



ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2020 - GENERELL INFORMASJON

Enheten

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

Regnskapsår

Årsregnskapets periode: 01.11.2019 - 31.10.2020

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: 25.06.2021

Grunnlag for avgivelse

År 2020: Årsregnskapet er elektronisk innlevert
År 2019: Tall er hentet fra elektronisk innlevert årsregnskap fra 2020

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, 28.10.2022



Resultatregnskap

Beløp i: NOK	Note	2020	2019
RESULTATREGNSKAP			
Annen driftsinntekt			
Kostnader			
Annen driftskostnad		520 691	77 731 410
Sum kostnader		520 691	77 731 410
Driftsresultat		-520 691	-77 731 410
Finansinntekter og finanskostnader			
Inntekt på investering i datterselskap		37 205 950	72 655 863
Renteinntekt fra foretak i samme konsern		6 609 622	5 595 844
Annen renteinntekt			4 357
Annen finansinntekt		8 616 182	5 804 416
Sum finansinntekter		52 431 754	84 060 480
Rentekostnad til foretak i samme konsern		2 107 530	2 378 727
Annen finanskostnad		12 929 066	22 295
Sum finanskostnader		15 036 596	2 401 022
Netto finans		37 395 158	81 659 458
Ordinært resultat før skattekostnad		36 874 467	3 928 048
Skattekostnad på ordinært resultat	1		1 158 852
Ordinært resultat etter skattekostnad		36 874 467	2 769 196
Årsresultat		36 874 467	2 769 196
Årsresultat etter minoritetsinteresser		36 874 466	2 769 196
Overføringer og disponeringer			
Avsatt til annen egenkapital		36 874 466	2 769 196
Sum overføringer og disponeringer		36 874 466	2 769 196



Balanse

Beløp i: NOK	Note	2020	2019
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Utsatt skattefordel	1	3 458 156	3 458 156
Sum immaterielle eiendeler		3 458 156	3 458 156
Finansielle anleggsmidler			
Investering i annet foretak i samme konsern		302 106 369	302 106 369
Andre langsiktige fordringer		182 893 739	170 811 721
Sum finansielle anleggsmidler		485 000 108	472 918 090
Sum anleggsmidler		488 458 264	476 376 246
Omløpsmidler			
Varer			
Fordringer			
Andre kortsiktige fordringer		39 554 282	37 317 731
Sum fordringer		39 554 282	37 317 731
Bankinnskudd, kontanter og lignende			
Bankinnskudd, kontanter o.l.		60 279	2 209 583
Sum bankinnskudd, kontanter og lignende		60 279	2 209 583
Sum omløpsmidler		39 614 561	39 527 314
SUM EIENDELER		528 072 825	515 903 560
BALANSE - EGENKAPITAL OG GJELD			
Egenkapital			
Innskutt egenkapital			
Aksjekapital		242 515	242 515
Overkurs		79 798 052	79 798 052
Sum innskutt egenkapital		80 040 567	80 040 567



Balanse

Beløp i: NOK	Note	2020	2019
Opptjent egenkapital			
Annen egenkapital		409 801 791	372 927 326
Sum opptjent egenkapital		409 801 791	372 927 326
Sum egenkapital		489 842 358	452 967 893
Gjeld			
Langsiktig gjeld			
Utsatt skatt	1		
Annen langsiktig gjeld			
Øvrig langsiktig gjeld		38 020 780	63 116 247
Sum annen langsiktig gjeld		38 020 780	63 116 247
Sum langsiktig gjeld		38 020 780	63 116 247
Kortsiktig gjeld			
Leverandørgjeld		209 686	-1 516 601
Betalbar skatt	1		1 336 021
Annen kortsiktig gjeld			
Sum kortsiktig gjeld		209 686	-180 580
Sum gjeld		38 230 466	62 935 667
SUM EGENKAPITAL OG GJELD		528 072 824	515 903 560



Consolidated Financial Statements

VERIFONE SYSTEMS, INC.

For the Years Ended October 31, 2020 and 2019
With Report of Independent Certified Public Accountants



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VERIFONE SYSTEMS, INC.

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FINANCIAL STATEMENTS

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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, 2020 and 2019, 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, 2020 and 2019, 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

Bellevue, Washington
January 26, 2021



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VERIFONE SYSTEMS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

	Years ended October 31,	
	2020	2019
	(in thousands)	
Net revenues:		
Systems	\$ 731,346	\$ 950,037
Services	638,014	613,558
Total net revenues	1,369,360	1,563,595
Cost of net revenues:		
Systems	485,868	633,690
Services	322,176	325,059
Amortization of purchased intangible assets	95,687	86,980
Impairment of purchased intangible asset	—	21,500
Restructuring charges	4,059	6,545
Total cost of net revenues	907,790	1,073,774
Gross margin	461,570	489,821
Operating expenses:		
Research and development	158,897	177,147
Sales and marketing	106,894	122,505
General and administrative	122,469	151,182
Restructuring charges	14,192	14,963
Acquisition related	11,204	19,084
Amortization of purchased intangible assets	131,230	134,097
Total operating expenses	544,886	618,978
Operating loss	(83,316)	(129,157)
Interest expense, net	(160,609)	(164,657)
Other income (expense), net	(7,444)	13,827
Loss before income taxes	(251,369)	(279,987)
Income tax provision (benefit)	(2,453)	22,610
Consolidated net loss	(248,916)	(302,597)
Net loss attributable to noncontrolling interests	(4,265)	(10,916)
Net loss attributable to VeriFone Systems, Inc. stockholders	<u>\$ (244,651)</u>	<u>\$ (291,681)</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,	
	2020	2019
	(in thousands)	
Consolidated net loss	\$ (248,916)	\$ (302,597)
Other comprehensive loss, net of tax:		
Foreign currency translation adjustments	(54,169)	(54,165)
Unrealized loss on derivatives designated as cash flow hedges		
Change in unrealized loss on derivatives designated as cash flow hedges	(53,345)	(59,366)
Amounts reclassified from Accumulated other comprehensive loss	35,507	8,054
Net change in unrealized loss on derivatives designated as cash flow hedges	(17,838)	(51,312)
Net change in other	2,045	(3,277)
Other comprehensive loss	(69,962)	(108,754)
Total comprehensive loss	(318,878)	(411,351)
Less: Comprehensive loss attributable to noncontrolling interests, net of tax	(1,980)	(12,853)
Comprehensive loss attributable to VeriFone Systems, Inc. stockholders	<u>\$ (316,898)</u>	<u>\$ (398,498)</u>

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,	
	2020	2019
	(in thousands, except par value)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 110,824	\$ 203,850
Accounts receivable, net of allowances of \$4,340 and \$2,109, respectively	234,041	262,308
Inventories	115,442	149,582
Prepaid expenses and other current assets	138,922	106,398
Total current assets	599,229	722,138
Property and equipment, net	88,893	93,826
Purchased intangible assets, net	1,451,767	1,572,677
Goodwill	1,590,590	1,532,958
Deferred tax assets, net	13,575	4,845
Other long-term assets	80,876	83,744
Total assets	\$ 3,824,930	\$ 4,010,188
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	\$ 140,132	\$ 205,736
Accruals and other current liabilities	362,969	327,520
Contract liabilities	54,559	54,096
Short-term debt	70,437	22,322
Total current liabilities	628,097	609,674
Long-term contract liabilities	33,312	35,507
Deferred tax liabilities, net	216,017	217,721
Long-term debt	2,068,098	2,080,027
Other long-term liabilities	99,194	106,862
Total liabilities	3,044,718	3,049,791
Stockholders' equity:		
Common Stock: \$0.001 par value, 1,000 shares authorized, issued and outstanding	—	—
Additional paid-in capital	1,698,172	1,543,296
Accumulated deficit	(788,387)	(547,374)
Accumulated other comprehensive loss	(162,693)	(92,221)
Total stockholders equity	747,092	903,701
Noncontrolling interests in subsidiaries	33,120	56,696
Total equity	780,212	960,397
Total liabilities and equity	\$ 3,824,930	\$ 4,010,188

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 interest in subsidiaries	Total Equity
	Shares	Amount						
	(In thousands)							
Balance as of October 31, 2018	1	\$ —	\$ 1,537,274	\$ (256,244)	\$ 14,596	\$ 1,295,626	\$ 34,550	\$ 1,330,176
Stock-based compensation expense	—	—	5,750	—	—	5,750	11,262	17,012
Dividends paid to noncontrolling interest stockholders	—	—	—	—	—	—	(2,791)	(2,791)
Cumulative effect of change in accounting principle	—	—	—	551	—	551	—	551
Addition of noncontrolling interest on business combination	—	—	—	—	—	—	26,800	26,800
Adjustment on redemption of noncontrolling interest	—	—	272	—	—	272	—	272
Total comprehensive loss	—	—	—	(291,681)	(106,817)	(398,498)	(13,125)	(411,623)
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)
Cumulative effect of change in accounting principle	—	—	—	3,638	—	3,638	—	3,638
Capital contribution from the investor group	—	—	143,067	—	—	143,067	—	143,067
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

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



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VERIFONE SYSTEMS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended October 31,	
	2020	2019
	(in thousands)	
Cash flows from operating activities		
Consolidated net loss	\$ (248,916)	\$ (302,597)
Adjustments to reconcile consolidated net loss to net cash provided by operating activities:		
Depreciation	36,763	39,113
Amortization of purchased intangible assets	226,917	221,077
Stock-based compensation expense	9,314	17,012
Amortization of debt issuance costs	16,006	16,426
Non-cash gain on investment	—	(12,319)
Impairment of purchased intangible asset	—	21,500
Deferred income tax	(23,557)	(20,147)
Other	6,424	2,867
Net cash provided by (used in) operating activities before changes in operating assets and liabilities	22,951	(17,068)
Changes in operating assets and liabilities:		
Accounts receivable, net	37,324	(15,226)
Inventories	30,308	19,639
Prepaid expenses and other assets	16,467	(5,143)
Accounts payable	(61,262)	38,684
Contract liabilities	(1,651)	5,080
Other current and long-term liabilities	(34,320)	(13,334)
Net change in operating assets and liabilities	(13,134)	29,700
Net cash provided by operating activities	9,817	12,632
Cash flows from investing activities		
Capital expenditures	(31,099)	(22,867)
Acquisitions of businesses, net of cash and cash equivalents acquired	(43,857)	(76,610)
Other investing activities, net	(11,496)	(6,628)
Net cash used in investing activities	(86,452)	(106,105)
Cash flows from financing activities		
Proceeds from debt, net of issuance costs	386,000	680,732
Repayments of debt	(359,808)	(492,727)
Capital contribution from the investor group	35,000	—
Other financing activities, net	(34,721)	(4,187)
Net cash provided by financing activities	26,471	183,818
Effect of foreign currency exchange rate changes on cash, cash equivalents and restricted cash	(1,584)	(2,434)
Net increase (decrease) in cash, cash equivalents and restricted cash	(51,748)	87,911
Cash, cash equivalents and restricted cash, beginning of period	222,382	134,471
Cash, cash equivalents and restricted cash, end of period	\$ 170,634	\$ 222,382
Supplemental disclosures of cash flow information		
Cash paid for interest	\$ 154,385	\$ 149,140
Cash paid for income taxes	\$ 30,162	\$ 38,350

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 39 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.

VeriFone Systems, Inc. was incorporated in the state of Delaware on June 13, 2002 in order to acquire VeriFone, Inc. on July 1, 2002. VeriFone, Inc. was incorporated in 1981 and became our principal operating subsidiary on July 1, 2002. Effective May 18, 2010, we changed our corporate name from VeriFone Holdings, Inc. to VeriFone Systems, Inc.

On August 20, 2018, we became a privately held company and a wholly-owned subsidiary of Vertex Holdco, Inc. 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, including a variable interest entity where we are deemed to be the primary beneficiary. 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. We have made the election to use a one-month lag to record our share of New China results. 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.



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VERIFONE SYSTEMS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

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.

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. Gains and losses from these remeasurements are recorded as Other income (expense), net in our Consolidated Statements of Operations.

Revenue Recognition

Systems net revenues include net revenues from the sale of products and associated 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. "Point of Sale" (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, warehousing and/or maintenance and support services. We consider the installation, 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 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.

We allocate the transaction price to each distinct performance obligation based on the relative standalone selling price for each performance obligation. Our transaction processing 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.



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VERIFONE SYSTEMS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

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 estimated standalone selling price (ESASP) when allocating arrangement consideration. ESASP is the price at which management estimates that we would enter into a transaction with the customer if the product or service were to be sold by us regularly on a standalone basis. Our determination of ESASP generally employs the expected cost plus margin approach or the adjusted market assessment approach and involves a weighting of several factors based on the specific facts and circumstances of the arrangement.

The factors we consider include the geographies in which the products or services are sold, the anticipated gross margin on that deliverable, the cost to produce the deliverable, economic conditions and market trends, the selling price and gross margin for similar deliverables, and our ongoing pricing strategy and policies.

We analyze ESASP at least annually or on a more frequent basis if a significant change in our business necessitates a more timely analysis or if we experience significant variances in our selling prices.

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 ten 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 billed on a per incident basis are recognized as the services are rendered. Net revenues from fees for payment services are recognized when the payment services are complete.

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.

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

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.

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.

Nature of goods and services

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 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.



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VERIFONE SYSTEMS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

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.

Performance Obligations and Significant Judgments and Estimates in Application of Revenue Recognition

The Company is generally directly responsible for fulfilling its performance obligations in contracts with customers. However, it does frequently rely on another party to fulfill its promise for services such as installation and integration of POS Systems. 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 improve 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.

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.

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.

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*.



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VERIFONE SYSTEMS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

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, 2020. 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.

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.



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

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.

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.



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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 cost method. 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 cost method. 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.

Derivative Financial Instruments

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

Our derivative financial instruments consist primarily of foreign exchange forward and option contracts, which we use to hedge certain existing and anticipated foreign currency denominated transactions, and 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 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. Premiums paid on foreign currency option contracts are recognized to Other income (expense), net in the Consolidated Statements of Operations over the term of the contract. Foreign exchange forward contracts generally mature within 90 days of inception and our foreign currency option contracts expired on January 31, 2020. 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.



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Derivative financial instruments that are not designated as hedging instruments predominantly consist of foreign exchange option contracts used to hedge our planned revenues, cost of revenues and operating expenses denominated in foreign currencies, with the objective of mitigating the volatility associated with foreign currency transactions. Gains and losses arising from changes in the fair values of derivative financial instruments that are not designated as hedging instruments 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.

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.



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VERIFONE SYSTEMS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

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. 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 allocate, as of the acquisition date, all goodwill for that acquisition to the reporting unit that will benefit. Where we have had an acquisition that benefited more than one reporting unit, we have assigned 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 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.



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VERIFONE SYSTEMS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

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

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, 2020 and 2019, no single customer accounted for more than 10% of our total Accounts receivable, net. For fiscal years 2020 and 2019, no single customer accounted for more than 10% of our total Net revenues.

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, 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 year 2020 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:



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VERIFONE SYSTEMS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

- 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.

Reclassifications

Certain immaterial prior period amounts have been reclassified to conform to the current financial statement presentation.

Recently Adopted Accounting Pronouncements

During January 2016, the FASB issued ASU 2016-01, Financial Instruments - Overall: Recognition and Measurement of Financial Assets and Financial Liabilities, which provides new guidance on the recognition, measurement, presentation, and disclosure of financial assets and liabilities. The Company adopted the ASU November 1, 2019. The adoption of the ASU did not have material on the Company's results of operations.

In October 2016, the FASB issued ASU 2016-16, "Income Taxes (Topic 740), Intra-Entity Transfers of Assets Other Than Inventory." This ASU requires the immediate recognition of current and deferred income tax effects of intra-entity transfers of assets other than inventory. We adopted the ASU on November 1, 2019. As a result of our adoption of the new standard, we recorded a net reduction of \$3.6 million in opening accumulated deficit as of November 1, 2019, with a corresponding increase to deferred tax assets related to tax over financial reporting basis of intra-entity transfers of assets other than inventory. The Company will recognize the income tax consequences of new intra-entity transfers of assets other than inventory in the consolidated statements of operations in the period when the transaction takes place.

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 presented. We are continuing to evaluate our adoption timing and the impact of this new pronouncement on our consolidated financial position and results of operations. We expect that this new standard will have a material impact on our balance sheet and are in the process of evaluating whether adoption may impact the timing of revenue recognition on certain leases of equipment to our customers.

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.



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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 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 amendments also improve consistent application of and simplify US GAAP for other areas of Topic 740 by clarifying and amending existing guidance. ASU 2019-12 will be effective for the Company's fiscal year beginning November 1, 2021, with early adoption permitted. We are currently in the process of evaluating our adoption timing, but do not believe the adoption of ASU-2019-12 will have a material impact on the Company's financial statements.

Note 2. Business Combinations

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 Verifone'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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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.

Fiscal Year 2019

In fiscal year 2019, we completed three business combinations for an aggregate purchase consideration of \$124.6 million which included \$76.6 million paid at acquisition net of cash acquired. The aggregate purchase consideration includes \$5.3 million of holdback payments for two of the acquired entities that will be paid between 3 to 36 months from the respective acquisition date, and \$6.8 million of holdback payments which are contingent upon the continued employment of certain employees with the Company. Holdback payments contingent upon the continued employment of certain employees will be recognized as compensation expense over the service period.

We acquired these businesses to expand our unattended point-of-sale product line, hardware development and distribution in China and e-commerce payment services in Europe. Each acquisition was accounted for using the acquisition method of accounting.

In the acquisition of VeriFone Systems (China), Inc. ("China business"), consideration was paid to current China employees for stock awards accelerated upon the close of the acquisition. The award modification was executed in contemplation of the acquisition, therefore, we accounted for the consideration separate of the business combination. Compensation expense of \$7.2 million was recognized in fiscal year 2019 related to the consideration paid to the China employees.

No Verifone equity was issued, and in each transaction all the outstanding equity of the applicable business was acquired, except for China business, in which we increased our ownership from 30% to 51%. The acquisition date fair value of Verifone's existing cost method investment in the China business at the acquisition date was \$28.1 million. We recognized a gain of \$10.5 million on the remeasurement of existing investment in the China business in Other income (expense), net in our Consolidated Statements of Operations. We used the multi-period excess earnings approach to value Verifone's existing investment in the China business adjusted to include the value of Verifone's preferential dividend and liquidation rights; to exclude assumed synergies of the combined businesses and account for the lack of marketability of the existing minority investment. We applied a discount rate of 17% to the China business future financial performance and expected cash flows from Verifone's preferential



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

dividend and liquidation rights. We estimated long-term growth rate of 3% to arrive at the estimated terminal values. We used the Finnerty put model to set the marketability discount rate at 11.5%.

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

	<u>Zivelo</u>	<u>China Business</u>	<u>Dimebox</u>	<u>Total</u>
	August 20, 2019	December 3, 2018	November 16, 2018	
Acquisition date				
Assets acquired (liabilities assumed), net ⁽¹⁾	\$(11,206)	\$ 10,926	\$ 412	\$ 132
Intangible assets ⁽²⁾	37,850	47,000	4,170	89,020
Noncontrolling interest in subsidiaries ⁽³⁾	—	(26,800)	—	(26,800)
Goodwill ⁽⁴⁾	31,771	14,565	15,895	62,231
Total purchase price	<u>\$ 58,415</u>	<u>\$ 45,691</u>	<u>\$ 20,477</u>	<u>\$ 124,583</u>

(1) Asset acquired (liabilities assumed), net include acquired cash of \$12.0 million, accounts receivable of \$26.7 million and inventories of \$19.9 million less assumed accounts payable and other current liabilities of \$37.6 million and deferred tax liabilities of \$20.9 million.

(2) Intangible assets included acquired technology of \$66.3 million, customer relationships of \$12.4 million and other intangibles of \$10.3 million. The weighted average amortization period was 6.7 years for acquired technology, 3.4 years for customer relationship and 4.9 years for other intangibles.

(3) We used the multi-period excess earnings approach to value noncontrolling interest adjusted to exclude the value of Verifone's preferential dividend and liquidation rights and account for the lack of marketability of the existing minority investment.

(4) 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 product offerings of the acquired business with our product offerings.

The China business did not meet the characteristics of a VIE as the entity has sufficient equity at risk to finance its activities and the equity holders as a group have controlling financial interests in the entity. We determined that since we have a voting interest greater than 50%, and the other equity holders do not have substantive participating rights, our investment in the China business is a controlling financial interest. Consequently, we consolidate the entity and reflect the noncontrolling interest in our financial statements as of the acquisition date.

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 2020 and 2019, we contributed \$9.3 million and \$10.2 million to these plans.

We have defined benefit pension plans, as required by local laws, for our employees in certain countries, primarily Germany and Taiwan, and non-retirement post-employment benefit plans for our employees in certain countries, primarily Germany and Israel. 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 14.6 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 0.7 million and 7.0 million and performance



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

based stock options of 0.7 million and 7.6 million were granted to key employees, directors, and other service providers of the Company during the fiscal years 2020 and 2019.

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.

Stock option awards are granted with an exercise price equal to 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 2020:

	Number of Shares (in thousands)	Weighted Average Exercise Price (per share)	Weighted Average Remaining Contractual Term (in years)
Outstanding at beginning of period	13,878	\$ 10.46	
Granted	1,539	\$ 10.32	
Exercised	(21)	\$ 10.00	
Canceled	(6,246)	\$ 10.71	
Expired	(1,331)	\$ 11.49	
Outstanding at end of period	<u>7,819</u>	\$ 10.06	8.43
Vested or expected to vest at October 31, 2020	<u>5,223</u>	\$ 10.05	8.38
Exercisable at October 31, 2020	<u>1,843</u>	\$ 10.01	8.17

As of October 31, 2020, 6.7 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,	
	2020	2019
Expected term (in years)	6.11	5.85
Risk-free interest rate	0.84 %	2.52 %
Expected dividend rate	— %	— %
Expected stock price volatility	30.0 %	25.3 %

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 its shares are not traded publicly.



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VERIFONE SYSTEMS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

- 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, 2020 and October 31, 2019, total unrecognized stock-based compensation expense for unvested common options was \$8.9 million and \$12.4 million and is expected to be recognized over a weighted average period of approximately 6.0 years and 6.9 years. The weighted-average grant-date fair value for stock options granted during the fiscal year ended October 31, 2020 was \$3.12.

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 received 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,	
	2020	2019
Cost of net revenues	\$ 535	\$ 650
Research and development	835	997
Sales and marketing	1,866	1,810
General and administrative	6,078	13,555
Total stock-based compensation expense	<u>\$ 9,314</u>	<u>\$ 17,012</u>

The stock based compensation expense includes \$4.2 million and \$11.3 million of expense in 2020 and 2019 for the stock awards related to the acquisition of the China business. See Note 2 for more information.

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.



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

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.

Note 4. Income Taxes

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

	<u>Years ended October 31,</u>	
	<u>2020</u>	<u>2019</u>
United States	\$ (347,192)	\$ (428,898)
Foreign	95,823	148,911
Income (loss) before income taxes	<u>\$ (251,369)</u>	<u>\$ (279,987)</u>

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

	<u>Years Ended October 31,</u>	
	<u>2020</u>	<u>2019</u>
Current:		
Federal	\$ (2,984)	\$ 4,118
State	47	463
Foreign	24,041	38,176
Total current provision for income taxes	<u>21,104</u>	<u>42,757</u>
Deferred:		
Federal	(2,309)	(1,312)
State	(230)	1,564
Foreign	(21,018)	(20,399)
Total deferred benefit from income taxes	<u>(23,557)</u>	<u>(20,147)</u>
Income tax provision (benefit)	<u>\$ (2,453)</u>	<u>\$ 22,610</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):

	<u>Years Ended October 31,</u>	
	<u>2020</u>	<u>2019</u>
Provision for (benefit from) income taxes computed at the federal statutory rate	\$ (52,788)	\$ (58,797)
State income tax, net of federal tax benefit	(160)	1,278
Foreign income taxes at other than U.S. rates	(3,774)	4,664
Valuation allowance, net	53,435	(75,161)
Foreign exchange	154	255
Research credit	(703)	(742)
Unrecognized tax benefit	(1,028)	148,638
Other	2,411	2,475
Income tax provision (benefit)	<u>\$ (2,453)</u>	<u>\$ 22,610</u>



VERIFONE SYSTEMS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

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. The Company anticipates that, as a result of the CARES Act, some of the net operating losses generated in 2018 will be carried back to prior taxable years resulting in tax benefits. We will continue to evaluate the potential impact of the CARES Act.

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,	
	2020	2019
Deferred tax assets:		
Loss carry forwards	\$ 139,459	\$ 119,942
Basis differences in deductible goodwill and purchased intangibles	18,199	23,965
Foreign tax credit carry forwards	23,482	1,087
Accrued expenses and reserves	34,921	42,855
Contract liabilities	8,041	13,020
Unrealized foreign currency losses	12,244	6,437
R&D credit carry forwards	8,497	3,001
Interest carry forwards	63,822	35,461
Inventories	17,673	13,149
Tax effects on OCI	16,646	13,141
Other deferred tax assets	15,222	10,100
Total deferred tax assets	358,206	282,158
Valuation allowance	(309,799)	(245,656)
Deferred tax liabilities:		
Basis differences on purchased intangibles	(162,223)	(166,759)
Basis differences in investments in foreign subsidiaries	(73,707)	(66,178)
Other deferred tax liabilities	(14,919)	(16,441)
Total deferred tax liabilities	(250,849)	(249,378)
Net deferred tax liabilities	\$ (202,442)	\$ (212,876)

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. Therefore, in fiscal 2013, we established a \$245.0 million valuation allowance against a significant portion of our deferred tax assets, including U.S. federal and state deferred tax assets, as well as certain other foreign deferred tax assets. 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.



VERIFONE SYSTEMS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The valuation allowance increased by \$64.1 million in fiscal year 2020 primarily due to increased tax attributes as a result of current year losses.

The tax loss carry forwards as of October 31, 2020 were related primarily to tax losses of \$971.8 million in the U.S. federal jurisdiction, of which \$484.2 million can be carried forward indefinitely, \$140.2 million in Ireland, \$15.1 million in Romania \$63.5 million in France, \$15.9 million in Netherlands, \$16.4 million in the Hong Kong, \$6.7 million in Germany and \$39.8 million in various other non-U.S. countries. Approximately \$250.2 million of foreign tax losses may be carried forward indefinitely. The remaining approximately \$47.4 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 \$490.7 million that will expire at various dates beginning in fiscal year 2021 if not utilized.

Due to our acquisition by the Investor group in FY18, 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, 2020, we have recorded U.S. foreign tax credit carry forwards of \$49.1 million which will expire at various dates beginning in fiscal year 2021, if not utilized. In addition, we have recorded U.S. federal and state research and development tax credit carry forwards of \$17.1 million and \$4.6 million, respectively, which will expire at various dates beginning in fiscal year 2028, 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 \$399.9 million at the foreign exchange rate as of October 31, 2020). 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 \$646.9 million at the foreign exchange rate as of October 31, 2020) or alternatively 2.23 billion New Israeli Shekels in fiscal year 2008 (approximately \$655.7 million at the foreign exchange rate as of October 31, 2020) 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 \$411.7 million at the foreign exchange rate as of October 31, 2020), if the claim was assessed for fiscal year 2009, to 1.65 billion New Israeli Shekels (approximately \$485.2 million at the foreign exchange rate as of October 31, 2020) 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, 2020. The Israeli Tax Authorities' contention regarding secondary adjustments relating to deemed dividend was not quantified by them.

We continue to believe the Israeli Tax Authorities' assessment position is without merit and appealed the assessment to the district court. 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.

The Israeli Tax Authorities has issued tax assessments in October 2017 and 2018 for fiscal years 2011-2012 and 2013-2014 that include secondary adjustments relating to a deemed dividend and/or interest with respect to the contention concerning business restructuring in 2008 or 2009. The Israeli Tax Authorities' contention regarding secondary adjustments relating to deemed dividend was not quantified by them. We have filed our objection to the assessments.



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 2016, India for fiscal years 2009 to 2016, Romania for 2011-2015, Indonesia for 2017-2018, and Singapore for 2018. Although we believe we have appropriately provided for income taxes for the years subject to audit, the Turkey, Germany, India, Romania, Indonesia, and Singapore 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. With few exceptions, we are no longer 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,	
	2020	2019
Balance at beginning of period	\$ 301,589	\$ 116,569
Lapse of statute of limitations	(15,054)	(2,063)
Increases in balances related to tax positions taken during prior periods	18,199	184,056
Decreases in balances related to tax positions taken during prior periods	(6,396)	(5,476)
Increases in balances related to tax positions taken during current period	5,039	9,523
Settlements	(1,060)	(1,020)
Balance at end of period	<u>\$ 302,317</u>	<u>\$ 301,589</u>

Of the total \$302.3 million gross unrecognized tax benefits, \$30.2 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, 2020, we have accrued \$5.5 million for the payment of interest and penalties related to unrecognized tax benefits.



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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>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 110,824	\$ 203,850
Restricted cash included in Prepaid expenses and other current assets	58,976	17,085
Restricted cash included in Other long-term assets	834	1,447
Total cash, cash equivalents and restricted cash	<u>\$ 170,634</u>	<u>\$ 222,382</u>

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

As of October 31, 2020 and 2019, \$85.8 million and \$154.6 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>2020</u>	<u>2019</u>
Balance at beginning of period	\$ 2,109	\$ 616
Charges to bad debt expense	1,451	1,821
Write-offs, recoveries, and adjustments	780	(328)
Balance at end of period	<u>\$ 4,340</u>	<u>\$ 2,109</u>

Inventories

Inventories consisted of the following (in thousands):

	<u>Years Ended October 31,</u>	
	<u>2020</u>	<u>2019</u>
Raw materials	\$ 35,436	\$ 45,728
Work-in-process	588	766
Finished goods	79,418	103,088
Total inventories	<u>\$ 115,442</u>	<u>\$ 149,582</u>



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

Prepaid Expenses and Other Current Assets

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

	<u>Years Ended October 31,</u>	
	<u>2020</u>	<u>2019</u>
Prepaid expenses	\$ 42,358	\$ 49,980
Prepaid tax	33,153	29,715
Restricted cash	58,975	17,085
Other current assets	4,436	9,618
Total prepaid expenses and other current assets	<u>\$ 138,922</u>	<u>\$ 106,398</u>

Property and Equipment, Net

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

	<u>Estimated Useful Life (Years)</u>	<u>Years Ended October 31,</u>	
		<u>2020</u>	<u>2019</u>
Revenue generating assets	5	\$ 81,324	\$ 70,522
Computer hardware and software	3-5	33,354	24,484
Machinery and equipment	3-10	43,389	15,869
Leasehold improvements	Lesser of the term of the lease or the estimated useful life	20,449	16,386
Office equipment, furniture, and fixtures	3-5	6,621	6,056
Buildings	50	1,852	1,852
Total depreciable property and equipment, at cost		<u>186,989</u>	<u>135,169</u>
Accumulated depreciation		<u>(106,908)</u>	<u>(49,102)</u>
Depreciable property and equipment, net		80,081	86,067
Construction in progress		7,642	6,589
Land		1,170	1,170
Total property and equipment, net		<u>\$ 88,893</u>	<u>\$ 93,826</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,	
	2020	2019
Accrued expenses	\$ 86,132	\$ 69,170
Merchant payable	71,332	13,884
Other current liabilities	66,288	69,996
Accrued compensation	45,593	49,252
Interest rate swap liabilities	41,754	16,810
Accrued interest	18,745	26,692
Accrued contingent liabilities	17,703	30,042
Accrued restructuring	15,422	51,674
Total accruals and other current liabilities	<u>\$ 362,969</u>	<u>\$ 327,520</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,	
	2020	2019
Balance at beginning of period	\$ 7,332	\$ 11,041
Warranty charged to Cost of net revenues	9,850	6,290
Utilization of warranty accrual and others	<u>(9,931)</u>	<u>(9,999)</u>
Balance at end of period	7,251	7,332
Less: current portion	<u>(6,529)</u>	<u>(6,673)</u>
Long-term portion	<u>\$ 722</u>	<u>\$ 659</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, 2018	\$ 15,985	\$ (2,864)	\$ 1,475	\$ 14,596
Losses before reclassifications, net of tax	(54,165)	(59,366)	(2,631)	(116,162)
Amounts reclassified from Accumulated other comprehensive loss, net of tax	1,937	8,054	(646)	9,345
Other comprehensive loss	(52,228)	(51,312)	(3,277)	(106,817)
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 from 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	<u>\$ (92,697)</u>	<u>\$ (72,014)</u>	<u>\$ 2,018</u>	<u>\$ (162,693)</u>

(1) Amounts reclassified from Accumulated other comprehensive loss, net of tax, were recorded in Redeemable noncontrolling interest in subsidiary and 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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Note 6. Financial Instruments

Fair Value Measurements

Our financial assets and liabilities consist principally of cash, accounts receivable, accounts payable, debt, foreign exchange forward and option contracts, 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. Foreign exchange forward and option contracts and interest rate swaps are recorded at estimated fair value on a recurring basis.

Assets and Liabilities Measured and Recorded at Fair Value on a Recurring Basis

The following tables present our significant assets and liabilities that are measured at fair value on a recurring basis and their classification within the fair value hierarchy (in thousands). There were no transfers in fair value hierarchy in the fiscal years ended October 31, 2020 and 2019.

	October 31, 2020				October 31, 2019			
	Carrying Value	Level 1	Level 2	Level 3	Carrying Value	Level 1	Level 2	Level 3
Assets								
Other current and long-term assets:								
Foreign exchange option contracts not designated as hedging instruments	\$ —	\$ —	\$ —	\$ —	\$ 403	\$ —	\$ 403	\$ —
Total assets measured and recorded at fair value	\$ —	\$ —	\$ —	\$ —	\$ 403	\$ —	\$ 403	\$ —
Liabilities								
Other current and long-term liabilities:								
Interest rate swap agreements designated as cash flow hedges	\$79,964	\$ —	\$79,964	\$ —	\$56,099	\$ —	\$56,099	\$ —
Total liabilities measured and recorded at fair value	\$79,964	\$ —	\$79,964	\$ —	\$56,099	\$ —	\$56,099	\$ —

Derivative Financial Instruments

Foreign Exchange Option Contracts Not Designated as Hedging Instruments

We use foreign currency option contracts to hedge our planned revenues, cost of revenues and operating expenses denominated in foreign currencies, with the objective of mitigating the volatility associated with foreign currency transactions. These hedges typically have maturities of less than one year. The notional amounts of such contracts outstanding as of October 31, 2019 was \$10.2 million. We had no contracts outstanding as of October 31, 2020. Gains and losses on foreign exchange forward contracts not designated as hedging instruments for the fiscal year ended October 31, 2020 and 2019 was not material.



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

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, 2020, 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) \$790.0 million at 2.689% from June 24, 2019 through November 30, 2022
- (ii) \$430.9 million at 2.693% from June 24, 2019 through November 30, 2022
- (iii) \$215.4 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, 2020, 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 \$48.3 million. The derivative loss reclassified from Accumulated other comprehensive loss to Interest expense, net was \$35.5 million and \$8.1 million for the fiscal year ended October 31, 2020 and 2019.

Cash Flows Attributed to Interest Rate Swaps

For the fiscal year ending October 31, 2020 and 2019, we paid interest expense of \$26.5 million and \$2.4 million on the interest rate swap agreements modified June 24, 2019. These cash payments are included in Other financial 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 39.3% equity interest in Gas Media Holdings, LLC ("Gas Media") at October 31, 2020 and 2019. 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 \$44.0 million and \$42.5 million as of October 31, 2020 and 2019 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, 2020 was \$1.6 million and our share of the loss in the equity method investments for the fiscal year ended October 31, 2019 was \$1.6 million. Our basis difference between the equity method investments and the carrying value of underlying equity in net assets is \$32.4 million and \$30.2 million as of October 31, 2020 and October 31, 2019, 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.



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

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, 2020, 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 \$42.1 million and \$40.0 million as of October 31, 2020 and 2019. Summarized financial information for Gas Media as of September 30, 2020 and 2019 and for the twelve month periods ending September 30, 2020 and 2019 is presented in the following table (in thousands):

	<u>Years Ended September 30,</u>	
	<u>2020</u>	<u>2019</u>
Acquired intangible assets	\$ 46,911	\$ 53,185
Goodwill	92,462	92,462
Term loan	(45,268)	(49,209)
Other assets, net	12,987	5,206
Total assets, net	<u>\$ 107,092</u>	<u>\$ 101,644</u>

	<u>Twelve Months Ended</u> <u>September 30,</u>	
	<u>2020</u>	<u>2019</u>
Revenues	\$ 45,719	\$ 51,968
Operating income (loss)	2,868	(1,431)
Net Income (loss)	5,505	(4,232)

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, 2020 and 2019 consisted of the following (in thousands):

	<u>Years Ended October 31,</u>	
	<u>2020</u>	<u>2019</u>
Balance at the beginning of period	\$ 1,532,958	\$ 1,491,313
Acquisitions	101,433	62,231
Currency translation adjustments	(43,801)	(20,586)
Balance at the end of period	<u>\$ 1,590,590</u>	<u>\$ 1,532,958</u>



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

During the fourth quarter of fiscal year 2020, we completed our annual impairment assessment and concluded that there was no impairment to goodwill. We used the quantitative method in our 2020 annual assessment related to both of our reporting units.

Purchased Intangible Assets, Net

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

	October 31, 2020			October 31, 2019		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Customer relationships	\$ 1,213,766	\$ (258,245)	\$ 955,521	\$ 1,171,631	\$ (145,852)	\$ 1,025,779
Developed technology	545,625	(187,912)	357,713	462,615	(101,829)	360,786
Trade name	159,136	(23,335)	135,801	158,800	(12,693)	146,107
IPR&D	—	—	—	38,659	—	38,659
Other	3,148	(416)	2,732	1,400	(54)	1,346
Total	\$ 1,921,675	\$ (469,908)	\$ 1,451,767	\$ 1,833,105	\$ (260,428)	\$ 1,572,677

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.

Activity related to the gross carrying amount of purchased intangible assets during the fiscal year ended October 31, 2019 includes \$93.3 million in acquisition additions offset by \$21.6 million in currency translation adjustment and an impairment charge of \$21.5 million related to the permanent decline in the estimated fair value of an in-process research and development intangible asset. Activity related to accumulated amortization amount of purchased intangible assets during the fiscal year ended October 31, 2019 included \$221.1 million in amortization offset by \$1.6 million in currency translation adjustment.

Amortization of purchased intangible assets was allocated as follows (in thousands):

	Years Ended October 31,	
	2020	2019
Included in Cost of net revenues	\$ 95,687	\$ 86,980
Included in Operating expenses	131,230	134,097
Total amortization of purchased intangible assets	\$ 226,917	\$ 221,077



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

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, 2020, is estimated as follows (in thousands):

	<u>Cost of Net Revenues</u>	<u>Operating Expenses</u>	<u>Total</u>
Fiscal Years Ending October 31:			
2021	\$ 103,394	\$ 138,025	\$ 241,419
2022	101,529	135,508	237,037
2023	86,949	133,883	220,832
2024	43,750	132,543	176,293
2025	13,032	132,198	145,230
Thereafter	9,059	421,897	430,956
Total future amortization expense	<u>\$ 357,713</u>	<u>\$ 1,094,054</u>	<u>\$ 1,451,767</u>

Note 9. Financings

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

	<u>Years ended October 31,</u>	
	<u>2020</u>	<u>2019</u>
Credit Agreements		
First lien term loan	\$ 2,133,593	\$ 2,155,365
Revolving credit facility	49,000	—
Capital leases and other debt	301	1,321
Total principal payments due	<u>2,182,894</u>	<u>2,156,686</u>
Less: original issue discount and debt issuance costs	(44,359)	(54,337)
Total amounts outstanding	2,138,535	2,102,349
Less: current portion	(70,437)	(22,322)
Long-term portion	<u>\$ 2,068,098</u>	<u>\$ 2,080,027</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.

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.



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

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.

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, 2020. 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. 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, 2020, 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, 2020, the monthly market interest rate was 0.25% on the first lien term loan with an applicable margin of 4.0%.

As of October 31, 2020, 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 \$188.7 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:	
2021	\$ 70,837
2022	21,794
2023	21,795
2024	21,796
2025	2,046,534
Thereafter	138
Total	<u><u>\$ 2,182,894</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>2020</u>	<u>2019</u>
Contract Assets:		
Contract assets- current	\$ 2,006	\$ 4,035
Contract assets- long term	385	888
Total contract assets	<u><u>\$ 2,391</u></u>	<u><u>\$ 4,923</u></u>
Contract Liabilities:		
Contract liabilities- current	\$ 54,559	\$ 54,096
Contract liabilities- long term	33,312	35,507
Total contact liabilities	<u><u>\$ 87,871</u></u>	<u><u>\$ 89,603</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 2021.

Activity related to our restructuring accruals for the fiscal years ended October 31, 2020 and 2019 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, 2018	\$ 641	\$ 34,312	\$ 56,217	\$ 91,170
Charges, net of adjustments	6,387	15,121	—	21,508
Cash payments	(5,388)	(36,778)	(15,593)	(57,759)
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	<u>\$ 3,102</u>	<u>\$ 10,121</u>	<u>\$ 4,501</u>	<u>\$ 17,724</u>
Cumulative costs to date	<u>\$ 10,504</u>	<u>\$ 111,711</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, 2020, \$2.5 million was accrued in other current liabilities for the total remaining commitment that is not expected to have any future value to us.

Restructuring charges were allocated as follows (in thousands):

	<u>Years Ended October 31,</u>	
	<u>2020</u>	<u>2019</u>
Included in Cost of net revenues	\$ 4,059	\$ 6,545
Included in Operating expenses	14,192	14,963
Total restructuring charges	<u>\$ 18,251</u>	<u>\$ 21,508</u>

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, 2020 were as follows (in thousands):

Years Ending October 31:	Minimum Lease Payments	Sublease Rental Income	Net Minimum Lease Payments
2021	\$ 20,868	\$ (1,829)	\$ 19,039
2022	17,911	(1,882)	16,029
2023	14,866	(1,781)	13,085
2024	9,662	—	9,662
2025	7,249	—	7,249
Thereafter	8,157	—	8,157
Total	<u>\$ 78,713</u>	<u>\$ (5,492)</u>	<u>\$ 73,221</u>

Facility and other rent expense for the year ended October 31, 2020 and 2019 was \$20.9 million and \$22.3 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, 2020, the amount of purchase commitments issued to contract manufacturers and component suppliers totaled approximately \$104 million. Of this amount, \$2.5 million has been recorded in Accruals and other current liabilities in our Consolidated Balance Sheets because these commitments are not expected to have future value to us.

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, 2020, the maximum amount that may become payable under these guarantees was \$25.1 million, of which \$1.7 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, 2020, 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, 2020, 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.

Sarah Brand and Oren Ganor v. Casponet Ltd. Israel

On August 14, 2018, a class-action complaint was filed against Casponet Ltd. in Israel claiming that Mx760 payment terminals built into ATMs 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 and opposing an accompanying class-certification motion. The next hearing in this matter is scheduled on February 1, 2021.

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. Discovery is proceeding in both cases. Claim construction hearings are scheduled on September 9, 2021 and February 10, 2022, and trials are scheduled to begin on November 28, 2022, and April 10, 2023, in the two cases respectively.

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.

Income Tax Uncertainties

As of October 31, 2020, 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, 2020. We are unable to make a reasonably reliable estimate as to when cash settlement with a taxing authority may occur.



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

Note 13. Subsequent events

The Company has evaluated subsequent events through January 26, 2021, 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.



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Årsregnskap

Verifone Nordic Holding AS

2020



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Verifone Nordic Holding AS Resultatregnskap

NOTE	DRIFTSINTEKTER OG DRIFTSKOSTNADER	01.11.19- 31.10.2020	01.11.18- 31.10.19
2, 6	Annen driftskostnad	520 691	77 731 410
	Sum driftskostnader	520 691	77 731 410
	Driftsresultat	-520 691	-77 731 410
	FINANSINTEKTER OG FINANSKOSTNADER		
3	Inntekt på investering i datterselskap og tilknyttet selskap	37 205 950	72 655 863
3, 6	Renteinntekt fra foretak i samme konsern	6 609 622	5 595 844
	Annen renteinntekt	0	4 357
8	Annen finansinntekt	8 616 182	9 773 678
3, 6	Rentekostnad til foretak i samme konsern	-2 107 530	-2 378 727
	Annen rentekostnad	0	-5 078
8	Annen finanskostnad	-12 929 066	-3 986 479
	Netto finansresultat	37 395 158	81 659 457
	Årsresultat før skattekostnad	36 874 467	3 928 048
7	Skattekostnad	0	1 158 853
	ÅRSRESULTAT	36 874 467	2 769 195
	OVERFØRINGER		
5	Overført til annen egenkapital	36 874 467	2 769 195
	Sum overføringer	36 874 467	2 769 195



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Verifone Nordic Holding AS Balanse pr 31. desember

NOTE	EIENDELER	01.11.19- 31.10.20	01.11.18- 31.10.19
	Anleggsmidler		
	Immaterielle eiendeler		
7	Utsatt skattefordel	<u>3 458 156</u>	<u>3 458 156</u>
	Sum immaterielle eiendeler	<u>3 458 156</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>182 893 739</u>	<u>170 811 721</u>
	Sum finansielle anleggsmidler	<u>485 000 107</u>	<u>472 918 089</u>
	Sum anleggsmidler	<u>488 458 264</u>	<u>476 376 246</u>
	Omløpsmidler		
	Fordringer		
	Andre kortsiktige fordringer	<u>39 554 282</u>	<u>39 052 323</u>
	Sum fordringer	<u>39 554 282</u>	<u>39 052 323</u>
9	Bankinnskudd, kontanter og lignende	<u>60 279</u>	<u>2 209 583</u>
	Sum omløpsmidler	<u>39 614 561</u>	<u>41 261 906</u>
	SUM EIENDELER	<u>528 072 824</u>	<u>517 638 151</u>



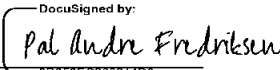
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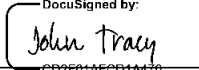
Verifone Nordic Holding AS Balanse pr 31. desember

NOTE	EGENKAPITAL OG GJELD	01.11.19- 31.10.20	01.11.18- 31.10.19
	Egenkapital		
	Innskutt egenkapital		
4, 5	Aksjekapital (242 515 aksjer á kr 1)	242 515	242 515
5	Overkurs	<u>79 798 052</u>	<u>79 798 052</u>
	Sum innskutt egenkapital	<u>80 040 567</u>	<u>80 040 567</u>
	Opptjent egenkapital		
5	Annen egenkapital	<u>409 801 791</u>	<u>372 927 326</u>
	Sum opptjent egenkapital	<u>409 801 791</u>	<u>372 927 326</u>
	Sum egenkapital	<u>489 842 358</u>	<u>452 967 893</u>
	Gjeld		
	Annen langsiktig gjeld		
6	Øvrig langsiktig gjeld	<u>38 020 780</u>	<u>63 116 247</u>
	Sum annen langsiktig gjeld	<u>38 020 780</u>	<u>63 116 247</u>
	Kortsiktig gjeld		
6	Leverandørgjeld	209 686	217 991
7	Betalbar skatt	<u>0</u>	<u>1 336 021</u>
	Sum kortsiktig gjeld	<u>209 686</u>	<u>1 554 012</u>
	Sum gjeld	<u>38 230 466</u>	<u>64 670 259</u>
	SUM EGENKAPITAL OG GJELD	<u>528 072 824</u>	<u>517 638 151</u>

Oslo / USA, 25. juni 2021

I styret for Verifone Nordic Holding AS

DocuSigned by:

Pål Andre Fredriksen
30053EC208214D3...
styrets leder

DocuSigned by:

John Robert Tracy
CB2F01AFCB1A76...
styremedlem



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Verifone Nordic Holding AS

Noter til regnskapet 2020

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.

Kontantstrømpstilling

Kontantstrømpstillingen 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. Daglig leder registrert utgått fra Februar 2020.

Pensjonsforpliktelser:

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

	2020	2019
Rådgivning, advokat og revisjonshonorar ¹	406 140	183 843
Avsetning tap fordring	-	77 455 503
Annen kostnad	114 552	92 064
Sum	520 691	77 731 410

¹Honorar til revisor i EY for lovpålagt revisjon var kr 41 662 eks. mva, honorar for skattetjenester utgjør 65 250 eks. mva, mens honorar for øvrige tjenester utgjør 63 051 eks. mva. for regnskapsåret 2020.

Note 3 Datterselskap, tilknyttet selskap m.v.

Firma	Ansk.- tidspunkt	Forretningskontor	Stemme/eier- andel	Bokført verdi 31.10.2020
Verifone Sweden AB	10.01.1989	Stockholm, Sverige	100 %	537 000
*Verifone Norway AS	01.04.1991	Oslo, Norge	100 %	269 006 619
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

Det er inntektsført kr 36 874 465,76 i utbytte fra Verifone Verifone Iceland ehf. Videre er det inntektsført kr 331 484 i konsernbidrag fra Verifone Norway.



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Note 4 Aksjekapital og aksjonærinformasjon

Aksjekapitalen i selskapet pr 31.12.20 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 Germandt & Danielsson Advokatbyrå KB
Box 5747
114 87 Stockholm
Sverige

Note 5 Egenkapital

Opptjent egenkapital	Aksjekapital	Overkurs	Annen egenkapital	Sum egenkapital
Egenkapital 01.11.19	242 515	79 798 052	372 927 326	452 967 893
<i>Årets endring i egenkapital:</i>				
Årets resultat			36 874 467	36 874 467
Egenkapital 31.10.20	242 515	79 798 052	409 801 791	489 842 358

Note 6 Transaksjoner og mellomværende med nærstående parter

Transaksjoner med nærstående parter:

Motpart	Renteinntekter	
	2020	2019
<i>Hypercom France S.a.r.l</i>	2 114 817	1 914 229
<i>Verifone Luxemburg S.a.R.l</i>	4 494 805	3 681 615
Sum	6 609 622	5 595 844

Motpart	Rentekostnader	
	2020	2019
<i>Electric Transaction Group Nordic Holding AB</i>	2 107 530	2 378 727
Sum	2 107 530	2 378 727



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Mellomværende med nærstående parter:

Motpart	Andre fordringer	
	2020	2019
<i>Hypercom France S.a.r.l (1)</i>	7 407 184	0
<i>Verifone Norway AS</i>	33 696 611	33 696 607
<i>Verifone Baltic SIA</i>	3 368 742	3 154 472
<i>Verifone Luxembourg S.a.R.l</i>	151 389 730	146 714 903
<i>Electric Transaction Group Nordic Holding AB</i>	26 298 070	26 298 070
Sum	222 160 337	209 864 052

(1) Verdi på fordringen pr 31.10.2020 er redusert med med kr 77 455 503, som ble avsatt for i regnskapsåret 2019.

Motpart	Annen langsiktig gjeld	
	2020	2019
<i>Electronic Transaction Group Nordic Holding AB</i>	38 020 780	63 116 247
Sum	38 020 780	63 116 247

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 2020 er balanseførte renter kr 7 776 433 mot kr 5 036 335 i 2019.

Note 7 Skattekostnad

Årets skattekostnad fremkommer slik:	2020	2019
Betalbar skatt	-	1 336 021
Endring i utsatt skatt	-	-573 244
For lite avsatt skatt tidligere år	-	-535 668
Virkning av endring i skatteregler	-	931 744
Skattekostnad	-	1 158 853
Nominell skattesats	22 %	22 %

Betalbar skatt i balansen fremkommer som følger:

	2020	2019
Årets betalbare skattekostnad	-	1 336 021
Betalbar skatt i balansen	-	1 336 021

Avstemming fra nominell til faktisk skattesats:

	2020	2019
Årsresultat før skatt	36 874 467	3 928 048
Forventet inntektsskatt etter nominell skattesats 22 %	8 112 383	864 171
<i>Skatteeffekt av følgende poster:</i>	-	-
Skattefritt utbytte	-8 112 383	-15 984 290
Andre ikke skattefrie inntekter	-	-959
For mye avsatt skatt tidligere år	-	-535 668
Virkning av endringer i skatteregler og - sats	-	183 694
Effekt av nedvurdert utsatt skattefordel	-	16 631 905
Årets skattekostnad	0	1 158 853
Effektiv skattesats	0 %	30 %



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Spesifikasjon av skatteeffekten av midlertidige forskjeller og underskudd til framføring:

	2020	2019
Avskåret rentefradrag	-15 718 891	-15 718 891
Fordringer	-77 455 503	-77 455 503
Sum	-93 174 394	-93 174 394
Ikke balanseført utsatt skattefordel	17 040 211	17 040 211
Netto utsatt fordel/forpl. i balansen	-3 458 156	-3 458 156
Nominell skattesats	22 %	22 %

Note 8 Valutagevinster og valutatap

	2020	2019
<i>Valutagevinst</i>	8 616 182	9 773 678
<i>Valutatap</i>	12 929 066	3 986 479
Sum	-4 312 884	5 787 199

Note 9 Bankinnskudd

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



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Verifone Nordic Holding AS

Kontantstrømoppstilling

	01.11.19-31.10.20	01.11.18-31.10.19
KONTANTSTRØMMER FRA OPERASJONELLE AKTIVITETER:		
Årsresultat før skattekostnad	36 874 467	3 928 048
Periodens betalte skatt	-1 336 021	0
Endring i leverandørgjeld	-8 305	-14 863
Endringer i konsernmellomværender	-37 679 446	-43 504 406
Endring i andre omløpsmidler og andre gjeldsposter	0	0
Netto kontantstrømmer fra operasjonelle aktiviteter	-2 149 304	-39 591 221
KONTANTSTRØMMER FRA FINANSIERINGSAKTIVITETER:		
Innbetaling av konsernbidrag	0	41 139 189
Netto kontantstrøm fra finansieringsaktiviteter	0	41 139 189
Netto endring i bankinnskudd, kontanter og lignende	-2 149 304	1 547 969
Beholdning av bankinnskudd, kontanter og lignende pr 01.11	2 209 583	661 614
Beholdning av bankinnskudd, kontanter og lignende pr 31.10	60 279	2 209 583



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Årsberetning 2020

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 2020 0 kroner i omsetning og driftsresultat ble negativt med 520 691 kroner. Resultatet etter skatt var positivt på 36,8 millioner kroner.

Soliditet

Selskapet hadde ved utgangen av 2020 en egenkapital på solide 489,8 millioner kroner.

Markedsforhold og fremtidsutsikter

Selskapets regnskap for 2020 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 og kompetanse for videre suksess og forventer noe lavere resultat på grunn av Covid-19.

Organisasjon og miljø

Selskapet hadde ingen ansatte i 2020. Selskapets virksomhet forurensrer ikke det ytre miljø.

Resultatdisponering

Selskapet hadde i 2020 et årsresultat på positive 36 874 467 kroner. Det er ikke avsatt til utbytte, hele beløpet på 36 874 467 kroner er overført til annen egenkapital.

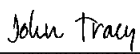
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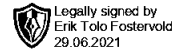
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Styret kjenner ikke til noe forhold av viktighet for å bedømme selskapets stilling og resultat som ikke fremgår av resultatregnskap og balanse med noter. Det har heller ikke inntrådt forhold etter regnskapsårets utgang som etter styrets syn har betydning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

Oslo,
Styret for Verifone Nordic Holding AS

DocuSigned by:

John Robert Tracy

DocuSigned by:

Pål Fredriksen
Styreleder



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 overskudd på kr 36.874.467. Årsregnskapet består av balanse per 31. oktober 2020, 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 2020, 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 risikoer, 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.

Uttalelse om øvrige lovmessige krav

Konklusjon om registrering og dokumentasjon

Basert på vår revisjon av årsregnskapet som beskrevet ovenfor, og kontrollhandlinger vi har funnet nødvendig i henhold til internasjonal standard for attestasjonsoppdrag (ISAE) 3000 «Attestasjonsoppdrag som ikke er revisjon eller forenklet revisorkontroll av historisk finansiell informasjon», mener vi at ledelsen har oppfylt sin plikt til å sørge for ordentlig og oversiktlig registrering og dokumentasjon av selskapets regnskapsopplysninger i samsvar med lov og god bokføringsskikk i Norge.

Oslo, 28.06.2021
Grant Thornton Revisjon AS

Erik Tolo Fostervold
Statsautorisert revisor
(signert elektronisk)