



ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2021 - GENERELL INFORMASJON

Enheten

Organisasjonsnummer: 946 924 563
Organisasjonsform: Aksjeselskap
Foretaksnavn: VERIFONE NORDIC HOLDING AS
Forretningsadresse: Østre Aker vei 24
0581 OSLO

Regnskapsår

Årsregnskapets periode: 01.11.2020 - 31.10.2021

Konsern

Mørselskap i konsern: Ja
Konsernregnskap lagt ved: Ja

Regnskapsregler

Regler for små foretak benyttet: Nei
Benyttet ved utarbeidelsen av årsregnskapet til selskapet: Regnskapslovens alminnelige regler
Benyttet ved utarbeidelsen av årsregnskapet til konsernet: -

Årsregnskapet fastsatt av kompetent organ

Bekreftet av representant for selskapet: Pål Andre Fredriksen
Dato for fastsettelse av årsregnskapet: 30.09.2022

Grunnlag for avgivelse

År 2021: Årsregnskapet er elektronisk innlevert
År 2020: Tall er hentet fra elektronisk innlevert årsregnskap fra 2021

Det er ikke krav til at årsregnskapet m.v. som sendes til Regnskapsregisteret er undertegnet. Kontrollen på at dette er utført ligger hos revisor/enhetens øverste organ. Sikkerheten ivaretas ved at innsender har rolle/rettighet for innsending av årsregnskapet via Altinn, og ved at det bekreftes at årsregnskapet er fastsatt av kompetent organ.

Brønnøysundregistrene, 23.08.2023



Resultatregnskap

Beløp i: NOK	Note	2021	2020
RESULTATREGNSKAP			
Kostnader			
Annen driftskostnad	6	141 763	502 691
Sum kostnader		141 763	502 691
Driftsresultat		-141 763	-502 691
Finansinntekter og finanskostnader			
Inntekt på investering i datterselskap og tilknyttet selskap	3	2 569 195	37 205 950
Renteinntekt fra foretak i samme konsern	3, 6	5 966 806	6 609 622
Annen finansinntekt	8	1 396 542	8 616 182
Sum finansinntekter		9 932 543	52 431 754
Rentekostnad til foretak i samme konsern	3, 6	1 153 970	2 107 530
Annen finanskostnad	8	9 982 595	12 929 066
Sum finanskostnader		11 136 565	15 036 596
Netto finans		-1 204 022	37 395 158
Ordinært resultat før skattekostnad		-1 345 785	36 892 467
Skattekostnad på ordinært resultat	7	-293 925	
Ordinært resultat etter skattekostnad		-1 051 860	36 892 467
Årsresultat		-1 051 860	36 892 467
Overføringer og disponeringer			
Avsatt til annen egenkapital	5	-1 051 860	36 874 467
Sum overføringer og disponeringer		-1 051 860	36 874 467



Balanse

Beløp i: NOK	Note	2021	2020
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Utsatt skattefordel	7	3 752 081	3 458 156
Sum immaterielle eiendeler		3 752 081	3 458 156
Finansielle anleggsmidler			
Investering i annet foretak i samme konsern	3	302 106 369	302 106 369
Andre langsiktige fordringer	6	202 736 691	182 893 739
Sum finansielle anleggsmidler		504 843 060	485 000 108
Sum anleggsmidler		508 595 141	488 458 264
Omløpsmidler			
Varer			
Fordringer			
Andre kortsiktige fordringer	6	16 942 385	39 554 282
Sum fordringer		16 942 385	39 554 282
Bankinnskudd, kontanter og lignende			
Bankinnskudd, kontanter o.l	9	47 876	60 279
Sum bankinnskudd, kontanter og lignende		47 876	60 279
Sum omløpsmidler		16 990 261	39 614 561
SUM EIENDELER		525 585 402	528 072 825
BALANSE - EGENKAPITAL OG GJELD			
Egenkapital			
Innskutt egenkapital			
Aksjekapital	4, 5	242 515	242 515
Overkurs	5	79 798 052	79 798 052
Sum innskutt egenkapital		80 040 567	80 040 567



Balanse

Beløp i: NOK	Note	2021	2020
Opptjent egenkapital			
Annen egenkapital	5	408 749 931	409 801 791
Sum opptjent egenkapital		408 749 931	409 801 791
Sum egenkapital		488 790 498	489 842 358
Gjeld			
Langsiktig gjeld			
Annen langsiktig gjeld			
Øvrig langsiktig gjeld	6	36 575 972	38 020 780
Sum annen langsiktig gjeld		36 575 972	38 020 780
Sum langsiktig gjeld		36 575 972	38 020 780
Kortsiktig gjeld			
Leverandørgjeld		218 932	209 686
Sum kortsiktig gjeld		218 932	209 686
Sum gjeld		36 794 904	38 230 466
SUM EGENKAPITAL OG GJELD		525 585 402	528 072 824



Consolidated Financial Statements

VERIFONE SYSTEMS, INC.

**For the Years Ended October 31, 2021 and 2020
With Report of Independent Certified Public Accountants**



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VERIFONE SYSTEMS, INC.

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GRANT THORNTON LLP
10 Almaden Blvd., Suite 800
San Jose, CA 95113

T +1 408 275 9000
F +1 408 275 0582

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
VeriFone Systems, Inc.

We have audited the accompanying consolidated financial statements of VeriFone Systems, Inc., and subsidiaries, which comprise the consolidated balance sheets as of October 31, 2021 and 2020 and the related consolidated statements of operations, comprehensive income (loss), equity, and cash flows for the years then ended, and the related notes to the financial statements.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of VeriFone Systems, Inc., and subsidiaries as of October 31, 2021 and 2020, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Grant Thornton LLP

San Jose, California
January 14, 2022



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VERIFONE SYSTEMS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

	Years ended October 31,	
	2021	2020
	(in thousands)	
Net revenues:		
Systems	\$ 730,806	\$ 731,346
Services	743,974	638,014
Total net revenues	1,474,780	1,369,360
Cost of net revenues:		
Systems	457,685	485,868
Services	362,137	322,176
Amortization of purchased intangible assets	102,370	95,687
Restructuring charges	—	4,059
Total cost of net revenues	922,192	907,790
Gross margin	552,588	461,570
Operating expenses:		
Research and development	169,831	158,897
Sales and marketing	117,939	106,894
General and administrative	131,009	122,469
Restructuring charges	1,459	14,192
Acquisition related	6,296	11,204
Amortization of purchased intangible assets	140,736	131,230
Total operating expenses	567,270	544,886
Operating loss	(14,682)	(83,316)
Interest expense, net	(151,120)	(160,609)
Other income (expense), net	(7,250)	(7,444)
Loss before income taxes	(173,052)	(251,369)
Income tax provision (benefit)	14,897	(2,453)
Consolidated net loss	(187,949)	(248,916)
Net loss attributable to noncontrolling interests	(4,171)	(4,265)
Net loss attributable to VeriFone Systems, Inc. stockholders	<u>\$ (183,778)</u>	<u>\$ (244,651)</u>

The accompanying notes are an integral part of these consolidated financial statements.



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VERIFONE SYSTEMS, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

	Years ended October 31,	
	2021	2020
	(in thousands)	
Consolidated net loss	\$ (187,949)	\$ (248,916)
Other comprehensive income (loss), net of tax:		
Foreign currency translation adjustments	28,741	(54,169)
Unrealized loss on derivatives designated as cash flow hedges		
Change in unrealized loss on derivatives designated as cash flow hedges	(872)	(53,345)
Amounts reclassified out of Accumulated other comprehensive loss	49,755	35,507
Net change in unrealized gain (loss) on derivatives designated as cash flow hedges	48,883	(17,838)
Net change in other	3,133	2,045
Other comprehensive income (loss)	80,757	(69,962)
Total comprehensive loss	(107,192)	(318,878)
Less: Comprehensive loss attributable to noncontrolling interests, net of tax	(2,106)	(1,980)
Comprehensive loss attributable to VeriFone Systems, Inc. stockholders	\$ (105,086)	\$ (316,898)

The accompanying notes are an integral part of these consolidated financial statements.



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VERIFONE SYSTEMS, INC.
CONSOLIDATED BALANCE SHEETS

	As of October 31,	
	2021	2020
	(in thousands, except par value and share amounts)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 106,143	\$ 110,824
Accounts receivable, net of allowances of \$7,447 and \$4,340, respectively	235,839	234,041
Inventories	104,616	115,442
Prepaid expenses and other current assets	141,455	138,922
Total current assets	588,053	599,229
Property and equipment, net	86,533	88,893
Purchased intangible assets, net	1,199,194	1,451,767
Goodwill	1,585,547	1,590,590
Deferred tax assets, net	12,563	13,575
Other long-term assets	124,988	80,876
Total assets	\$ 3,596,878	\$ 3,824,930
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	\$ 167,630	\$ 140,132
Accruals and other current liabilities	340,446	362,969
Contract liabilities	48,612	54,559
Short-term debt	38,451	70,437
Total current liabilities	595,139	628,097
Long-term contract liabilities	34,129	33,312
Deferred tax liabilities, net	196,533	216,017
Long-term debt	2,055,894	2,068,098
Other long-term liabilities	62,472	99,194
Total liabilities	2,944,167	3,044,718
Stockholders' equity:		
Common Stock: \$0.001 par value, 1,000 shares authorized, issued and outstanding	—	—
Additional paid-in capital	1,702,783	1,698,172
Accumulated deficit	(972,165)	(788,387)
Accumulated other comprehensive income (loss)	(86,554)	(162,693)
Total stockholders' equity	644,064	747,092
Noncontrolling interests in subsidiaries	8,647	33,120
Total equity	652,711	780,212
Total liabilities and equity	\$ 3,596,878	\$ 3,824,930

The accompanying notes are an integral part of these consolidated financial statements.



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VERIFONE SYSTEMS, INC.
CONSOLIDATED STATEMENTS OF EQUITY

	Common Stock Voting		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity	Non-controlling interests in subsidiaries	Total Equity
	Shares	Amount						
	(In thousands)							
Balance as of October 31, 2019	1	\$ —	\$ 1,543,296	\$ (547,374)	\$ (92,221)	\$ 903,701	\$ 56,696	\$ 960,397
Stock-based compensation expense	—	—	5,127	—	—	5,127	4,187	9,314
Issuance of common stock	—	—	217	—	—	217	—	217
Dividends paid to noncontrolling interest stockholders	—	—	—	—	—	—	(6,264)	(6,264)
Capital contribution from the investor group	—	—	143,067	—	—	143,067	—	143,067
Cumulative effect of change in accounting principle	—	—	—	3,638	—	3,638	—	3,638
Addition of noncontrolling interest on business combination	—	—	—	—	—	—	297	297
Adjustment on redemption of noncontrolling interest	—	—	6,465	—	1,775	8,240	(19,816)	(11,576)
Total comprehensive loss	—	—	—	(244,651)	(72,247)	(316,898)	(1,980)	(318,878)
Balance as of October 31, 2020	1	\$ —	\$ 1,698,172	\$ (788,387)	\$ (162,693)	\$ 747,092	\$ 33,120	\$ 780,212
Stock-based compensation expense	—	—	4,161	—	—	4,161	3,379	7,540
Issuance of common stock	—	—	450	—	—	450	—	450
Dividends paid to noncontrolling interest stockholders	—	—	—	—	—	—	(696)	(696)
Business divestiture	—	—	—	—	(2,553)	(2,553)	(24,753)	(27,306)
Adjustment on redemption of noncontrolling interest	—	—	—	—	—	—	(297)	(297)
Total comprehensive loss	—	—	—	(183,778)	78,692	(105,086)	(2,106)	(107,192)
Balance as of October 31, 2021	1	\$ —	\$ 1,702,783	\$ (972,165)	\$ (86,554)	\$ 644,064	\$ 8,647	\$ 652,711

The accompanying notes are an integral part of these consolidated financial statements.



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VERIFONE SYSTEMS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended October 31,	
	2021	2020
	(in thousands)	
Cash flows from operating activities		
Consolidated net loss	\$ (187,949)	\$ (248,916)
Adjustments to reconcile consolidated net loss to net cash provided by operating activities:		
Depreciation	33,361	36,763
Amortization of purchased intangible assets	243,106	226,917
Stock-based compensation expense	7,540	9,314
Amortization of debt issuance costs	16,232	16,006
Deferred income tax	(21,342)	(23,557)
Other	10,754	6,424
Net cash provided by operating activities before changes in operating assets and liabilities	<u>101,702</u>	<u>22,951</u>
Changes in operating assets and liabilities:		
Accounts receivable, net	(29,137)	37,324
Inventories	(11,851)	30,308
Prepaid expenses and other assets	17,238	16,467
Accounts payable	62,098	(61,262)
Contract liabilities	(3,033)	(1,651)
Other current and long-term liabilities	25,967	(34,320)
Net change in operating assets and liabilities	<u>61,282</u>	<u>(13,134)</u>
Net cash provided by operating activities	<u>162,984</u>	<u>9,817</u>
Cash flows from investing activities		
Capital expenditures	(53,461)	(31,099)
Acquisitions of businesses, net of cash and cash equivalents acquired	—	(43,857)
Business divestiture	(18,890)	—
Consideration from investment sale	14,025	—
Other investing activities, net	(2,797)	(11,496)
Net cash used in investing activities	<u>(61,123)</u>	<u>(86,452)</u>
Cash flows from financing activities		
Proceeds from debt	70,000	386,000
Repayments of debt	(123,842)	(359,808)
Capital contribution from the investor group	—	35,000
Other financing activities, net	(37,637)	(34,721)
Net cash provided by (used in) financing activities	<u>(91,479)</u>	<u>26,471</u>
Effect of foreign currency exchange rate changes on cash, cash equivalents and restricted cash	2,074	(1,584)
Net increase (decrease) in cash, cash equivalents and restricted cash	12,456	(51,748)
Cash, cash equivalents and restricted cash, beginning of period	170,634	222,382
Cash, cash equivalents and restricted cash, end of period	<u>\$ 183,090</u>	<u>\$ 170,634</u>
Supplemental disclosures of cash flow information		
Cash paid for interest	<u>\$ 139,592</u>	<u>\$ 154,385</u>
Cash paid for income taxes	<u>\$ 38,241</u>	<u>\$ 30,162</u>

The accompanying notes are an integral part of these consolidated financial statements.



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VERIFONE SYSTEMS, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Principles of Consolidation and Summary of Significant Accounting Policies

Business Description

VeriFone Systems, Inc. (Verifone, Company, us, we, and our) is a global leader in payments and commerce solutions. We provide solutions and services that we believe add value at the retail point-of-sale and enable innovative forms of commerce. For over 40 years, we have been designing, manufacturing, marketing and supplying a broad range of payment solutions. We focus on delivering innovative point-of-sale payment capabilities, value-added services that increase merchant revenues and enhance the consumer experience, and solutions that enrich and improve the interaction between merchant and consumers. Today we are an industry leader in multi-application payment systems deployments. Key industries in which we operate include financial services, retail, petroleum, restaurant, hospitality, transportation, and healthcare.

We are a privately held company and a wholly-owned subsidiary of Vertex Holdco, Inc ("Vertex Holdco"). Vertex Holdco is owned by an investor group led by Francisco Partners and British Columbia Investment Management Corporation ("Investor group").

Basis of Presentation

The accompanying Consolidated Financial Statements include the accounts of VeriFone Systems, Inc. and our wholly-owned and majority-owned subsidiaries. Amounts pertaining to the noncontrolling ownership interests held by third parties in the operating results and financial position of our majority-owned subsidiaries are reported as noncontrolling interests. All intercompany accounts and transactions have been eliminated. The Consolidated Financial Statements also include the results of companies acquired by us from the date of each acquisition. Investments in businesses that we do not control, but in which we have the ability to exercise significant influence over operating and financial matters, are accounted for using the equity method.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires us to make estimates and assumptions about future events that affect the amounts reported in our Consolidated Financial Statements and accompanying notes. These estimates and assumptions take into account historical and forward looking factors that the Company believes are reasonable, including but not limited to, the potential impacts arising from the COVID-19 pandemic. As the extent and duration of the impacts of COVID-19 remain unclear, the Company's estimates and assumptions may evolve as conditions change. Actual results could differ materially from these estimates.

Significant Accounting Policies

Foreign Currency

We determine the functional currency for Verifone and our subsidiaries by reviewing the currencies in which their respective operating activities occur. For our subsidiaries whose functional currencies are not the U.S. Dollar, we generally translate assets and liabilities using exchange rates in effect as of the applicable balance sheet dates. Revenue and expenses for these subsidiaries are translated using average rates which approximate those in effect during the period. Foreign currency translation gains and losses are included in stockholders' equity as a component of Accumulated other comprehensive income (loss) in our Consolidated Balance Sheets.



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VERIFONE SYSTEMS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Monetary assets and liabilities denominated in currencies other than the functional currency of that subsidiary are remeasured to the functional currency using exchange rates in effect as of the applicable balance sheet dates. Net losses from these remeasurements were \$12.9 million and \$9.8 million for the fiscal year ended October 31, 2021 and 2020 and were recorded as Other income (expense), net in our Consolidated Statements of Operations.

Revenue Recognition

The following is a description of principal activities from which the Company generates its revenues.

<u>Products and services</u>	<u>Nature, timing of satisfaction of performance obligations, and significant payment terms</u>
Systems	Systems revenues include the sales of Point of Sale (POS) terminal devices and related accessories. The Company recognizes revenues when the control of the systems transfers to the customer. This usually occurs when the product is shipped to the customer. The hardware is typically billed upon shipment and the standard payment terms of the Company is Net 30 days.
Services	Services include but are not limited to device repair, transaction processing, extended warranty and installation of devices. The Company recognizes revenue as services are provided to the customer. Billings for services vary but typically occur as the services are performed and the standard payment terms of the Company is Net 30 days.

Systems net revenues include net revenues from the sale of products and essential perpetual software licenses and accessories. Services net revenues include net revenues from payment-related services, installation, customer support, repair services related to our systems solutions, transaction processing, term based software licenses, custom software development, and extended warranties, as well as leases of our products.

We sell our products to customers under a contract or by purchase order. Agreements with end users, resellers, value-added resellers, and distributors generally have no rights of return, stock rotation rights, or price protection. We consider a contract to have been established when it has been approved, we can identify each party's rights and obligations, we can identify the payment terms for the goods or services to be transferred, the contract has commercial substance and it is probable that we will collect substantially all of the consideration to which we expect to be entitled.

In contracts with multiple performance promises, we identify each promise and evaluate whether each is distinct at contract inception. Performance promises that are not distinct at contract inception are combined until a group of performance promises is distinct. POS terminal equipment systems are typically sold with embedded essential software. The equipment and the embedded essential software licenses are not distinct because neither is ever sold separately and each are considered inputs to a combined output for which our customers contract. Thus, these two performance promises are combined as a single performance obligation.

We often sell POS equipment together with other related services such as installation, optional software, warehousing and/or maintenance and support services. We consider the installation, optional software, warehousing, maintenance and support services to be separate performance obligations since they are both capable of being distinct (as they are useful to the customers together with the POS equipment that we sell on a standalone basis) and distinct within the context of the contract.

The transaction price is frequently a fixed fee due at contract inception or periodically during the period of performance for related services. Certain contracts for transaction processing and payment services may include variable consideration, either a fixed rate per transaction or in the form of tiered discounts that may apply, depending on the transaction levels the customer generates each month or year, on a prospective basis. The Company assesses whether the customer has a material right on a contract by contract basis.



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VERIFONE SYSTEMS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

We allocate the transaction price to each distinct performance obligation based on the relative standalone selling price for each performance obligation. Our transaction processing and payment services constitute a series, and the variable consideration associated with transaction processing services will generally be allocated to each distinct time increment (typically a day or a month) of the series since the variable payments in these cases relates specifically to our efforts to process transactions in each distinct time increment of the series and we believe that such allocation generally is consistent with the allocation objective.

We typically have observable evidence of the standalone selling price for POS equipment and related accessories as these are sold frequently on a standalone basis and services are subject to optional renewal periods. When we are unable to establish selling price using observable evidence, we use cost plus margin or adjusted market approach.

Net revenues from sales to end-users, resellers, value-added resellers, and distributors are generally recognized upon shipment of the product. Revenues for related services are recognized as those services are delivered since the customer benefits from the services as we perform them.

We recognize revenue from operating lease arrangements over the term of the applicable lease arrangements. Net revenues from operating lease arrangements represent less than five percent of our total net revenues and are classified as Services net revenues.

Net revenues from services obligations, to be provided over a period of time, are initially deferred and then recognized over the contract period as customers simultaneously consume and receive benefits, given that the services comprise distinct performance obligations that are satisfied over time. Net revenues from services contracted on a per incident basis are recognized as a transaction occur which is the point in time when services are performed. Variable fees for transaction processing and payment services are recognized in the month in which they are earned because the terms of the variable payments relate specifically to the outcome from transferring the distinct time increment (typically a day or month) of service and because such amounts reflect the fees to which the Company expects to be entitled for providing the access to services for that period, consistent with the allocation objective. Transaction processing and payment services are a series of distinct services that are substantially the same and have the same pattern of transfer to the customer, which is an output method based on upon passage of time as this is the method that best depicts the Company's pattern of performance.

We periodically enter into software development contracts with our customers that we recognize as net revenues at a point in time upon transfer of control to the customer when the software development promise qualifies as a separate performance obligation (generally when customization is not significant). Provisions for losses on software development contracts are recorded in the period they become evident. Net revenues from software development contracts comprise approximately three percent of our total net revenues.

Warranty

Our equipment is generally sold with an included 12-month warranty which includes provision for unconditional replacement or repair of equipment that fails during the warranty period. We do not treat included basic warranty as a separate performance obligation. We accrue for estimated warranty obligations when revenue is recognized based on an estimate of future warranty costs for delivered products. Such estimates are based on historical experience and expectations of future costs. At least annually or whenever circumstances warrant, we evaluate and adjust the accrued warranty costs to the extent actual warranty costs vary from the original estimates. We also sell extended warranties, usually for terms of two to four years. Fees for extended warranty are considered separate performance obligations. The service is billed at contract inception and are recorded as a contract liability which is amortized and recognized as revenue over the service period using the time elapsed method.



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VERIFONE SYSTEMS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Contract Assets and Liabilities

Billing requirements for equipment vary by contract but are generally structured around the completion of certain performance obligations, such as installation and integration occurring after delivery of equipment. Billing requirements for services depend upon the service category. For specific service obligations, billing occurs upon completion of the service. For transaction service subscriptions, billing is generally a periodic (monthly or quarterly) pre-determined amount. In the case of contracted software/systems development projects, billing generally occurs upon achievement of certain milestones defined in the contract. Our payment terms vary by contract but are generally between 30 and 60 days after invoicing.

When we receive consideration, or when such consideration is unconditionally due from a customer prior to transferring goods or services to the customer under the terms of a sales contract, we record a contract liability. This typically results from billings in advance of completing our performance obligations under the contract.

See Note 10 for a summary of our contract assets and liabilities.

Allowance for doubtful accounts

An allowance for doubtful accounts is established with respect to those amounts that we determine to be doubtful of collection using specific identification of doubtful accounts and an aging of receivables analysis based on invoice due dates. Actual collection losses may differ materially from management's estimates. Uncollectible receivables are written off against the allowance for doubtful accounts when all efforts to collect them have been exhausted. Accounts receivable payment terms are generally between net 30 to 60 days, unless special payment terms are arranged.

Shipping and Handling Costs

We have elected to account for shipping and handling as activities to fulfill the promise to transfer the goods. As such, the shipping and handling costs incurred for delivery to customers are expensed as incurred and are included in Cost of net revenues in our Consolidated Statements of Operations. In those instances where we bill shipping and handling costs to customers, the amounts billed are classified as Net revenues in our Consolidated Statements of Operations.

Contract costs

Costs associated with maintenance contracts, including extended warranty contracts, are expensed when they are incurred. Commissions paid for equipment sales are not material to our financial results and are expensed in the period in which related equipment is delivered to the customer. External legal fees, travel and other costs that would have been incurred regardless of whether the contract was obtained are expensed when incurred. We have elected the practical expedient to expense incremental costs to obtain contracts if the amortization period would be one year or less.

Stock-Based Compensation

We measure stock-based compensation cost at the grant date, based on the estimated fair value of the award and the estimated number of shares we ultimately expect will vest. Stock-based compensation cost is recognized as expense on a straight-line basis over the requisite service period. Cash flows resulting from the tax benefits due to tax deductions in excess of the compensation cost recognized for those awards are classified as financing cash flows.

Advertising Costs

Advertising costs are expensed as incurred and were immaterial for all periods presented in our Consolidated Statements of Operations.



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VERIFONE SYSTEMS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Research and Software Development Costs

Research and development costs are generally expensed when incurred.

Software development costs incurred to develop software products for resale, including the costs of software components of our products, are subject to capitalization beginning when a product's technological feasibility has been established and ending when a software or product is available for general release to our customers. In most instances, our products are released soon after technological feasibility has been established; therefore, software development costs incurred subsequent to achievement of technological feasibility are usually not significant, and generally most software development costs have been expensed as incurred. Capitalized costs of software for resale are amortized on a straight-line basis over the estimated life of the software or associated product, generally three to five years, commencing when the respective software or product is available to our customers.

Software development costs for internal use software are subject to capitalization during the application development stage, beginning when a project, that will result in additional functionality, is approved and ending when the software is put into productive use. Capitalized internal use software costs are amortized on a straight-line basis over the estimated life of the software, generally three to six years, commencing when the respective software is put into productive use.

Restructuring

The determination of when we accrue for employee involuntary termination benefits depends on whether the termination benefits are provided under a one-time benefit arrangement or under an on-going benefit arrangement. We record charges for one-time benefit arrangements in accordance with ASC 420 *Exit or Disposal Cost Obligations* and charges for on-going benefit arrangements in accordance with ASC 712 *Nonretirement Postemployment Benefits*.

We recognize a liability for costs associated with cancellation of contracts when the liability is incurred. We measure these liabilities at fair value. Costs to terminate a contract before the end of its term are recognized when we terminate the contract in accordance with the contract terms. Costs that will continue to be incurred under a contract for its remaining term without economic benefit are recognized at the contract cancellation date.

Income Taxes

Deferred tax assets and liabilities are recognized for the expected tax consequences of temporary differences between the tax basis of assets and liabilities, and their reported amounts using enacted tax rates in effect for the year the differences are expected to reverse. In evaluating our ability to recover our deferred tax assets management considers all available positive and negative evidence including the past operating results, the existence of cumulative losses in past fiscal years, and the forecasted future taxable income in the jurisdictions in which we have operations.

We have established valuation allowances on U.S. deferred tax assets and certain non-U.S. deferred tax assets because realization of these tax benefits through future taxable income is not more likely than not as of October 31, 2021. We intend to maintain the valuation allowances until sufficient positive evidence exists to support the reversal of the valuation allowances. We make estimates and judgments about our future taxable income that are based on assumptions that are consistent with our plans and estimates. Should the actual amounts differ from the estimates, the amount of the valuation allowance could be materially impacted. An increase in the valuation allowance would result in additional tax expense in such period.

We must make certain estimates and judgments in determining income tax expense for financial statement purposes. These estimates and judgments occur in the calculation of tax credits and deductions, and in the calculation of certain tax assets and liabilities, which arise from differences in the timing of recognition of revenues and expenses for tax and financial statement purposes, as well as the interest and penalties relating to these uncertain tax positions. Significant changes to these estimates may result in an increase or decrease to our tax provision in a subsequent period.



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The calculation of our tax liabilities involves dealing with uncertainties in the application of complex tax laws. Our estimate for the potential outcome of any uncertain tax issue is based on detailed facts and circumstances of each issue. Resolution of these uncertainties in a manner inconsistent with our expectations could have a material impact on our results of operations and financial condition.

In addition, the calculation of our tax liabilities involves dealing with uncertainties in the application of complex tax regulations. We recognize liabilities for uncertain tax positions based on a two-step process. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates that it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step requires us to estimate and measure the tax benefit as the largest amount that is more than 50% likely of being realized upon ultimate settlement. It is inherently difficult and subjective to estimate such amounts, as this requires us to determine the probability of various possible outcomes. We reevaluate these uncertain tax positions on a quarterly basis. This evaluation is based on factors including, but not limited to, changes in facts or circumstances, changes in tax law, effectively settled issues under audit, and new audit activity. Such a change in recognition or measurement would result in the recognition of a tax benefit or an additional charge to the tax provision in the period.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash, money market funds, and time deposits with maturities of three months or less when purchased.

Inventories

Inventories are stated at the lower of standard cost and net realizable value. We compute inventory cost using standard costs, primarily on a FIFO method. Standard costs approximate actual costs, including materials, manufacturing costs, in-bound freight costs, and inbound-related supply chain costs. We regularly monitor inventory quantities on hand and committed orders with contract manufacturers, and record write-downs for excess and obsolete inventories based primarily on usage and our estimated forecast of product demand. Such write-downs establish a new cost basis of accounting for the related inventory.

Consigned inventories from our contract manufacturers where title has not been transferred to us are excluded from our inventories. In certain circumstances, we are obligated to prepay deposits to our contract manufacturers based on a percentage of the value of the inventories consigned to us, and after a certain period of time has elapsed, we may be required to prepay the full amount if we have not taken title to the inventory. Prepayments for consigned inventory are included in Prepaid expenses and other current assets in our Consolidated Balance Sheets.

Generally, we take title to consigned inventories when we ship to our customers, and record the full cost of the inventories as Cost of net revenues at that time. We must purchase the consigned inventories from our contract manufacturers after a certain agreed-upon period of time, ranging from 30 days to one year. Consigned inventories are included in our calculation of minimum order commitments from our contract manufacturers.

Fair Value Measurements

We measure and record certain of our financial assets and liabilities at fair value on a recurring basis. We also apply the provisions of fair value measurement to various non-recurring measurements for our financial and non-financial assets and liabilities.

We define fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When estimating fair value, we consider the principal or most advantageous market in which we would transact, and we consider assumptions that market participants would use in pricing the asset or liability, such as inherent risk, transfer restrictions, credit risk, and risk of non-performance.



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VERIFONE SYSTEMS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

In measuring fair value, we follow a three-level hierarchy based on the inputs used:

- Level 1 — Observable inputs that reflect unadjusted quoted prices for identical assets or liabilities in active markets.
- Level 2 — Other inputs that are directly or indirectly observable in the marketplace, such as similar instruments in an active market, or computations using, among other inputs, forward pricing curves, credit default spreads, or the Black-Scholes-Merton valuation model.
- Level 3 — Unobservable inputs that are supported by little or no market activity.

Equity Investments

We evaluate our equity investments to determine whether an investee is a variable interest entity (VIE). If we conclude that an investee is a VIE, we evaluate our power to direct the activities of the investee, our obligation to absorb the expected losses of the investee and our right to receive the expected residual returns of the investee to determine whether we are the primary beneficiary of the investee. If we are the primary beneficiary of a VIE, we consolidate such entity and reflect the noncontrolling interest of other beneficiaries of that entity.

If an entity fails to meet the characteristics of a VIE, then we evaluate such entity under the voting model. Under the voting interest entity model, we consolidate the entity if we have a controlling financial interest of more than 50 percent and the noncontrolling shareholders do not have substantive participating rights.

We periodically reassess whether we are the primary beneficiary of a VIE. The reassessment process considers whether we have acquired the power to direct the most significant activities of the VIE through changes in governing documents or other circumstances. We also reconsider whether entities previously determined not to be VIEs have become VIEs, and vice versa, based on changes in facts and circumstances including changes in contractual arrangements and capital structure.

If we do not consolidate the investee, we account for the investment under either the equity method or fair value alternative. Equity investments are accounted for under the equity method if we are able to exert significant influence over the investee but do not have a controlling financial interest. If we do not have significant influence over the investee, we account for it under the fair value alternative. The carrying value of equity investments are included in Other long-term assets in our Consolidated Balance Sheets.

Equity method investments are initially recorded at fair value and are adjusted for our proportionate share of the earnings and losses of the equity method investee. Earnings and losses of equity method investments are based on the most recently available financial statements of the investee and are included in Other income (expense), net in our Consolidated Statements of Operations. Basis differences between the cost of an equity method investment and the underlying equity in the long-lived assets are amortized over the estimated economic useful life of the underlying long-lived asset and the amortization expense is included in Other income (expense), net in our Consolidated Statements of Operations. We measure our fair value alternative equity investments which do not have a readily determinable fair value at cost less impairment and adjust for observable price changes in orderly transactions for the identical or a similar investment of the same issuer. Such investments are evaluated for impairment each reporting period.

Derivative Financial Instruments

We use derivative financial instruments to manage exposures to interest rate risks. Our primary objective in holding derivatives is to reduce the volatility of earnings and cash flows associated with changes in interest rates.

We do not use derivative financial instruments for speculative or trading purposes, nor do we hold or issue leveraged derivative financial instruments. Our derivative financial instruments do not include a right of offset, and we do not offset derivative financial assets against derivative financial liabilities.



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VERIFONE SYSTEMS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Our derivative financial instruments consist of interest rate swaps, which we use to hedge a portion of the variability in cash flows related to our interest payments. Our derivative financial instruments are reported at fair value at the end of each reporting period. We use the income approach to value the interest rate swaps, using observable Level II inputs at the measurement date and discount future amounts to a single present amount reflecting current market expectations. Level II inputs for the valuations include London Interbank Offered Rate (LIBOR) rate curves, futures, volatilities and basis spreads at each period end date. Derivative asset and liability fair values are adjusted for credit quality.

We record the estimated fair value of our outstanding derivative financial instruments on our Consolidated Balance Sheets at the end of each reporting period as either assets or liabilities. The interest rate swaps will mature on December 31, 2021 and November 30, 2022.

Gains and losses arising from derivative financial instruments that are designated as cash flow hedges are recorded in Accumulated other comprehensive loss on our Consolidated Balance Sheets, and are subsequently reclassified into earnings in the period or periods during which the underlying transactions affect earnings. When we enter into hedges we formally assess hedge effectiveness and monitor the effectiveness qualitatively on an ongoing basis. When an anticipated transaction is no longer likely to occur, the corresponding derivative instrument is ineffective as a hedge, and changes in fair value of the instrument are recognized in Other income (expense), net in the Consolidated Statements of Operations.

Long-Lived Assets

Fixed assets are stated at cost, net of accumulated depreciation and amortization. Fixed assets are depreciated on a straight-line basis over the estimated useful lives of the assets, generally ranging from three to ten years, except buildings which are depreciated for 50 years. Leasehold improvements are amortized over the lesser of the lease term or the estimated useful life of the asset.

Revenue generating assets are comprised of tangible assets that are generating revenues under rental or service based arrangements. Revenue generating assets are stated at cost, net of accumulated depreciation, and are generally depreciated on a straight-line basis over the estimated useful lives of the assets, generally five years. Payments to acquire revenue generating assets are included in Capital expenditures within cash flows from investing activities on our Consolidated Statements of Cash Flows.

Equipment under capital leases is recorded at the lesser of the present value of the minimum lease payments at the beginning of the lease term or the fair value of such equipment. Leased equipment is amortized on a straight-line basis over the shorter of the lease term or the estimated useful life of such equipment.

Purchased intangible assets that have finite useful lives are amortized on a straight-line basis over their estimated period of benefit, generally ranging from one to 15 years. Intangible assets with indefinite lives such as In-process research and development (IPR&D) are not amortized, but subject to an impairment assessment annually on August 1. If the project is completed, the carrying value of the related intangible asset is amortized over the estimated life of the asset beginning in the period in which the project is completed and sales of the related product commenced.

If the estimated period of benefit for any of our long-lived assets is determined to have changed, we amortize the remaining net book values over the revised period of benefit.

We periodically evaluate whether changes have occurred that would render our long-lived assets not recoverable. If such circumstances arise, we use an estimate of the undiscounted value of expected future operating cash flows to determine whether the long-lived assets are impaired. If the aggregate undiscounted cash flows are less than the carrying amount of the assets, the resulting impairment charge to be recorded is calculated based on the excess of the carrying amount of the assets over the fair value of such assets, with the fair value generally determined based on an estimate of discounted future cash flows. For assets held for sale, to the extent the carrying value is greater than the asset's fair value less costs to sell, an impairment loss is recognized for the difference.



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VERIFONE SYSTEMS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Goodwill

Goodwill is measured as the excess of consideration transferred and the net of the acquisition date fair value of assets acquired and liabilities assumed in a business acquisition. Goodwill is not amortized for accounting purposes.

We review the goodwill allocated to each of our reporting units for possible impairment annually on August 1 and whenever events or changes in circumstances indicate its carrying amount may not be recoverable. We have two reporting units: Systems and Services. When assessing goodwill for impairment, we have the option to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If, after assessing the totality of events or circumstances, we determine it is more likely than not that the fair value of a reporting unit is less than its carrying amount, then we perform a quantitative impairment test. If, we conclude otherwise, then no further action is taken. In a quantitative impairment test, we measure the recoverability of goodwill by comparing a reporting unit's carrying amount, including goodwill, to the estimated fair value of the reporting unit, and record an impairment charge for any excess.

In assessing the qualitative factors, we assess relevant events and circumstances that may impact the fair value and the carrying amount of the reporting unit. The identification of relevant events and circumstances, and how these may impact a reporting unit's fair value or carrying amount involve significant judgments and assumptions. The judgments and assumptions include the identification of macroeconomic conditions, industry and market considerations, cost factors, overall financial performance, Verifone-specific events, and share price trends, and making the assessment as to whether each relevant factor will impact the impairment test positively or negatively and the magnitude of any such impact.

The carrying amount of each reporting unit is determined based upon the assignment of our assets and liabilities, including existing goodwill and other intangible assets, to the identified reporting units. Where an acquisition benefits only one reporting unit, we assign, as of the acquisition date, all goodwill for that acquisition to the reporting unit that will benefit. Where we have an acquisition that benefited more than one reporting unit, we allocate the goodwill to our reporting units as of the acquisition date such that the goodwill assigned to a reporting unit is the excess of the fair value of the acquired business, or portion thereof, to be included in that reporting unit over the fair value of the individual assets acquired and liabilities assumed that are assigned to the reporting unit.

Debt Issuance Costs and Original Issue Discounts

Costs incurred in connection with the issuance of new debt are generally capitalized and amounts paid in connection with the modification of existing debt are generally expensed as incurred. Capitalizable debt issuance costs paid to third parties and original issue discounts paid to creditors, net of amortization, are offset against the associated Short-term and Long-term debt on our Consolidated Balance Sheets.

Amortization expense on capitalized debt issuance costs and original issue discounts related to loans with fixed payment terms is calculated using the effective interest method over the term of the associated loans. Amortization expense on capitalized debt issuance costs and original issue discounts related to revolving loans are calculated using the straight-line method over the term of the revolving loan commitment. Amortization expense is recorded in Interest expense, net in our Consolidated Statements of Operations. When debt is extinguished prior to the maturity date, any remaining associated debt issuance costs or original issue discounts are expensed to Interest expense, net in our Consolidated Statements of Operations.

Business Combinations

We allocate the fair value of purchase consideration to the tangible assets acquired, liabilities assumed, and intangible assets acquired based on their estimated fair values. The excess of the fair value of purchase consideration over the fair values of these identifiable assets and liabilities is recorded as goodwill. Such valuations require management to make significant estimates and assumptions, especially with respect to intangible assets. Management's estimates of fair value are based upon assumptions



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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

believed to be reasonable, but which are inherently uncertain and unpredictable and, as a result, actual results may differ from estimates. During the measurement period, which is not to exceed one year from the acquisition date, we may record adjustments to the assets acquired and liabilities assumed, with the corresponding offset to goodwill. Upon the conclusion of the measurement period, any subsequent adjustments are recorded to earnings.

Uncertain tax positions and tax-related valuation allowances assumed in connection with a business combination are initially estimated as of the acquisition date. We reevaluate these items quarterly with any adjustments to our preliminary estimates being recorded to goodwill provided that we are within the measurement period, and we continue to collect information in order to determine their estimated values. Subsequent to the measurement period or our final determination of the tax allowance's estimated value, changes to these uncertain tax positions and tax-related valuation allowances will affect our Income tax provision (benefit) in our Consolidated Statements of Operations and could have a material impact on our results of operations and financial position.

Acquisition-related costs are expensed as incurred.

Concentrations of Credit Risk

Our ability to generate revenues can be impacted by a variety of economic factors, such as country specific and global economic growth, infrastructure development, expanding presence of Internet and wireless connectivity and support from governments seeking to modernize their economies and to encourage electronic payment transactions as a means of driving commerce and improving tax collection. In addition, factors such as the advancement in payment technologies, price sensitivities, country specific compliance requirements or regulatory mandates and customer preferences for point of sale experiences also impact our ability to generate revenues. These factors can affect the nature, amount, timing and uncertainty of our revenues and cash flows.

Cash is placed on deposit in major financial institutions around the world. Some of these deposits may be in excess of insured limits. We believe that the financial institutions that hold our cash are financially sound and, accordingly, minimal credit risk exists with respect to these balances.

We invest cash not required for use in operations in high credit quality securities based on our investment policy. The investment policy has limits based on credit quality, investment concentration, investment type, and maturity that we believe reduce the risk of loss. Investments are of a short-term nature and include investments in money market funds and time deposits.

Our derivative financial instruments expose us to credit risk to the extent that the counterparties may be unable to meet the terms of the agreement when we have an unrealized gain on the instrument. We believe the counterparties for our outstanding contracts are large, financially sound institutions, and thus we do not anticipate nonperformance by these counterparties. However, given the high debt levels of many countries and institutions worldwide, the failure of the counterparties is possible. We have not experienced any investment losses due to institutional failure or bankruptcy.

Our accounts receivable are derived from sales to a large number of direct customers, resellers, and distributors globally. We perform ongoing evaluations of our customers' financial condition and limit the amount of credit extended when deemed necessary, but generally require no collateral. As of October 31, 2021 and 2020, no single customer accounted for more than 5% of our total Accounts receivable, net. For fiscal years 2021 and 2020, no single customer accounted for more than 10% of our total Net revenues.



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We utilize a limited number of third parties to manufacture our products, and rely upon these contract manufacturers to produce and deliver products on a timely basis and at an acceptable cost. Furthermore, a majority of our manufacturing activities are concentrated in China, Indonesia, Malaysia, Vietnam and Brazil. As a result, disruptions to the business or operations of the contract manufacturers or to their ability to produce the required products in a timely manner could significantly impact our business and operations. In addition, a number of components that are necessary to manufacture and assemble our systems are specifically customized for use in our products and are obtained from sole source suppliers on a purchase order basis. Because of the customized nature of these components and the limited number of available suppliers, if we were to experience a supply disruption, it would be difficult and costly to find alternative sources in a timely manner.

COVID-19

The COVID-19 outbreak has resulted in widespread impacts on the global economy and on our employees, customers, third-party business partners and other stakeholders. COVID-19 impacted our operating results in fiscal years 2020 and 2021 and there remains considerable uncertainty regarding the extent to which COVID-19 will continue to impact our business. The spread of COVID-19 as well as the extent and duration of domestic and global measures designed to contain the spread are unknown at this time. Measures to date include travel bans and restrictions, quarantines, shelter-in-place orders (including those in effect in our service areas), and business and government shutdowns. These restrictions have or may lead to, among other things:

- financial constraints for our customers and their ability to demand and pay for our products and services;
- operational delays, including delay in the delivery of our products to customers; and
- impairments relating to certain current and long-lived assets;

Additionally, while we have modified or restricted certain business and workforce practices (including employee travel, presence at employee work locations, and physical participation in meetings, events, and conferences) to protect the health and safety of our workforce, and to conform to government orders and best practices encouraged by governmental and regulatory authorities, we depend on our workforce to operate our facilities and deliver our products and provide services to customers.

The degree to which COVID-19 may continue to impact our business operations, financial condition, liquidity and results of operations is unknown at this time and will depend on future developments, including the ultimate geographic spread of the virus, the severity of the disease, the duration of the outbreak, actions prescribed or ordered by governmental authorities, and when and to what extent normal economic and operating conditions can resume.

Recently Adopted Accounting Pronouncements

In December 2019, the FASB issued ASU 2019-12, "Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes" ("ASU 2019-12"), which simplifies various aspects related to the accounting for income taxes. The amendments in ASU 2019-12 simplify the accounting for income taxes by removing certain exceptions to the general principles in ASC Topic 740, "Income Taxes". The Company adopted the ASU November 1, 2020. The adoption of the ASU did not have a material impact on the Company's results of operations.

Recent Accounting Pronouncements Not Yet Adopted

During February 2016, the FASB issued ASU 2016-02, "Leases", which increases transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements (as amended by ASU 2018-10, 2018-11, 2018-20, 2019-01 and 2019-10). In connection with this new guidance, the FASB created Topic 842, "Leases", which supersedes Topic 840, Leases. The standard is effective for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. Early application is permitted. The new standard must be adopted using a modified retrospective transition, and provides for certain practical expedients. Transition will require application of the new guidance at the beginning of the earliest comparative period



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VERIFONE SYSTEMS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

presented. We plan on early adopting this standard as of November 1, 2021 and we expect that this new standard will have a material impact on our balance sheet.

During June 2016, the FASB issued ASU 2016-13, "Financial Instruments - Credit Losses" (as amended by ASU 2018-19, 2019-10 and 2019-11), which introduces new guidance for the accounting for credit losses on financial instruments and provides for a simplified accounting model for purchased financial assets with credit deterioration since their origination. The standard is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. Early adoption is permitted for annual periods beginning after December 15, 2018, including interim periods within those fiscal years. The new standard must generally be adopted using a modified retrospective transition method, through a cumulative-effect adjustment to retained earnings as of the beginning of the first effective reporting period. We are currently in the process of evaluating the impact of this new pronouncement on our consolidated financial position and results of operations and our adoption timing.

In March 2020, the Financial Accounting Standards Board issued ASU No 2020-04, "Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting" ("ASU 2020-04"). ASU 2020-04 provides temporary optional expedients and exceptions to the GAAP guidance on contract modifications and hedge accounting to ease the financial reporting burdens related to the expected market transition from the LIBOR and other interbank offered rates to alternative reference rates. ASU 2020-04 is effective beginning on March 12, 2020, and the Company may elect to apply the amendments prospectively through December 31, 2022. The Company does not expect ASU 2020-04 to have a material effect on the Company's current financial position, results of operations or financial statement disclosures.

In October 2021, the Financial Accounting Standards Board issued ASU No 2021-08, "Business Combinations (Topic 805), Accounting for Contract Assets and Contract Liabilities for Contracts with Customers" ("ASU 2021-08"). ASU 2021-08 requires that an entity (acquirer) recognize and measure contract assets and contract liabilities acquired in a business combination in accordance with Topic 606 "Revenue from Contracts with Customers" instead of fair value as required by current GAAP rules. The standard is effective for fiscal years beginning after December 15, 2023. Early adoption is permitted. We expect this standard will have a positive impact on our reported revenue from our acquired businesses as the fair value of contract liabilities traditionally is less than the amount reported under Topic 606. The magnitude of the impact on our consolidated results of operation will depend on the significance of contract assets and liabilities recorded by business we acquire in the future.

Note 2. Business Combinations

Fiscal Year 2021

On August 1, 2021, we divested our controlling interest in Verifone Systems (China), Inc. ("China business") to the former general manager and minority shareholder of this business. The general manager and the China business are related parties to Verifone. The divested interest represented 17.7% of the outstanding shares of the China business. We received consideration with a fair value of \$15.7 million including \$4.3 million in cash, forgiveness of \$1.8 million in amounts due to the China business and \$9.6 million in a five year promissory note issued by the China business. We retained a 33% equity interest in the China business, in the form of preferred equity that has a \$29 million liquidation preference.

In conjunction with the equity transfer, the parties signed an agreement to transfer certain China intellectual property to us. This technology is incorporated in certain Verifone point of sale devices. Verifone is obligated to pay a fixed per unit royalty on purchased units during a five year period. Royalties under this agreement are capped at \$10.0 million.

At the divestiture date, we determined that the China business is a variable interest entity and that we are not the primary beneficiary. Our assessment included the following significant judgments and assumptions:

- The general manager acquired a controlling financial interest in the China business upon the close of the transaction and is not acting as our agent.



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- The general manager has the power to direct the activities that are most significant to the China business via his representation on the board of directors.
- Our involvement with the China business including the rights and obligations under the promissory note and intellectual property agreement are considered insignificant to the China business' point of sale business.
- The China business is expected to service its obligations under the promissory note based upon its current financial position and expected cash flows generated from its domestic operations.

On the close date, we derecognized the assets of the China business and recognized a gain on the divestiture of \$1.2 million within Other income (expense), net. The results of the China business are not included in our consolidated results after the divestiture date.

Our investment in the China business is not common stock or common stock equivalent, so we account for our retained investment as a fair value alternative investment without a readily determinable fair value. The initial fair value of our equity interest at the divestiture date was \$30.3 million and was determined using the income approach. The income approach, which we believe most appropriately measures the fair value of this income producing asset, calculates fair value by discounting estimated after-tax cash flows to a present value, using a risk-adjusted discount rate. Our investment is classified as Level 3 because we use significant unobservable inputs to determine the expected cash flows and an appropriate discount rate to calculate the fair value. The significant unobservable inputs we use to value this investment include our estimate of the future expected revenues, margins and other cash outlays, as well as expected terminal value growth rates of the China business. See Note 7, *Equity Investments* for additional information.

For the three month period ending October 31, 2021, we applied \$1.8 million in royalties and service fees due to the China business against the promissory note.

Fiscal Year 2020

On August 25, 2020, Verifone acquired all the outstanding shares of Avangate BV, e-BCA Holdings, Inc. and Avangate SRL (collectively "2Checkout" or "2CO") for an aggregate purchase consideration of \$190.1 million which included \$80.0 million paid at acquisition and 8.0 million Class B partnership units of Vertex Holdco's parent company, Vertex Topco LP ("Topco Class B Units"), valued at \$102.3 million, issued at acquisition. The aggregate purchase consideration included \$0.5 million in cash to be paid and 0.1M in Topco Class B Units, valued at \$1.4 million, to be issued within 125 days of acquisition subject to final post closing adjustments and \$1.5 million in cash to be paid and 0.3M in Topco Class B Units, valued at \$4.4 million, to be issued subject to the settlement of certain tax contingencies.

2CO is a global eCommerce and payments services company. We acquired 2CO to expand our eCommerce services offerings and capabilities. Prior to the acquisition, 2CO was a Francisco Partners portfolio company. We accounted for this acquisition using the acquisition method of accounting.

The Topco Class B Units contain a liquidation preference right which entitles the holder to receive the initial liquidation proceeds up to their contributed capital prior to distributions to other partners. The Topco Class B Units issued at close to the former 2CO shareholders were valued using option pricing method. The option pricing method entails allocating the total shareholders' equity value to the various share classes based upon their respective claims on a series of call options with strike prices at various value levels depending upon the rights and preferences of each class. A Black-Scholes option pricing model is employed to value the options, with an option term assumption consistent with the expected time to a liquidity event and expected volatility of the Topco Class B Units price over a similar term. The differential in value between each successive option represents the value of that tranche, which is then allocated to all the share classes based on their percentage ownership claim at that level of value.



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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The Topco Class B Units represent an equity interest in Verifone's parent company. The fair value of Topco Class B Units was included in the acquisition consideration and presented as Capital contribution from the investor group on the Consolidated Statements of Equity.

The fair value of the assets acquired and liabilities assumed as of the acquisition date is summarized by the following table (in thousands):

	<u>Total</u>
Assets acquired (liabilities assumed), net ⁽¹⁾	\$ (20,962)
Intangible assets ⁽²⁾	111,890
Goodwill ⁽³⁾	99,164
Total purchase price	<u>\$ 190,092</u>

(1) Asset acquired (liabilities assumed), net include acquired cash and restricted cash of \$39.4 million, accounts receivable of \$12.2 million and prepaid and other assets of \$11.5 million less assumed accounts payable and other current liabilities of \$66.6 million and deferred tax liabilities of \$17.5 million.

(2) Intangible assets included acquired technology of \$52.2 million, customer relationships of \$57.5 million and other intangibles of \$2.1 million. The weighted average amortization period was 4.2 years for acquired technology, 7.9 years for customer relationships and 3.0 years for other intangibles.

(3) Goodwill is generally not expected to be tax deductible. The amount of goodwill resulted primarily from our expectation of increased value resulting from the integration of the service offerings of the acquired business with our products and service offerings.

Note 3. Employee Benefit Plans

Retirement and Post-employment Plans

We maintain defined contribution retirement plans in certain countries, including a 401(k) plan for our U.S. employees. During the fiscal year 2021 and 2020, we contributed \$9.5 million and \$9.3 million to these plans.

We have defined benefit pension plans, as required by local laws, for our employees in certain countries, and non-retirement post-employment benefit plans for our employees in certain countries. These plans are not considered material to our financial position or results of operations.

Equity Incentive Plan

2018 Equity Incentive Plan

On August 20, 2018, Vertex Holdco, Inc. approved the 2018 Vertex Holdco, Inc. Stock Incentive Plan (the *2018 Plan*) pursuant to which Vertex Holdco may grant options, stock appreciation rights, and other stock-based awards to its employees and those of its affiliates, for up to an aggregate of 15.0 million shares plus any shares purchased at fair market value under a share purchase program. Under this equity incentive plan, time-based stock options of 1.4 million and 0.7 million and performance based stock options of 1.3 million and 0.7 million were granted to key employees, directors, and other service providers of the Company during the fiscal years 2021 and 2020.

The Plan is administered by a committee of the Vertex Holdco board of directors. Such committee determines the terms of each stock-based award grant under the 2018 Equity Incentive Plan, except that the exercise price of any granted options and the grant price of any granted stock appreciation rights may not be lower than the fair market value of one share of common stock of Holdco as of the date of grant. Vertex Holdco is the parent entity of VeriFone Systems, Inc.



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VERIFONE SYSTEMS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Stock option awards are granted with an exercise price equal to or greater than the grant date fair value of the common stock and have a maximum term of ten years. Time-based awards have a vesting term over a period of 1 to 4 years from the date of grant.

The following table provides a summary of stock option activity for the fiscal year 2021:

	Number of Shares (in thousands)	Weighted Average Exercise Price (per share)	Weighted Average Remaining Contractual Term (in years)
Outstanding at beginning of period	7,819	\$ 10.06	
Granted	2,730	\$ 10.38	
Exercised	(6)	\$ 10.00	
Canceled	(1,341)	\$ 10.13	
Expired	(381)	\$ 10.00	
Outstanding at end of period	<u>8,821</u>	\$ 10.12	7.94
Vested or expected to vest at October 31, 2021	<u>6,017</u>	\$ 10.09	7.85
Exercisable at October 31, 2021	<u>2,458</u>	\$ 10.00	7.34

As of October 31, 2021, 6.2 million shares remained available for future grants under this plan. For purposes of the number of shares issuable under this plan, any awards granted as stock options are counted as one share for every award granted.

We estimate the grant-date fair value of stock options using the Black-Scholes-Merton valuation model, using the following weighted-average assumptions:

	Years Ended October 31,	
	2021	2020
Expected term (in years)	6.07	6.11
Risk-free interest rate	0.77 %	0.84 %
Expected dividend rate	— %	— %
Expected stock price volatility	33.7 %	30.0 %

These assumptions used to value our awards are determined as follows:

- The expected term of the options is based on the simplified method due to the lack of sufficient historical exercise data to provide a reasonable basis.
- The expected stock price volatility is derived by using the historical volatility of a group of peer companies since our shares are not traded publicly.
- The average risk-free interest rate is based on the U.S. Treasury zero-coupon issues with a remaining term equal to the expected term of the awards.
- The dividend yield assumption is based on our dividend history and future expectations of dividend payouts. We do not expect to have dividends in the future.

As of October 31, 2021 and 2020, total unrecognized stock-based compensation expense for unvested options was \$5.5 million and \$8.9 million and is expected to be recognized over a weighted average period of approximately 2.4 years and 2.3 years. The weighted-average grant-date fair value for stock options granted during the fiscal year ended October 31, 2021 and 2020 was



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VERIFONE SYSTEMS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

\$2.57 and \$3.12, respectively. The total fair value of stock options vested during the fiscal year ended October 31, 2021 and 2020 was \$3.3 million and \$3.6 million, respectively.

Topco Profit Interest Units

On April 30, 2020, Vertex Topco LP (“Topco”) issued a total of 5.6 million profit interest units in Topco in exchange for 2.7 million time-based stock options and 2.8 million performance stock options held by Verifone employees. These profit interest units granted the holder the rights to Topco distributions in excess of the threshold amounts ranging from \$10.38 to \$25 subject to a liquidation event and, in the case of the profit interest units exchanged for performance stock options, the achievement of a two times total equity return by existing Topco partners. The profit interest units have a maximum term of ten years. The stock options exchanged for the profit interest units were returned to the 2018 Plan.

We accounted for the exchange as a modification to the share-based payment awards. The fair value attributed to the profit interest units in exchange for the performance stock options was \$1.4 million at the modification date. There was no incremental fair value attributed the profit interest units received in exchange for the time-based options. Unrecognized share-based compensation expense of \$3.0 million attributed to the time-based stock options will be recognized over the remaining service period of the original stock option. The fair value of the profit interest units received in exchange for the performance stock options will not be recognized until it is probable the performance conditions will be satisfied.

On July 8, 2020, a total of 0.4 million profit interest units were issued to a Verifone employee. The fair value attributed to the profit interest units was \$0.4 million. The fair value of the profit interest units will not be recognized until it is probable the performance conditions will be satisfied.

Stock-Based Compensation Expense

The following table presents the stock-based compensation expense recognized in our Consolidated Statements of Operations (in thousands):

	Years ended October 31,	
	2021	2020
Cost of net revenues	\$ 498	\$ 535
Research and development	747	835
Sales and marketing	1,552	1,866
General and administrative	4,743	6,078
Total stock-based compensation expense	<u>\$ 7,540</u>	<u>\$ 9,314</u>

The stock based compensation expense includes \$3.4 million and \$4.2 million of expense in 2021 and 2020 for the stock awards related to the acquisition of the China business in 2019.

Our computation of stock-based compensation expense includes an estimate of award forfeitures based on historical experience. We record compensation expense only for those awards that are expected to vest.

Performance-based stock options ultimately vest depending upon satisfaction of conditions that only arise in the event of a sale of the Company. No compensation expense will be recognized on these stock options unless it becomes probable the performance conditions will be satisfied.



VERIFONE SYSTEMS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Note 4. Income Taxes

Income (loss) before income taxes consisted of the following (in thousands):

	Years ended October 31,	
	2021	2020
United States	\$ (262,377)	\$ (347,192)
Foreign	89,325	95,823
Income (loss) before income taxes	<u>\$ (173,052)</u>	<u>\$ (251,369)</u>

The provision for (benefit from) income taxes consisted of the following (in thousands):

	Years Ended October 31,	
	2021	2020
Current:		
Federal	490	(2,984)
State	544	47
Foreign	35,205	24,041
Total current provision for income taxes	<u>36,239</u>	<u>21,104</u>
Deferred:		
Federal	796	(2,309)
State	2,731	(230)
Foreign	(24,869)	(21,018)
Total deferred benefit from income taxes	<u>(21,342)</u>	<u>(23,557)</u>
Income tax provision (benefit)	<u>\$ 14,897</u>	<u>\$ (2,453)</u>

A reconciliation of taxes computed at the federal statutory income tax rate to the provision for (benefit from) income taxes is as follows (in thousands):

	Years Ended October 31,	
	2021	2020
Provision for (benefit from) income taxes computed at the federal statutory rate	(36,341)	(52,788)
State income tax, net of federal tax benefit	2,562	(160)
Foreign income taxes at other than U.S. rates	8,773	(3,774)
Valuation allowance, net	38,776	53,435
Foreign exchange	183	154
Research credit	(197)	(703)
Unrecognized tax benefit	(265)	(1,028)
Other	1,406	2,411
Income tax provision (benefit)	<u>\$ 14,897</u>	<u>\$ (2,453)</u>

On March 27, 2020, the CARES Act was signed into law. The CARES Act includes, among other items, provisions relating to refundable payroll tax credits, deferment of the employer portion of certain payroll taxes, net operating loss carryback periods, alternative minimum tax credit refunds, modifications to the net interest deduction limitations and technical corrections to tax depreciation methods for qualified improvement property. The CARES Act allows losses incurred in 2018, 2019, and 2020 to be carried back to each of the five preceding tax years and to offset 100% of regular taxable income in such years. As a result



VERIFONE SYSTEMS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

of the CARES Act, some of the net operating losses generated in 2018 through 2020 were carried back to prior taxable years on provision basis.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The significant components of our deferred tax assets and liabilities were as follows (in thousands):

	Years Ended October 31,	
	2021	2020
Deferred tax assets:		
Loss carry forwards	\$ 127,750	\$ 139,459
Basis differences in deductible goodwill and purchased intangibles	28,985	18,199
Foreign tax credit carry forwards	33,616	23,482
Accrued expenses and reserves	47,042	34,921
Contract liabilities	9,369	8,041
Unrealized foreign currency losses	9,887	12,244
R&D credit carry forwards	8,639	8,497
Interest carry forwards	76,423	63,822
Inventories	12,909	17,673
Tax effects on OCI	5,376	16,646
Other deferred tax assets	19,106	15,222
Total deferred tax assets	379,102	358,206
Valuation allowance	(329,468)	(309,799)
Deferred tax liabilities:		
Basis differences on purchased intangibles	(138,107)	(162,223)
Basis differences in investments in foreign subsidiaries	(79,132)	(73,707)
Other deferred tax liabilities	(16,366)	(14,919)
Total deferred tax liabilities	(233,605)	(250,849)
Net deferred tax liabilities	\$ (183,971)	\$ (202,442)

The realization of deferred tax assets is dependent primarily on generating sufficient U.S. and foreign taxable income in future fiscal years. We regularly assess the need for a valuation allowance against deferred tax assets. In making that assessment, we consider both positive and negative evidence related to the likelihood of realization of the deferred tax assets to determine, based on the weight of available evidence, whether it is more-likely-than-not that some or all of the deferred tax assets will not be realized. In evaluating the need for a valuation allowance, we consider the cumulative loss in the U.S. as a significant piece of negative evidence. We will continue to assess the realizability of the deferred tax assets in each of the applicable jurisdictions going forward and adjust the valuation allowance accordingly. We intend to maintain the valuation allowances until sufficient positive evidence exists to support the reversal of the valuation allowance.

The valuation allowance increased by \$19.7 million in fiscal year 2021 primarily due to increased tax attributes as a result of current year losses.

The tax loss carry forwards as of October 31, 2021 were related primarily to tax losses of \$1,077.2 million in the U.S. federal jurisdiction, of which \$403.8 million can be carried forward indefinitely, \$92.5 million in Ireland, \$14.3 million in Romania \$67.1 million in France, \$20.3 million in Netherlands, \$13.2 million in the Hong Kong, \$19.3 million in Germany and \$29.6 million in various other non-U.S. countries. Approximately \$214.5 million of foreign tax losses may be carried forward



VERIFONE SYSTEMS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

indefinitely. The remaining approximately \$42 million of foreign tax losses is subject to limited carry forward terms of 3 to 20 years, and will expire at various dates beginning in fiscal year 2021, if not utilized. Various states have tax loss carry forwards of \$577 million that will expire at various dates beginning in fiscal year 2021 if not utilized.

Due to our acquisition by the Investor group in fiscal year 2018, utilization of \$585.9 million of our U.S. NOL and tax credit carryforwards may be subject to annual limitation due to the ownership change limitations provided by Sections 382 and 383 of the Internal Revenue Code and similar state provisions. Such an annual limitation may result in the expiration of certain NOLs and tax credits before future utilization

As of October 31, 2021, we have recorded U.S. foreign tax credit carry forwards of \$32.2 million which will expire at various dates beginning in fiscal year 2022, if not utilized. In addition, we have recorded U.S. federal and state research and development tax credit carry forwards of \$16.7 million and \$4.6 million, respectively, which will expire at various dates beginning in fiscal year 2029, if not utilized.

Israel Tax Audit Assessment

We are currently under audit by the Israeli Tax Authorities for fiscal years 2011 through 2015. The Israeli Tax Authorities issued a tax assessment in October 2014 for fiscal year 2009 or alternatively for fiscal year 2008 claiming there was a business restructuring that resulted in a transfer of some functions, assets and risks from VeriFone Israel Ltd. to the U.S. parent Company that the Israeli Tax Authorities claim was a sale valued at 1.36 billion New Israeli Shekels (approximately \$424.9 million at the foreign exchange rate as of October 31, 2021). We filed our objection to the tax assessment in January 2015 and received the Israeli Tax Authorities decision through an Order (a second stage assessment) in January 2016. The Order increased the value of the sale to 2.20 billion New Israeli Shekels in fiscal year 2009 (approximately \$687.3 million at the foreign exchange rate as of October 31, 2021) or alternatively 2.23 billion New Israeli Shekels in fiscal year 2008 (approximately \$696.7 million at the foreign exchange rate as of October 31, 2021) and contended secondary adjustments relating to a deemed dividend and/or interest.

Based on the Order, these and other claims result in a tax liability and deficiency penalty assessment in the amount of 1.40 billion New Israeli Shekels (approximately \$437.4 million at the foreign exchange rate as of October 31, 2021), if the claim was assessed for fiscal year 2009, to 1.65 billion New Israeli Shekels (approximately \$515.5 million at the foreign exchange rate as of October 31, 2021) if the claim was assessed for fiscal year 2008, including interest, the required Israeli price index adjustments (referred to as the linkage differentials) and deficiency fines (as applicable) through October 31, 2021. The Israeli Tax Authorities' contention regarding secondary adjustments relating to deemed dividend was not quantified by them.

Verifone will continue to avail itself of all appeals avenues as the Company views the position as highly certain. As such, no reserve for Uncertain Tax Position has been recorded. We have agreed with the Israeli Tax Authorities to repay our \$69.0 million intercompany loan from VeriFone Israel Ltd. to the extent of the amount of a final agreed tax assessment concerning fiscal year 2008 and fiscal year 2009 or a judgment of a district court in an appeal on the decision of the Israeli Tax Authorities in the objection, if any.

In October 2021 the Israeli Tax Authorities issued a tax assessments for fiscal years 2014-2015. According to the assessment, a secondary adjustment arising from a transaction between the US parent company and Verifone Israel LTD associated with the income assessed to Verifone Israel Ltd in years 2008-2009, is viewed as triggering additional income of approximately 70.6 million New Israeli Shekels for Verifone Israel Ltd and should be subject to the applicable corporate tax rate which amounts to 22.6 million New Israeli Shekels. On December 19, 2021 Verifone Israel Ltd submitted an objection to the 2014-2015 assessment. The issue, similar to the other issues raised in the aforementioned assessments, will depend on the decision with respect to the 2008-2009 orders to which we believe is without merit.



VERIFONE SYSTEMS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Other Audits

We have certain other foreign subsidiaries under audit by foreign tax authorities, including Turkey for 2016, Germany for 2014 to 2018, India for fiscal years 2008 to 2017, Romania for 2011-2015, Philippines for year 2019, Thailand for year 2019 and South Africa for year 2020. Although we believe we have appropriately provided for income taxes for the years subject to audit, the Turkey, Germany, India, Romania, Philippines, Thailand and South Africa taxing authorities may adopt different interpretations. We have not yet received any final determinations with respect to these audits. We have accrued tax liabilities associated with these audits. We are currently not subject to tax examination for periods prior to 2008.

The aggregate changes in the balance of gross unrecognized tax benefits were as follows (in thousands):

	Years Ended October 31,	
	2021	2020
Balance at beginning of period	\$ 302,317	\$ 301,589
Lapse of statute of limitations	(945)	(15,054)
Increases in balances related to tax positions taken during prior periods	2,051	18,199
Decreases in balances related to tax positions taken during prior periods	(5,713)	(6,396)
Increases in balances related to tax positions taken during current period	5,373	5,039
Settlements	—	(1,060)
Balance at end of period	<u>\$ 303,083</u>	<u>\$ 302,317</u>

Of the total \$303.1 million gross unrecognized tax benefits, \$29.1 million, if recognized, will affect our effective tax rate. The amount of unrecognized tax benefits could be reduced upon closure of tax examinations or if the statute of limitations on certain tax filings expires without assessment from the tax authorities. We believe that it is reasonably possible that there could be an immaterial reduction in unrecognized tax benefits due to statute of limitation expirations in multiple tax jurisdictions during the next 12 months. Interest and penalties accrued on these uncertain tax positions will also be released upon the expiration of statutes of limitations. Interest and penalties recognized in each statement of operations were not material. As of October 31, 2021, we have accrued \$6.2 million for the payment of interest and penalties related to unrecognized tax benefits. We recognize interest and penalties related to unrecognized tax benefit on the income tax line in the accompany consolidated statements of operations. Accrued interest and penalties are included on the related liability lines in the consolidated balance sheets.

We are subject to income tax in many jurisdictions in and outside of U.S. Our operations in the US and certain jurisdictions remain subject to examination for years 1999 to 2021, some of which are currently under audit by local tax authorities. The resolution of each of these audits is not expected to be material to our consolidated financials statements.



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VERIFONE SYSTEMS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Note 5. Balance Sheet Components

Cash, Cash Equivalents and Restricted Cash

The following table provides a reconciliation of cash, cash equivalents and restricted cash shown in the Consolidated Statements of Cash Flows (in thousands):

	<u>Years Ended October 31,</u>	
	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 106,143	\$ 110,824
Restricted cash included in Prepaid expenses and other current assets	73,547	58,976
Restricted cash included in Other long-term assets	3,400	834
Total cash, cash equivalents and restricted cash	<u>\$ 183,090</u>	<u>\$ 170,634</u>

Restricted cash was mainly comprised of cash held on behalf of customers as part of our transaction processing services.

As of October 31, 2021 and 2020, \$75.3 million and \$85.8 million, respectively, of our cash and cash equivalents were held by our foreign subsidiaries. If we decide to distribute or use such cash and cash equivalents outside those foreign jurisdictions, including a distribution to the U.S., we may be subject to additional taxes or costs.

Allowances for doubtful accounts

Activity related to the allowances for doubtful accounts consisted of the following (in thousands):

	<u>Years Ended October 31,</u>	
	<u>2021</u>	<u>2020</u>
Balance at beginning of period	\$ 4,340	\$ 2,109
Charges to bad debt expense	4,673	1,451
Write-offs, recoveries, and adjustments	(1,566)	780
Balance at end of period	<u>\$ 7,447</u>	<u>\$ 4,340</u>

Inventories

Inventories consisted of the following (in thousands):

	<u>Years Ended October 31,</u>	
	<u>2021</u>	<u>2020</u>
Raw materials	\$ 33,700	\$ 35,436
Work-in-process	1,096	588
Finished goods	69,820	79,418
Total inventories	<u>\$ 104,616</u>	<u>\$ 115,442</u>

Prepaid Expenses and Other Current Assets



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VERIFONE SYSTEMS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Prepaid expenses and other current assets consisted of the following (in thousands):

	Years Ended October 31,	
	2021	2020
Prepaid expenses	\$ 34,522	\$ 42,358
Prepaid taxes	26,116	33,153
Restricted cash	73,547	58,975
Other current assets	7,270	4,436
Total prepaid expenses and other current assets	<u>\$ 141,455</u>	<u>\$ 138,922</u>

Property and Equipment, Net

Property and equipment, net consisted of the following (in thousands):

	Estimated Useful Life (Years)	Years Ended October 31,	
		2021	2020
Revenue generating assets	5	\$ 102,742	\$ 81,324
Computer hardware and software	3-5	40,749	33,354
Machinery and equipment	3-10	13,999	19,693
Leasehold improvements	Lesser of the term of the lease or the estimated useful life	15,096	20,449
Office equipment, furniture, and fixtures	3-5	6,055	6,621
Buildings	50	1,896	1,852
Total depreciable property and equipment, at cost		<u>180,537</u>	<u>163,293</u>
Accumulated depreciation		<u>(99,021)</u>	<u>(83,212)</u>
Depreciable property and equipment, net		81,516	80,081
Construction in progress		3,847	7,642
Land		1,170	1,170
Total property and equipment, net		<u>\$ 86,533</u>	<u>\$ 88,893</u>



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VERIFONE SYSTEMS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Accruals and Other Current Liabilities

Accruals and other current liabilities consisted of the following (in thousands):

	Years Ended October 31,	
	2021	2020
Merchant payable	\$ 93,555	\$ 71,332
Accrued expenses	85,747	86,132
Other current liabilities	50,222	66,288
Accrued compensation	41,800	45,593
Interest rate swap liabilities	35,025	41,754
Accrued interest	16,656	18,745
Accrued contingent liabilities	14,402	17,703
Accrued restructuring	3,039	15,422
Total accruals and other current liabilities	<u>\$ 340,446</u>	<u>\$ 362,969</u>

Other current liabilities were comprised primarily of accrued warranty, customer deposits, sales and value-added taxes payable and income tax accrual.

Accrued Warranty

Activity related to accrued warranty consisted of the following (in thousands):

	Years Ended October 31,	
	2021	2020
Balance at beginning of period	\$ 7,251	\$ 7,332
Warranty charged to Cost of net revenues	7,125	9,850
Utilization of warranty accrual and others	<u>(6,523)</u>	<u>(9,931)</u>
Balance at end of period	7,853	7,251
Less: current portion	<u>(6,805)</u>	<u>(6,529)</u>
Long-term portion	<u>\$ 1,048</u>	<u>\$ 722</u>



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VERIFONE SYSTEMS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Accumulated Other Comprehensive Loss

Activity related to Accumulated other comprehensive loss consisted of the following (in thousands):

	Foreign currency translation adjustments ⁽¹⁾	Unrealized gain (loss) on derivatives designated as cash flow hedges ⁽²⁾	Other ⁽³⁾	Total
Balance as of October 31, 2019	\$ (36,243)	\$ (54,176)	\$ (1,802)	\$ (92,221)
Losses before reclassifications, net of tax	(54,169)	(53,345)	2,056	(105,458)
Amounts reclassified out of Accumulated other comprehensive loss, net of tax	(2,285)	35,507	(11)	33,211
Other comprehensive loss	(56,454)	(17,838)	2,045	(72,247)
Adjustment on redemption of noncontrolling interest	1,775	—	—	1,775
Balance as of October 31, 2020	\$ (90,922)	\$ (72,014)	\$ 243	\$ (162,693)
Losses before reclassifications, net of tax	31,297	(827)	1,386	31,856
Amounts reclassified out of Accumulated other comprehensive loss, net of tax	(4,619)	49,755	(853)	44,283
Other comprehensive loss	26,678	48,928	533	76,139
Balance as of October 31, 2021	\$ (64,244)	\$ (23,086)	\$ 776	\$ (86,554)

(1) In 2021, \$2.5 million and \$2.1 million reclassified from Accumulated other comprehensive loss, net of tax, were recorded in Other income (expense), net in the Consolidated Statements of Operations and Noncontrolling interests in subsidiaries in the Consolidated Balance Sheets, respectively. In 2020, amounts reclassified from Accumulated other comprehensive loss, net of tax, were recorded in Noncontrolling interests in subsidiaries in the Consolidated Balance Sheets.

(2) Amounts reclassified from Accumulated other comprehensive loss, net of tax, were recorded in Interest expense, net in the Consolidated Statements of Operations. The related tax impacts were insignificant.

(3) Amounts reclassified from Accumulated other comprehensive loss, net of tax, were recorded in General and administrative expenses in the Consolidated Statements of Operations. The related tax impacts were insignificant.



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VERIFONE SYSTEMS, INC.

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Note 6. Financial Instruments

Fair Value Measurements

Our financial assets and liabilities consist principally of cash, accounts receivable, accounts payable, debt, and interest rate swaps, and are reported at fair value. The estimated fair value of cash, accounts receivable, and accounts payable approximates their carrying value. The estimated fair value of our debt approximates the carrying value because the interest rate on such debt adjusts to market rates on a periodic basis. Interest rate swaps are recorded at estimated fair value on a recurring basis.

Interest Rate Swap Agreements Designated as Cash Flow Hedges

We use interest rate swap agreements to hedge the variability in cash flows related to interest payments of the term loans. On June 24, 2019, we modified the terms of our existing interest rate swaps with a notional value of \$1.5 billion to reduce the fixed interest rate we pay and extend the term for one year. As of October 31, 2021, the following were the outstanding interest rate swap agreements to effectively convert a portion of the notional amounts on the term loan totaling \$1.8 billion to a fixed rate as shown below:

- (i) \$782.8 million at 2.689% from June 24, 2019 through November 30, 2022
- (ii) \$427.0 million at 2.693% from June 24, 2019 through November 30, 2022
- (iii) \$213.5 million at 2.683% from June 24, 2019 through November 30, 2022
- (iv) \$200.0 million at 1.621% from July 24, 2019 through December 31, 2021
- (v) \$200.0 million at 1.63% from July 24, 2019 through December 31, 2021

The interest rate swaps qualify for hedge accounting treatment as cash flow hedges. As of October 31, 2021, the estimated net derivative loss related to our cash flow hedges included in Accumulated other comprehensive loss that will be reclassified into earnings in the next 12 months is \$21.9 million. The derivative loss reclassified from Accumulated other comprehensive loss to Interest expense, net was \$49.8 million and \$35.5 million for the fiscal year ended October 31, 2021 and 2020.

As of October 31, 2021 and 2020, we recorded liabilities related to our interest rate swaps of \$37.4 million and \$80.0 million, respectively. These liabilities are measured at fair value on a recurring basis and are classified in Level 2 within the fair value hierarchy. There were no transfers in fair value hierarchy in the fiscal years ended October 31, 2021 and 2020.

Cash Flows Attributed to Interest Rate Swaps

For the fiscal year ending October 31, 2021 and 2020, we paid interest expense of \$36.8 million and \$26.5 million on the interest rate swap agreements modified June 24, 2019. These cash payments are included in Other financing activities, net on the Consolidated Statements of Cash Flows.

Note 7. Equity Investments

Equity Method Investments

We have two equity method investments. We had a 25.3% and 39.3% equity interest in Gas Media Holdings, LLC ("Gas Media") at October 31, 2021 and 2020, respectively. We divested a portion of our investment in Gas Media during the year ended October 31, 2021 for \$14.0 million in cash consideration. The consideration received is presented in cash from investing activities on the Consolidated Statements of Cash Flows.



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VERIFONE SYSTEMS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

We determined that Gas Media is not a variable interest entity. We own a 10% equity interest in Curb Intermediate Holdings I, a limited liability company ("Curb"). We have determined that this investment is an interest in a variable interest entity and that we are not the primary beneficiary. We account for this investment using the equity method, because the investee is a limited liability company and we have a greater than 3% to 5% ownership, so we are deemed to have significant influence over the entity.

The carrying value of our equity method investments was \$32.9 million and \$44.0 million as of October 31, 2021 and 2020 and was included in Other long-term assets in our Consolidated Balance Sheets. Our share of the income in the equity method investments for the fiscal year ended October 31, 2021 and 2020 was \$5.3 million and \$1.6 million, respectively. Our basis difference between the equity method investments and the carrying value of underlying equity in net assets is \$22.2 million and \$32.4 million as of October 31, 2021 and 2020, respectively.

We have made the election to use a one-month lag to record our share of Gas Media's results and a three month lag to record our share of Curb results.

We have agreed to guarantee, in certain circumstances, up to \$12.5 million of debt issued to Gas Media. We have also guaranteed lease commitments of up to \$3.9 million per year until December 31, 2023 relating to the Curb investment. Our maximum exposure on these equity method investments is based on the carrying value of investments to date and the extent of guarantees discussed above. As of October 31, 2021, we have not made any payments and no amounts are accrued related to these guarantees. See Note 12, *Commitments and Contingencies*, for further information.

The carrying value of our equity method investments in Gas Media is \$32.1 million and \$42.1 million as of October 31, 2021 and 2020. Summarized financial information for Gas Media as of September 30, 2021 and 2020 and for the twelve month periods ending September 30, 2021 and 2020 is presented in the following table (in thousands):

	Years Ended September 30,	
	2021	2020
Acquired intangible assets	\$ 40,637	\$ 46,911
Goodwill	92,462	92,462
Term loan	(26,774)	(45,268)
Other assets, net	20,599	12,987
Total assets, net	\$ 126,924	\$ 107,092
	Twelve Months Ended September 30,	
	2021	2020
Revenues	\$ 82,789	\$ 45,719
Operating income	30,170	2,868
Net Income	22,139	5,505

Fair Value Alternative Investments

We have investments accounted for under the fair value alternative that have a carrying value of \$34.1 million and \$3.8 million as of October 31, 2021 and 2020. One of these investments is in variable interest entity where we are not the primary beneficiary. Our known maximum exposure to loss on the variable interest entity is our carrying value of the investments of \$30.3 million and a promissory note issued by the variable interest entity with a carrying value of \$8.0 million on October 31, 2021. These investments do not have a readily determinable fair values and we did not record any other-than-temporary



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VERIFONE SYSTEMS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

impairments for the fiscal years ended October 31, 2021 and 2020. See Note 2, *Business Combinations* for more information on the fair value alternative investment addition for the year ended October 31, 2021.

Acquisition of Minority Shares in Subsidiary

On November 4, 2019, we acquired all outstanding shares held by minority owners of our consolidated subsidiary, Babs Paylink AB (“Babs Paylink”) for \$11.6 million. Upon the close of this transaction, Verifone increased its ownership from 51% to 100% of the outstanding shares of Babs Paylink. On the acquisition date, the carrying value of the noncontrolling interest in Babs Paylink was \$19.8 million. The difference between the fair value of the consideration paid and the noncontrolling interest was recognized in Additional paid-in capital and the accumulated other comprehensive income attributed to the noncontrolling interest of \$1.8M was reclassified to Accumulated other comprehensive income.

Note 8. Goodwill and Purchased Intangible Assets

Goodwill

Activity related to goodwill for the fiscal years ended October 31, 2021 and 2020 consisted of the following (in thousands):

	<u>Years Ended October 31,</u>	
	<u>2021</u>	<u>2020</u>
Balance at the beginning of period	\$ 1,590,590	\$ 1,532,958
Acquisitions	—	101,433
Divestitures	(13,769)	—
Currency translation adjustments	8,726	(43,801)
Balance at the end of period	<u>\$ 1,585,547</u>	<u>\$ 1,590,590</u>

During the fourth quarter of fiscal year 2021, we completed our annual impairment assessment and concluded that there was no impairment to goodwill. We used the qualitative method in our 2021 annual assessment related to both of our reporting units.

Purchased Intangible Assets, Net

Purchased intangible assets, net consisted of the following (in thousands):

	<u>October 31, 2021</u>			<u>October 31, 2020</u>		
	<u>Gross Carrying Amount</u>	<u>Accumulated Amortization</u>	<u>Net Carrying Amount</u>	<u>Gross Carrying Amount</u>	<u>Accumulated Amortization</u>	<u>Net Carrying Amount</u>
Customer relationships	\$ 1,231,999	\$ (387,437)	\$ 844,562	\$ 1,213,766	\$ (258,245)	\$ 955,521
Developed technology	501,526	(273,738)	227,788	545,625	(187,912)	357,713
Trade name	158,800	(33,866)	124,934	159,136	(23,335)	135,801
Other	3,106	(1,196)	1,910	3,148	(416)	2,732
Total	<u>\$ 1,895,431</u>	<u>\$ (696,237)</u>	<u>\$ 1,199,194</u>	<u>\$ 1,921,675</u>	<u>\$ (469,908)</u>	<u>\$ 1,451,767</u>

Activity related to the gross carrying amount of purchased intangible assets during the fiscal year ended October 31, 2021 includes \$50.9 million in intangible assets included in the Verifone China divestiture offset by \$24.6 million in currency translation adjustment. Activity related to accumulated amortization amount of purchased intangible assets during the fiscal year ended October 31, 2021 included \$243.1 million in amortization and \$4.7 million in currency translation adjustment offset by \$21.4 million in accumulated amortization included in the Verifone China divestiture.



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VERIFONE SYSTEMS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Activity related to the gross carrying amount of purchased intangible assets during the fiscal year ended October 31, 2020 includes \$113.8 million in acquisition additions offset by \$18.0 million in retirements and \$7.2 million in currency translation adjustment. Activity related to accumulated amortization amount of purchased intangible assets during the fiscal year ended October 31, 2020 included \$226.9 million in amortization and \$0.6 million in currency translation adjustment offset by \$18.0 million in retirements.

Total future amortization expense for purchased intangible assets that have finite lives, based on our existing intangible assets and their current estimated useful lives as of October 31, 2021, is estimated as follows (in thousands):

	<u>Cost of Net Revenues</u>	<u>Operating Expenses</u>	<u>Total</u>
Fiscal Years Ending October 31:			
2022	\$ 95,246	\$ 137,154	\$ 232,400
2023	80,660	136,252	216,912
2024	37,444	134,908	172,352
2025	10,182	134,553	144,735
2026	3,616	134,149	137,765
Thereafter	640	294,390	295,030
Total future amortization expense	<u>\$ 227,788</u>	<u>\$ 971,406</u>	<u>\$ 1,199,194</u>

Note 9. Financings

Amounts outstanding under our financing arrangements consisted of the following (in thousands):

	<u>Years ended October 31,</u>	
	<u>2021</u>	<u>2020</u>
Credit Agreements		
First lien term loan	\$ 2,111,822	\$ 2,133,593
Revolving credit facility	17,000	49,000
Capital leases and other debt	—	301
Total principal payments due	<u>2,128,822</u>	<u>2,182,894</u>
Less: original issue discount and debt issuance costs	(34,477)	(44,359)
Total amounts outstanding	<u>2,094,345</u>	<u>2,138,535</u>
Less: current portion	(38,451)	(70,437)
Long-term portion	<u>\$ 2,055,894</u>	<u>\$ 2,068,098</u>

Credit Agreements

On August 20, 2018, we entered into a first lien and second lien credit agreement to provide for an aggregate amount of up to \$2.2 billion of debt. The first lien credit agreement provides for (i) \$1.75 billion seven-year first priority secured term loan facility and (ii) \$250.0 million on a five-year first priority secured revolving credit facility. The second lien credit agreement provides for \$200.0 million under an eight-year priority secured term loan facility.



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VERIFONE SYSTEMS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

On May 10, 2019, we entered into a first incremental credit facility amendment to the first lien credit agreement which provides for an additional term loan borrowing availability of \$425.0 million. The Company subsequently borrowed \$200.0 million on May 10, 2019. The proceeds of these borrowings were used to prepay the secured term loan facility of \$200.0 million under the second lien credit agreement. On June 24, 2019, the Company borrowed \$225.0 million to repay the outstanding balance of \$97.5 million on the revolving credit facility and pay \$4.0 million of fees and expenses incurred in connection with these incremental term loans. The remaining funds received from the incremental credit facility were used for general corporate purposes.

On May 8, 2020, we entered into the second amendment to the first lien credit agreement which amended the quarterly financial covenants to temporarily increase the allowable ratio related to financial leverage and added monthly liquidity minimums and a restriction on cash levels when we have outstanding borrowings on the revolving credit facility. The covenant relief period under this second amendment ended on July 31, 2021.

Outstanding amounts under the term loans may be subject to mandatory repayment with the proceeds of certain asset sales, and debt issuances, depending on our total leverage ratio, as defined under the agreement. We were in compliance with the financial covenants as of October 31, 2021. The credit agreement also contains representations and warranties, affirmative covenants, negative covenants, financial covenants and conditions that are customarily required for similar financings including the following:

- A restriction on incurring additional indebtedness, subject to specified permitted debt;
- A restriction on creating certain liens, subject to specified exceptions;
- A restriction on mergers and consolidations, subject to specified exceptions;
- A restriction on certain investments, subject to certain exceptions and a suspension if we achieve certain credit ratings;
- A restriction on asset dispositions, subject to specified exceptions for ordinary course and other transactions;
- A restriction on the payment of dividends, subject to specified exceptions; and
- A restriction on entering into certain transactions with affiliates, subject to specified exceptions.

Borrowings under the credit agreement bear interest at an Alternate Base Rate or Adjusted eurocurrency rate at our option plus applicable margin based upon certain leverage ratios, determined and payable quarterly. Applicable margin on borrowings under the revolving loan range from 2.0% to 2.5% on the alternate base rate loan and 3.0% to 3.5% on the eurocurrency loan depending upon the leverage ratios. Borrowings under the letters of credit shall bear interest at the same rate applicable to revolving loans. In addition, we pay an undrawn commitment fee on the unused portion of the revolving loan ranging from 0.25% to 0.50% per annum, depending upon the leverage ratio.

The outstanding principal balance of the term loans is required to be repaid in quarterly installments for an amount equal to 1% per annum of the aggregate principal amounts of the initial and incremental term loans with the final balance to be paid at maturity on August 20, 2025. The withdrawals under the revolving loan shall be due and payable on August 20, 2023.

Borrowings under the credit agreement are guaranteed by certain of our wholly owned domestic subsidiaries and secured by a first priority lien and security interest in certain of our assets, subject to customary exceptions.

As of October 31, 2021, we have elected the eurocurrency loan option on all of our borrowings. Eurocurrency loans bear interest at a monthly market interest rate plus a margin according to the credit agreement. As of October 31, 2021, the monthly market interest rate was 0.13% on the first lien term loan with an applicable margin of 4.0%.

As of October 31, 2021, the commitment fee for the unused portion of the revolving loan was 0.5% per annum, payable quarterly, and the amount available to draw under the revolving loan was \$222.5 million.



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VERIFONE SYSTEMS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Principal Payments

Future principal payments due under our financing arrangements are as follows (in thousands):

	<u>Amounts</u>
Years ending October 31:	
2022	\$ 38,771
2023	21,771
2024	21,771
2025	2,046,509
2026	—
Thereafter	—
Total	<u><u>\$ 2,128,822</u></u>

Note 10. Revenue

Contract Assets and Liabilities

The Company's revenue policies are summarized in Note 1. The following table provides the contract assets and contract liabilities as reflected in our Consolidated Balance Sheets (in thousands):

	<u>Years Ended October 31,</u>	
	<u>2021</u>	<u>2020</u>
Contract Assets:		
Contract assets- current	\$ 311	\$ 2,006
Contract assets- long term	26	385
Total contract assets	<u><u>\$ 337</u></u>	<u><u>\$ 2,391</u></u>
Contract Liabilities:		
Contract liabilities- current	\$ 48,612	\$ 54,559
Contract liabilities- long term	34,129	33,312
Total contract liabilities	<u><u>\$ 82,741</u></u>	<u><u>\$ 87,871</u></u>



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VERIFONE SYSTEMS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Note 11. Restructuring Charges

Over the years, as part of cost optimization and corporate transformation initiatives, our management initiated various restructuring plans to reduce headcount, exit under-performing businesses, and consolidate facilities and data centers.

These restructuring plans are expected to substantially be completed by the end of fiscal year 2023.

Activity related to our restructuring accruals for the fiscal years ended October 31, 2021 and 2020 consisted of the following (in thousands):

	<u>Restructuring Plans</u>			<u>Total</u>
	<u>Facilities Related Costs</u>	<u>Employee Involuntary Termination Benefits</u>	<u>Other Business Exit Costs (1)</u>	
Balance at October 31, 2019	\$ 1,640	\$ 12,655	\$ 40,624	\$ 54,919
Charges, net of adjustments	4,106	17,017	(2,872)	18,251
Cash payments	(2,644)	(19,551)	(33,251)	(55,446)
Balance at October 31, 2020	\$ 3,102	\$ 10,121	\$ 4,501	\$ 17,724
Charges, net of adjustments	—	1,459	—	1,459
Cash payments	(1,190)	(9,728)	(4,501)	(15,419)
Balance at October 31, 2021	<u>\$ 1,912</u>	<u>\$ 1,852</u>	<u>\$ —</u>	<u>\$ 3,764</u>
Cumulative costs to date	<u>\$ 10,504</u>	<u>\$ 112,972</u>	<u>\$ 45,682</u>	

(1) On April 3, 2017, to lock in pricing on certain components, we committed to purchase \$144.0 million of manufacturing components over a four-year period, \$36.0 million per year, from one of our existing suppliers. As of October 31, 2021, we have fulfilled our purchase commitment.

Note 12. Commitments and Contingencies

Commitments

Leases

We lease certain facilities under non-cancelable operating leases that contain free rent periods, leasehold improvement rebates or rent escalation clauses. Rent expense under these leases is recorded on a straight-line basis over the lease term. We are committed to pay a portion of the related actual operating expenses under some of these lease agreements, and those operating expenses are not included in the table below.



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VERIFONE SYSTEMS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Future minimum lease payments on our remaining leases as of October 31, 2021 were as follows (in thousands):

	<u>Minimum Lease Payments</u>	<u>Sublease Rental Income</u>	<u>Net Minimum Lease Payments</u>
Years Ending October 31:			
2022	\$ 20,654	\$ (2,175)	\$ 18,479
2023	16,399	(2,109)	14,290
2024	10,609	(193)	10,416
2025	7,964	—	7,964
2026	5,203	—	5,203
Thereafter	10,077	—	10,077
Total	<u>\$ 70,906</u>	<u>\$ (4,477)</u>	<u>\$ 66,429</u>

Facility and other rent expense for the year ended October 31, 2021 and 2020 was \$22.2 million and \$20.9 million.

Manufacturing Related Agreements

We work on a purchase order basis with our contract manufacturers, which are located predominantly in China, Malaysia, Vietnam and Brazil, and component suppliers located throughout the world, to supply nearly all of our finished goods inventories, spare parts, and accessories. We provide each such supplier with a purchase order to cover the manufacturing requirements, which generally constitutes a binding commitment by us to purchase materials and finished goods produced by the manufacturer as specified in the purchase order. Most of these purchase orders are considered to be non-cancelable and are expected to be paid within one year of the issuance date. As of October 31, 2021, the amount of purchase commitments issued to contract manufacturers and component suppliers totaled approximately \$246 million.

Guarantees

We have issued bank guarantees with maturities ranging from two months to five years to certain of our customers and vendors as required in some countries to support certain performance obligations under our service or other agreements with those parties. As of October 31, 2021, the maximum amount that may become payable under these guarantees was \$17.5 million, of which \$2.9 million was collateralized by restricted cash deposits.

In connection with our investment in Gas Media, we have agreed to guarantee, in certain circumstances, up to \$12.5 million of debt issued to Gas Media. As of October 31, 2021, we have not made any payments and no amounts are accrued related to this guarantee.

Additionally, we have guaranteed lease commitments of up to \$3.9 million per year until December 31, 2023 on a lease that was part of a divested business and was assigned to the divested business. Post divestiture, payments on this lease are made by the divested business, which has agreed to indemnify us for this lease obligation. As of October 31, 2021, the maximum exposure under this guarantee was \$12.3 million, we had not made any payments under the guarantee and no amounts were accrued related to this guarantee.



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VERIFONE SYSTEMS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Contingencies

We evaluate the circumstances regarding outstanding and potential litigation and other contingencies on a quarterly basis to determine whether there is at least a reasonable possibility that a loss exists requiring accrual or disclosure, and if so, whether an estimate of the possible loss or range of loss can be made, or whether such an estimate cannot be made. When a loss is probable and reasonably estimable, we accrue for such amount based on our estimate of the probable loss considering information available at the time. When a loss is reasonably possible, we disclose the estimated possible loss or range of loss in excess of amounts accrued, if material. Except as otherwise disclosed below, we do not believe that material losses were probable or that there was a reasonable possibility that a material loss may have been incurred with respect to the matters disclosed.

Oren Ganor v. Casponet Ltd. Israel

On August 14, 2018, a class-action complaint was filed against Casponet Ltd. in Israel claiming that ATMs that Casponet provides to merchants violate Israel's disability and accessibility laws. Before Casponet's deadline to respond to the original complaint, the plaintiffs amended their complaint to allege that Casponet should have published a February 6, 2018 decision by the Israeli disability and accessibility commission approving a compliance-extension request allowing Casponet to meet accessibility requirements gradually with milestones through 2023. On September 29, 2019, Casponet responded to the amended complaint, denying any liability. On September 19, 2021, the Court granted plaintiffs' class-certification motion, and class notice was published in October 2021. Casponet filed its statement of defense on December 15, 2021, denying any liability. A pretrial hearing is scheduled for June 6, 2022. No trial date has yet been set.

Sisvel International S.A., 3G Licensing, S.A., and Sisvel S.p.A. v. VeriFone, Inc.

Nonpracticing entities Sisvel International S.A., 3G Licensing, S.A., and Sisvel S.p.A. have filed two patent-infringement lawsuits in the U.S. District Court for the District of Delaware claiming that VeriFone, Inc.'s point-of-sale terminals' use of standards-essential cellular communication network technology infringe several U.S. patents that they acquired from other entities. We deny any liability and are seeking indemnification and defense from our suppliers of the cellular chipset technology at issue. Both cases are currently stayed pending inter partes reviews (IPRs) of the patents at issue by the U.S. Patent and Trademark Office (USPTO).

Other Litigation

Certain cases are still in the preliminary stages, and we are not able to quantify the extent of our potential liability, if any, other than as described above. Further, the outcome of litigation is inherently unpredictable and subject to significant uncertainties. If any of these matters are resolved adversely to us, this could have a material adverse effect on our business, financial condition, results of operations and cash flows. In addition, defending these legal proceedings is likely to be costly, which may have a material adverse effect on our financial condition, results of operations and cash flows, and may divert management's attention from the day-to-day operations of our business. We are subject to various other legal proceedings related to commercial, customer, tax, intellectual property, employment and other matters that have arisen during the ordinary course of business. The outcome of such legal proceedings is inherently unpredictable and subject to significant uncertainties. Although there can be no assurance as to the ultimate disposition of these matters, our management has determined, based upon the information available at the date of these financial statements, including anticipated expected availability of insurance coverage, that the expected outcome of these matters, individually or in the aggregate, will not have a material adverse effect on our consolidated financial position, results of operations or cash flows.



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VERIFONE SYSTEMS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Income Tax Uncertainties

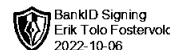
As of October 31, 2021, the amount payable for unrecognized tax benefits was \$24.6 million, including accrued interest and penalties, none of which is expected to be paid within one year. This amount is included in Other long-term liabilities in our Consolidated Balance Sheet as of October 31, 2021. We are unable to make a reasonably reliable estimate as to when cash settlement with a taxing authority may occur.

Note 13. Related parties

On August 1, 2021, we divested our controlling interest in our China business to the former general manager and minority shareholder of this business. The general manager and the China business are related parties to VeriFone System Inc. Subsequent to divestiture, we purchased \$15.6 million in payment devices and development services from the China business. As of October 31, 2021 we had \$11.9 million outstanding as accounts payables.

Note 14. Subsequent events

The Company has evaluated subsequent events through January 14, 2022, which is the date that these financial statements were available to be issued. Based on Company's evaluation there are no material subsequent events to be reported.



Til generalforsamlingen i Verifone Nordic Holding AS

UAVHENGIG REVISORS BERETNING

Grant Thornton
Revisjon AS
Kirkegata 15
0153 Oslo
Org.nr. 987 632 380
T: +47 22 20 04 00
E: grant@no.gt.com

Uttalelse om revisjonen av årsregnskapet

Konklusjon

Vi har revidert Verifone Nordic Holding AS årsregnskap som viser et underskudd på kr 1.051.860. Årsregnskapet består av balanse per 31. oktober 2021, kontantstrømoppstilling og resultatregnskap for regnskapsåret avsluttet per denne datoen og noter til årsregnskapet, herunder et sammendrag av viktige regnskapsprinsipper.

Etter vår mening er det medfølgende årsregnskapet avgitt i samsvar med lov og forskrifter og gir et rettviseende bilde av selskapets finansielle stilling per 31. oktober 2021, og av dets resultater og kontantstrømmer for regnskapsåret avsluttet per denne datoen i samsvar med regnskapslovens regler og god regnskapskikk i Norge.

Grunnlag for konklusjonen

Vi har gjennomført revisjonen i samsvar med lov, forskrift og god revisjonsskikk i Norge, herunder de internasjonale revisjonsstandardene (ISA-ene). Våre oppgaver og plikter i henhold til disse standardene er beskrevet i *Revisors oppgaver og plikter ved revisjon av årsregnskapet*. Vi er uavhengige av selskapet slik det kreves i lov og forskrift, og har overholdt våre øvrige etiske forpliktelser i samsvar med disse kravene. Etter vår oppfatning er innhentet revisjonsbevis tilstrekkelig og hensiktsmessig som grunnlag for vår konklusjon.

Øvrig informasjon

Ledelsen er ansvarlig for øvrig informasjon. Øvrig informasjon består av årsberetningen, men inkluderer ikke årsregnskapet og revisjonsberetningen.

Vår uttalelse om revisjonen av årsregnskapet dekker ikke øvrig informasjon, og vi attesterer ikke den øvrige informasjonen.

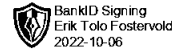
I forbindelse med revisjonen av årsregnskapet er det vår oppgave å lese øvrig informasjon med det formål å vurdere hvorvidt det foreligger vesentlig inkonsistens mellom øvrig informasjon og årsregnskapet, kunnskap vi har opparbeidet oss under revisjonen, eller hvorvidt den tilsynelatende inneholder vesentlig feilinformasjon. Dersom vi hadde konkludert med at den øvrige informasjonen inneholder vesentlig feilinformasjon er vi pålagt å rapportere det. Vi har ingenting å rapportere i så henseende.

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Styrets ansvar for årsregnskapet

Styret (ledelsen) er ansvarlig for å utarbeide årsregnskapet i samsvar med lov og forskrifter, herunder for at det gir et rettviseende bilde i samsvar med regnskapslovens regler og god regnskapsskikk i Norge. Ledelsen er også ansvarlig for slik intern kontroll som den finner nødvendig for å kunne utarbeide et årsregnskap som ikke inneholder vesentlig feilinformasjon, verken som følge av misligheter eller utilsiktede feil.

Ved utarbeidelsen av årsregnskapet må ledelsen ta standpunkt til selskapets evne til fortsatt drift og opplyse om forhold av betydning for fortsatt drift. Forutsetningen om fortsatt drift skal legges til grunn for årsregnskapet så lenge det ikke er sannsynlig at virksomheten vil bli avvirket.

Revisors oppgaver og plikter ved revisjonen av årsregnskapet

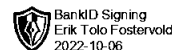
Vårt mål er å oppnå betryggende sikkerhet for at årsregnskapet som helhet ikke inneholder vesentlig feilinformasjon, verken som følge av misligheter eller utilsiktede feil, og å avgi en revisjonsberetning som inneholder vår konklusjon. Betryggende sikkerhet er en høy grad av sikkerhet, men ingen garanti for at en revisjon utført i samsvar med lov, forskrift og god revisjonsskikk i Norge, herunder ISA-ene, alltid vil avdekke vesentlig feilinformasjon som eksisterer. Feilinformasjon kan oppstå som følge av misligheter eller utilsiktede feil. Feilinformasjon blir vurdert som vesentlig dersom den enkeltvis eller samlet med rimelighet kan forventes å påvirke økonomiske beslutninger som brukerne foretar basert på årsregnskapet.

Som del av en revisjon i samsvar med lov, forskrift og god revisjonsskikk i Norge, herunder ISA-ene, utøver vi profesjonelt skjønn og utviser profesjonell skepsis gjennom hele revisjonen. I tillegg:

- identifiserer og anslår vi risikoen for vesentlig feilinformasjon i årsregnskapet, enten det skyldes misligheter eller utilsiktede feil. Vi utformer og gjennomfører revisjonshandlinger for å håndtere slike risikoen, og innhenter revisjonsbevis som er tilstrekkelig og hensiktsmessig som grunnlag for vår konklusjon. Risikoen for at vesentlig feilinformasjon som følge av misligheter ikke blir avdekket, er høyere enn for feilinformasjon som skyldes utilsiktede feil, siden misligheter kan innebære samarbeid, forfalskning, bevisste utelatelser, uriktige fremstillinger eller overstyring av intern kontroll.
- opparbeider vi oss en forståelse av den interne kontroll som er relevant for revisjonen, for å utforme revisjonshandlinger som er hensiktsmessige etter omstendighetene, men ikke for å gi uttrykk for en mening om effektiviteten av selskapets interne kontroll.
- evaluerer vi om de anvendte regnskapsprinsippene er hensiktsmessige og om regnskapsestimatene og tilhørende noteopplysninger utarbeidet av ledelsen er rimelige
- konkluderer vi på hensiktsmessigheten av ledelsens bruk av fortsatt drift-forutsetningen ved avleggelsen av årsregnskapet, basert på innhentede revisjonsbevis, og hvorvidt det foreligger vesentlig usikkerhet knyttet til hendelser eller forhold som kan skape tvil av betydning om selskapets evne til fortsatt drift. Dersom vi konkluderer med at det eksisterer vesentlig usikkerhet, kreves det at vi i revisjonsberetningen henleder oppmerksomheten på tilleggsopplysningene i årsregnskapet, eller, dersom slike tilleggsopplysninger ikke er tilstrekkelige, at vi modifiserer vår konklusjon om årsregnskapet. Våre konklusjoner er basert på



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revisjonsbevis innhentet inntil datoen for revisjonsberetningen. Etterfølgende hendelser eller forhold kan imidlertid medføre at selskapet ikke fortsetter driften.

- evaluerer vi den samlede presentasjonen, strukturen og innholdet i årsregnskapet, inkludert tilleggsopplysningene, og hvorvidt årsregnskapet gir uttrykk for de underliggende transaksjonene og hendelsene på en måte som gir et rettviseende bilde.

Vi kommuniserer med styret blant annet om det planlagte omfanget av revisjonen og til hvilken tid revisjonsarbeidet skal utføres. Vi utveksler også informasjon om forhold av betydning som vi har avdekket i løpet av revisjonen, herunder om eventuelle svakheter av betydning i den interne kontrollen.

Oslo, 06.10.2022
Grant Thornton Revisjon AS

Erik Tolo Fostervold
Statsautorisert revisor
(signert elektronisk)



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Årsberetning 2021

Virksomheten

VeriFone Nordic Holding AS inngår i VeriFone-konsernet, som har fokus rettet mot elektroniske betalingsløsninger. VeriFone er et amerikansk selskap med datterselskaper over hele verden. Konsernet selger integrerte og frittstående elektroniske betalingsløsninger, løsninger for elektronisk handel med mer. Foruten salg og utleie, utvikler konsernet også programvare for løsningene, samt tilbyr tjenester knyttet til drift og vedlikehold av betalingsløsningene.

Eierforhold og konsernregnskap

Samtlige aksjer i VeriFone Nordic Holding AS er eid av det svenske selskapet Electronic Transaction Group Nordic Holding AB. Konsernet ble i 2011 kjøpt opp av det amerikanske selskapet VeriFone System Inc, som eier selskapet via sitt svenske datterselskap VeriFone Nordic AB. Verifone Nordic Holding AS eier direkte de operative selskapene i Sverige, Norge, Danmark, Island, Finland og Latvia. Indirekte eier selskapet også et operativt selskap i Storbritannia. Fra og med regnskapsåret 2012 utarbeides det ikke eget konsernregnskap for Verifone Nordic Holding AS, og det henvises til konsernselskapet for Verifone Systems Inc.

Omsetning og resultat

Selskapet hadde i 2021 0 kroner i omsetning og driftsresultat ble negativt med 141 763 kroner. Resultatet etter skatt ble negativt med 1,0 millioner kroner.

Soliditet

Selskapet hadde ved utgangen av 2021 en egenkapital på solide 488,8 millioner kroner.

Markedsforhold og fremtidsutsikter

Selskapets regnskap for 2021 er avgitt under forutsetning om fortsatt drift og styret bekrefter at forutsetningen for fortsatt drift er til stede. Selskapets styre mener selskapet og konsernet er meget godt posisjonert med hensyn til produkter.

Organisasjon og miljø

Selskapet hadde ingen ansatte i 2021. Selskapets virksomhet forurenser ikke det ytre miljø.

Resultatdisponering

Selskapet hadde i 2021 et årsresultat ble negativt med 1,0 millioner kroner.

Annet

Styret kjenner ikke til noe forhold av viktighet for å bedømme selskapets stilling og resultat som ikke fremgår av resultatregnskap og balanse med noter. Det har heller ikke inntrådt forhold etter regnskapsårets utgang som etter styrets syn har betydning for bedømmelsen av regnskapet.




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Forsikring

Styret har per nå ikke tegnet noen styreansvarsforsikring. Styret vil se på dette så raskt det praktisk lar seg gjennomføre.

Oslo,
Styret for Verifone Nordic Holding AS

DocuSigned by:


CDFF81AEC011470
John Robert Tracy

Styrets leder

DocuSigned by:


40053EC208274D3...
Pål Fredriksen

Styreleder



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Årsregnskap

Verifone Nordic Holding AS

2021



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Verifone Nordic Holding AS Resultatregnskap

NOTE	DRIFTSINNEKTER OG DRIFTSKOSTNADER	01.11.20- 31.10.21	01.11.19- 31.10.20
6	Annen driftskostnad	141 763	502 691
	Sum driftskostnader	141 763	502 691
	Driftsresultat	-141 763	-502 691
	FINANSINNEKTER OG FINANSKOSTNADER		
3	Inntekt på investering i datterselskap og tilknyttet selskap	2 569 195	37 205 950
3, 6	Renteinntekt fra foretak i samme konsern	5 966 806	6 609 622
	Annen renteinntekt	0	0
8	Annen finansinntekt	1 396 542	8 616 182
3, 6	Rentekostnad til foretak i samme konsern	-1 153 970	-2 107 530
	Annen rentekostnad	0	0
8	Annen finanskostnad	-9 982 595	-12 929 066
	Netto finansresultat	-1 204 022	37 395 157
	Årsresultat før skattekostnad	-1 345 785	36 892 467
7	Skattekostnad	-293 925	0
	ÅRSRESULTAT	-1 051 860	36 892 467
	OVERFØRINGER		
5	Overført til annen egenkapital	-1 051 860	36 874 467
	Sum overføringer	-1 051 860	36 874 467



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Verifone Nordic Holding AS Balanse pr 31. desember

NOTE	EIENDELER	01.11.20- 31.10.21	01.11.19- 31.10.20
	Anleggsmidler		
	Immaterielle eiendeler		
7	Utsatt skattefordel	<u>3 752 081</u>	<u>3 458 156</u>
	Sum immaterielle eiendeler	<u>3 752 081</u>	<u>3 458 156</u>
	Finansielle anleggsmidler		
3	Investering i annet foretak i samme konsern	302 106 369	302 106 369
6	Andre fordringer	<u>202 736 691</u>	<u>182 893 739</u>
	Sum finansielle anleggsmidler	<u>504 843 060</u>	<u>485 000 107</u>
	Sum anleggsmidler	<u>508 595 141</u>	<u>488 458 264</u>
	Omløpsmidler		
	Fordringer		
6	Andre kortsiktige fordringer	<u>16 942 385</u>	<u>39 554 282</u>
	Sum fordringer	<u>16 942 385</u>	<u>39 554 282</u>
9	Bankinnskudd, kontanter og lignende	<u>47 876</u>	<u>60 279</u>
	Sum omløpsmidler	<u>16 990 261</u>	<u>39 614 560</u>
	SUM EIENDELER	<u>525 585 402</u>	<u>528 072 824</u>



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Verifone Nordic Holding AS Balanse pr 31. desember

NOTE	EGENKAPITAL OG GJELD	01.11.20- 31.10.21	01.11.19- 31.10.20
	Egenkapital		
	Innskutt egenkapital		
4, 5	Aksjekapital (242 515 aksjer á kr 1)	242 515	242 515
5	Overkurs	79 798 052	79 798 052
	Sum innskutt egenkapital	<u>80 040 567</u>	<u>80 040 567</u>
	Opptjent egenkapital		
5	Annen egenkapital	408 749 931	409 801 791
	Sum opptjent egenkapital	<u>408 749 931</u>	<u>409 801 791</u>
	Sum egenkapital	<u>488 790 498</u>	<u>489 842 358</u>
	Gjeld		
	Annen langsiktig gjeld		
6	Øvrig langsiktig gjeld	36 575 972	38 020 780
	Sum annen langsiktig gjeld	<u>36 575 972</u>	<u>38 020 780</u>
	Kortsiktig gjeld		
	Leverandørgjeld	218 932	209 686
7	Betalbar skatt	0	0
	Sum kortsiktig gjeld	<u>218 932</u>	<u>209 686</u>
	Sum gjeld	<u>36 794 904</u>	<u>38 230 466</u>
	SUM EGENKAPITAL OG GJELD	<u>525 585 402</u>	<u>528 072 824</u>

Oslo / USA, 2022

I styret for Verifone Nordic Holding AS

DocuSigned by:

Pål Andre Fredriksen
styrets leder

DocuSigned by:

John Robert Tracy
styremedlem



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Verifone Nordic Holding AS

Noter til regnskapet 2021

Note 1 Regnskapsprinsipper

Årsregnskapet er satt opp i samsvar med regnskapsloven av 1998 og god regnskapsskikk i Norge.

Datterselskap

Datterselskap vurderes etter kostmetoden i selskapsregnskapet. Investeringen er vurdert til anskaffelseskost for aksjene med mindre nedskrivning har vært nødvendig.

Det er foretatt nedskrivning til virkelig verdi når verdifall skyldes årsaker som ikke kan antas å være forbigående og det må anses nødvendig etter god regnskapsskikk.

Nedskrivninger er reversert når grunnlaget for nedskrivning ikke lenger er til stede.

Inntekt fra selskap i samme konsern

Tjenester inntektsføres i takt med utførelsen, og selskapets inntekter utgjøres av avgift for anvendelse av selskapets utviklede router-løsning samt øvrig viderefakturering til konsernselskap.

Andelen av salgsinntekter som knytter seg til fremtidige serviceytelser balanseføres som uopptjent inntekt ved salget, og inntektsføres deretter i takt med levering av ytelsene.

Hovedregel for vurdering og klassifisering av eiendeler og gjeld

Eiendeler bestemt til varig eie eller bruk er klassifisert som anleggsmidler. Andre eiendeler er klassifisert som omløpsmidler. Fordringer som skal tilbakebetales innen et år er klassifisert som omløpsmidler. Ved klassifisering av kortsiktig og langsiktig gjeld er tilsvarende kriterier lagt til grunn.

Omløpsmidler vurderes til laveste av anskaffelseskost og virkelig verdi.

Anleggsmidler vurderes til anskaffelseskost, men nedskrives til gjenvinnbart beløp dersom dette er lavere enn bokført verdi, og verdifallet forventes ikke å være forbigående. Anleggsmidler med begrenset økonomisk levetid avskrives planmessig.

Annen langsiktig gjeld og kortsiktig gjeld er vurdert til pålydende beløp.

Eiendeler og gjeld i utenlandsk valuta

Pengeposter i utenlandsk valuta er i balansen omregnet til balansedagens kurs. Valutaterminkontrakter er balanseført til virkelig verdi på balansedagen.

Immaterielle eiendeler

Utgifter til egen tilvirkning av immaterielle eiendeler, herunder utgifter til egen forskning og utvikling, balanseføres når det er sannsynlig at de fremtidige økonomiske fordelene knyttet til eiendelene vil tilflyte selskapet og anskaffelseskost kan måles pålitelig.

Immaterielle eiendeler som er kjøpt enkeltvis, er balanseført til anskaffelseskost. Immaterielle eiendeler overtatt ved kjøp av virksomhet, er balanseført til anskaffelseskost når kriteriene for balanseføring er oppfylt.

Immaterielle eiendeler med begrenset økonomisk levetid avskrives planmessig. Immaterielle eiendeler nedskrives til gjenvinnbart beløp dersom de forventede økonomiske fordelene ikke dekker balanseført verdi og eventuelle gjenstående tilvirkningsutgifter.

Fordringer

Kundefordringer og andre fordringer er oppført til pålydende etter fradrag for avsetning til forventet tap. Avsetning til tap gjøres på grunnlag av en individuell vurdering av de enkelte fordringene.



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Bankinnskudd, kontanter og lignende

Bankinnskudd, kontanter og lignende inkluderer kontanter, bankinnskudd og andre betalingsmidler med forfallsdato som er kortere enn tre måneder fra anskaffelse.

Skatter

Skattekostnaden sammenstilles med regnskapsmessig resultat før skatt. Skatt knyttet til egenkapitaltransaksjoner er ført mot egenkapitalen. Skattekostnaden består av betalbar skatt (skatt på årets direkte skattepliktige inntekt) og endring i netto utsatt skatt. Utsatt skatt og utsatt skattefordel er presentert netto i balansen.

Kontantstrømoppstilling

Kontantstrømoppstillingen er utarbeidet etter den indirekte metode. Kontanter og kontantekvivalenter omfatter kontanter og bankinnskudd.

Note 2 Andre driftskostnader og godtgjørelser

Ytelser til ledende personer:

Det er ikke utbetalt honorar til styret i Verifone Nordic Holding AS. Det er heller ikke utbetalt lønn eller honorar til daglig leder, som lønnes av datterselskapet Verifone Norway AS.

Pensjonsforpliktelser:

Selskapet har ingen ansatte og er ikke pliktig til å ha en tjenstepensjonsordning etter lov om obligatorisk tjenstepensjon.

	2021	2020
Rådgivning, advokat og revisjonshonorar ¹	124 377	406 140
Annen kostnad	-	114 552
Sum	124 377	520 692

Note 3 Datterselskap, tilknyttet selskap m.v.

Firma	Ansk.- tidspunkt	Forretningskontor	Stemme/eier- andel	Bokført verdi 31.10.2021
Verifone Sweden AB	10.01.1989	Stockholm, Sverige	100 %	537 000
*Verifone Norway AS	01.04.1991	Oslo, Norge	100 %	269 006 819
Verifone Denmark A/S	27.08.1991	Herlev, Danmark	100 %	304 000
Verifone Iceland ehf	08.09.1995	Kópavogur, Island	100 %	299 000
Verifone Finland Oy	31.07.1998	Vantaa, Finland	100 %	31 659 750
Verifone Baltic SIA	11.02.1998	Riga, Latvia	100 %	300 000
				302 106 369



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Note 4 Aksjekapital og aksjonærinformasjon

Aksjekapitalen i selskapet pr 31.12.21 består av følgende aksjeklasser:

	Antall	Pålydende	Bokført
Ordinære aksjer	242 515	1	242 515
Sum	242 515	1	242 515

Alle aksjene eies av Electronic Transaction Group Nordic AB, her igjennom med 100% stemmeandel.

Selskapet inngår i konsernregnskapet til Verifone Systems Inc og konsernregnskapet kan fås ved henvendelse til:

Verifone Nordic AB
c/o Gernandt & Danielsson Advokatbyrå KB
Box 5747
114 87 Stockholm
Sverige

Note 5 Egenkapital

Opptjent egenkapital	Aksjekapital	Overkurs	Annen egenkapital	Sum egenkapital
Egenkapital 01.11.20	242 515	79 798 052	409 801 791	489 842 358
Årets endring i egenkapital:				
Årets resultat			-1 051 860	-1 051 860
Egenkapital 31.10.21	242 515	79 798 052	408 749 929	488 790 498

Note 6 Transaksjoner og mellomværende med nærstående parter

Transaksjoner med nærstående parter:

Motpart	Renteinntekter	
	2021	2020
Hypercom France S.a.r.l	1 991 651	2 114 817
Verifone Luxembourg S.a.R.l	3 975 155	4 494 805
Sum	5 966 806	6 609 622

Motpart	Rentekostnader	
	2021	2020
Electric Transaction Group Nordic Holding AB	1 153 970	2 107 530
Sum	1 153 970	2 107 530



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Mellomværende med nærstående parter:

Motpart	Andre fordringer	
	2021	2020
<i>Hypercom France S.a.r.l (1)</i>	-668 445	7 407 184
<i>Verifone Norway AS</i>	9 929 793	34 028 095
<i>Verifone Baltic SIA</i>	2 295 717	3 368 742
<i>Verifone Luxemburg S.a.R.l</i>	178 711 462	151 389 730
<i>Electric Transaction Group Nordic Holding AB</i>	26 894 919	26 298 070
Sum	217 163 445	222 491 821

(1) Verdi på fordringen pr 31.10.2021 er redusert med med kr 77 455 503, som ble avsatt for i regnskapsåret 2019.

Motpart	Annen langsiktig gjeld	
	2021	2020
<i>Electronic Transaction Group Nordic Holding AB</i>	36 575 972	38 020 780
Sum	36 575 972	38 020 780

5 328 376

Gjeld til konsernselskapet Electronic Transaction Group Nordic Holding AB ble opprinnelig inngått med hovedstol på svenske kroner 63 427 690, tilsvarende norske kroner 61 923 693. Dette lånet har en rentekostnad på 4% per år, som balanseføres. Per 31. oktober 2021 er balanseførte renter kr 8 231 118 mot kr 7 776 433 i 2020.

Note 7 Skattekostnad

Arets skattekostnad fremkommer slik:	2021	2020
Betalbar skatt	-	1 336 021
Endring i utsatt skatt	-293 925	-573 244
For lite avsatt skatt tidligere år	-	-535 668
Virkning av endring i skatteregler	-	931 744
Skattekostnad	-293 925	1 158 853
Nominell skattesats	22 %	22 %

Betalbar skatt i balansen fremkommer som følger:

	2021	2020
Arets betalbare skattekostnad	-	1 336 021
Betalbar skatt i balansen	-	1 336 021

Avstemming fra nominell til faktisk skattesats:

	2021	2020	
Arsresultat før skatt	-1 345 785	3 928 048	
Forventet inntektsskatt etter nominell skattesats	22 %	-296 073	864 171
<i>Skatteeffekt av følgende poster:</i>			
Ikke fradragsberettigede renter	2 148	-	
Skattefritt utbytte	-	-15 984 290	
Andre ikke skattefrie inntekter	-	-959	
For mye avsatt skatt tidligere år	-	-535 668	
Virkning av endringer i skatteregler og - satser	-	183 694	
Effekt av nedvurdert utsatt skattefordel	-	16 631 905	
Arets skattekostnad	-293 925	1 158 853	
Effektiv skattesats	22 %	30 %	



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Spesifikasjon av skatteeffekten av midlertidige forskjeller og underskudd til framføring:

	2021	2020
Avskåret rentefradrag	-15 718 891	-15 718 891
Finansielle anleggsmidler		
Varer		
Fordringer	-77 455 503	-77 455 503
Investeringer (omløpsmidler)		
Kortsiktig gjeld		
Langsiktig gjeld		
Underskudd til fremføring	-	-1 336 021
Sum	-93 174 394	-94 510 415
Ikke balanseført utsatt skattefordel	17 040 211	17 040 211
Netto utsatt fordel/forpl. i balansen	-3 458 156	-3 752 081
Nominell skattesats	22 %	22 %

Note 8 Valutagevinster og valutatap

	2021	2020
Valutagevinst	2 732 563	8 616 182
Valutatap	9 972 831	12 929 066
Sum	-7 240 268	-4 312 884

Note 9 Bankinnskudd

Bankinnskudd, kontanter o.l. omfatter bundne skattetrekkmidler med kr. 0,-.



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Verifone Nordic Holding AS

Kontantstrømoppstilling

	01.11.20-31.10.21	01.11.19-31.10.20
KONTANTSTRØMMER FRA OPERASJONELLE AKTIVITETER:		
Årsresultat før skattekostnad	-1 345 785	36 874 467
Periodens betalte skatt	0	-1 336 021
Endring i leverandørgjeld	9 246	1 726 287
Endringer i konsernmellomværender	23 947 918	-39 414 038
Endring i andre omløpsmidler og andre gjeldsposter	-1 336 021	0
Netto kontantstrømmer fra operasjonelle aktiviteter	21 275 358	-2 149 304
KONTANTSTRØMMER FRA INVESTERINGSAKTIVITETER:		
Utbetalinger til investeringer i finansielle anleggsmidler	-19 842 952	0
Netto kontantstrøm fra investeringsaktiviteter	-19 842 952	0
KONTANTSTRØMMER FRA FINANSIERINGSAKTIVITETER:		
Netto nedbetaling av langsiktig konsernintern gjeld	-1 444 808	0
Netto kontantstrøm fra finansieringsaktiviteter	-1 444 808	0
Netto endring i bankinnskudd, kontanter og lignende	-12 402	-2 149 304
Beholdning av bankinnskudd, kontanter og lignende pr 01.11	60 279	2 209 583
Beholdning av bankinnskudd, kontanter og lignende pr 31.10	47 876	60 279



Skatteetaten

Vår dato
24.10.2022

Din/Deres dato
18.10.2022

Saksbehandler
Vibeke Horne

800 80 000
Skatteetaten.no

Din/Deres referanse
AR511533682

Telefon
90518192

Org.nr
974761076

Vår referanse
2022/5860799

Postadresse
Postboks 9200 Grønland
0134 OSLO

VERIFONE NORDIC HOLDING AS
Postboks 73
0508 OSLO

Att. Nina Beate Omlid Tveit

Fritak for konsernregnskapsplikt for Verifone Nordic Holding AS, org.nr. 946 924 563

Vi viser til deres brev av 18. oktober 2022 hvor dere søker om fritak fra plikten til å utarbeide konsernregnskap for Verifone Nordic Holding AS.

Skattekontoret finner med hjemmel i regnskapsloven § 3-7 fjerde ledd å kunne gi tillatelse til at det gjøres unntak for konsernregnskapsplikten for Verifone Nordic Holding AS. Dispensasjonen gjelder så lenge opplysningene som danner grunnlaget for vedtaket ikke endres vesentlig.

Kopi av dette brev må sendes Regnskapsregisteret i Brønnøysund sammen med årsregnskapet mv. Det påligger den regnskapspliktige å dokumentere ved dette brev at tillatelsen er gitt.

Bakgrunn

Verifone Nordic Holding AS er morselskap i et underkonsern, hvor Verifone Systems, Inc. er det ultimate morselskapet og er hjemmehørende i USA. Konsernregnskap utarbeides av Verifone Systems, Inc. på engelsk språk etter USGAAP, hvor Verifone Nordic Holding AS med datterselskaper er omfattet.

Skattekontorets vurdering

Det forutsettes at Verifone Systems, Inc. utarbeider konsernregnskap som omfatter den regnskapspliktige og dennes datterselskaper. Det legges til grunn at dette konsernregnskapet er utarbeidet i samsvar med USGAAP og at kravene i regnskapsloven § 3-7 med forskrifter for øvrig følges. Bestemmelsene i regnskapsloven kapittel 8 gjelder tilsvarende for dette konsernregnskapet.

Når det gjelder hvilket språk morselskapet skal utarbeide konsernregnskapet på, vises det til forskrift av 7. september 2006 nr. 1062 til utfylling og gjennomføring mv. av regnskapsloven. Det følger av § 3-7-1 at konsernregnskapet foruten å være på norsk, kan være på svensk, dansk eller engelsk.

Skattekontoret gir etter en konkret helhetsvurdering tillatelse til at det gjøres unntak for konsernregnskapsplikten.



Vennligst oppgi vår referanse ved henvendelse i saken.

Med hilsen

Vibeke Horne
rådgiver
Brukerdialog, brukerkontakt
Skatteetaten

Dokumentet er elektronisk godkjent og har derfor ikke håndskrevne signaturer.