation	E	9.0	35.9
Restructuring and related charges	F	—	136.1
Goodwill Impairment	F	—	17.4
Other charges and income	F	—	9.6
Non-GAAP Operating Expenses	\$	131.9	\$ 541.7
GAAP Operating Margin		8.3%	(5.1)%
Adjustments: (1)			
Amortization of step-down deferred services net revenues and associated costs of goods sold at acquisition	A	—%	0.2%
Amortization of purchased intangible assets	D	3.6%	4.1%
Other merger and acquisition related expenses	D	—%	0.1%
Stock based compensation	E	2.1%	2.2%
Restructuring and related charges	F	—%	8.6%
Goodwill Impairment	F	—%	0.9%
Other charges and income	F	—%	0.5%
Non-GAAP Operating Margin	G	14.0%	11.5%

(1) Except for the adjustments noted herein, this guidance does not include the effects of any future acquisitions/divestitures, restructuring activities, significant legal matters, and non-recurring income tax adjustments, which are difficult to predict and which may or may not be significant.



Reconciliation of EPS Guidance

	<i>Note</i>	Three Months Ending October 31, 2017	Year Ending October 31, 2017
Diluted GAAP earnings (loss) per share (1)		\$ 0.22	\$ (1.36)
Adjustments: (2)			
Amortization of step-down deferred services net revenues and associated costs of goods sold at acquisition	A	\$ —	0.03
Amortization of purchased intangible assets	D	0.16	0.67
Other merger and acquisition related expenses	D	—	0.01
Stock based compensation	E	0.09	0.36
Restructuring and related charges	F	—	1.44
Goodwill Impairment	F	—	0.15
Other charges and income	F	—	(0.01)
Income tax effect of non-GAAP exclusions (3)	G	(0.04)	0.01
Diluted Non-GAAP earnings per share (1)		\$ 0.43	\$ 1.30

(1) GAAP and non-GAAP diluted earnings (loss) per share are determined using the most dilutive measure, which includes outstanding RSU and RSA shares in the calculation of the weighted average diluted shares outstanding in periods in which we expect net income.

(2) Except for the adjustments noted herein, this guidance does not include the effects of any future acquisitions/divestitures, restructuring activities, significant legal matters, and non-recurring income tax adjustments, which are difficult to predict and which may or may not be significant.

(3) Assuming a GAAP effective tax rate of 14.5% 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: Non-GAAP organic net revenues. Non-GAAP organic net revenues is a 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. Because Verifone's business has grown through both organic growth and strategic acquisitions, Verifone analyzes performance both with and without the impact of our recent acquisitions. Accordingly, Verifone believes that both non-GAAP net revenues and non-GAAP organic net revenues provide useful information to investors.

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). 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 organic net revenues at constant currency. Verifone determines non-GAAP organic net revenues at constant currency by recomputing non-GAAP organic 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 business performance and trends on a comparable basis excluding the impact of foreign currency fluctuations.



Explanatory Notes to Reconciliations of GAAP to Non-GAAP items

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, 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.

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 and, 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.



Explanatory Notes to Reconciliations of GAAP to Non-GAAP items

Note F: Other Charges and Income. Verifone excludes certain expenses, other income (expense) and gains (losses) that we have determined are not reflective of ongoing operating results or that vary independent of business performance. 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 limit the comparability of our ongoing operations with prior and future periods. These adjustments for other charges and income include:

Transformation and restructuring: Over the past several years, we have had gains and incurred expenses, such as professional services, contract cancellation fees and certain personnel costs related to initiatives to transform, streamline, centralize and restructure our global operations. The transformation gain relates to the contribution of certain business assets and associated equity ownership in Gas Media. Charges include involuntary termination costs, costs to cancel facility leases, write down of assets held for sale, and associated legal and other advisory fees. Each of these items has been incurred in connection with discrete activities in furtherance of specific business objectives in light of prevailing circumstances, and each item and the associated activity or activities have had differing impacts on our business operations. We do not recognize gains or incur costs of this nature in the ordinary course of business. While certain of these items have recurred in recent years and may continue to recur in the near future, the amount of these items has varied significantly from period to period. Accordingly, management assesses our operating performance with these amounts included and excluded, and we believe that by providing this information, users of our financial statements are better able to understand the financial results of what we consider to be our continuing operations and compare our current operating performance to our past operating performance.

Foreign exchange losses related to obligations denominated in currencies of highly inflationary economies: Our non-GAAP operating results do not include foreign exchange losses related to obligations denominated in highly inflationary economies, such as the devaluation of the Argentina Peso during the first quarter of fiscal year 2016. We believe that excluding such losses provides a better indication of our business performance, as the existence of high inflation in these economies varies independent of our business performance, and enhances the comparability of our business performance during periods before and after such inflation occurred.

Goodwill impairment: Our non-GAAP results exclude any goodwill impairment. We believe that excluding goodwill impairments provides a better indication of our business performance and enhances the comparability of our business performance during periods before and after we recorded the impairment.

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 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. For the purpose of computing non-GAAP actual results, we used a 14.5% rate for all periods presented.

Note H: Non-GAAP diluted shares. Diluted GAAP and non-GAAP weighted-average shares outstanding are the same in all periods except where there is a GAAP net loss. In accordance with GAAP, we do not consider dilutive shares in periods that there is a net loss. However, in periods when we have a non-GAAP net income and a GAAP basis net loss, diluted non-GAAP weighted average shares include additional shares that are dilutive for non-GAAP computations of earnings per share.

Note I: Free Cash Flow. Verifone determines free cash flow as net cash provided by operating activities less capital expenditures. The free cash flow conversion ratio is free cash flow divided by non-GAAP Net income attributable to VeriFone Systems, Inc. stockholders.

