

Q3 FY16 Financial Results

September 1, 2016

Verifone[®]

Forward-looking statements

Today's discussion may include "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements relate to future events and expectations and involve known and unknown risks and uncertainties. Verifone's actual results or actions may differ materially from those projected in the forward-looking statements. For a summary of the specific risk factors that could cause results to differ materially from those expressed in the forward-looking statements, please refer to Verifone's filings with the Securities and Exchange Commission, including its annual report on Form 10-K and quarterly reports on Form 10-Q. Verifone is under no obligation to, and expressly disclaims any obligation to, update or alter its forward-looking statements, whether as a result of new information, future events, changes in assumptions or otherwise

Non-GAAP Financial Measures

With respect to any Non-GAAP financial measures presented 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.

AGENDA

Business Update

Paul Galant, CEO

Financial Update

Marc Rothman, CFO

Q & A

Paul Galant, CEO

Marc Rothman, CFO

Vin D'Agostino, EVP of Services

Jennifer Miles, President of North America

Q3 FY16 Headlines

- **Challenging quarter**
- **Two key factors impacted revenue**
 - Geopolitical events in Turkey
 - Economic conditions in Latin America
- **Results**
 - Optimized cost structure
 - Exceeded EPS target

Q4 FY16 Outlook

- Situations in **Turkey & Latin America** may persist
- **EMV bottleneck** in US remains severe impediment
- **SMB deployments** continue to trend below expectations

Good Progress on New Products and Services

mPOS

- e355 certified in 17 of our top 25 markets
- e265 certified in 8 of our top 25 markets
- Launches in US, France, Latin America

Engage

- Engage has begun shipping to Asia
- Engage to ramp up in other key markets throughout FY17

Carbon

- Several acquirers and banks committed to pilot Carbon, our new integrated POS solution
- Carbon will help drive more annuity-based revenue

Exceeded \$200M in Quarterly Services Revenue

Verifone Services

- Services revenue grew 13% YoY in Q3 FY16
- Devices deployed on U.S. Payment as a Service platform grew ~45%
- InterCard acquisition in Germany enabled us to start payment services with several major companies
- Executed new Device Services contract in Brazil with large acquirer
- Collaboration with Visa to accelerate US EMV adoption
- Held first Appathon for our Commerce Platform and App Marketplace

Non-GAAP Financial Results

\$ in million, except EPS	Q3 15	Q2 16	Q3 16	Q3 16	
				% SEQ	% YoY
Net Revenues	510	532	493	(7)%	(3)%
Gross Margin	213	226	208	(8)%	(2)%
<i>% of Revenue</i>	41.7%	42.4%	42.2%	(0.2)pts	0.5pts
Operating Income	72	72	65	(10)%	(9)%
<i>% of Revenue</i>	14.0%	13.6%	13.2%	(0.4)pts	(0.8)pts
Net Income*	54	52	46	(11)%	(15)%
EPS	0.47	0.47	0.42	(11)%	(11)%
Operating Cash Flow*	71	51	13	(75)%	(82)%
Free Cash Flow*	42	23	(11)	(149)%	(127)%

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

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

* Reconciliation of our GAAP to Non-GAAP financial results can be found in the appendix section

Non-GAAP Revenue & Gross Margin*

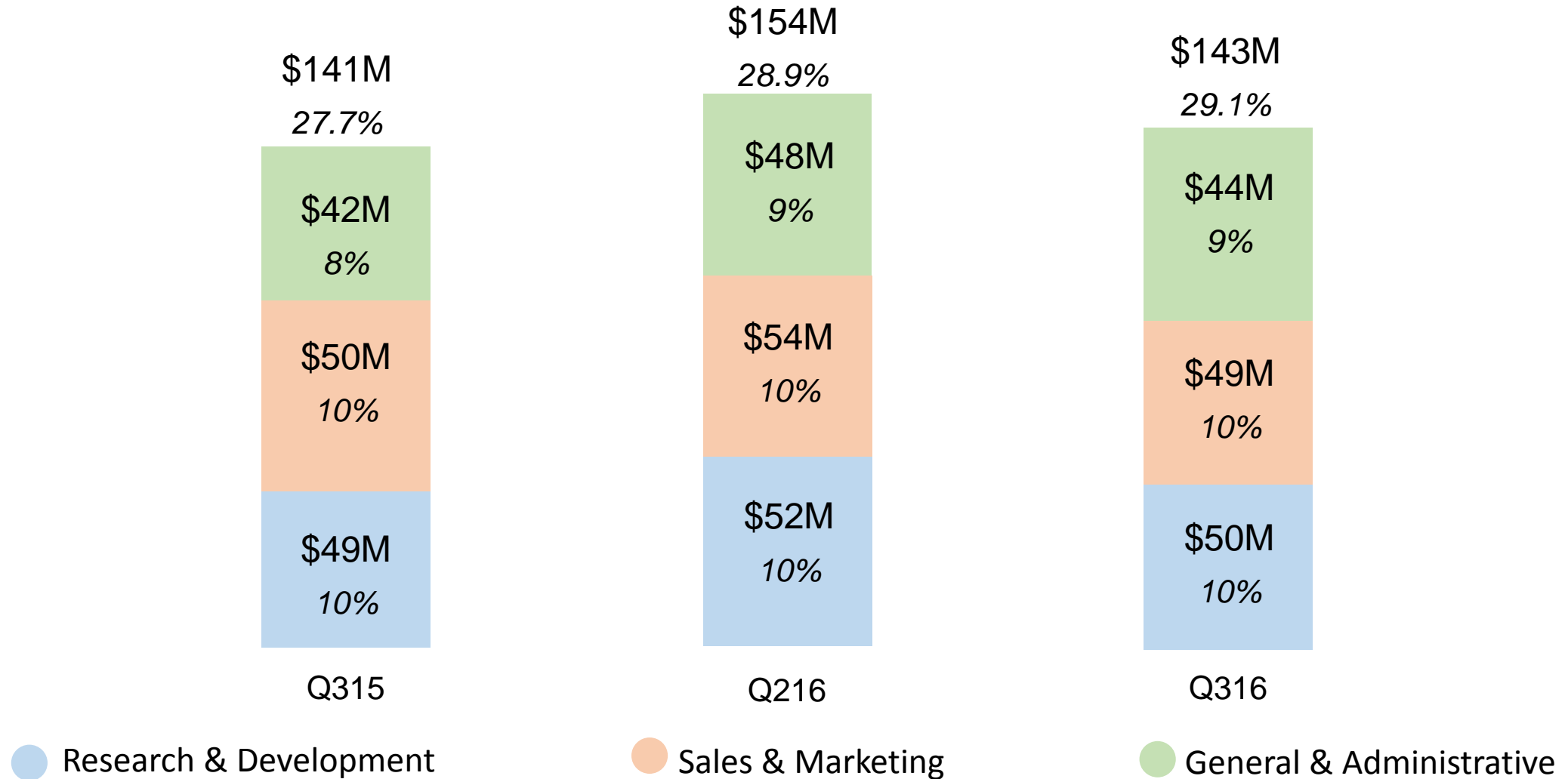
Business Units

\$ in million	Q3 15	Q2 16	Q3 16
Systems	333	342	292
Services	177	190	201
Total Net Revenue	510	532	493
Services, % of Net Revenue	35%	36%	41%

As a % of Revenue	Q3 15	Q2 16	Q3 16
Systems	41.1%	42.3%	41.4%
Services	42.9%	42.7%	43.5%
Gross Margin %	41.7%	42.4%	42.2%

* A reconciliation of our GAAP to Non-GAAP financial results can be found in the appendix section

Non-GAAP Operating Expenses*



* A reconciliation of our GAAP to Non-GAAP financial results can be found in the appendix section

Non-GAAP Revenue*

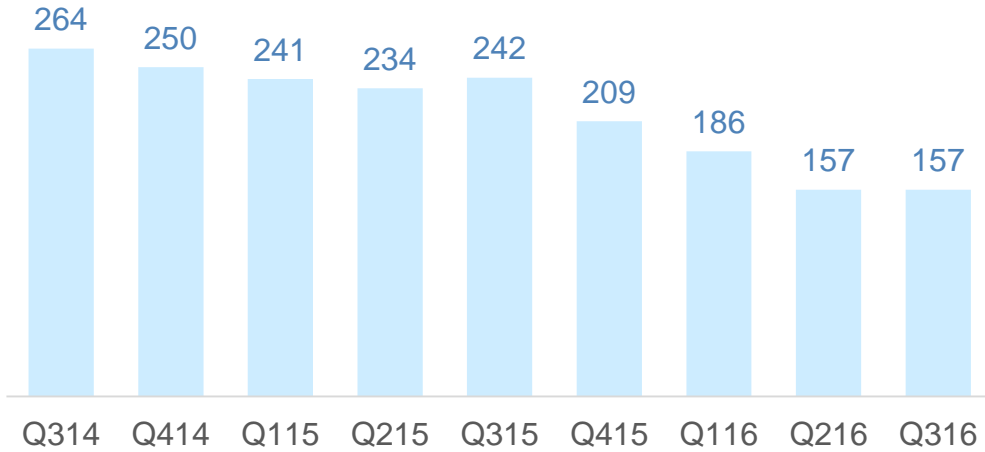
Geography

\$ in million	Q3 16						
	Q3 15	Q2 16	Q3 16	% SEQ Inc(Dec)	% YoY Inc(Dec)	Organic YoY Growth	Organic YoY Constant Currency Growth
North America	209	215	196	(9)%	(6)%	(9)%	(9)%
<i>% of Revenue</i>	41%	41%	40%				
Latin America	74	70	55	(21)%	(25)%	(25)%	(17)%
<i>% of Revenue</i>	14%	13%	11%				
EMEA	173	197	190	(4)%	10%	1%	4%
<i>% of Revenue</i>	34%	37%	39%				
Asia	55	50	52	3%	(6)%	(6)%	(2)%
<i>% of Revenue</i>	11%	9%	10%				
TOTAL	510	532	493	(7)%	(3)%	(8)%	(5)%

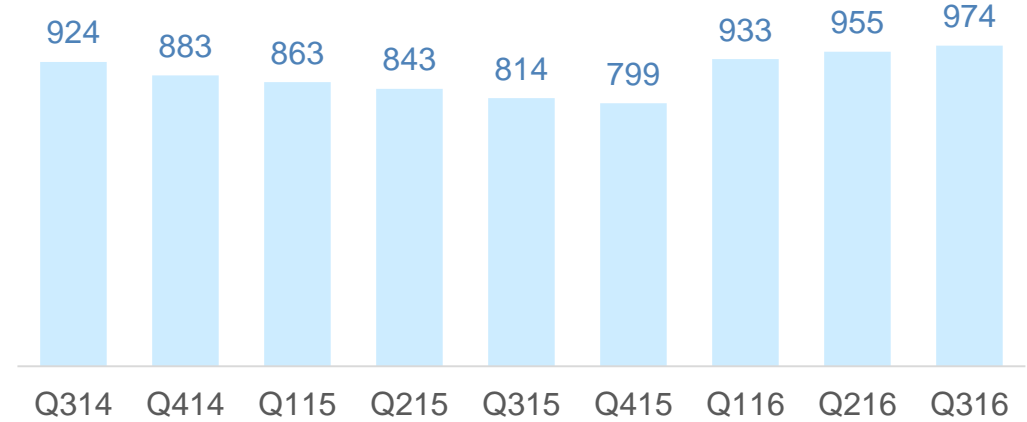
* A reconciliation of our GAAP to Non-GAAP financial results can be found in the appendix section

Cash & Debt*

Total Cash, \$M



Gross Debt, \$M



Debt Statistics

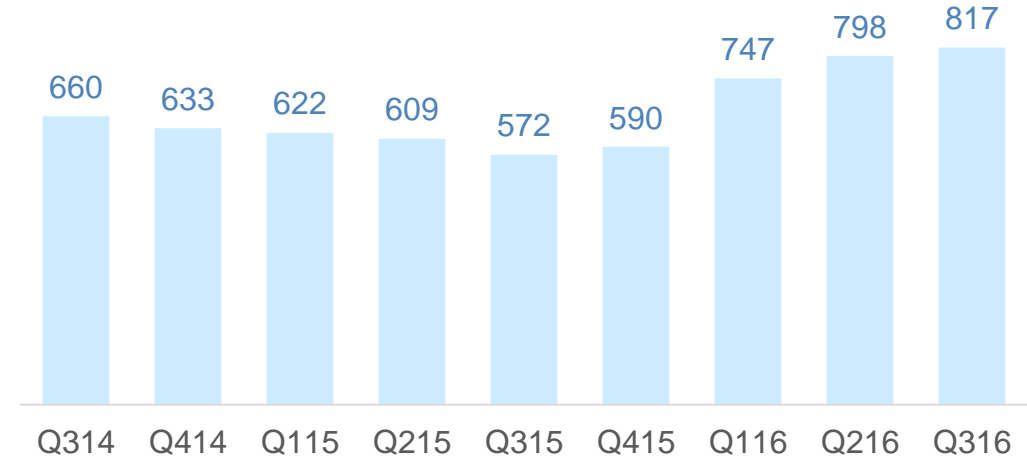
As of July 31, 2016

Short Term	\$66M
Long Term	\$908M
Outstanding	\$974M

Credit Ratings

S&P	BB
Moody's	Ba2

Net Debt, \$M



* Debt issuance costs are reflected as a reduction of gross debt due to newly issued accounting principles

Balance Sheet & Working Capital Metrics

<i>\$M</i>	Q315		Q216		Q316	
	\$	Days	\$	Days	\$	Days
Accounts Receivables, net	322	57	397	67	370	68
Inventories	122	38	155	43	183	53
Accounts Payable	150	45	217	64	192	61
Cash Conversion Cycle		49		46		60

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

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

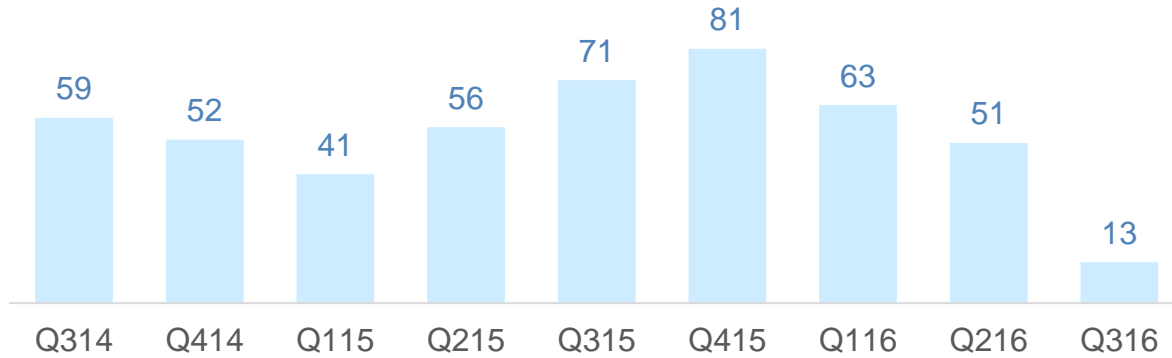
Accounts Payable Days is calculated as Accounts Payable divided by Non-GAAP Total Cost of Net Revenues multiplied by 90 days

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

A reconciliation of our GAAP to Non-GAAP financial results can be found in the appendix section

Cash Flow*

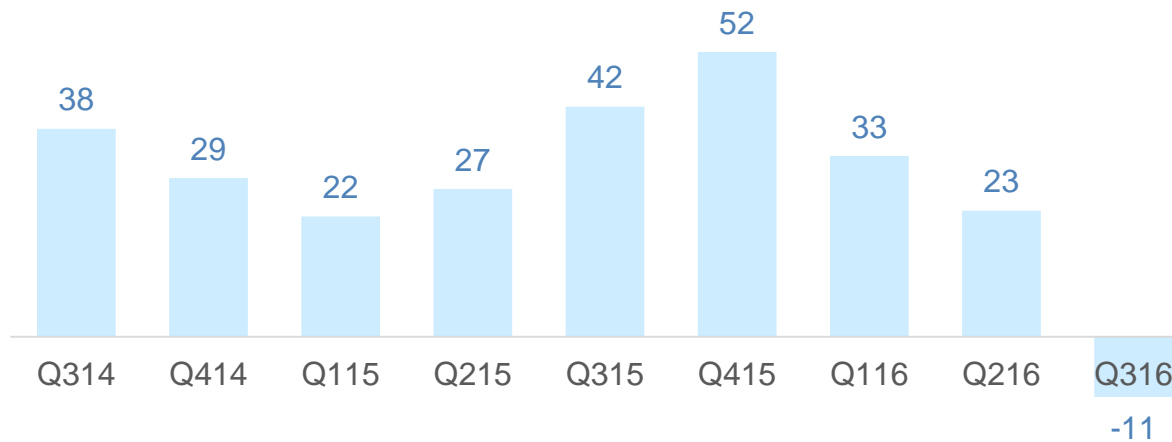
Operating Cash Flow, \$M



\$13M

Operating cash flow

Free Cash Flow, \$M



\$24M

CapEx

\$(11)M

Free cash flow

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

Q4 and Full Year 2016 Guidance*

	Q4 16	Full Year FY16
Non-GAAP Net Revenues	\$460M	\$2.0B
Non-GAAP EPS	\$0.28 - \$0.29	\$1.64 - \$1.65
Non-GAAP Effective Tax Rate	14.5%	14.5%
Non-GAAP Fully Diluted Shares	~111M	~111M
Non-GAAP Operating Margin	10.8%	13.0%
Free Cash Flow	\$25M - \$30M	\$70M - \$75M
Capital expenditure		\$105M

Full Year FY16

- ▶ Organic growth of (4%) on a reported basis
- ▶ Organic growth flat on a constant currency basis
- ▶ Total growth of 4% on a constant currency basis, including acquisitions

* A reconciliation of our GAAP to Non-GAAP financial results can be found in the appendix section

Q & A

Appendix

Reconciliation of GAAP to Non-GAAP Key Metrics Q316

<i>(In millions, except per share data and percentages)</i>							
		Net revenues	Gross margin	Gross margin percentage	Operating income (loss)	Income tax provision	Net income (loss) attributable to VeriFone Systems, Inc. stockholders
		<i>Note</i>					
Three Months Ended July 31, 2016							
GAAP		\$ 488.1	\$ 191.1	39.2%	\$ (22.3)	\$ 0.3	\$ (31.1)
Adjustments:							
Amortization of step-down deferred services net revenues and associated costs of goods sold at acquisition	A	4.5	3.1		3.1	—	3.1
Amortization of purchased intangible assets	D	—	3.9		28.2	—	28.2
Other merger and acquisition related expenses	D	—	—		1.0	—	(1.1)
Stock based compensation	E	—	0.9		10.8	—	10.8
Restructuring and related charges	F	—	5.2		38.9	—	38.9
Other charges and income	F	—	3.8		5.2	—	5.2
Income tax effect of non-GAAP exclusions	G	—	—		—	7.7	(7.7)
Non-GAAP		\$ 492.6	\$ 208.0	42.2%	\$ 64.9	\$ 8.0	\$ 46.3
		Weighted average number of shares used in computing net income (loss) per share:				Net income (loss) per share attributable to VeriFone Systems, Inc. stockholders (1)	
		Basic	Diluted			Basic	Diluted
GAAP		110.7	110.7			\$ (0.28)	\$ (0.28)
Adjustment for diluted shares	H	—	0.7				
Non-GAAP		110.7	111.4			\$ 0.42	\$ 0.42

(1) Net income per share is calculated by dividing the Net income attributable to VeriFone Systems, Inc. stockholders by the Weighted average number of shares.

Reconciliation of GAAP to Non-GAAP Key Metrics Q216

(In millions, except per share data and percentages)

		Net revenues	Gross margin	Gross margin percentage	Operating income (loss)	Income tax provision	Net income attributable to VeriFone Systems, Inc. stockholders
<i>Note</i>							
Three Months Ended April 30, 2016							
GAAP		\$ 526.3	\$ 210.4	40.0%	\$ 19.8	\$ 3.1	\$ 2.9
Adjustments:							
Amortization of step-down deferred services net revenues and associated costs of goods sold at acquisition	A	6.1	4.4		4.4	—	4.4
Amortization of purchased intangible assets	D	—	3.8		25.8	—	25.8
Other merger and acquisition related expenses	D	—	—		1.6	—	2.9
Stock based compensation	E	—	0.8		11.6	—	11.6
Restructuring and related charges	F	—	—		0.6	—	0.6
Other charges and income	F	—	6.6		8.4	—	9.5
Income tax effect of non-GAAP exclusions	G	—	—		—	5.8	(5.8)
Non-GAAP		\$ 532.4	\$ 226.0	42.4%	\$ 72.2	\$ 8.9	\$ 51.9
		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		110.3	111.3			\$ 0.03	\$ 0.03
Non-GAAP		110.3	111.3			\$ 0.47	\$ 0.47

(1) Net income per share is calculated by dividing the Net income attributable to VeriFone Systems, Inc. stockholders by the Weighted average number of shares.

Reconciliation of GAAP to Non-GAAP Key Metrics Q315

<i>(In millions, except per share data and percentages)</i>							
		Net revenues	Gross margin	Gross margin percentage	Operating income	Income tax provision (benefit)	Net income attributable to VeriFone Systems, Inc. stockholders
		<i>Note</i>					
Three Months Ended July 31, 2015							
GAAP		\$ 509.9	\$ 206.5	40.5%	\$ 20.3	\$ 1.4	\$ 9.5
Adjustments:							
Amortization of step-down in deferred services net revenues at acquisition	A	0.1	0.1		0.1	—	0.1
Amortization of purchased intangible assets	D	—	4.5		24.5	—	24.5
Other merger and acquisition related expenses	D	—	0.5		1.7	—	3.2
Stock based compensation	E	—	0.4		11.2	—	11.2
Restructuring and related charges	F	—	0.2		6.0	—	6.0
Other charges and income	F	—	0.5		7.7	—	7.7
Income tax effect of non-GAAP exclusions	G	—	—		—	7.9	(7.9)
Non-GAAP		\$ 510.0	\$ 212.7	41.7%	\$ 71.5	\$ 9.3	\$ 54.3
		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		114.4	116.4			\$ 0.08	\$ 0.08
Non-GAAP		114.4	116.4			\$ 0.47	\$ 0.47

(1) Net income per share is calculated by dividing the Net income attributable to VeriFone Systems, Inc. stockholders by the Weighted average number of shares.

Reconciliation of GAAP to Non-GAAP Gross Margin

<i>(In millions, except percentages)</i>		<i>Note</i>		Systems net revenues	Services net revenues	Total net revenues	Total cost of net revenues	Systems gross margin	Services gross margin	Total gross margin
Three Months Ended July 31, 2016										
GAAP										
				\$ 292.1	\$ 196.0	\$ 488.1	\$ 297.0	\$ 116.4	\$ 74.7	\$ 191.1
Amortization of step-down deferred services net revenues and associated costs of goods sold at acquisition		A		—	4.5	4.5	1.4	—	3.1	3.1
Merger and acquisition related		D,F		—	—	—	(3.9)	2.2	1.7	3.9
Stock based compensation		E		—	—	—	(0.9)	0.6	0.3	0.9
Restructuring and related charges		F		—	—	—	(5.2)	1.3	3.9	5.2
Other charges and income		F		—	—	—	(3.8)	0.3	3.5	3.8
Non-GAAP				\$ 292.1	\$ 200.5	\$ 492.6	\$ 284.6	\$ 120.8	\$ 87.2	\$ 208.0
Percentage of Non-GAAP net revenues				59.3%	40.7%		57.8%	41.4%	43.5%	42.2%
Three Months Ended April 30, 2016										
GAAP										
				\$ 342.5	\$ 183.8	\$ 526.3	\$ 315.9	\$ 142.0	\$ 68.4	\$ 210.4
Amortization of step-down deferred services net revenues and associated costs of goods sold at acquisition		A		—	6.1	6.1	1.7	—	4.4	4.4
Merger and acquisition related		D,F		—	—	—	(3.8)	2.2	1.6	3.8
Stock based compensation		E		—	—	—	(0.8)	0.5	0.3	0.8
Restructuring and related charges		F		—	—	—	—	—	—	—
Other charges and income		F		—	—	—	(6.6)	0.3	6.3	6.6
Non-GAAP				\$ 342.5	\$ 189.9	\$ 532.4	\$ 306.4	\$ 145.0	\$ 81.0	\$ 226.0
Percentage of Non-GAAP net revenues				64.3%	35.7%		57.6%	42.3%	42.7%	42.4%
Three Months Ended July 31, 2015										
GAAP										
				\$ 333.0	\$ 176.9	\$ 509.9	\$ 303.4	\$ 131.8	\$ 74.7	\$ 206.5
Amortization of step-down in deferred services net revenues at acquisition		A		—	0.1	0.1	—	—	0.1	0.1
Merger and acquisition related		D,F		—	—	—	(5.0)	4.2	0.8	5.0
Stock based compensation		E		—	—	—	(0.4)	0.3	0.1	0.4
Restructuring and related charges		F		—	—	—	(0.2)	0.2	—	0.2
Other charges and income		F		—	—	—	(0.5)	0.2	0.3	0.5
Non-GAAP				\$ 333.0	\$ 177.0	\$ 510.0	\$ 297.3	\$ 136.7	\$ 76.0	\$ 212.7
Percentage of Non-GAAP net revenues				65.3%	34.7%		58.3%	41.1%	42.9%	41.7%

Reconciliation of GAAP to Non-GAAP Operating Expenses

		<i>(In millions, except percentages)</i>			
		Research and development	Sales and marketing	General and administrative	Total
		<i>Note</i>			
Three Months Ended July 31, 2016					
GAAP		\$ 52.4	\$ 52.8	\$ 49.7	\$ 154.9
Merger and acquisition related	D,F	—	—	(0.9)	(0.9)
Stock based compensation	E	(1.9)	(3.2)	(4.9)	(10.0)
Other charges and income	F	(0.5)	(0.4)	—	(0.9)
Non-GAAP		\$ 50.0	\$ 49.2	\$ 43.9	\$ 143.1
As a percentage of total Non-GAAP net revenues		10%	10%	9%	29%
Three Months Ended April 30, 2016					
GAAP		\$ 54.1	\$ 59.0	\$ 54.9	\$ 168.0
Merger and acquisition related	D,F	—	—	(1.6)	(1.6)
Stock based compensation	E	(1.9)	(3.8)	(5.0)	(10.7)
Other charges and income	F	(0.3)	(0.8)	(0.8)	(1.9)
Non-GAAP		\$ 51.9	\$ 54.4	\$ 47.5	\$ 153.8
As a percentage of total Non-GAAP net revenues		10%	10%	9%	29%
Three Months Ended July 31, 2015					
GAAP		\$ 50.8	\$ 55.5	\$ 54.1	\$ 160.4
Merger and acquisition related	D,F	—	—	(1.3)	(1.3)
Stock based compensation	E	(1.7)	(4.7)	(4.4)	(10.8)
Other charges and income	F	—	(0.9)	(6.3)	(7.2)
Non-GAAP		\$ 49.1	\$ 49.9	\$ 42.1	\$ 141.1
As a percentage of total Non-GAAP net revenues		10%	10%	8%	28%

Reconciliation of GAAP to Non-GAAP Net Revenues

<i>\$ in millions</i>	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 net revenues at constant currency
<i>Note</i>	(A)	(A)	(B)	(B)	(C)	(C)	
Three Months Ended July 31, 2016							
North America	\$ 191.5	\$ 4.5	\$ 196.0	\$ (7.1)	\$ 188.9	\$ 0.3	\$ 189.2
Latin America	55.1	—	55.1	—	55.1	6.1	61.2
EMEA	190.0	—	190.0	(15.7)	174.3	4.6	178.9
Asia-Pacific	51.5	—	51.5	—	51.5	2.2	53.7
Total	<u>\$ 488.1</u>	<u>\$ 4.5</u>	<u>\$ 492.6</u>	<u>\$ (22.8)</u>	<u>\$ 469.8</u>	<u>\$ 13.2</u>	<u>\$ 483.0</u>
Three Months Ended April 30, 2016							
North America	\$ 209.3	\$ 6.1	\$ 215.4	\$ (7.7)	\$ 207.7		
Latin America	69.8	—	69.8	—	69.8		
EMEA	197.0	—	197.0	(16.9)	180.1		
Asia-Pacific	50.2	—	50.2	—	50.2		
Total	<u>\$ 526.3</u>	<u>\$ 6.1</u>	<u>\$ 532.4</u>	<u>\$ (24.6)</u>	<u>\$ 507.8</u>		
Three Months Ended July 31, 2015							
North America	\$ 208.6	\$ —	\$ 208.6	\$ —	\$ 208.6		
Latin America	73.7	—	73.7	—	73.7		
EMEA	172.6	0.1	172.7	(0.1)	172.6		
Asia-Pacific	55.0	—	55.0	—	55.0		
Total	<u>\$ 509.9</u>	<u>\$ 0.1</u>	<u>\$ 510.0</u>	<u>\$ (0.1)</u>	<u>\$ 509.9</u>		

Reconciliation of operating cash flow to free cash flow

		Three Months Ended				
	<i>\$ in millions</i>	<i>Note</i>	July 31, 2016	April 30, 2016	January 31, 2016	October 31, 2015
Free Cash Flow						
GAAP net cash provided by operating activities		I	\$ 12.6	\$ 50.9	\$ 63.2	\$ 80.5
Less: GAAP capital expenditures		I	(23.9)	(27.8)	(30.6)	(28.0)
Free cash flow		I	\$ (11.3)	\$ 23.1	\$ 32.6	\$ 52.5
Free Cash Flow						
GAAP net cash provided by operating activities						
Less: GAAP capital expenditures		I	(29.6)	(29.3)	(19.6)	(22.2)
Free cash flow		I	\$ 41.8	\$ 27.0	\$ 21.5	\$ 29.4
Free Cash Flow						
GAAP net cash provided by operating activities						
Less: GAAP capital expenditures		I	(20.9)	(21.0)	(20.9)	(17.2)
Free cash flow		I	\$ 38.0	\$ 35.5	\$ 11.0	\$ 37.7

Explanatory Notes to reconciliations of GAAP to non-GAAP items

Note A: Non-GAAP net revenues, costs of goods sold and gross margin. Non-GAAP net revenues exclude the fair value decrease (step-down) in deferred revenue at acquisition. Non-GAAP costs of goods sold exclude the costs of goods associated with the fair value decrease (step-down) in deferred revenue at acquisition. Although the step-down of deferred revenue fair value at acquisition and associated costs of goods sold are reflected in our GAAP financial statements, they result in net revenues and gross margins immediately post-acquisition that are lower than net revenues and gross margins that would be recognized in accordance with GAAP on those same services if they were sold under contracts entered into post-acquisition. 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 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 non-GAAP 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, as Verifone analyzes performance both with and without the impact of our recent acquisitions.

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 net revenues at constant currency. Verifone determines non-GAAP net revenues at constant currency by recomputing non-GAAP net revenues denominated in currencies other than U.S. Dollars in the current fiscal period using average exchange rates for that particular currency during the corresponding financial period of the prior year. Verifone uses this non-GAAP measure to evaluate performance on a comparable basis excluding the impact of foreign currency fluctuations.

Note D: Merger and Acquisition Related. Verifone adjusts certain revenues and expenses for items that are the result of merger and acquisitions. Acquisition related adjustments include the amortization of intangible assets, fixed asset fair value adjustments, contingent consideration adjustments, incremental costs associated with acquisitions, acquisition integration expenses and changes in estimate on contingencies that existed at the time of acquisition.

Note E: Stock-Based Compensation. Our non-GAAP financial measures eliminate the effect of expense for stock-based compensation.

Note F: Other Charges and Income (Loss). Verifone excludes certain expenses, other income (expense) and losses that are the result of unique or unplanned events, such as certain costs incurred in connection with senior executive management changes, certain personnel and outside professional service fees incurred on initiatives to transform, streamline and centralize our global operations, restructuring and related charges, including restructure costs, write down of assets held for sale, and charges for costs to terminate a contract related to a service we will no longer offer in Turkey, as well as losses related to certain exit activities initiated as part of our strategic review of under-performing businesses and global transformation initiatives, foreign exchange losses related to obligations denominated in currencies of highly inflationary economies, and costs associated with litigation and other loss contingencies, penalties and settlements.

Note G: Income Tax Effect of Non-GAAP exclusions. Income taxes are adjusted for the tax effect of the adjusting items related to our non-GAAP financial measures and to reflect our medium to long term estimate of cash taxes on a non-GAAP basis. Under GAAP our Income tax provision as a percentage of Income before income taxes was 0.9% for the fiscal quarter ended July 31, 2016, 48.0% for the fiscal quarter ended April 30, 2016, and 12.6% for the fiscal quarter ended July 31, 2015. For non-GAAP purposes, we used a 14.5% rate for all periods presented.

Note H: Non-GAAP diluted shares. Diluted non-GAAP weighted average shares include additional shares that are dilutive for non-GAAP computations of earnings per share in periods when we have a non-GAAP net income and a GAAP basis net loss.

Note I: Free Cash Flow. Verifone determines free cash flow as net cash provided by operating activities less capital expenditures.