Section 1: 8-K (8-K)

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): March 8, 2018

VERIFONE SYSTEMS, INC.

(Exact name of registrant as specified in its charter)

Commission File Number: 001-32465

Delaware

(State or Other Jurisdiction of Incorporation or Organization)

04-3692546

(IRS Employer Identification No.)

88 West Plumeria Drive

San Jose, CA 95134

(Address of principal executive offices, including zip code)

408-232-7800

(Registrant's telephone number, including area code)

N/A

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (*see* General Instruction A.2. below):

[ ] Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

[ ] Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

[ ] Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

[ ] Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 2.02. Results of Operations and Financial Condition

On March 8, 2018, VeriFone Systems, Inc. (the "Company") announced its financial results for the fiscal quarter ended January 31, 2018. A copy of the Company's press release is attached hereto as Exhibit 99.1 and is incorporated herein by reference.

The information in this Form 8-K provided under Item 2.02 and Exhibit 99.1 attached hereto are furnished to, but shall not be deemed filed with, the Securities and Exchange Commission or incorporated by reference into the Company's filings under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended.

Item 9.01. Financial Statements and Exhibits

(d) Exhibits.

99.1 Press release, dated March 8, 2018 titled "Verifone Reports Financial Results for First Quarter of Fiscal 2018"

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

VERIFONE SYSTEMS, INC.

By: /s/ Vikram Varma
Name: Vikram Varma
Title: General Counsel and Secretary

Date: March 8, 2018

EXHIBIT INDEX

Exhibit No.	Description
99.1	Press Release, dated March 8, 2018, titled "Verifone Reports Financial Results for First Quarter of Fiscal 2018"

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Section 2: EX-99.1 (EXHIBIT 99.1)

Exhibit 99.1

Verifone®

March 8, 2018

Verifone Reports Results for the First Quarter of Fiscal 2018

SAN JOSE, Calif.--(BUSINESS WIRE) --

Verifone (NYSE: PAY), a world leader in payments and commerce solutions, today announced financial results for the three months ended January 31, 2018.

First Quarter 2018 Financial Highlights (1)

- Non-GAAP net revenue and EPS results ahead of guidance
- GAAP net revenues of $437 million
- GAAP net income per diluted share of $0.06
- Non-GAAP net revenues of $425 million
- Non-GAAP net income per diluted share of $0.23
- Services growth of 11%; Comprise 43% of Non-GAAP net revenues
- Repurchased $50 million of Verifone stock
- Reaffirms growth outlook for the full year fiscal 2018

“In Q1 we made meaningful progress executing our top three strategic priorities that will return Verifone to growth this year and accelerate our transformation from a terminal sales company to a payments and commerce services provider," said Paul Galant, Chief Executive Officer of Verifone, “Our primary objective is to scale Verifone’s next-generation devices, connect more of our 30+ million device footprint to Verifone’s cloud-based services, and leverage our leadership position at the point-of-sale with value-added services that help merchants to start, run, and grow their businesses.”

(1) Non-GAAP measures are adjusted to exclude amounts from divested businesses. Reconciliations for the non-GAAP measures are provided at the end of this press release.

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

	Three Months Ended January 31,				
		2018		2017	Change (1)
GAAP:					
Net revenues	**$**	**437**	**$**	**454**	**(3.8)%**
Gross margin as a % of net revenues		**40.8%**		**37.8%**	**3.0 pts**
Net income (loss) per diluted share	**$**	**0.06**	**$**	**(0.15)**	**nm**
Non-GAAP, adjusted to exclude divested businesses (2):					
Net revenues	$	425	$	425	—
Gross margin as a % of net revenues		41.6%		41.1%	0.5 pts
Net income per diluted share	$	0.23	$	0.25	(8.0)%

(1) "nm" means not meaningful.
(2) Reconciliations for the Non-GAAP measures are provided at the end of this press release.

Fiscal 2018 and Second Quarter 2018 Outlook

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

Guidance for full fiscal year 2018 is reaffirmed as follows:

- GAAP net revenues of approximately $1.787 to $1.812 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 second fiscal quarter of 2018 is as follows:

- GAAP and Non-GAAP net revenues of approximately $435 million
- GAAP net income per diluted share of approximately $0.08 to $0.09
- Non-GAAP net income per diluted share of $0.27 to $0.28

Conference Call

Verifone will hold its earnings conference call today, March 8, 2018, 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 for 30 days.

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 | (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 January 31,		
	2018	**2017**	**% Change (1)**
Net revenues:			
Systems	$ 243.1	$ 265.4	(8.4)%
Services	193.7	188.5	2.8 %
Total net revenues	436.8	453.9	(3.8)%
Cost of net revenues:			
Systems	154.4	166.4	(7.2)%
Services	104.3	116.1	(10.2)%
Total cost of net revenues	258.7	282.5	(8.4)%
Gross margin	178.1	171.4	3.9 %
Operating expenses:			
Research and development	48.1	56.8	(15.3)%
Sales and marketing	46.9	49.4	(5.1)%
General and administrative	51.3	50.8	1.0 %
Amortization of purchased intangible assets	15.1	18.8	(19.7)%
Total operating expenses	161.4	175.8	(8.2)%
Operating income (loss)	16.7	(4.4)	nm
Interest expense, net	(8.9)	(8.2)	8.5 %
Other income (expense), net	(1.1)	(2.2)	nm
Income (loss) before income taxes	6.7	(14.8)	nm
Income tax provision (benefit)	(0.5)	2.9	(117.2)%
Consolidated net income (loss)	7.2	(17.7)	nm
Net loss attributable to noncontrolling interests	(0.1)	(1.1)	(90.9)%
Net income (loss) attributable to VeriFone Systems, Inc. stockholders	$ 7.3	$ (16.6)	nm
Net income (loss) per share attributable to VeriFone Systems, Inc. stockholders:			
Basic	$ 0.06	$ (0.15)	
Diluted	$ 0.06	$ (0.15)	
Weighted average number of shares used in computing net income (loss) per share attributable to VeriFone Systems, Inc. stockholders:			
Basic	111.6	111.4	
Diluted	112.2	111.4	

(1) "nm" means not meaningful

VERIFONE SYSTEMS, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(UNAUDITED, IN MILLIONS)

	January 31, 2018	October 31, 2017
ASSETS		
Current assets:		
Cash and cash equivalents	$ 152.8	$ 131.0
Accounts receivable, net	295.2	322.7
Inventories	127.4	126.6
Prepaid expenses and other current assets	121.3	138.4
Total current assets	696.7	718.7
Property and equipment, net	129.1	127.9
Purchased intangible assets, net	233.0	236.4
Goodwill	1,158.7	1,104.4
Deferred tax assets, net	32.3	33.1
Other long-term assets	108.7	101.7
Total assets	$ 2,358.5	$ 2,322.2
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	$ 145.8	$ 144.8
Accruals and other current liabilities	194.9	227.3
Deferred revenue, net	109.0	101.4
Short-term debt	66.6	68.8
Total current liabilities	516.3	542.3
Long-term deferred revenue, net	62.2	61.8
Deferred tax liabilities, net	98.4	97.5
Long-term debt	775.4	762.0
Other long-term liabilities	76.5	76.2
Total liabilities	1,528.8	1,539.8
Redeemable noncontrolling interest in subsidiary	—	0.3
Stockholders’ equity:		
Common stock	1.1	1.1
Additional paid-in capital	1,823.8	1,812.2
Accumulated deficit	(834.2)	(792.2)
Accumulated other comprehensive loss	(190.4)	(266.6)
Total VeriFone Systems, Inc. stockholders’ equity	800.3	754.5
Noncontrolling interests in subsidiaries	29.4	27.6
Total equity	829.7	782.1
Total liabilities, redeemable noncontrolling interest in subsidiary and equity	$ 2,358.5	$ 2,322.2

VERIFONE SYSTEMS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED, IN MILLIONS)

	Three Months Ended January 31,	
	2018	**2017**
Cash flows from operating activities		
Consolidated net income (loss)	$ 7.2	$ (17.7)
Adjustments to reconcile consolidated net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	33.0	40.9
Stock-based compensation expense	9.9	9.6
Deferred income taxes, net	1.5	1.0
Other	4.8	5.7
Net cash provided by operating activities before changes in operating assets and liabilities	56.4	39.5
Changes in operating assets and liabilities:		
Accounts receivable, net	34.2	(0.5)
Inventories	1.0	19.4
Prepaid expenses and other assets	(26.0)	3.7
Accounts payable	(0.8)	(20.2)
Deferred revenue, net	4.5	6.9
Other current and long-term liabilities	(17.7)	(4.1)
Net change in operating assets and liabilities	(4.8)	5.2
Net cash provided by operating activities	51.6	44.7
Cash flows from investing activities		
Capital expenditures	(13.2)	(19.5)
Divestiture of businesses	22.5	—
Other investing activities, net	—	1.1
Net cash provided by (used in) investing activities	9.3	(18.4)
Cash flows from financing activities		
Proceeds from debt, net of issuance costs	123.0	60.0
Repayments of debt	(119.1)	(86.1)
Stock repurchases	(50.0)	—
Other financing activities, net	(0.5)	(0.8)
Net cash used in financing activities	(46.6)	(26.9)
Effect of foreign currency exchange rate changes on cash, cash equivalents and restricted cash	7.5	(0.5)
Net increase (decrease) in cash, cash equivalents and restricted cash	21.8	(1.1)
Cash, cash equivalents and restricted cash, beginning of period	143.7	159.2
Cash, cash equivalents and restricted cash, end of period	$ 165.5	$ 158.1
Cash and cash equivalents, end of period	$ 152.8	$ 147.0
Restricted cash, end of period	12.7	11.1
Cash, cash equivalents and restricted cash, end of period	$ 165.5	$ 158.1

VERIFONE SYSTEMS, INC.

NET REVENUES INFORMATION

(UNAUDITED, IN MILLIONS, EXCEPT PERCENTAGES)

		Three Months Ended				
	Note	January 31, 2018	October 31, 2017	January 31, 2017	% Change (1) SEQ	% Change (1) YoY
GAAP net revenues:						
North America		**$ 123.8**	**$ 154.1**	**$ 165.9**	**(19.7)%**	**(25.4)%**
Latin America		**88.3**	**80.2**	**57.0**	**10.1 %**	**54.9 %**
EMEA		**184.1**	**196.0**	**168.1**	**(6.1)%**	**9.5 %**
Asia-Pacific		**40.6**	**46.2**	**62.9**	**(12.1)%**	**(35.5)%**
Total		**$ 436.8**	**$ 476.5**	**$ 453.9**	**(8.3)%**	**(3.8)%**
Systems		**$ 243.1**	**$ 268.4**	**$ 265.4**	**(9.4)%**	**(8.4)%**
Services		**193.7**	**208.1**	**188.5**	**(6.9)%**	**2.8 %**
Total		**$ 436.8**	**$ 476.5**	**$ 453.9**	**(8.3)%**	**(3.8)%**
Non-GAAP net revenues, adjusted to exclude divested businesses: (2)						
North America	A, B	$ 112.7	$ 130.2	$ 143.9	(13.4)%	(21.7)%
Latin America	A	88.3	80.2	57.0	10.1 %	54.9 %
EMEA	A, B	183.0	193.5	165.7	(5.4)%	10.4 %
Asia-Pacific	A, B	40.6	46.2	58.6	(12.1)%	(30.7)%
Total		$ 424.6	$ 450.1	$ 425.2	(5.7)%	(0.1)%
Systems	A, B	$ 243.1	$ 268.4	$ 261.3	(9.4)%	(7.0)%
Services	A, B	181.5	181.7	163.9	(0.1)%	10.7 %
Total		$ 424.6	$ 450.1	$ 425.2	(5.7)%	(0.1)%
GAAP net revenues		**$ 436.8**	**$ 476.5**	**$ 453.9**	**(8.3)%**	**(3.8)%**
Plus: Non-GAAP net revenues adjustments	A	—	—	2.7	nm	nm
Non-GAAP net revenues (2)		$ 436.8	$ 476.5	$ 456.6	(8.3)%	(4.3)%
Net revenues from divested businesses	B	(12.2)	(26.4)	(31.4)	nm	nm
Non-GAAP net revenues, adjusted to exclude divested businesses (2)		$ 424.6	$ 450.1	$ 425.2	nm	(0.1)%

(1) "nm" means not meaningful.

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

	For three months ended January 31, 2018 compared with three months ended January 31, 2017				
	Net revenues growth (decline)	Impact due to divested businesses (B)	Adjusted Non-GAAP net revenues growth (decline)	Impact due to foreign currency (C)	Adjusted Non-GAAP net revenues at constant currency growth (decline)
North America	**(25.4)%**	(3.7)%	(21.7)%	0.1%	(21.8)%
Latin America	**54.9 %**	— %	54.9 %	0.3%	54.6 %
EMEA	**9.5 %**	(0.9)%	10.4 %	7.0%	3.4 %
Asia-Pacific	**(35.5)%**	(4.8)%	(30.7)%	1.8%	(32.5)%
Total	**(3.8)%**	(3.7)%	(0.1)%	3.1%	(3.2)%

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 (A)	Non-GAAP net revenues (A)	Non-GAAP net revenues from divested businesses (B)	Non-GAAP net revenues adjusted to exclude divested businesses (B)	Constant currency adjustment (C)	Adjusted Non-GAAP net revenues at constant currency (C)
Three Months Ended January 31, 2018								
North America		**$ 123.8**	$ —	$ 123.8	$ 11.1	$ 112.7	$ (0.2)	$ 112.5
Latin America		**88.3**	—	88.3	—	88.3	(0.2)	88.1
EMEA		**184.1**	—	184.1	1.1	183.0	(11.6)	171.4
Asia-Pacific		**40.6**	—	40.6	—	40.6	(1.0)	39.6
Total		**$ 436.8**	$ —	$ 436.8	$ 12.2	$ 424.6	$ (13.0)	$ 411.6
Systems		**$ 243.1**	$ —	$ 243.1	$ —	$ 243.1	$ (4.3)	$ 238.8
Services		**193.7**	—	193.7	12.2	181.5	(8.7)	172.8
Total		**$ 436.8**	$ —	$ 436.8	$ 12.2	$ 424.6	$ (13.0)	$ 411.6

	GAAP net revenues	Amortization of step-down in deferred revenue at acquisition (A)	Non-GAAP net revenues (A)	Non-GAAP net revenues from divested businesses (B)	Non-GAAP net revenues adjusted to exclude divested businesses (B)
Three Months ended October 31, 2017					
North America	**$ 154.1**	$ —	$ 154.1	$ 23.9	$ 130.2
Latin America	**80.2**	—	80.2	—	80.2
EMEA	**196.0**	—	196.0	2.5	193.5
Asia-Pacific	**46.2**	—	46.2	—	46.2
Total	**$ 476.5**	$ —	$ 476.5	$ 26.4	$ 450.1
Systems	**$ 268.4**	$ —	$ 268.4	$ —	$ 268.4
Services	**208.1**	—	208.1	26.4	181.7
Total	**$ 476.5**	$ —	$ 476.5	$ 26.4	$ 450.1

	GAAP net revenues	Amortization of step-down in deferred revenue at acquisition (A)	Non-GAAP net revenues (A)	Non-GAAP net revenues from divested businesses (B)	Non-GAAP net revenues adjusted to exclude divested businesses (B)
Three Months Ended January 31, 2017					
North America	**$ 165.9**	$ 2.7	$ 168.6	$ 24.7	$ 143.9
Latin America	**57.0**	—	57.0	—	57.0
EMEA	**168.1**	—	168.1	2.4	165.7
Asia-Pacific	**62.9**	—	62.9	4.3	58.6
Total	**$ 453.9**	$ 2.7	$ 456.6	$ 31.4	$ 425.2
Systems	**$ 265.4**	$ —	$ 265.4	$ 4.0	$ 261.4
Services	**188.5**	2.7	191.2	27.4	163.8
Total	**$ 453.9**	$ 2.7	$ 456.6	$ 31.4	$ 425.2

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 (benefit)	Net income attributable to VeriFone Systems, Inc. stockholders
Three Months Ended January 31, 2018							
GAAP		**$ 436.8**	**$ 178.1**	**40.8%**	**$ 16.7**	**$ (0.5)**	**$ 7.3**
Adjustments:							
Amortization of purchased intangible assets	D	—	1.1		16.2	—	11.8
Stock-based compensation	F	—	1.2		9.9	—	9.9
Restructuring and related charges	G	—	(0.5)		(0.7)	—	(0.7)
Other charges and income	G	—	—		4.3	—	4.8
Income tax effect of non-GAAP exclusions (2)	H	—	—		—	7.1	(7.1)
Non-GAAP		$ 436.8	$ 179.9	41.2%	$ 46.4	$ 6.6	$ 26.0
Divested businesses	B	12.2	3.3		0.7	0.1	0.6
Non-GAAP, adjusted to exclude divested businesses		$ 424.6	$ 176.6	41.6%	$ 45.7	$ 6.5	$ 25.4

	Weighted average number of shares used in computing net income per share:		Net income per share attributable to VeriFone Systems, Inc. stockholders (1)	
	Basic	**Diluted**	**Basic**	**Diluted**
GAAP	**111.6**	**112.2**	**$ 0.06**	**$ 0.06**
Non-GAAP	111.6	112.2	$ 0.23	$ 0.23
Non-GAAP, adjusted to exclude divested businesses	111.6	112.2	$ 0.23	$ 0.23

	Note	Net revenues	Gross margin	Gross margin percentage	Operating income	Income tax provision	Net income attributable to VeriFone Systems, Inc. stockholders
Three Months Ended October 31, 2017							
GAAP		**$ 476.5**	**$ 194.4**	**40.8%**	**$ 23.7**	**$ 10.4**	**$ 3.1**
Adjustments:							
Amortization of purchased intangible assets	D	—	1.2		16.9	—	19.6
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 (3)	H	—	—		—	(1.8)	1.8
Non-GAAP		$ 476.5	$ 197.4	41.4%	$ 66.3	$ 8.6	$ 50.2
Divested businesses	B	26.4	6.2		2.0	0.3	1.7
Non-GAAP, adjusted to exclude divested businesses		$ 450.1	$ 191.2	42.5%	$ 64.3	$ 8.3	$ 48.5

	Weighted average number of shares used in computing net income per share:		Net income per share attributable to VeriFone Systems, Inc. stockholders (1)	
	Basic	**Diluted**	**Basic**	**Diluted**
GAAP	**112.3**	**113.1**	**$ 0.03**	**$ 0.03**
Non-GAAP	112.3	113.1	$ 0.45	$ 0.44
Non-GAAP, adjusted to exclude divested businesses	112.3	113.1	$ 0.43	$ 0.43

(1) Net income per share attributable to VeriFone Systems, Inc. stockholders is calculated by dividing the Net income attributable to VeriFone Systems, Inc. stockholders by the weighted average number of shares used in computing net income per share.
(2) For the purpose of computing the income tax effect of non-GAAP exclusions, we used a 20.0% rate.
(3) 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. stockholders
Three Months Ended January 31, 2017							
GAAP		**$ 453.9**	**$ 171.4**	**37.8%**	**$ (4.4)**	**$ 2.9**	**$ (16.6)**
Adjustments:							
Amortization of step-down in deferred net revenues at acquisition and associated cost of goods sold	A	2.7	2.2		2.2	—	2.2
Amortization of purchased intangible assets	D	—	2.5		21.3	—	19.8
Merger and acquisition related	E	—	—		—	—	(0.1)
Stock-based compensation	F	—	0.9		9.6	—	9.6
Restructuring and related charges	G	—	0.8		2.0	—	2.0
Other charges and income	G	—	—		7.4	—	7.4
Income tax effect of non-GAAP exclusions (2)	H	—	—		—	1.1	(1.1)
Non-GAAP		$ 456.6	$ 177.8	38.9%	$ 38.1	$ 4.0	$ 23.2
Divested businesses	B	31.4	2.8		(5.0)	(0.7)	(4.3)
Non-GAAP, adjusted to exclude divested businesses		$ 425.2	$ 175.0	41.1%	$ 43.1	$ 4.7	$ 27.5

		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		**111.4**	**111.4**	**$ (0.15)**	**$ (0.15)**
Adjustment for diluted shares	I	—	0.3		
Non-GAAP		111.4	111.7	$ 0.21	$ 0.21
Non-GAAP, adjusted to exclude divested businesses		111.4	111.7	$ 0.25	$ 0.25

(1) Net income (loss) per share attributable to VeriFone Systems, Inc. stockholders 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.

(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 SHARE AMOUNTS)

		Guidance	
	Note	**Three Months Ending April 30, 2018**	**Year Ending October 31, 2018**
GAAP net revenues		**$ 435**	**$ 1,787-1,812**
Plus: Non-GAAP net revenues adjustments	A	—	—
Non-GAAP net revenues (2)		435	$ 1,787-1,812
Net revenues from divested businesses	B	—	(12)
Non-GAAP net revenues, adjusted to exclude divested businesses (2)		$ 435	$ 1,775-1,800
Diluted GAAP earnings per share (1)		$ 0.08-0.09	$ 0.66-0.69
Adjustments: (2)			
Amortization of purchased intangible assets	D	0.16	0.59
Stock-based compensation	F	0.08	0.34
Restructuring and related charges	G	—	(0.01)
Other charges and income	G	—	0.07
Income tax effect of non-GAAP exclusions (3)	H	(0.05)	(0.18)
Non-GAAP earnings per share		$ 0.27-0.28	$ 1.47-1.50

(1) Diluted GAAP and non-GAAP earnings per share are determined using the most dilutive weighted average number of shares, which includes outstanding options and RSU shares in the calculation of the weighted average diluted shares outstanding.

(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; non-GAAP net revenues from divested businesses; non-GAAP net revenues adjusted to exclude divested businesses; adjusted non-GAAP 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. stockholders; 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 second 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 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 net revenues, gross margin, and operating income from divested businesses. Verifone determines non-GAAP net revenues, gross margin and operating income from divested businesses as the amounts in the reporting period that are derived from significant businesses that have been divested, such as our China business and taxi solution business, which were sold in June 2017 and December 2017, respectively.

Note C: Adjusted Non-GAAP net revenues at constant currency. Verifone determines non-GAAP net revenues at constant currency by recomputing non-GAAP net revenues adjusted to exclude divested businesses 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: 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. In addition, Verifone's equity method investee companies incur amortization of intangible assets. Because these amounts have no direct correlation to those business' underlying business operations, we also eliminate these amortization charges, net of tax, from our non-GAAP other income and expense to provide better comparability of operating results.

Note E: Merger and Acquisition Related. Verifone adjusts for contingent consideration fair market value adjustments and interest on contingent consideration that are the result of mergers and acquisitions. 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.

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 related charges: We have incurred expenses, such as professional services, contract cancellation fees, certain personnel costs and asset impairments related to initiatives to transform, streamline, centralize and restructure our global operations. Charges include involuntary termination costs, costs to cancel facility leases, asset impairments, write down of net assets and liabilities 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 incur costs of this nature in the ordinary course of business. 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.

Costs associated with litigation and other loss contingencies: Our non-GAAP operating results do not include costs associated with litigation and other loss contingencies, penalties and settlements. These costs and loss contingencies relate to events that occurred in prior periods and their ultimate amount and resolution are uncorrelated with our operating performance during the current period. Accordingly, we believe that excluding such amounts provides a better indication of our business performance in the current period and enhances the comparability of our business performance across periods.

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.

Contacts

Verifone

Investor Relations:

Chris Mammone, 408-232-7230

ir@verifone.com

or

Media Relations:

Kwiyoung Baumgarten, 770-754-3460

press@verifone.com

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