



December 12, 2017

**Verifone Reports Results for the Fourth Quarter and Full Year Fiscal 2017**

- *Provides Growth Outlook for the Full Year Fiscal 2018*
- *Completes Divestiture of Taxi Business*
- *Authorizes New \$100 Million Share Repurchase Program*

SAN JOSE, Calif. - (BUSINESS WIRE) - Verifone (NYSE: PAY), a world leader in payments and commerce solutions, today announced financial results for the three months and fiscal year ended October 31, 2017.

The following financial results for the fourth quarter and full year fiscal 2017 include results from the recently divested Taxi business.

**Fiscal Year 2017 Financial Highlights**

- GAAP net revenues of \$1.871 billion and Non-GAAP net revenues of \$1.874 billion
- GAAP net loss per diluted share of \$1.55
- Non-GAAP net income per diluted share of \$1.31
- Operating cash flow of \$166 million
- Services comprise 42% of Non-GAAP net revenues

**Fourth Quarter 2017 Financial Highlights**

- GAAP and Non-GAAP net revenues of \$477 million
- GAAP net income per diluted share of \$0.03
- Non-GAAP net income per diluted share of \$0.44
- Record services revenue of \$208 million
- First year-over-year and sequential revenue growth in both Systems and Services since mid-2016

"The Verifone team continues to make meaningful progress executing our strategy to transform Verifone from a terminal sales company to a platform services company delivering payment and commerce solutions that help our clients grow sales and reduce operating costs while enabling Verifone to grow our base of recurring services revenue," said Paul Galant, Chief

Executive Officer of Verifone, “Our focus now shifts from launching our next generation devices and solutions to scaling them across the globe.”

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

	Three Months Ended October 31,			Years Ended October 31,		
	2017	2016	Change (1)	2017	2016	Change (1)
<b>GAAP:</b>						
Net revenues	\$ 477	\$ 464	2.6%	\$ 1,871	\$ 1,992	(6.1 )%
Gross margin as a % of net revenues	40.8%	38.2%	2.6pts	38.1%	39.9%	(1.8) pts
Net income (loss) per diluted share	0.03	\$ (0.04)	nm	(1.55)	\$ (0.08)	nm
Non-GAAP (2):						
Net revenues	\$ 477	\$ 468	1.9%	\$ 1,874	\$ 2,006	(6.6)%
Gross margin as a % of net revenues	41.4 %	39.5 %	1.9pts	40.2 %	41.8 %	(1.6) pts
Net income per diluted share	\$ 0.44	\$ 0.30	46.7%	\$ 1.31	\$ 1.66	(21.1)%

(1) "nm" means not meaningful.

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

### Divestiture of Taxi Business / Share Repurchase

On December 11, 2017, Verifone sold its Taxi business for \$30 million in cash consideration. In connection with the transaction, Verifone also retained a minority equity interest in the divested business.

Verifone expects to use the net proceeds from the Taxi divestiture, plus available cash, to complete the remaining \$50 million authorized under its previously-announced \$200 million stock buyback program. Furthermore, the Company’s Board of Directors has authorized an additional \$100 million stock repurchase program, which Verifone intends to execute over the coming 12 to 18 months, subject to market conditions and other factors, delivering to shareholders a meaningful percentage of free cash flow generated by the Company during this period.

### Fiscal 2018 and First Quarter 2018 Outlook

“For fiscal 2018, the Company expects non-GAAP net revenues of \$1.775 billion to \$1.8 billion, which reflects low single digit growth on an adjusted basis excluding the divested China and Taxi businesses from the prior year. This outlook also demonstrates a return to growth in our core North America Retail and Small and Medium Business verticals, and more than offsets approximately \$70 million in prior year headwinds within our North American Petro and India businesses. The Company also expects fiscal 2018 non-GAAP net income per diluted share of \$1.47 to \$1.50, reflecting core revenue growth, higher gross margins based on a greater mix of next generation products, and accretion from share repurchases, offset partially by additional investments in next generation solutions, and changes in our non-GAAP effective tax rate,” said Marc Rothman, Executive Vice President and Chief Financial Officer.

Verifone's outlook for fiscal year 2018 and first quarter is presented as follows:

Guidance for full fiscal year 2018:

- GAAP net revenues of approximately \$1.788 to \$1.813 billion
- Non-GAAP net revenues of approximately \$1.775 to \$1.800 billion, adjusted to exclude divested businesses
- GAAP net income per diluted share of approximately \$0.66 to \$0.69
- Non-GAAP net income per diluted share of \$1.47 to \$1.50

Guidance for first fiscal quarter of 2018:

- GAAP net revenues of approximately \$431 to \$433 million
- Non-GAAP net revenues of approximately \$418 to \$420 million, adjusted to exclude divested businesses
- GAAP net income per diluted share of approximately \$0.02
- Non-GAAP net income per diluted share of \$0.22

A reconciliation of adjusted revenues for historical comparative periods is provided in the attached financial tables.

### **Conference Call**

Verifone will hold its earnings conference call today, December 12, 2017, at 1:30 p.m. (PT) / 4:30 p.m. (ET). To listen to the call and view the slides, visit Verifone's website <http://ir.verifone.com>. The recorded audio webcast will be available on Verifone's website until January 12, 2018.

### **About Verifone**

Verifone is transforming every day transactions into new and engaging opportunities for merchants and consumers at the last inch of payments and commerce. Powered by a growing footprint of more than 30 million devices in more than 150 countries, our people are trusted experts working with the world's best-known retail brands, financial institutions, and payment providers. Verifone is connecting more products to an integrated solutions platform to better meet the evolving needs of our clients and partners. Built on a 35-year history of uncompromised security, we are committed to consistently solving the most complex payment challenges.

[Verifone.com](http://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, timely product introductions, 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, downturns in the retail sector, 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 deliver new products to the market on time and in sufficient quantities to meet demand, 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 and divestiture 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.

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

	Three Months Ended October 31,			Fiscal Years Ended October 31,		
	2017	2016	% Change (1)	2017	2016	% Change (1)
<b>Net revenues:</b>						
Systems	\$ 268.4	\$ 264.3	1.6 %	\$ 1,085.5	\$ 1,236.3	(12.2)%
Services	208.1	199.9	4.1 %	785.5	755.8	3.9 %
Total net revenues	476.5	464.2	2.6 %	1,871.0	1,992.1	(6.1)%
<b>Cost of net revenues:</b>						
Systems	168.1	173.3	(3.0)%	688.5	744.3	(7.5)%
Services	114.0	113.4	0.5 %	469.4	453.5	3.5 %
Total cost of net revenues	282.1	286.7	(1.6)%	1,157.9	1,197.8	(3.3)%
<b>Gross margin</b>	194.4	177.5	9.5 %	713.1	794.3	(10.2)%
<b>Operating expenses:</b>						
Research and development	53.1	49.4	7.5 %	211.6	207.5	2.0 %
Sales and marketing	47.2	49.8	(5.2)%	194.0	217.0	(10.6)%
General and administrative	47.2	47.5	(0.6)%	189.7	204.6	(7.3)%
Restructuring and related charges	7.5	7.1	5.6 %	143.2	41.2	247.6 %
Litigation settlement and loss contingency expense	—	—	nm	—	0.7	nm
Goodwill impairment	—	—	nm	17.4	—	nm
Amortization of purchased intangible assets	15.7	24.6	(36.2)%	69.6	90.5	(23.1)%
Total operating expenses	170.7	178.4	(4.3)%	825.5	761.5	8.4 %
<b>Operating income (loss)</b>	23.7	(0.9)	nm	(112.4)	32.8	(442.7)%
Interest expense, net	(8.5)	(8.7)	(2.3)%	(33.2)	(34.6)	(4.0)%
Other income (expense), net	(1.9)	10.5	nm	2.7	3.6	(25.0)%
Income (loss) before income taxes	13.3	0.9	nm	(142.9)	1.8	nm
Income tax provision	10.4	6.2	67.7 %	32.5	11.5	182.6 %
<b>Consolidated net income (loss)</b>	2.9	(5.3)	nm	(175.4)	(9.7)	nm
Net income (loss) attributable to noncontrolling interests	(0.2)	(0.8)	(75.0)%	(1.5)	(0.4)	275.0 %
<b>Net income (loss) attributable to VeriFone Systems, Inc. stockholders</b>	\$ 3.1	\$ (4.5)	nm	\$ (173.9)	\$ (9.3)	nm
<b>Net income (loss) per share attributable to VeriFone Systems, Inc. stockholders:</b>						
Basic	\$ 0.03	\$ (0.04)		\$ (1.55)	\$ (0.08)	
Diluted	\$ 0.03	\$ (0.04)		\$ (1.55)	\$ (0.08)	
<b>Weighted average number of shares used in computing net income (loss) per share attributable to VeriFone Systems, Inc. stockholders:</b>						
Basic	112.3	111.1		111.8	110.8	
Diluted	113.1	111.1		111.8	110.8	

(1) "nm" means not meaningful

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

	October 31,	
	2017	2016
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 131.0	\$ 148.4
Accounts receivable, net	322.7	323.4
Inventories	126.6	175.2
Prepaid expenses and other current assets	138.4	110.4
<b>Total current assets</b>	<b>718.7</b>	<b>757.4</b>
Property and equipment, net	127.9	202.3
Purchased intangible assets, net	236.4	306.3
Goodwill	1,104.4	1,110.5
Deferred tax assets, net	33.1	37.0
Other long-term assets	101.7	81.3
<b>Total assets</b>	<b>\$ 2,322.2</b>	<b>\$ 2,494.8</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 144.8	\$ 154.6
Accruals and other current liabilities	227.3	213.4
Deferred revenue, net	101.4	104.8
Short-term debt	68.8	66.0
<b>Total current liabilities</b>	<b>542.3</b>	<b>538.8</b>
Long-term deferred revenue, net	61.8	66.5
Deferred tax liabilities, net	97.5	99.4
Long-term debt	762.0	859.9
Other long-term liabilities	76.2	76.8
<b>Total liabilities</b>	<b>1,539.8</b>	<b>1,641.4</b>
Redeemable noncontrolling interest in subsidiary	0.3	5.0
<b>Stockholders' equity:</b>		
Common stock	1.1	1.1
Additional paid-in capital	1,812.2	1,771.9
Accumulated deficit	(792.2)	(618.3)
Accumulated other comprehensive loss	(266.6)	(341.0)
<b>Total VeriFone Systems, Inc. stockholders' equity</b>	<b>754.5</b>	<b>813.7</b>
Noncontrolling interests in subsidiaries	27.6	34.7
<b>Total equity</b>	<b>782.1</b>	<b>848.4</b>
<b>Total liabilities, redeemable noncontrolling interest in subsidiary and equity</b>	<b>\$ 2,322.2</b>	<b>\$ 2,494.8</b>

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

	<b>Years Ended October 31,</b>	
	<b>2017</b>	<b>2016</b>
<b>Cash flows from operating activities</b>		
Consolidated net loss	\$ (175.4)	\$ (9.7)
Adjustments to reconcile consolidated net loss to net cash provided by operating activities:		
Depreciation and amortization, net	140.7	179.2
Stock-based compensation expense	40.0	42.3
Deferred income taxes, net	0.8	(14.0)
Non-cash restructuring and related charges	114.5	31.2
Goodwill and other long lived asset impairments	33.5	—
Other	5.6	(6.2)
Net cash provided by operating activities before changes in operating assets and liabilities	159.7	222.8
Changes in operating assets and liabilities:		
Accounts receivable, net	(11.6)	59.6
Inventories	30.4	(45.7)
Prepaid expenses and other assets	(8.6)	4.5
Accounts payable	(7.5)	(39.6)
Deferred revenue, net	(7.0)	28.7
Other current and long-term liabilities	10.5	(32.9)
Net change in operating assets and liabilities	6.2	(25.4)
Net cash provided by operating activities	165.9	197.4
<b>Cash flows from investing activities</b>		
Capital expenditures	(67.3)	(105.3)
Acquisitions of businesses, net of cash and cash equivalents acquired	(5.0)	(172.2)
Divestiture of businesses	1.5	—
Other investing activities, net	(1.9)	2.3
Net cash used in investing activities	(72.7)	(275.2)
<b>Cash flows from financing activities</b>		
Proceeds from debt, net of issuance costs	276.1	560.4
Repayments of debt	(385.7)	(453.0)
Stock repurchases	—	(79.9)
Other financing activities, net	(2.8)	(3.1)
Net cash provided by (used in) financing activities	(112.4)	24.4
Effect of foreign currency exchange rate changes on cash, cash equivalents and restricted cash	3.7	(3.3)
Net decrease in cash, cash equivalents and restricted cash	(15.5)	(56.7)
Cash, cash equivalents and restricted cash, beginning of period	159.2	215.9
Cash, cash equivalents and restricted cash, end of period	\$ 143.7	\$ 159.2
Cash and cash equivalents, end of period	131.0	156.6
Restricted cash, end of period	12.7	2.6
Cash, cash equivalents and restricted cash, end of period	\$ 143.7	\$ 159.2

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

	Note	Three Months Ended					Fiscal Years Ended		
		October 31, 2017	July 31, 2017	October 31, 2016	% Change (1) SEQ	% Change (1) YoY	October 31, 2017	October 31, 2016	% Change (1)
<b>GAAP net revenues:</b>									
North America		\$ 154.1	\$ 152.8	\$ 167.1	0.9 %	(7.8)%	\$ 630.2	\$ 803.6	(21.6)%
Latin America		80.2	71.3	68.3	12.5 %	17.4 %	271.0	247.9	9.3 %
EMEA		196.0	193.5	180.8	1.3 %	8.4 %	735.4	738.3	(0.4)%
Asia-Pacific		46.2	49.3	48.0	(6.3)%	(3.8)%	234.4	202.3	15.9 %
Total		\$ 476.5	\$ 466.9	\$ 464.2	2.1 %	2.6 %	\$ 1,871.0	\$ 1,992.1	(6.1)%
Systems		\$ 268.4	\$ 266.0	\$ 264.3	0.9 %	1.6 %	\$ 1,085.5	\$ 1,236.3	(12.2)%
Services		208.1	200.9	199.9	3.6 %	4.1 %	785.5	755.8	3.9 %
Total		\$ 476.5	\$ 466.9	\$ 464.2	2.1 %	2.6 %	\$ 1,871.0	\$ 1,992.1	(6.1)%
<b>Non-GAAP net revenues: (2)</b>									
North America	A	\$ 154.1	\$ 152.8	\$ 170.5	0.9 %	(9.6)%	\$ 633.2	\$ 817.6	(22.6)%
Latin America	A	80.2	71.3	68.3	12.5 %	17.4 %	271.0	247.9	9.3 %
EMEA	A	196.0	193.5	180.8	1.3 %	8.4 %	735.4	738.3	(0.4)%
Asia-Pacific	A	46.2	49.3	48.0	(6.3)%	(3.8)%	234.4	202.3	15.9 %
Total		\$ 476.5	\$ 466.9	\$ 467.6	2.1 %	1.9 %	\$ 1,874.0	\$ 2,006.1	(6.6)%
Systems	A	\$ 268.4	\$ 266.0	\$ 264.3	0.9 %	1.6 %	\$ 1,085.5	\$ 1,236.3	(12.2)%
Services	A	208.1	200.9	203.3	3.6 %	2.4 %	788.5	769.8	2.4 %
Total		\$ 476.5	\$ 466.9	\$ 467.6	2.1 %	1.9 %	\$ 1,874.0	\$ 2,006.1	(6.6)%
<b>GAAP net revenues</b>		<b>\$ 476.5</b>	<b>\$ 466.9</b>	<b>\$ 464.2</b>	<b>2.1 %</b>	<b>2.6 %</b>	<b>\$ 1,871.0</b>	<b>\$ 1,992.1</b>	<b>(6.1)%</b>
Plus: Non-GAAP net revenues adjustments	A	—	—	3.4	nm	nm	3.0	14.0	nm
<b>Non-GAAP net revenues (2)</b>		<b>\$ 476.5</b>	<b>\$ 466.9</b>	<b>\$ 467.6</b>	<b>2.1 %</b>	<b>1.9 %</b>	<b>\$ 1,874.0</b>	<b>\$ 2,006.1</b>	<b>(6.6)%</b>
Net revenues from businesses acquired in the past 12 months	B	(0.5)	—	—	nm	nm	(18.4)	—	nm
<b>Non-GAAP organic net revenues (2)</b>		<b>\$ 476.0</b>	<b>\$ 466.9</b>	<b>\$ 467.6</b>	<b>nm</b>	<b>1.8 %</b>	<b>\$ 1,855.6</b>	<b>\$ 2,006.1</b>	<b>(7.5)%</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 October 31, 2017 compared with three months ended October 31, 2016					For fiscal year ended October 31, 2017 compared with fiscal year ended October 31, 2016				
	Net revenues growth (decline)	Impact due to acquired businesses (A) (B)	Non-GAAP organic net revenues growth (decline)	Impact due to foreign currency (C)	Non-GAAP organic net revenues at constant currency growth	Net revenues growth (decline)	Impact due to acquired businesses (A) (B)	Non-GAAP organic net revenues growth (decline)	Impact due to foreign currency (C)	Non-GAAP organic net revenues at constant currency growth
North America	(7.8)%	1.8 %	(9.6)%	0.1%	(9.7)%	(21.6)%	1.6%	(23.2)%	0.1 %	(23.3)%
Latin America	17.4 %	— %	17.4 %	1.5%	15.9 %	9.3 %	—%	9.3 %	4.7 %	4.6 %
EMEA	8.4 %	0.3 %	8.1 %	3.8%	4.3 %	(0.4)%	1.8%	(2.2)%	(0.7)%	(1.5)%
Asia-Pacific	(3.8)%	(0.1)%	(3.7)%	2.4%	(6.1)%	15.9 %	0.1%	15.8 %	1.5 %	14.3 %
Total	2.6 %	0.8 %	1.8 %	2.0%	(0.2)%	(6.1)%	1.4%	(7.5)%	0.5 %	(8.0)%



## **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)	
<b>Three Months Ended October 31, 2017</b>							
North America	\$ 154.1	\$ —	\$ 154.1	\$ —	\$ 154.1	\$ (0.2)	\$ 153.9
Latin America	80.2	—	80.2	—	80.2	(1.0)	79.2
EMEA	196.0	—	196.0	(0.5)	195.5	(6.9)	188.6
Asia-Pacific	46.2	—	46.2	—	46.2	(1.2)	45.0
Total	<u>\$ 476.5</u>	<u>\$ —</u>	<u>\$ 476.5</u>	<u>\$ (0.5)</u>	<u>\$ 476.0</u>	<u>\$ (9.3)</u>	<u>\$ 466.7</u>
Systems	\$ 268.4	\$ —	\$ 268.4	\$ —	\$ 268.4	\$ (3.7)	\$ 264.7
Services	208.1	—	208.1	(0.5)	207.6	(5.6)	202.0
Total	<u>\$ 476.5</u>	<u>\$ —</u>	<u>\$ 476.5</u>	<u>\$ (0.5)</u>	<u>\$ 476.0</u>	<u>\$ (9.3)</u>	<u>\$ 466.7</u>
<b>Three Months Ended July 31, 2017</b>							
North America	\$ 152.8	\$ —	\$ 152.8	\$ —	\$ 152.8		
Latin America	71.3	—	71.3	—	71.3		
EMEA	193.5	—	193.5	(0.5)	193.0		
Asia-Pacific	49.3	—	49.3	—	49.3		
Total	<u>\$ 466.9</u>	<u>\$ —</u>	<u>\$ 466.9</u>	<u>\$ (0.5)</u>	<u>\$ 466.4</u>		
Systems	\$ 266.0	\$ —	\$ 266.0	\$ —	\$ 266.0		
Services	200.9	—	200.9	(0.5)	200.4		
Total	<u>\$ 466.9</u>	<u>\$ —</u>	<u>\$ 466.9</u>	<u>\$ (0.5)</u>	<u>\$ 466.4</u>		
<b>Three Months Ended October 31, 2016</b>							
North America	\$ 167.1	\$ 3.4	\$ 170.5	\$ —	\$ 170.5		
Latin America	68.3	—	68.3	—	68.3		
EMEA	180.8	—	180.8	—	180.8		
Asia-Pacific	48.0	—	48.0	—	48.0		
Total	<u>\$ 464.2</u>	<u>\$ 3.4</u>	<u>\$ 467.6</u>	<u>\$ —</u>	<u>\$ 467.6</u>		
Systems	\$ 264.3	\$ —	\$ 264.3	\$ —	\$ 264.3		
Services	199.9	3.4	203.3	—	203.3		
Total	<u>\$ 464.2</u>	<u>\$ 3.4</u>	<u>\$ 467.6</u>	<u>\$ —</u>	<u>\$ 467.6</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	Non-GAAP net revenues	Net revenues from businesses acquired in the past 12	Non-GAAP organic net revenues	Constant currency adjustment	Non-GAAP organic net revenues at constant currency
		(A)	(A)	(B)	(B)	(C)	(C)
<b>Fiscal Year Ended October 31, 2017</b>							
North America	\$ 630.2	\$ 3.0	\$ 633.2	\$ (5.4)	\$ 627.8	\$ (0.6)	\$ 627.2
Latin America	271.0	—	271.0	—	271.0	(11.8)	259.2
EMEA	735.4	—	735.4	(13.0)	722.4	5.1	727.5
Asia-Pacific	234.4	—	234.4	—	234.4	(3.1)	231.3
Total	<u>\$ 1,871.0</u>	<u>\$ 3.0</u>	<u>\$ 1,874.0</u>	<u>\$ (18.4)</u>	<u>\$ 1,855.6</u>	<u>\$ (10.4)</u>	<u>\$ 1,845.2</u>
Systems	\$ 1,085.5	\$ —	\$ 1,085.5	\$ (1.3)	\$ 1,084.2	\$ (5.6)	\$ 1,078.6
Services	785.5	3.0	788.5	(17.1)	771.4	(4.8)	766.6
Total	<u>\$ 1,871.0</u>	<u>\$ 3.0</u>	<u>\$ 1,874.0</u>	<u>\$ (18.4)</u>	<u>\$ 1,855.6</u>	<u>\$ (10.4)</u>	<u>\$ 1,845.2</u>

<b>Fiscal Year Ended October 31, 2016</b>							
North America	\$ 803.6	\$ 14.0	\$ 817.6	\$ —	\$ 817.6		
Latin America	247.9	—	247.9	—	247.9		
EMEA	738.3	—	738.3	—	738.3		
Asia-Pacific	202.3	—	202.3	—	202.3		
Total	<u>\$ 1,992.1</u>	<u>\$ 14.0</u>	<u>\$ 2,006.1</u>	<u>\$ —</u>	<u>\$ 2,006.1</u>		
Systems	\$ 1,236.3	\$ —	\$ 1,236.3	\$ —	\$ 1,236.3		
Services	755.8	14.0	769.8	—	769.8		
Total	<u>\$ 1,992.1</u>	<u>\$ 14.0</u>	<u>\$ 2,006.1</u>	<u>\$ —</u>	<u>\$ 2,006.1</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	Income tax provision	Net income attributable to VeriFone Systems, Inc. stockholders
<b>Three Months Ended October 31, 2017</b>							
<b>GAAP</b>		<b>\$ 476.5</b>	<b>\$ 194.4</b>	<b>40.8%</b>	<b>\$ 23.7</b>	<b>\$ 10.4</b>	<b>\$ 3.1</b>
Adjustments:							
Amortization of purchased intangible assets	E	—	1.2		16.9	—	19.6
Other merger and acquisition related expenses	E	—	—		0.3	—	0.3
Stock based compensation	F	—	1.4		9.8	—	9.8
Restructuring and related charges	G	—	0.4		7.9	—	7.9
Other charges and income	G	—	—		7.7	—	7.7
Income tax effect of non-GAAP exclusions (2)	H	—	—		—	(1.8)	1.8
Non-GAAP		<u>\$ 476.5</u>	<u>\$ 197.4</u>	<u>41.4%</u>	<u>\$ 66.3</u>	<u>\$ 8.6</u>	<u>\$ 50.2</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>		<b>112.3</b>	<b>113.1</b>			<b>0.03</b>	<b>0.03</b>
Non-GAAP		<u>112.3</u>	<u>113.1</u>			<u>\$ 0.45</u>	<u>\$ 0.44</u>

	Note	Net revenues	Gross margin	Gross margin percentage	Operating income (loss)	Income tax provision	Net income (loss) attributable to VeriFone Systems, Inc. stockholders
<b>Three Months Ended July 31, 2017</b>							
<b>GAAP</b>		<b>\$ 466.9</b>	<b>\$ 174.5</b>	<b>37.4%</b>	<b>\$ (50.2)</b>	<b>\$ 10.3</b>	<b>\$ (71.0)</b>
Adjustments:							
Amortization of purchased intangible assets	E	—	1.4		18.1	—	19.4
Other merger and acquisition related expenses	E	—	—		0.4	—	0.4
Stock based compensation	F	—	1.2		9.3	—	9.3
Restructuring and related charges	G	—	12.9		78.6	—	78.6
Other charges and income	G	—	—		2.1	—	0.4
Income tax effect of non-GAAP exclusions (2)	H	—	—		—	(3.3)	3.3
Non-GAAP		<u>\$ 466.9</u>	<u>\$ 190.0</u>	<u>40.7%</u>	<u>\$ 58.3</u>	<u>\$ 7.0</u>	<u>\$ 40.4</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>		<b>112.0</b>	<b>112.0</b>			<b>\$ (0.63)</b>	<b>\$ (0.63)</b>
Adjustment for diluted shares	I	—	0.6				
Non-GAAP		<u>112.0</u>	<u>112.6</u>			<u>\$ 0.36</u>	<u>\$ 0.36</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.

(2) For the purpose of computing the income tax effect of non-GAAP exclusions, we used a 14.5% rate.

**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	Net income (loss) attributable to VeriFone Systems, Inc.
<b>Three Months Ended October 31, 2016</b>							
<b>GAAP</b>		\$ 464.2	\$ 177.5	38.2%	\$ (0.9)	\$ 6.2	\$ (4.5)
Adjustments:							
Amortization of step-down in deferred services net revenues at acquisition and associated cost of goods sold	A	3.4	2.4		2.4	—	2.4
Amortization of purchased intangible assets	E	—	3.4		28.0	—	28.0
Other merger and acquisition related	E	—	—		0.8	—	(11.7)
Stock based compensation	F	—	0.8		9.4	—	9.4
Restructuring and related charges	G	—	—		7.1	—	7.1
Other charges and income	G	—	0.6		1.9	—	1.9
Income tax effect of non-GAAP exclusions (2)	H	—	—		—	(0.5)	0.5
<b>Non-GAAP</b>		<u>\$ 467.6</u>	<u>\$ 184.7</u>	39.5%	<u>\$ 48.7</u>	<u>\$ 5.7</u>	<u>\$ 33.1</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>
<b>GAAP</b>		<u>111.1</u>	<u>111.1</u>			<u>\$ (0.04)</u>	<u>\$ (0.04)</u>
Adjustment for diluted shares	I	—	0.3				
<b>Non-GAAP</b>		<u>111.1</u>	<u>111.4</u>			<u>\$ 0.30</u>	<u>\$ 0.30</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.

(2) For the purpose of computing the income tax effect of non-GAAP exclusions, we used a 14.5% rate.

**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.
<b>Fiscal Year Ended October 31, 2017</b>							
<b>GAAP</b>		<b>\$ 1,871.0</b>	<b>\$ 713.1</b>	<b>38.1%</b>	<b>\$ (112.4)</b>	<b>\$ 32.5</b>	<b>\$ (173.9)</b>
Adjustments:							
Amortization of step-down in deferred services net revenues at acquisition and associated costs of goods sold	A	3.0	2.4		2.4	—	2.4
Amortization of purchased intangible assets	E	—	6.7		76.3	—	77.6
Other merger and acquisition related expenses	E	—	—		1.4	—	1.3
Stock based compensation	F	—	4.6		39.9	—	39.9
Goodwill impairment	G	—	—		17.4	—	17.4
Restructuring and related charges	G	—	25.7		168.9	—	168.9
Other charges and income	G	—	—		17.7	—	6.5
Income tax effect of non-GAAP exclusions (2)	H	—	—		—	(7.1)	7.1
<b>Non-GAAP</b>		<b>\$ 1,874.0</b>	<b>\$ 752.5</b>	<b>40.2%</b>	<b>\$ 211.6</b>	<b>\$ 25.4</b>	<b>\$ 147.2</b>
		Weighted average number of shares used in computing net income (loss) per				Net income (loss) per share attributable to VeriFone Systems, Inc. stockholders (1)	
		Basic	Diluted			Basic	Diluted
<b>GAAP</b>		111.8	111.8			\$ (1.55)	\$ (1.55)
Adjustment for diluted shares	I	—	0.7				
<b>Non-GAAP</b>		111.8	112.5			\$ 1.32	\$ 1.31
		Weighted average number of shares used in computing net income (loss) per				Net income (loss) attributable to VeriFone Systems, Inc. stockholders (1)	
		Basic	Diluted			Basic	Diluted
<b>GAAP</b>		110.8	110.8			\$ (0.08)	\$ (0.08)
Adjustment for diluted shares	I	—	0.8				
<b>Non-GAAP</b>		110.8	111.6			\$ 1.67	\$ 1.66

  

	Note	Net revenues	Gross margin	Gross margin percentage	Operating income	Income tax provision	Net income (loss) attributable to VeriFone Systems, Inc.
<b>Fiscal Year Ended October 31, 2016</b>							
<b>GAAP</b>		<b>\$ 1,992.1</b>	<b>\$ 794.3</b>	<b>39.9%</b>	<b>\$ 32.8</b>	<b>\$ 11.5</b>	<b>\$ (9.3)</b>
Adjustments:							
Amortization of step-down in deferred services net revenues at acquisition and associated cost of goods sold	A	14.0	9.9		9.9	—	9.9
Amortization of purchased intangible assets	E	—	15.1		105.7	—	105.7
Other merger and acquisition related	E	—	—		5.7	—	(9.0)
Stock based compensation	F	—	3.3		42.3	—	42.3
Restructuring and related charges	G	—	5.1		46.3	—	46.3
Other charges and income	G	—	11.0		15.4	—	19.4
Income tax effect of non-GAAP exclusions (2)	H	—	—		—	20.3	(20.3)
<b>Non-GAAP</b>		<b>\$ 2,006.1</b>	<b>\$ 838.7</b>	<b>41.8%</b>	<b>\$ 258.1</b>	<b>\$ 31.8</b>	<b>\$ 185.0</b>
		Weighted average number of shares used in computing net income (loss) per				Net income (loss) per share attributable to VeriFone Systems, Inc. stockholders (1)	
		Basic	Diluted			Basic	Diluted
<b>GAAP</b>		110.8	110.8			\$ (0.08)	\$ (0.08)
Adjustment for diluted shares	I	—	0.8				
<b>Non-GAAP</b>		110.8	111.6			\$ 1.67	\$ 1.66

(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.

(2) For the purpose of computing the income tax effect of non-GAAP exclusions, we used a 14.5% rate.

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

	<i>Note</i>	Guidance		Adjusted Historical			
		Three Months Ending January 31, 2018	Year Ending October 31, 2018	Year Ended		Three Months Ended	
				October 31, 2017	October 31, 2016	October 31, 2017	January 31, 2017
<b>GAAP net revenues</b>		<b>\$ 431-\$433</b>	<b>\$ 1,788-1,813</b>	<b>\$ 1,871.0</b>	<b>\$ 1,992.1</b>	<b>\$ 476.5</b>	<b>\$ 453.9</b>
Amortization of step-down in deferred revenue at acquisition	A	—	—	3.0	14.0	—	2.7
Non-GAAP net revenues	A	\$ 431-433	\$ 1,788-1,813	\$ 1,874.0	\$ 2,006.1	\$ 476.5	\$ 456.6
<i>Non-GAAP revenue from divested businesses</i>							
China Business	D	—	—	11.2	16.4	—	4.3
Taxi Business	D	13.0	13.0	106.5	123.3	26.4	27.1
Non-GAAP net revenues, excluding revenues from divested businesses		\$ 418-420	\$ 1,775-1,800	\$ 1,756.3	\$ 1,866.4	\$ 450.1	\$ 425.2

	<i>Note</i>	Three Months Ending January 31, 2018	Year Ending October 31, 2018
<b>Diluted GAAP earnings (loss) per share (1)</b>		<b>\$0.02</b>	<b>\$0.66-\$0.69</b>
<i>Adjustments: (2)</i>			
Amortization of purchased intangible assets	E	0.16	0.65
Stock based compensation	F	0.09	0.36
Income tax effect of non-GAAP exclusions (3)	H	(0.05)	(0.20)
Diluted Non-GAAP earnings per share (1)		\$0.22	\$1.47-\$1.50

(1) Diluted GAAP and non-GAAP earnings (loss) 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) For the purpose of computing the income tax effect of non-GAAP exclusions we used a 20.0% rate.

## **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 first fiscal quarter and full fiscal year 2018. 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 these non-GAAP financial measures 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. These 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, income taxes 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. 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). 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 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.

**Note D: Non-GAAP revenues from divested businesses.** Verifone determines non-GAAP revenues from divested businesses as the non-GAAP net revenues in the reporting period that are derived from significant businesses that have either been divested or are held for sale.

**Note E: 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 F: 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.

**Note G: 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 H: 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 best 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.

**Note I: 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.

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