

# FINANCIAL RESULTS

FOR THE QUARTER  
ENDED October 31, 2013





## FORWARD-LOOKING STATEMENTS

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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 in the information, 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.

# INTRODUCTION

Paul Galant, CEO

- Exceeded top line, bottom line, and free cash flow guidance
- Improving client delivery of products and services
- Addressing product and certification challenges
- Strengthening the balance sheet
- Winning new business, maintaining share of existing clients

## **Our Vision**

To be the most trusted and innovative terminal, global payment as a service, and commerce enablement company

## **Our Strategy**

To make it easy for our clients to connect our terminals and solutions into a secure platform capable of hosting VeriFone and 3rd party-developed services

## **Our Execution**

To improve the way we run our core hardware and software business, globalize our payment as a service offering, and significantly innovate in the area of commerce enablement

**Product Portfolio Rationalization**

**Global R&D Execution**

**Optimizing the Cost Structure**

# FINANCIAL RESULTS AND GUIDANCE

Marc Rothman, CFO



# NON-GAAP PROFIT & LOSS OVERVIEW\*

				Q413	
	Q412	Q313	Q413	% SEQ Inc(Dec)	% YoY Inc(Dec)
<i>\$ in millions, except EPS</i>					
<b>Revenue</b>	489	418	<b>432</b>	4%	(12)%
<b>Gross Margin</b>	216	170	<b>178</b>	4%	(18)%
<i>% of Revenue</i>	44.2%	40.8%	41.2%	0.4pts	(3.0)pts
<b>Operating Expenses</b>	105	127	<b>131</b>	3%	24%
<i>% of Revenue</i>	21.5%	30.3%	30.4%	0.1pts	8.9pts
<b>Operating Income</b>	111	44	<b>47</b>	7%	(58)%
<i>% of Revenue</i>	22.7%	10.4%	10.8%	0.4pts	(11.9)pts
<b>Net Income (Loss)**</b>	84	26	<b>30</b>	15%	(64)%
<b>Non-GAAP EPS</b>	0.76	0.24	<b>0.27</b>	13%	(64)%
<b>Operating Cash Flow***</b>	73	49	<b>55</b>	12%	(24)%
<b>Free Cash Flow</b>	54	31	<b>38</b>	22%	(30)%

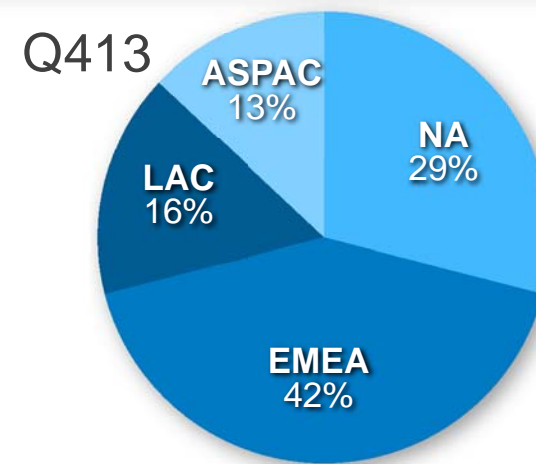
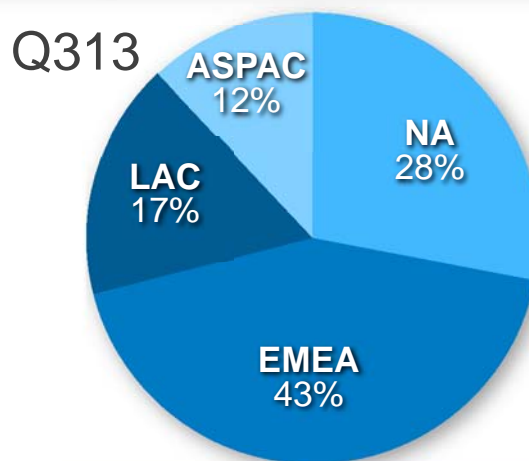
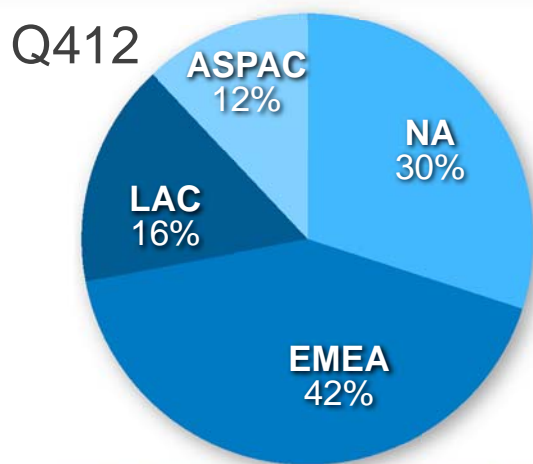
\* A reconciliation of our GAAP to Non-GAAP financial measures, including Free Cash Flow, can be found in the appendix section

\*\* Net Income (Loss) = Net Income (Loss) attributable to VeriFone Systems, Inc. stockholders

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

# NON-GAAP REVENUE PROFILE\*

\$ in millions	Q412	Q313	Q413	Q413		Q413	
				% SEQ Inc(Dec)	% YoY Inc(Dec)	Organic YoY Growth	Organic YoY Constant Currency Growth
<b>North America</b>	<b>145</b>	<b>116</b>	<b>124</b>	<b>8%</b>	<b>(14)%</b>	<b>(14)%</b>	<b>(14)%</b>
<i>International:</i>							
Latin America	80	70	71	1%	(12)%	(11)%	(6)%
EMEA	204	179	180	1%	(12)%	(14)%	(15)%
ASPAC	60	53	57	8%	(4)%	(18)%	(15)%
<b>International</b>	<b>344</b>	<b>302</b>	<b>308</b>	<b>2%</b>	<b>(10)%</b>	<b>(14)%</b>	<b>(13)%</b>
<b>TOTAL</b>	<b>489</b>	<b>418</b>	<b>432</b>	<b>4%</b>	<b>(12)%</b>	<b>(14)%</b>	<b>(13)%</b>



# NON-GAAP REVENUE AND GROSS MARGIN\*

<i>\$ in millions</i>	Q412	Q313	Q413
System Solutions	336	251	259
Services	153	167	173
Total Revenue	489	418	432
<b>Services % Total Revenue</b>	<b>31%</b>	<b>40%</b>	<b>40%</b>

	% of Revenue		
	Q412	Q313	Q413
System Solutions	42.4%	37.0%	38.3%
Services	48.2%	46.6%	45.5%
<b>Total GM%</b>	<b>44.2%</b>	<b>40.8%</b>	<b>41.2%</b>

# NON-GAAP OPERATING EXPENSES \*

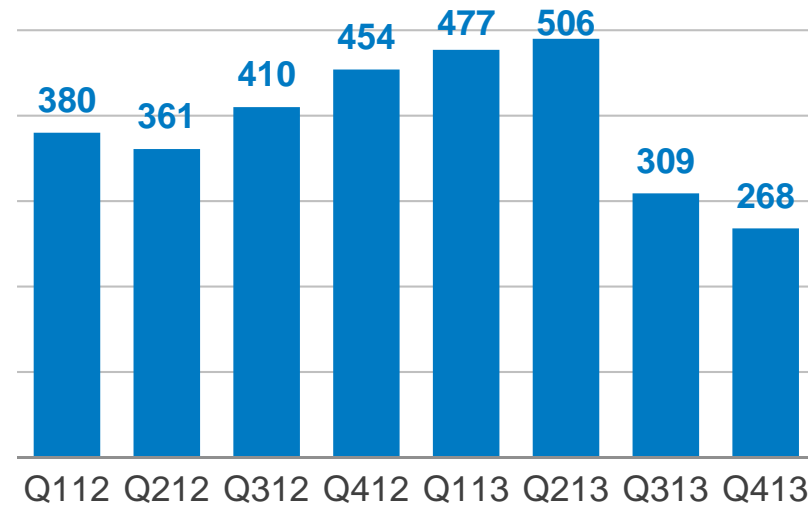
<i>\$ in millions</i>	Q412	Q313	Q413
<b>Research and Development</b>	<b>35</b>	<b>44</b>	<b>44</b>
% of Revenue	7%	11%	10%
<b>Sales and Marketing</b>	<b>42</b>	<b>45</b>	<b>48</b>
% of Revenue	9%	11%	11%
<b>General and Administrative</b>	<b>28</b>	<b>38</b>	<b>39</b>
% of Revenue	6%	9%	9%
<b>Total Operating Expenses</b>	<b>105</b>	<b>127</b>	<b>131</b>
% of Revenue	22%	30%	30%

# TOTAL CASH AND NET DEBT

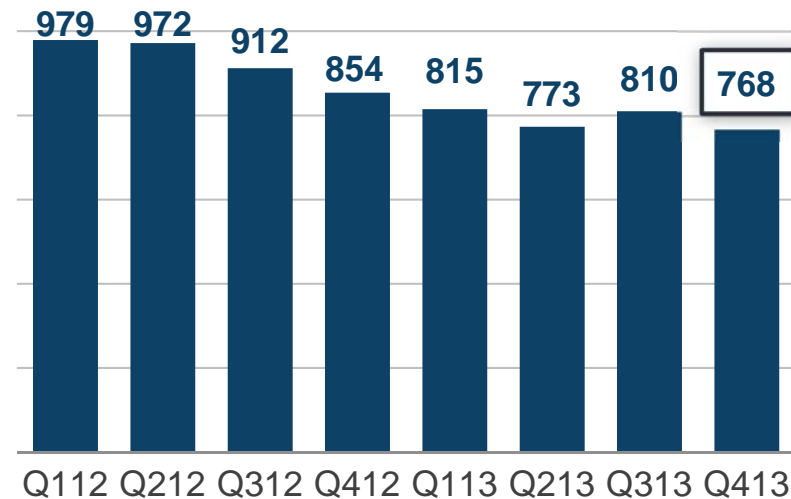
As of October 31, 2013:

- ▀ \$268M Total Cash
- ▀ \$1,036M Outstanding Debt:
  - Short-term of \$93M
  - Long-term of \$943M
- ▀ \$768M Net Debt
- ▀ \$363M Undrawn Revolver
- ▀ Credit Ratings:
  - S&P      BB-
  - Moody's    Ba3

**Total Cash\***  
(\$ in millions)



**Net Debt\*\***  
(\$ in millions)



\*Total Cash includes cash and cash equivalents.

\*\* Net Debt = Short-term debt and long-term debt less total cash and restricted cash related to convertible debt in Q112 and Q212.

# BALANCE SHEET SELECT DATA

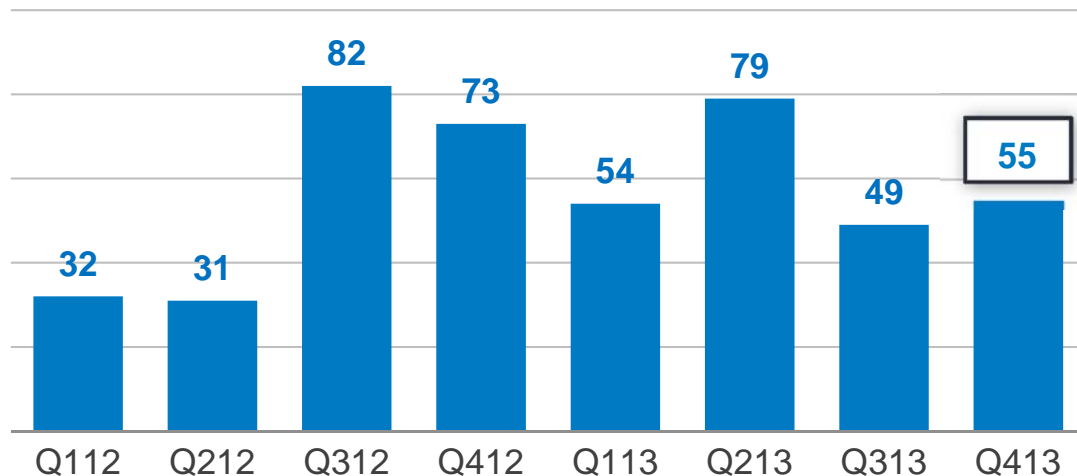
	Q412		Q313		Q413	
	\$	Days	\$	Days	\$	Days
Accounts Receivables, net	367	68	269	58	284	59
Inventories, net	178	57	172	64	139	55
Accounts Payable	193	64	112	41	117	41
Cash Conversion Cycle		61		81		73

Note: Accounts Receivable Days is calculated as Accounts Receivable, net divided by Total Non-GAAP Revenue \* 90 days  
 Inventory Days is calculated as Average Inventory, net divided by Total Non-GAAP Cost of Goods Sold \* 90 days  
 Accounts Payable Days is calculated as Accounts Payable divided by Total Non-GAAP Cost of Goods Sold \* 90 days  
 Cash Conversion Cycle is calculated as Accounts Receivable Days plus Inventory Days less Accounts Payable Days

# CASH FLOW

## Operating Cash Flow\*

(\$ in millions)

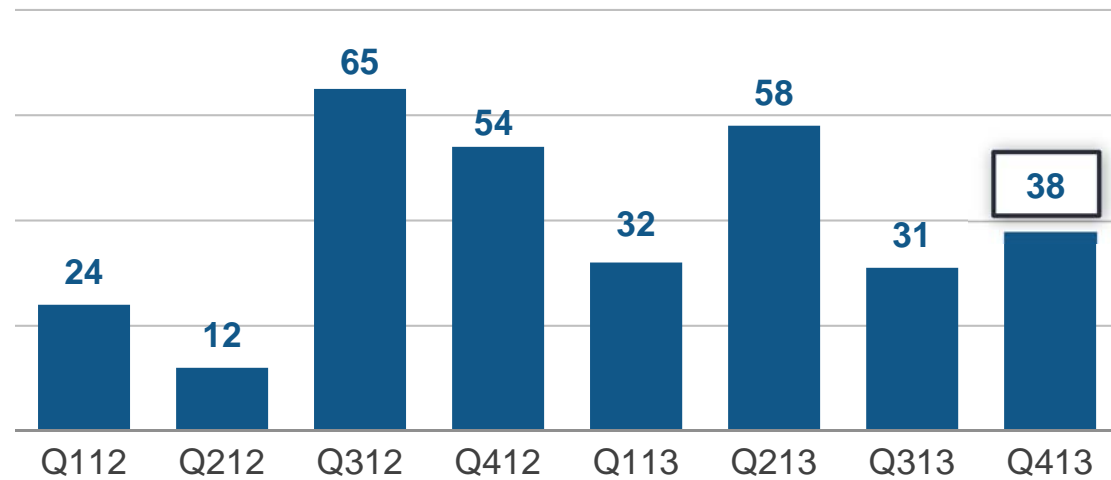


← Operating Cash Flow: **\$55M**

CapEx: **\$17M**

## Free Cash Flow\*

(\$ in millions)



← Free Cash Flow: **\$38M**

\* Operating Cash Flow = GAAP net cash provided by operating activities. Free Cash Flow is a non-GAAP financial measure. A reconciliation of our GAAP net cash provided by operating activities to Free Cash Flow can be found in the appendix section.

# GUIDANCE

Guidance	Q114	Full Year FY14
Non-GAAP Revenue	\$425M - \$430M	\$1,770M - \$1,800M
Non-GAAP EPS	\$0.26	\$1.35 – \$1.40
Free Cash Flow	\$(25)M including \$61M legal settlement	85% of Non-GAAP Net Income, excluding large one-time cash items
Other Items	Q114	Full Year FY14
Non-GAAP OPEX	~\$133M	~\$535M
Effective Tax Rate	14% - 15%	14% - 15%
Capital Expenditures	\$22M - \$25M	\$90M - \$100M
Non-GAAP Depreciation and Amortization	~\$18M	~\$75M
Fully Diluted Shares	~112.5M	~113.5M



## BENCHMARKS FOR SUCCESS

- Current, globally relevant product portfolio, delivered on time, with quality and consistency
- Accelerated roll out of global payment as a service offering
- Steady stream of innovation driving commerce enablement
- Improvement in our operating stability and financial discipline
- Continued evidence that our clients view us as a true partner

# Q & A SESSION

# APPENDIX

# RECONCILIATION OF GAAP TO NON-GAAP PROFIT & LOSS Q413

Q413 (\$ in millions, except Share Numbers and EPS)	GAAP	Acquisition, divestiture & restructure related	Stock based compensation	Other charges and income	Non-GAAP
<b>Net revenues:</b>					
System Solutions	259	-	-	-	259
Services	172	1	-	-	173
<b>Net revenues</b>	<b>431</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>432</b>
<b>Cost of net revenues:</b>					
System Solutions	171	(11)	-	-	160
Services	96	(2)	-	-	94
<b>Cost of net revenues</b>	<b>267</b>	<b>(13)</b>	<b>-</b>	<b>-</b>	<b>254</b>
<b>Gross margin:</b>					
System Solutions	88	11	-	-	99
Services	76	3	-	-	79
<b>Gross margin</b>	<b>164</b>	<b>14</b>	<b>-</b>	<b>-</b>	<b>178</b>
<b>Operating expenses:</b>					
Research & development	46	(1)	(1)	-	44
Sales & marketing	55	-	(6)	(1)	48
General & administration	54	(2)	(9)	(4)	39
Litigation loss contingency expense	-	-	-	-	-
Amortization of purchased intangible assets	25	(25)	-	-	-
<b>Total operating expenses</b>	<b>180</b>	<b>(28)</b>	<b>(16)</b>	<b>(5)</b>	<b>131</b>
<b>Operating income (loss)</b>	<b>(16)</b>	<b>42</b>	<b>16</b>	<b>5</b>	<b>47</b>
<b>Net Interest and Other:</b>					
Interest, net	(10)	-	-	-	(10)
Other expense, net	(2)	1	-	-	(1)
<b>Income (loss) before income taxes</b>	<b>(28)</b>	<b>43</b>	<b>16</b>	<b>5</b>	<b>36</b>
* Provision for income taxes	220	-	-	(215)	5
Net income (loss) attributable to non-controlling interests	-	(1)	-	-	(1)
<b>Net Income (loss) attributable to VeriFone</b>	<b>(248)</b>	<b>42</b>	<b>16</b>	<b>220</b>	<b>30</b>
<b>Diluted EPS</b>	<b>(2.26)</b>				<b>0.27</b>
<b>Weighted average shares used in computing net income (loss) earnings per share:</b>				Non-GAAP Adjustment for dilutive shares	
<b>Basic Shares</b>	<b>110</b>				<b>110</b>
<b>Diluted Shares</b>	<b>110</b>			<b>2</b>	<b>112</b>

\* "nm" means not meaningful or relevant

\* Provision for income taxes included a non cash charge of \$244M valuation reserve.

# RECONCILIATION OF GAAP TO NON-GAAP PROFIT & LOSS Q313

	GAAP	Acquisition, divestiture & restructure related	Stock based compensation	Other charges and income	Non-GAAP
Q313 (\$ in millions, except Share Numbers and EPS)					
<b>Net revenues:</b>					
System Solutions	251	-	-	-	251
Services	165	2	-	-	167
<b>Net revenues</b>	<b>416</b>	<b>2</b>	<b>-</b>	<b>-</b>	<b>418</b>
<b>Cost of net revenues:</b>					
System Solutions	169	(10)	-	-	159
Services	92	(2)	-	(1)	89
<b>Cost of net revenues</b>	<b>261</b>	<b>(12)</b>	<b>-</b>	<b>(1)</b>	<b>248</b>
<b>Gross margin:</b>					
System Solutions	82	10	-	-	92
Services	73	4	-	1	78
<b>Gross margin</b>	<b>155</b>	<b>14</b>	<b>-</b>	<b>1</b>	<b>170</b>
<b>Operating expenses:</b>					
Research & development	46	-	(2)	-	44
Sales & marketing	50	(1)	(3)	(1)	45
General & administration	43	(1)	(4)	-	38
Litigation loss contingency expense	(5)	-	-	5	-
Amortization of purchased intangible assets	24	(24)	-	-	-
<b>Total operating expenses</b>	<b>158</b>	<b>(26)</b>	<b>(9)</b>	<b>4</b>	<b>127</b>
<b>Operating income (loss)</b>	<b>(3)</b>	<b>40</b>	<b>9</b>	<b>(3)</b>	<b>43</b>
<b>Net Interest and Other:</b>					
Interest, net	(11)	-	-	-	(11)
Other expense, net	(1)	(1)	-	1	(1)
<b>Income (loss) before income taxes</b>	<b>(15)</b>	<b>39</b>	<b>9</b>	<b>(2)</b>	<b>31</b>
Provision for income taxes	(13)	-	-	17	4
Net income (loss) attributable to non-controlling interests	-	(1)	-	-	(1)
<b>Net Income (loss) attributable to VeriFone Systems, Inc. stockholders</b>	<b>(2)</b>	<b>38</b>	<b>9</b>	<b>(19)</b>	<b>26</b>
<b>Diluted EPS</b>	<b>(0.02)</b>				<b>0.24</b>
<b>Weighted average shares used in computing net income (loss) earnings per share:</b>				Non-GAAP Adjustment for dilutive shares	
<b>Basic Shares</b>	<b>109</b>				<b>109</b>
<b>Diluted Shares</b>	<b>109</b>			<b>2</b>	<b>111</b>

\* "nm" means not meaningful or relevant

# RECONCILIATION OF GAAP TO NON-GAAP PROFIT & LOSS Q412

Q412 (\$ in millions, except Share Count and EPS)	GAAP	Acquisition, divestiture & restructure related	Stock based compensation	Other charges and income	Non-GAAP
<b>Net revenues:</b>					
System Solutions	335	1	-	-	336
Services	150	3	-	-	153
<b>Net revenues</b>	<b>485</b>	<b>4</b>	<b>-</b>	<b>-</b>	<b>489</b>
<b>Cost of net revenues:</b>					
System Solutions	204	(10)	-	-	194
Services	81	(2)	-	-	79
<b>Cost of net revenues</b>	<b>285</b>	<b>(12)</b>	<b>-</b>	<b>-</b>	<b>273</b>
<b>Gross margin:</b>					
System Solutions	131	11	-	-	142
Services	69	5	-	-	74
<b>Gross margin</b>	<b>200</b>	<b>16</b>	<b>-</b>	<b>-</b>	<b>216</b>
<b>Operating expenses:</b>					
Research & development	41	(2)	(2)	(2)	35
Sales & marketing	47	(2)	(2)	(1)	42
General & administration	37	(3)	(6)	-	28
Amortization of purchased intangible assets	23	(23)	-	-	-
<b>Total operating expenses</b>	<b>148</b>	<b>(30)</b>	<b>(10)</b>	<b>(3)</b>	<b>105</b>
<b>Operating income (loss)</b>	<b>52</b>	<b>46</b>	<b>10</b>	<b>3</b>	<b>111</b>
Interest, net	(12)	(2)	-	3	(11)
Other income (expense), net	2	(5)	-	2	(1)
<b>Income (loss) before income taxes</b>	<b>42</b>	<b>39</b>	<b>10</b>	<b>8</b>	<b>99</b>
Provision for income taxes	14	-	-	-	14
Net income (loss) attributable to non-controlling interests	(1)	-	-	-	(1)
<b>Net Income (loss) attributable to VeriFone Systems, Inc. stockholders</b>	<b>27</b>	<b>39</b>	<b>10</b>	<b>8</b>	<b>84</b>
<b>Diluted EPS</b>	<b>0.24</b>				<b>0.76</b>
<b>Weighted average shares used in computing net income (loss) earnings per share:</b>					
Basic Shares	108				108
Diluted Shares	110				110

\* "nm" means not meaningful or relevant

# RECONCILIATION OF GAAP TO NON-GAAP REVENUE

(\$ in millions)	GAAP net Revenues	Amortization of step-down in deferred revenue at acquisition	Other adjustments to net revenues	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
<b>Q413</b>								
<b>North America</b>	<b>124</b>	-	-	<b>124</b>	-	<b>124</b>	-	<b>124</b>
<b>International</b>								
Latin America	71	-	-	71	-	71	4	75
EMEA	179	1	-	180	(5)	175	(2)	173
ASPAC	57	-	-	57	(9)	48	2	50
<b>International</b>	<b>307</b>	<b>1</b>	-	<b>308</b>	<b>(14)</b>	<b>294</b>	<b>4</b>	<b>298</b>
<b>Total</b>	<b>431</b>	<b>1</b>	-	<b>432</b>	<b>(14)</b>	<b>418</b>	<b>4</b>	<b>422</b>
<b>Q313</b>								
<b>North America</b>	<b>116</b>	-	-	<b>116</b>				
<b>International</b>								
Latin America	70	-	-	70				
EMEA	177	2	-	179				
ASPAC	53	0	-	53				
<b>International</b>	<b>300</b>	<b>2</b>	-	<b>302</b>				
<b>Total</b>	<b>416</b>	<b>2</b>	-	<b>418</b>				
<b>Q412</b>								
<b>North America</b>	<b>145</b>	-	-	<b>145</b>	-	<b>145</b>		
<b>International</b>								
Latin America	80	-	-	80	-	80		
EMEA	201	3	-	204	(2)	202		
ASPAC	59	1	-	60	(1)	59		
<b>International</b>	<b>340</b>	<b>4</b>	-	<b>344</b>	<b>(3)</b>	<b>341</b>		
<b>Total</b>	<b>485</b>	<b>4</b>	-	<b>489</b>	<b>(3)</b>	<b>486</b>		

# NON-GAAP ORGANIC NET REVENUE

## ORGANIC GROWTH

(\$ in millions)

VeriFone Organic	FY12 Un-Adjusted				
	Q112	Q212	Q312	Q412	FY12
International:					
LAC	100	97	94	80	371
EMEA	153	203	202	202	760
ASPAC	46	48	56	59	209
International	299	348	352	341	1,340
North America	121	129	138	145	533
<b>Total Organic</b>	<b>420</b>	<b>477</b>	<b>490</b>	<b>486</b>	<b>1,873</b>

FY13 Un-Adjusted				
Q113	Q213	Q313	Q413	FY13
73	85	70	71	299
133	172	174	174	653
51	49	47	48	195
257	306	291	293	1,147
132	122	116	125	495
<b>389</b>	<b>428</b>	<b>407</b>	<b>418</b>	<b>1,642</b>

Growth Year-over-Year At Reported Exchange Rates				
Q1	Q2	Q3	Q4	FY13
(27%)	(12%)	(26%)	(11%)	(19%)
(13%)	(16%)	(14%)	(14%)	(14%)
11%	2%	(16%)	(19%)	(7%)
(14%)	(12%)	(17%)	(14%)	(14%)
9%	(6%)	(16%)	(14%)	(7%)
<b>(7%)</b>	<b>(10%)</b>	<b>(17%)</b>	<b>(14%)</b>	<b>(12%)</b>

### Acquisition

Hypercom (acquired 8/4/2011)	-	-	-	-	-
Point (acquired 12/30/2011)	4	-	-	-	4
Others	1	2	3	3	9
<b>Total Acquisitions</b>	<b>5</b>	<b>2</b>	<b>3</b>	<b>3</b>	<b>13</b>

-	-	-	-	-
38	-	-	-	38
2	2	11	14	29
<b>40</b>	<b>2</b>	<b>11</b>	<b>14</b>	<b>67</b>

### Total VeriFone

Total Non-GAAP Revenues	425	479	493	489	1,886
Deferred Revenue Adj.	(5)	(7)	(4)	(4)	(20)
Other					
<b>GAAP Net Revenues</b>	<b>420</b>	<b>472</b>	<b>489</b>	<b>485</b>	<b>1,866</b>

429	430	418	432	1,709
(0)	(2)	(2)	(1)	(5)
	(2)			(2)
<b>429</b>	<b>426</b>	<b>416</b>	<b>431</b>	<b>1,702</b>

1%	(10%)	(15%)	(12%)	(9%)
(92%)	(72%)	(62%)	(72%)	(75%)
<b>2%</b>	<b>(10%)</b>	<b>(15%)</b>	<b>(11%)</b>	<b>(9%)</b>

[a] Sales by VeriFone to Point in periods twelve months prior to the acquisition are not included in Organic revenues.

Point was a customer of VeriFone prior to the acquisition. This presentation provides consistency and comparability between periods because such sales post acquisition from VeriFone to Point would have been considered intercompany sales and thus would not have been included in consolidated results.

[b] Reflects post-acquisition amounts for acquisitions made during the quarter.

## ORGANIC CONSTANT CURRENCY GROWTH

(\$ in millions)

VeriFone Organic	FY12 Un-Adjusted				
	Q112	Q212	Q312	Q412	FY12
International:					
LAC	100	96	95	80	371
EMEA	153	204	201	202	760
ASPAC	46	49	56	58	209
International	299	349	352	340	1,340
North America	120	130	138	145	533
<b>Total Organic</b>	<b>419</b>	<b>479</b>	<b>490</b>	<b>485</b>	<b>1,873</b>

FY13 Constant Currency [a]				
Q113	Q213	Q313	Q413	FY13
79	89	73	75	316
133	174	174	172	653
51	49	47	50	197
263	312	294	297	1,166
132	122	116	125	495
<b>395</b>	<b>434</b>	<b>410</b>	<b>422</b>	<b>1,661</b>

Organic Growth Year-over-Year At Constant Exchange Rates				
Q1	Q2	Q3	Q4	FY13
(21%)	(8%)	(23%)	(7%)	(15%)
(13%)	(15%)	(14%)	(15%)	(14%)
10%	2%	(16%)	(15%)	(6%)
(12%)	(11%)	(17%)	(13%)	(13%)
10%	(6%)	(16%)	(14%)	(7%)
<b>(6%)</b>	<b>(9%)</b>	<b>(16%)</b>	<b>(13%)</b>	<b>(11%)</b>



# RECONCILIATION OF OPERATING CASH FLOW TO FREE CASH FLOW

<i>(\$ in millions)</i>	Q112	Q212	Q312	Q412	Q113	Q213	Q313	Q413
GAAP Net Cash Provided by Operating Activities	32	31	82	73	54	79	49	55
Less: GAAP Capital Expenditures	<u>(8)</u>	<u>(19)</u>	<u>(17)</u>	<u>(19)</u>	<u>(22)</u>	<u>(21)</u>	<u>(18)</u>	<u>(17)</u>
Free Cash Flow	24	12	65	54	32	58	31	38

\* VeriFone determines free cash flow as net cash provided by operating activities less capital expenditures. VeriFone uses this non-GAAP measure to evaluate our operating cash spend including the impact of our investments in long-term operating assets, such as property, equipment and capitalized software.

THANK YOU