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# ÅRSREDOVISNING

## 2022/2023

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Styrelsen för Electronic Transaction Group Nordic Holding AB får härmed avge årsredovisning för räkenskapsåret 2022-11-01 -- 2023-10-31.

*Årsredovisningen omfattar*

Sid 2	<b>FÖRVALTNINGSBERÄTTELSE</b>
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ELECTRONIC TRANSACTION GROUP NORDIC HOLDING AB

Org. nr 556632-9891

Räkenskapsår 2022/2023

Undertecknad styrelseledamot i ELECTRONIC TRANSACTION GROUP NORDIC HOLDING AB

intygar härmed, dels att denna kopia av årsredovisningen överensstämmer

med originalet, dels att resultat- och balansräkning fastställts på årsstämma

den 10/6 2024

Stämman beslöt tillika godkänna styrelsens förslag till vinstdisposition.

Stockholm

10/6 2024

Bulent Ozayaz

# ELECTRONIC TRANSACTION GROUP NORDIC HOLDING AB

Org. nr. 556632-9891

## FÖRVALTNINGSBERÄTTELSE

Om inte annat anges redovisas alla belopp i svenska kr (kr).

### *Verksamhetens art och inriktning*

Electronic Transaction Group Nordic Holding AB ("ETG Nordic Holding AB") med dotterbolag bedriver verksamhet inom marknaden för elektroniska betalningslösningar för konsumenthandel- och servicebranschen.

Koncernen utvecklar programvara för både integrerade och fristående lösningar, samt erbjuder även tjänster knutna till drift av betalningsterminaler samt lösningar för mobila betalningar och betalningar på internet. Koncernen levererar lösningar för elektroniska betalningar till alla sorters miljöer – allt ifrån den lilla kvartersbutiken, till butiker i den stora internationella koncernen. Som del av lösningarna ingår egenutvecklad mjukvara samt terminaler från ledande leverantörer.

Koncernen är en helhetsleverantör av produkter och tjänster för säkra betalkortstransaktioner samt närliggande tilläggstjänster. I nära samarbete med handeln och bankerna har bolaget under 2022/2023 fortsatt sitt arbete med att ta fram nya tekniska lösningar baserat på ett nytänkande och säkerhet.

Bolaget är ett holdingbolag för Verifones nordiska verksamhet och har sitt säte i Stockholm.

### *Viktiga förhållanden*

Electronic Transaction Group Nordic Holding AB är helägt dotterbolag till Verifone Nordic AB, org.nr 556868-5274, i Stockholm.

Koncernen har sitt huvudkontor i Stockholm och dotterbolag i Sverige, Norge, Danmark, Finland, Island, Lettland och Storbritannien.

### *Förväntad framtida utveckling*

Företagets räkenskaper för 2022/2023 är avlämnade under förutsättning för fortsatt drift. Företagets styrelse anser att bolaget är mycket väl positionerat med hänsyn till produkter och kompetens för vidare framgång och förväntar organisk tillväxt i omsättning och resultat för innevarande år.

2024061313647

# ELECTRONIC TRANSACTION GROUP NORDIC HOLDING AB

Org. nr. 556632-9891

## FÖRVALTNINGSBERÄTTELSE

### Flerårsjämförelse \*

		<u>2022/2023</u>	<u>2021/2022</u>	<u>2020/2021</u>	<u>2019/2020</u>	<u>2018/2019</u>
Nettoomsättning	tkr	—	—	—	—	—
Resultat efter finansiella poster	tkr	10 284	4 452	(823)	4 064	5 086
Balansomslutning	tkr	954 756	949 488	945 991	976 004	1 067 872
Soliditet	%	92.5 %	92.4 %	92.4 %	89.7 %	81.7 %

\* För definitioner av nyckeltal, se not.

Resultatdisposition

### Resultatdisposition

SEK

Från föregående år balanserad vinst	697 670 233
Årets vinst	6 023 846
<b>Vinstmedel till förfogande</b>	<b>703 694 079</b>
<i>Styrelsens förslag till disposition</i>	
Balanseras i ny räkning	703 694 079
<b>Summa</b>	<b>703 694 079</b>

2024061313648

# ELECTRONIC TRANSACTION GROUP NORDIC HOLDING AB

Org. nr. 556632-9891

## RESULTATRÄKNINGAR

KR	Not	1/11/2022- 31/10/2023-	1/11/2021- 31/10/2022-
<b>Rörelsens intäkter m.m.</b>			
Övriga rörelseintäkter		—	—
		—	—
<b>Rörelsens kostnader</b>			
Övriga externa kostnader		(279 317)	(249 958)
Övriga rörelsekostnader		—	(7 369)
		<u>(279 317)</u>	<u>(257 327)</u>
<b>Rörelseresultat</b>		<b>(279 317)</b>	<b>(257 327)</b>
<b>Resultat från finansiella poster</b>			
Ränteintäkter och liknande	3	11 133 556	5 140 287
Nedskrivningar av finansiella anläggningstillgångar och kortfristiga placeringar		—	(68)
Räntekostnader och liknande	4	(570 219)	(430 535)
		<u>10 563 337</u>	<u>4 709 684</u>
<b>Resultat efter finansiella poster</b>		<b>10 284 020</b>	<b>4 452 357</b>
Lämnat koncernbidrag	5	(188 668)	(959 109)
Förändring av periodiseringsfond		(2 500 000)	—
Bokslutsdispositioner		<u>(2 688 668)</u>	<u>(959 109)</u>
<b>Resultat före skatt</b>		<b>7 595 352</b>	<b>3 493 248</b>
Skatt på årets resultat	6	(1 571 506)	(572 458)
<b>Årets resultat</b>		<b><u>6 023 846</u></b>	<b><u>2 920 790</u></b>

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## ELECTRONIC TRANSACTION GROUP NORDIC HOLDING AB

Org. nr. 556632-9891

## BALANSRÄKNINGAR

KR	Not	31/10/2023	31/10/2022
<b>Tillgångar</b>			
<i>Finansiella anläggningstillgångar</i>			
Andelar i koncernföretag	7	793 376 994	793 376 994
Fordringar hos koncernföretag		94 036 771	91 717 473
		<b>887 413 765</b>	<b>884 710 162</b>
<b>Summa anläggningstillgångar</b>		<b>887 413 765</b>	<b>884 710 162</b>
<i>Omsättningstillgångar</i>			
<i>Kortfristiga fordringar</i>			
Fordringar hos koncernföretag		67 237 947	63 513 337
Aktuella skattefordringar		16 644	1 126 606
Övriga fordringar		1 872	2 796
		<b>67 256 463</b>	<b>64 642 739</b>
Kassa och bank		85 735	134 657
<b>Summa omsättningstillgångar</b>		<b>67 342 198</b>	<b>64 777 397</b>
<b>Summa tillgångar</b>		<b>954 755 963</b>	<b>949 487 559</b>

\*Det totala beloppet på förutbetalda kostnader och upplupna intäkter avser förutbetald skatt och omklassificeras därför till Aktuell skattefordran.

2024061313650

# ELECTRONIC TRANSACTION GROUP NORDIC HOLDING AB

Org. nr. 556632-9891

## BALANSRÄKNINGAR

KR	Not	31/10/2023	31/10/2022
<b>Eget kapital och skulder</b>			
<b>Eget kapital</b>			
<i>Bundet eget kapital</i>			
Aktiekapital	8	1 358 094	1 358 094
Reservfond		178 304 286	178 304 286
		<b>179 662 380</b>	<b>179 662 380</b>
<b>Fritt eget kapital (eller Ansamlad förlust)</b>			
Överkursfond		19 435 587	19 435 587
Balanserad vinst eller förlust		678 234 646	675 313 856
Årets resultat		6 023 846	2 920 790
		<b>703 694 079</b>	<b>697 670 233</b>
<b>Summa eget kapital</b>		<b>883 356 459</b>	<b>877 332 613</b>
<b>Obeskattade reserver</b>		<b>2 500 000</b>	<b>—</b>
<b>Kortfristiga skulder</b>			
Leverantörsskulder		15 559	—
Skulder till koncernföretag		68 208 444	71 959 138
Upplupna kostnader och förutbetalda intäkter	9	225 607	195 807
Aktuella skatteskulder		449 894	—
<b>Summa kortfristiga skulder</b>		<b>68 899 504</b>	<b>72 154 946</b>
<b>Summa eget kapital och skulder</b>		<b>954 755 963</b>	<b>949 487 559</b>

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# ELECTRONIC TRANSACTION GROUP NORDIC HOLDING AB

Org. nr. 556632-9891

## FÖRÄNDRINGAR I EGET KAPITAL

2024061513652

KR	Aktiekapital	Reservfond	Överkursfond	Fritt eget kapital	Årets resultat	Summa eget kapital
Belopp vid årets ingång	1 358 094	178 304 286	19 435 587	675 313 856	2 920 790	877 332 613
Resultatdisp. Enl.beslut av årsstämma				2 920 790	(2 920 790)	—
Årets resultat					6 023 846	6 023 846
<b>Belopp vid årets utgång</b>	<b>1 358 094</b>	<b>178 304 286</b>	<b>19 435 587</b>	<b>678 234 646</b>	<b>6 023 846</b>	<b>883 356 459</b>

31/10/2023

31/10/2022

Villkorlig  
återbetalningsskyldigh  
et för aktieägartillskott  
uppgår till.

835 801 999

835 801 999

## REDOVISNINGSPRINCIPER OCH NOTER

## Not 1 Redovisnings- och värderingsprinciper

Företagets årsredovisning har upprättats i enlighet med årsredovisningslagen och BFNAR 2012:1 (K3). Tillämpade principer är oförändrade jämfört med föregående år.

De viktigaste redovisnings- och värderingsprinciperna som har använts vid upprättande av de finansiella rapporterna sammanfattas nedan.

**Principer resultaträkningen***Ränteintäkter*

Ränteintäkter redovisas i takt med att de intjänas. Beräkning av ränteintäkter görs på basis av den underliggande tillgångens avkastning enligt effektivräntemetoden.

*Koncernbidrag*

Samtliga lämnade och erhållna koncernbidrag redovisas som bokslutsdispositioner.

**Principer balansräkningen***Immateriella anläggningstillgångar*

Immateriella anläggningstillgångar redovisas till anskaffningsvärde med avdrag för ackumulerad värdeminskning och eventuella nedskrivningar. Tillgångarna skrivs av linjärt över tillgångarnas nyttjandeperiod.

Låneutgifter inkluderas inte i anskaffningsvärdet.

*Avskrivningar*

Avskrivningar baseras på beräknad nyttjandeperiod och görs med procentsatser enligt nedan.

	2022/2023	2021/2022
Licenser	—%	—%

Avskrivningar framgår av not för balansposten.  
Tillgången är sedan 2016/2017 fullt avskriven.

**Borttagande från balansräkningen**

Immateriella anläggningstillgångar tas bort från balansräkningen vid utrangering eller avyttring eller när inte framtida ekonomiska fördelar väntas från användning, utrangering eller avyttring av tillgången.

När immateriella anläggningstillgångar avyttras bestäms realisationsresultatet som skillnaden mellan försäljningspriset och tillgångens redovisade värde och redovisas i resultaträkningen i någon av posterna *Övriga rörelseintäkter* eller *Övriga rörelsekostnader*.

## REDOVISNINGSPRINCIPER OCH NOTER

### *Materiella anläggningstillgångar*

Materiella anläggningstillgångar redovisas till anskaffningsvärde med avdrag för ackumulerad värdeminskning och eventuella nedskrivningar. Tillgångarna skrivs av linjärt över tillgångarnas nyttjandeperiod.

Låneutgifter inkluderas inte i anskaffningsvärdet.

Korttidsinventarier och inventarier av mindre värde kostnadsförs löpande. Utgifter för löpande reparationer och underhåll redovisas som kostnader.

### *Avskrivningar*

Avskrivningar baseras på beräknad nyttjandeperiod och görs med procentsatser enligt nedan.

	2022/2023	2021/2022
Inventarier, verktyg och installationer	— %	— %

### *Borttagande från balansräkningen*

Materiella anläggningstillgångar tas bort från balansräkningen vid utrangering eller avyttring eller när inte framtida ekonomiska fördelar väntas från användning, utrangering eller avyttring av tillgången.

När materiella anläggningstillgångar avyttras bestäms realisationsresultatet som skillnaden mellan försäljnings- priset och tillgångens redovisade värde och redovisas i resultaträkningen i någon av posterna *Övriga rörelseintäkter* eller *Övriga rörelsekostnader*.

### *Fordringar och skulder i utländsk valuta*

Fordringar och skulder i utländsk valuta har omräknats till balansdagens kurs. Kursdifferenser på rörelsefordringar och rörelseskulder ingår i rörelseresultatet medan differenser på finansiella fordringar och skulder redovisas bland finansiella poster.

## REDOVISNINGSPRINCIPER OCH NOTER

*Inkomstskatter*

Redovisning av inkomstskatt inkluderar aktuell skatt och uppskjuten skatt. För poster som redovisas i resultaträkningen redovisas därmed sammanhängande skatt i resultaträkningen. För poster som redovisas direkt mot eget kapital redovisas även skatten direkt mot eget kapital. Uppskjuten skatt beräknas på alla temporära skillnader. En temporär skillnad finns när det redovisade värdet på en tillgång eller skuld skiljer sig från det skattemässiga värdet. Uppskjuten skattefordran avseende underskottsavdrag eller andra framtida skattemässiga avdrag redovisas i den omfattning det är sannolikt att avdragen kan avräknas mot framtida skattemässiga överskott. Bolaget har ej redovisat någon uppskjuten skattefordran avseende underskottsavdrag.

*Likvida medel*

Likvida medel består av kassamedel och disponibla tillgodohavanden hos banker och andra kreditinstitut och andra kortfristiga, likvida placeringar som lätt kan omvandlas till känt belopp och som är utsatta för obetydlig risk för värdefluktuationer. Sådana placeringar har en löptid på maximalt tre månader.

**Not 2 Uppskattningar och bedömningar**

När finansiella rapporter upprättas måste styrelsen och den verkställande direktören i enlighet med tillämpade redovisnings- och värderingsprinciper göra vissa uppskattningar, bedömningar och antaganden som påverkar redovisning och värdering av tillgångar, avsättningar, skulder, intäkter och kostnader. De områden där sådana uppskattningar och bedömningar kan ha stor betydelse för företaget, och som därmed kan påverka resultat- och balansräkningarna i framtiden, beskrivs nedan.

***Betydande bedömningar***

Följande är betydande bedömningar som har gjorts vid tillämpning av de av företagets redovisningsprinciper som har den mest betydande effekten på de finansiella rapporterna.

*Värdering av aktier i dotterföretag*

Moderbolaget gör varje år per bokslutsdatum en bedömning av huruvida bokfört värde på aktier i dotterföretag över- eller understiger återvinningsvärdet på respektive dotterföretag. Om det visar sig att återvinningsvärdet understiger det bokförda värdet i något fall så skrivs detta bokförda värde ned till återvinningsvärdet.

**Not 3 Ränteintäkter och liknande**

	2022/2023	2021/2022
Ränteintäkter från koncernföretag	2 883 618	2 793 683
Ränteintäkter från övriga företag	1 291	—
Valutakursvinster	8 248 647	2 346 604
	<b>11 133 556</b>	<b>5 140 287</b>

# ELECTRONIC TRANSACTION GROUP NORDIC HOLDING AB

Org. nr. 556632-9891

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<b>Not 4</b>	<b>Räntekostnader och liknande</b>	<b>2022/2023</b>	<b>2021/2022</b>
	Räntekostnader från koncernföretag	(420 588)	(423 027)
	Räntekostnader från övriga företag	—	(60)
	Valutakursförluster	(149 631)	(7 448)
		<b>(570 219)</b>	<b>(430 535)</b>

<b>Not 5</b>	<b>Bokslutsdispositioner</b>	<b>2022/2023</b>	<b>2021/2022</b>
	Koncernbidrag betalat	(188 668)	(959 109)
	Anslag till periodiseringsfond för skatt	(2 500 000)	—
		<b>(2 688 668)</b>	<b>(959 109)</b>

## **Not 6 Skatt på årets resultat**

De huvudsakliga komponenterna i skattekostnaden för räkenskapsåret och förhållandet mellan förväntad skattekostnad baserat på svensk effektiv skattesats och redovisad skattekostnad i resultaträkningen är enligt följande:

	<b>2022/2023</b>	<b>2021/2022</b>
Resultat före skatt	7 595 352	3 493 248
Skatt enligt gällande skattesats 20.6% (20,6%)	(1 564 643)	(719 609)
<i>Skatteeffekt av:</i>		
Ej avdragsgilla kostnader	(13 619)	(15 851)
Ej utnyttjat underskottsavdrag	—	163 002
Ej skattepliktiga intäkter	6 756	—
<b>Redovisad skatt</b>	<b>(1 571 506)</b>	<b>(572 458)</b>
Skattekostnaden består av följande komponenter:		
På årets resultat	-1 571 506	-572 458
<b>Redovisad skatt</b>	<b>-1 571 506</b>	<b>-572 458</b>

# ELECTRONIC TRANSACTION GROUP NORDIC HOLDING AB

Org. nr. 556632-9891

2024061313657

Not 7	Andelar i koncernföretag	31/10/2023	31/10/2022
	Ingående anskaffningsvärde	793 376 994	793 376 994
	Fusion	—	—
	Tillkommande genom fusionen	—	—
	<b>Utgående ackumulerade anskaffningsvärden</b>	<b>793 376 994</b>	<b>793 376 994</b>
	<b>Redovisat värde</b>	<b>793 376 994</b>	<b>793 376 994</b>

	Organisations-	Företagets säte	Antal andelar	Kapitalandel	Bokfört värde
<b>Direkt ägda:</b>					
VeriFone Nordic Holding AS	946 924 563	Norge	242 515	100 %	793 284 541
Verifone Finland Holding Oy	2414961-9	Finland	1 000	100 %	92 453
					<b>793 376 994</b>

Tillägg för företag som inte konsolideras:	Eget kapital	Årets resultat
VeriFone Nordic Holding AS NOK	80 040 567	99 351 335
Verifone Finland Holding Oy EUR	9 036 233	(198 376)

## Not 8 Aktiekapital

Aktiekapitalet i företaget består enbart av till fullo betalda stamaktier med ett nominellt värde om 1 kr. Alla aktier har samma rätt till utdelning och återbetalning av insatt kapital samt motsvarar en röst på företagets bolagsstämma

	2022/2023	2021/2022
Antal aktier vid årets ingång	1 358 094	1 358 094
Antal aktier vid årets utgång	1 358 094	1 358 094

## Not 9 Upplupna kostnader och förutbetalda intäkter

	2022/2023	2021/2022
Upplupna kostnader	70 000	60 000
Övriga poster	155 607	135 807
	<b>225 607</b>	<b>195 807</b>

## Not 10 Ställda säkerheter och eventalförpliktelser

	2022/2023	2021/2022
<b>Ställda säkerheter</b>	<i>Inga</i>	<i>Inga</i>
<b>Eventalförpliktelser</b>	<i>Inga</i>	<i>Inga</i>

# ELECTRONIC TRANSACTION GROUP NORDIC HOLDING AB

Org. nr. 556632-9891

## Not 11 Koncernuppgifter

Bolaget är helägt dotterbolag till Verifone Nordic AB, org.nr 556632-9891, med säte i Stockholm.

Bolaget är moderbolag, men med stöd av ÅRL 7 kap 2 § upprättas inte någon koncernredovisning

Övergripande koncernredovisning upprättas av:  
VeriFone Systems Inc., reg no 04-3692546, 2560 N First Street, Suite 220, San José, CA 95131, USA

## Not 12 Väsentliga händelser efter räkenskapsårets slut

Det finns inga väsentliga händelser efter räkenskapsårets utgång att rapportera.

## Not 13 Definitioner av nyckeltal

*Soliditet*

Justerat eget kapital i procent av balansomslutning.

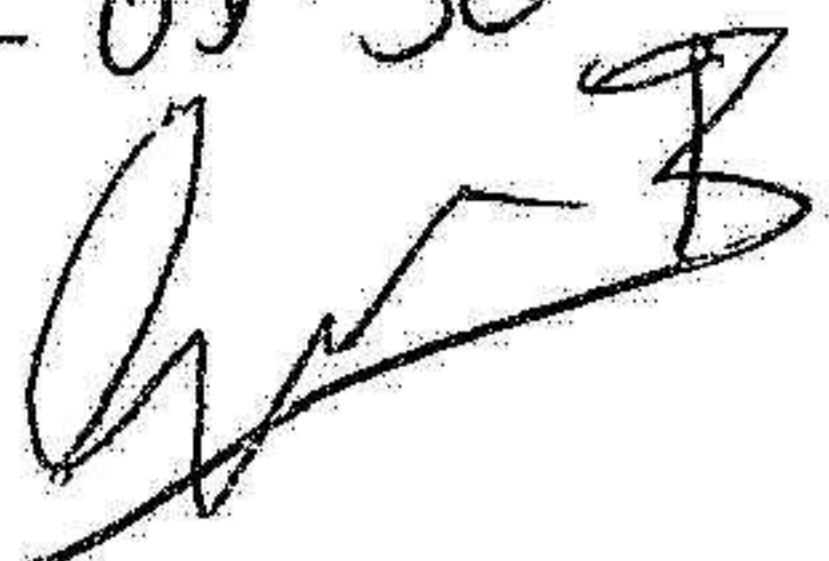
2024061313658

# ELECTRONIC TRANSACTION GROUP NORDIC HOLDING AB

Org. nr. 556632-9891

## UNDERSKRIFTER

Stockholm 2024- 05-30  
Bulent Ozayaz  
Ordförande



Martin Gutekunst  
Styrelseledamot

Vår revisionsberättelse har lämnats 2024 - 06-10  
Grant Thornton Sweden AB



Linda Karlsson  
Auktoriserad revisor

2024061313659

# Revisionsberättelse

Till bolagsstämman i Electronic Transaction Group Nordic Holding AB

Org.nr. 556632 - 9891

## Rapport om årsredovisningen

### Uttalanden

Vi har utfört en revision av årsredovisningen för Electronic Transaction Group Nordic Holding AB för räkenskapsåret 2022-11-01 - 2023-10-31.

Enligt vår uppfattning har årsredovisningen upprättats i enlighet med årsredovisningslagen och ger en i alla väsentliga avseenden rättvisande bild av Electronic Transaction Group Nordic Holding ABs finansiella ställning per den 31 oktober 2023 och av dess finansiella resultat för året enligt årsredovisningslagen. Förvaltningsberättelsen är förenlig med årsredovisningens övriga delar.

Vi tillstyrker därför att bolagsstämman fastställer resultaträkningen och balansräkningen.

### Grund för uttalanden

Vi har utfört revisionen enligt International Standards on Auditing (ISA) och god revisionssed i Sverige. Vårt ansvar enligt dessa standarder beskrivs närmare i avsnittet *Revisorns ansvar*. Vi är oberoende i förhållande till Electronic Transaction Group Nordic Holding AB enligt god revisorssed i Sverige och har i övrigt fullgjort vårt yrkesetiska ansvar enligt dessa krav.

Vi anser att de revisionsbevis vi har inhämtat är tillräckliga och ändamålsenliga som grund för våra uttalanden.

### Styrelsens ansvar

Det är styrelsen som har ansvaret för att årsredovisningen upprättas och att den ger en rättvisande bild enligt årsredovisningslagen. Styrelsen ansvarar även för den interna kontroll som den bedömer är nödvändig för att upprätta en årsredovisning som inte innehåller några väsentliga felaktigheter, vare sig dessa beror på oegentligheter eller misstag.

Vid upprättandet av årsredovisningen ansvarar styrelsen för bedömningen av bolagets förmåga att fortsätta verksamheten. Den upplyser, när så är tillämpligt, om förhållanden som kan påverka förmågan att fortsätta verksamheten och att använda antagandet om fortsatt drift. Antagandet om fortsatt drift tillämpas dock inte om styrelsen avser att likvidera bolaget, upphöra med verksamheten eller inte har något realistiskt alternativ till att göra något av detta.

### Revisorns ansvar

Våra mål är att uppnå en rimlig grad av säkerhet om huruvida årsredovisningen som helhet inte innehåller några väsentliga felaktigheter, vare sig dessa beror på oegentligheter eller misstag, och att lämna en revisionsberättelse som innehåller våra uttalanden.

Rimlig säkerhet är en hög grad av säkerhet, men är ingen garanti för att en revision som utförs enligt ISA och god revisionssed i Sverige alltid kommer att upptäcka en väsentlig felaktighet om en sådan finns. Felaktigheter kan uppstå på grund av oegentligheter eller misstag och anses vara väsentliga om de enskilt eller tillsammans rimligen kan förväntas påverka de ekonomiska beslut som användare fattar med grund i årsredovisningen.

Som del av en revision enligt ISA använder vi professionellt omdöme och har en professionellt skeptisk inställning under hela revisionen. Dessutom:

- identifierar och bedömer vi riskerna för väsentliga felaktigheter i årsredovisningen, vare sig dessa beror på oegentligheter eller misstag, utformar och utför granskningsåtgärder bland annat utifrån dessa risker och inhämtar revisionsbevis som är tillräckliga och ändamålsenliga för att utgöra en grund för våra uttalanden. Risken för att inte upptäcka en väsentlig felaktighet till följd av oegentligheter är högre än för en väsentlig felaktighet som beror på misstag, eftersom oegentligheter kan innefatta agerande i maskopi, förfalskning, avsiktliga utelämnanden, felaktig information eller åsidosättande av intern kontroll.
- skaffar vi oss en förståelse av den del av bolagets interna kontroll som har betydelse för vår revision för att utforma granskningsåtgärder som är lämpliga med hänsyn till omständigheterna, men inte för att uttala oss om effektiviteten i den interna kontrollen.
- utvärderar vi lämpligheten i de redovisningsprinciper som används och rimligheten i styrelsens uppskattningar i redovisningen och tillhörande upplysningar.
- drar vi en slutsats om lämpligheten i att styrelsen använder antagandet om fortsatt drift vid upprättandet av årsredovisningen. Vi drar också en slutsats, med grund i de inhämtade revisionsbevisen, om huruvida det finns någon väsentlig osäkerhetsfaktor som avser sådana händelser eller förhållanden som kan leda till betydande tvivel om bolagets förmåga att fortsätta verksamheten. Om vi drar slutsatsen att det finns en väsentlig osäkerhetsfaktor, måste vi i revisionsberättelsen fästa uppmärksamheten på upplysningarna i årsredovisningen om den väsentliga osäkerhetsfaktorn eller, om sådana upplysningar är otillräckliga, modifiera uttalandet om årsredovisningen. Våra slutsatser baseras på de revisionsbevis som inhämtas fram till datumet för revisionsberättelsen. Dock kan framtida händelser eller förhållanden göra att ett bolag inte längre kan fortsätta verksamheten.
- utvärderar vi den övergripande presentationen, strukturen och innehållet i årsredovisningen, däribland upplysningarna, och om årsredovisningen återger de underliggande transaktionerna och händelserna på ett sätt som ger en rättvisande bild.

Vi måste informera styrelsen om bland annat revisionens planerade omfattning och inriktning samt tidpunkten för den. Vi måste också informera om betydelsefulla iakttagelser under revisionen, däribland de eventuella betydande brister i den interna kontrollen som vi identifierat.

## Rapport om andra krav enligt lagar och andra författningar

### Uttalanden

Utöver vår revision av årsredovisningen har vi även utfört en revision av styrelsens förvaltning för Electronic Transaction Group Nordic Holding AB för räkenskapsåret 2022-11-01 - 2023-10-31 samt av förslaget till dispositioner beträffande bolagets vinst eller förlust.

Vi tillstyrker att bolagsstämman disponerar vinsten enligt förslaget i förvaltningsberättelsen och beviljar styrelsens ledamöter ansvarsfrihet för räkenskapsåret.

### Grund för uttalanden

Vi har utfört revisionen enligt god revisionssed i Sverige. Vårt ansvar enligt denna beskrivs närmare i avsnittet *Revisorns ansvar*. Vi är oberoende i förhållande till Electronic Transaction Group Nordic Holding AB enligt god revisorssed i Sverige och har i övrigt fullgjort vårt yrkesetiska ansvar enligt dessa krav.

Vi anser att de revisionsbevis vi har inhämtat är tillräckliga och ändamålsenliga som grund för våra uttalanden.

### Styrelsens ansvar

Det är styrelsen som har ansvaret för förslaget till dispositioner beträffande bolagets vinst eller förlust. Vid förslag till utdelning innefattar detta bland annat en bedömning av om utdelningen är försvarlig med hänsyn till de krav som bolagets verksamhetsart, omfattning och risker ställer på storleken av bolagets egna kapital, konsolideringsbehov, likviditet och ställning i övrigt.

Styrelsen ansvarar för bolagets organisation och förvaltningen av bolagets angelägenheter. Detta innefattar bland annat att fortlöpande bedöma bolagets ekonomiska situation och att tillse att bolagets organisation är utformad så att bokföringen, medelsförvaltningen och bolagets ekonomiska angelägenheter i övrigt kontrolleras på ett betryggande sätt.

### Revisorns ansvar

Vårt mål beträffande revisionen av förvaltningen, och därmed vårt uttalande om ansvarsfrihet, är att inhämta revisionsbevis för att med en rimlig grad av säkerhet kunna bedöma om någon styrelseledamot i något väsentligt avseende:

- företagit någon åtgärd eller gjort sig skyldig till någon försumelse som kan föranleda ersättningskyldighet mot bolaget, eller
- på något annat sätt handlat i strid med aktiebolagslagen, årsredovisningslagen eller bolagsordningen.

Vårt mål beträffande revisionen av förslaget till dispositioner av bolagets vinst eller förlust, och därmed vårt uttalande om detta, är att med rimlig grad av säkerhet bedöma om förslaget är förenligt med aktiebolagslagen.

Rimlig säkerhet är en hög grad av säkerhet, men ingen garanti för att en revision som utförs enligt god revisionssed i Sverige alltid kommer att upptäcka åtgärder eller försummelser som kan föranleda ersättningskyldighet mot bolaget, eller att ett förslag till dispositioner av bolagets vinst eller förlust inte är förenligt med aktiebolagslagen.

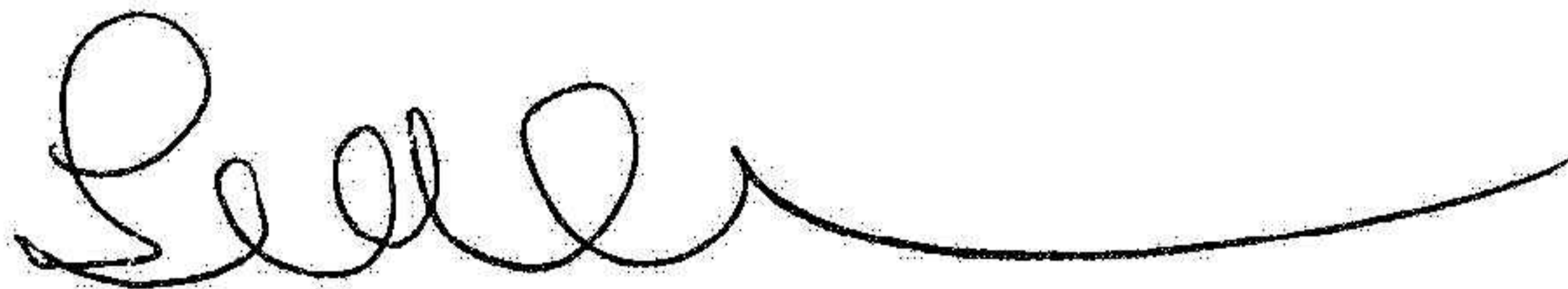
Som en del av en revision enligt god revisionssed i Sverige använder vi professionellt omdöme och har en professionellt skeptisk inställning under hela revisionen. Granskningen av förvaltningen och förslaget till dispositioner av bolagets vinst eller förlust grundar sig främst på revisionen av räkenskaperna. Vilka tillkommande granskningsåtgärder som utförs baseras på vår professionella bedömning med utgångspunkt i risk och väsentlighet. Det innebär att vi fokuserar granskningen på sådana åtgärder, områden och förhållanden som är väsentliga för verksamheten och där avsteg och överträdelser skulle ha särskild betydelse för bolagets situation. Vi går igenom och prövar fattade beslut, beslutsunderlag, vidtagna åtgärder och andra förhållanden som är relevanta för vårt uttalande om ansvarsfrihet.

Som underlag för vårt uttalande om styrelsens förslag till dispositioner beträffande bolagets vinst eller förlust har vi granskat om förslaget är förenligt med aktiebolagslagen.

### Anmärkning

Årsredovisningen har inte upprättats i sådan tid att det varit möjligt att, enligt aktiebolagslagen 7 kap 10 §, hålla bolagsstämman inom sex månader efter räkenskapsårets utgång.

Stockholm 2024-06-10  
Grant Thornton Sweden AB



Linda Karlsson  
Auktoriserad revisor

# **Consolidated Financial Statements**

## **VERIFONE SYSTEMS, INC.**

**For the Years Ended October 31, 2023 and 2022**

**With Report of Independent Certified Public Accountants**

**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.

**Opinion**

We have audited the consolidated financial statements of VeriFone Systems, Inc., and subsidiaries (the "Company"), which comprise the consolidated balance sheets as of October 31, 2023 and 2022, 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.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of October 31, 2023, and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Basis for opinion**

We conducted our audits of the consolidated financial statements in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Responsibilities of management for the financial statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date the financial statements are issued.

**Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

*Grant Thornton LLP*

San Jose, California  
January 12, 2024

**VERIFONE SYSTEMS, INC.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**

	<u>Years ended October 31,</u>	
	<u>2023</u>	<u>2022</u>
	(in thousands)	
<b>Net revenues:</b>		
Systems	\$ 754,409	\$ 734,238
Services	716,607	713,247
Total net revenues	<u>1,471,016</u>	<u>1,447,485</u>
<b>Cost of net revenues:</b>		
Systems	454,563	452,277
Services	379,856	358,695
Amortization of purchased intangible assets	79,373	94,105
Total cost of net revenues	<u>913,792</u>	<u>905,077</u>
<b>Gross margin</b>	<u>557,224</u>	<u>542,408</u>
<b>Operating expenses:</b>		
Research and development	130,375	145,828
Sales and marketing	123,296	117,104
General and administrative	141,972	130,773
Amortization of purchased intangible assets	130,467	133,262
Total operating expenses	<u>526,110</u>	<u>526,967</u>
<b>Operating income</b>	<u>31,114</u>	<u>15,441</u>
Interest expense, net	(190,672)	(131,510)
Other income (expense), net	72,523	37,111
<b>Loss before income taxes</b>	<u>(87,035)</u>	<u>(78,958)</u>
Income tax provision	37,782	44,578
<b>Consolidated net loss</b>	<u>(124,817)</u>	<u>(123,536)</u>
Net income attributable to noncontrolling interests	150	263
<b>Net loss attributable to VeriFone Systems, Inc. stockholders</b>	<u>\$ (124,967)</u>	<u>\$ (123,799)</u>

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

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

	<b>Years ended October 31,</b>	
	<b>2023</b>	<b>2022</b>
	<b>(in thousands)</b>	
<b>Consolidated net loss</b>	\$ (124,817)	\$ (123,536)
Other comprehensive income (loss), net of tax:		
Foreign currency translation adjustments	21,605	(137,485)
Unrealized income (loss) on derivatives designated as cash flow hedges		
Change in unrealized income on derivatives designated as cash flow hedges	7,073	30,568
Amounts reclassified out of Accumulated other comprehensive loss	(8,221)	11,445
Net change in unrealized gain (loss) on derivatives designated as cash flow hedges	(1,148)	42,013
Net change in other	695	5,119
<b>Other comprehensive income (loss)</b>	21,152	(90,353)
<b>Total comprehensive loss</b>	(103,665)	(213,889)
Less: Comprehensive loss attributable to noncontrolling interests, net of tax	(1,214)	(707)
<b>Comprehensive loss attributable to VeriFone Systems, Inc. stockholders</b>	\$ (102,451)	\$ (213,182)

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

**VERIFONE SYSTEMS, INC.  
CONSOLIDATED BALANCE SHEETS**

	As of October 31,	
	2023	2022
	(in thousands, except par value and share amounts)	
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 99,132	\$ 97,860
Accounts receivable, net of allowances of \$11,883 and \$7,843	247,522	211,039
Inventories	120,382	141,603
Prepaid expenses and other current assets	192,499	184,530
<b>Total current assets</b>	<b>659,535</b>	<b>635,032</b>
Property and equipment, net	93,722	82,122
Purchased intangible assets, net	712,125	911,498
Goodwill	1,561,979	1,549,157
Deferred tax assets, net	24,712	21,791
Right-of-use assets	44,884	49,006
Other long-term assets	144,215	161,859
<b>Total assets</b>	<b>\$ 3,241,172</b>	<b>\$ 3,410,465</b>
<b>LIABILITIES AND EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 169,401	\$ 149,908
Accruals and other current liabilities	348,636	357,077
Contract liabilities	42,466	42,613
Short-term debt	21,616	50,552
<b>Total current liabilities</b>	<b>582,119</b>	<b>600,150</b>
Long-term contract liabilities	32,502	32,974
Deferred tax liabilities, net	91,641	118,677
Long-term lease liabilities	37,810	38,176
Long-term debt	2,030,248	2,043,185
Other long-term liabilities	109,817	120,068
<b>Total liabilities</b>	<b>2,884,137</b>	<b>2,953,230</b>
Stockholders' equity:		
Common Stock: \$0.001 par value, 1,000 shares authorized, issued and outstanding	—	—
Additional paid-in capital	1,726,508	1,722,199
Accumulated deficit	(1,220,931)	(1,095,964)
Accumulated other comprehensive loss	(153,421)	(175,937)
<b>Total stockholders' equity</b>	<b>352,156</b>	<b>450,298</b>
Noncontrolling interests in subsidiaries	4,879	6,937
<b>Total equity</b>	<b>357,035</b>	<b>457,235</b>
<b>Total liabilities and equity</b>	<b>\$ 3,241,172</b>	<b>\$ 3,410,465</b>

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

VERIFONE SYSTEMS, INC.

CONSOLIDATED STATEMENTS OF EQUITY

	Common Stock Voting		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity	Non-controlling interests in subsidiaries	Total Equity
	Shares	Amount						
	(In thousands)							
<b>Balance as of October 31, 2021</b>	<b>1</b>	<b>\$ —</b>	<b>\$ 1,702,783</b>	<b>\$ (972,165)</b>	<b>\$ (86,554)</b>	<b>\$ 644,064</b>	<b>\$ 8,647</b>	<b>\$ 652,711</b>
Stock-based compensation expense	—	—	4,008	—	—	4,008	—	4,008
Capital contribution from investor group	—	—	15,005	—	—	15,005	—	15,005
Issuance of common stock	—	—	403	—	—	403	—	403
Dividends paid to noncontrolling interest stockholders	—	—	—	—	—	—	(1,003)	(1,003)
Total comprehensive loss	—	—	—	(123,799)	(89,383)	(213,182)	(707)	(213,889)
<b>Balance as of October 31, 2022</b>	<b>1</b>	<b>\$ —</b>	<b>\$ 1,722,199</b>	<b>\$ (1,095,964)</b>	<b>\$ (175,937)</b>	<b>\$ 450,298</b>	<b>\$ 6,937</b>	<b>\$ 457,235</b>
Stock-based compensation expense	—	—	3,880	—	—	3,880	—	3,880
Capital contribution from investor group	—	—	429	—	—	429	—	429
Dividends paid to noncontrolling interest stockholders	—	—	—	—	—	—	(844)	(844)
Total comprehensive loss	—	—	—	(124,967)	22,516	(102,451)	(1,214)	(103,665)
<b>Balance as of October 31, 2023</b>	<b>1</b>	<b>\$ —</b>	<b>\$ 1,726,508</b>	<b>\$ (1,220,931)</b>	<b>\$ (153,421)</b>	<b>\$ 352,156</b>	<b>\$ 4,879</b>	<b>\$ 357,035</b>

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

**VERIFONE SYSTEMS, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	Years Ended October 31,	
	2023	2022
	(in thousands)	
<b>Cash flows from operating activities:</b>		
Consolidated net loss	\$ (124,817)	\$ (123,536)
Adjustments to reconcile consolidated net loss to net cash provided by operating activities:		
Depreciation	33,892	31,859
Amortization of purchased intangible assets	209,840	227,367
Stock-based compensation expense	3,880	4,008
Amortization of debt issuance costs	9,166	9,652
Gain on sale of investment	(62,570)	—
Impairment of purchased intangible assets	4,837	—
Deferred income tax	(33,111)	(67,535)
Other	5,056	(54,973)
Net cash provided by operating activities before changes in operating assets and liabilities	46,173	26,842
Changes in operating assets and liabilities:		
Accounts receivable, net	(33,989)	14,436
Inventories	22,520	(43,123)
Prepaid expenses and other assets	(6,247)	(2,402)
Accounts payable	19,073	(17,226)
Contract liabilities	(1,051)	(1,537)
Other current and long-term liabilities	663	102,801
Net change in operating assets and liabilities	969	52,949
Net cash provided by operating activities	47,142	79,791
<b>Cash flows from investing activities</b>		
Capital expenditures	(64,931)	(59,597)
Consideration from investment sale	74,250	—
Other investing activities, net	(5,337)	(2,129)
Net cash provided by (used in) investing activities	3,982	(61,726)
<b>Cash flows from financing activities</b>		
Proceeds from debt	202,000	104,000
Repayments of debt	(252,772)	(113,787)
Capital contribution from the investor group	215	15,005
Other financing activities, net	(20,657)	11,952
Net cash provided by (used in) financing activities	(71,214)	17,170
Effect of foreign currency exchange rate changes on cash, cash equivalents and restricted cash	(768)	(8,012)
Net increase (decrease) in cash, cash equivalents and restricted cash	(20,858)	27,223
Cash, cash equivalents and restricted cash, beginning of period	210,313	183,090
Cash, cash equivalents and restricted cash, end of period	\$ 189,455	\$ 210,313
<b>Supplemental disclosures of cash flow information</b>		
Cash paid for interest	\$ 174,949	\$ 127,175
Cash paid for income taxes	\$ 28,821	\$ 32,794

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

**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 FinTech leader providing valuable end-to-end payment and commerce solutions to the world's best-known retail brands, major financial institutions, distribution partners, and directly to all types and sizes of merchants. The company's global services platform is built on a four-decade history of innovation and uncompromised security. Trusted and recognized by consumers for its growing footprint of devices and ecommerce services in more than 150 countries, businesses choose Verifone for its global scale, local capabilities, omnichannel prowess and solution flexibility.

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

***Basis of Presentation***

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

***Use of Estimates***

The preparation of financial statements in conformity with U.S. GAAP requires us to make estimates and assumptions about future events that affect the amounts reported in our Consolidated Financial Statements and accompanying notes. These estimates and assumptions take into account historical and forward looking factors that the Company believes are reasonable. The Company's estimates and assumptions may evolve as conditions change. Actual results could differ materially from these estimates.

***Significant Accounting Policies***

**Foreign Currency**

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

**VERIFONE SYSTEMS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

Monetary assets and liabilities denominated in currencies other than the functional currency of that subsidiary are remeasured to the functional currency using exchange rates in effect as of the applicable balance sheet dates. We recognized a remeasurement gains of \$9.4 million and \$34.8 million for the fiscal years ended October 31, 2023 and 2022 that were recorded as Other income (expense), net in our Consolidated Statements of Operations.

Revenue Recognition

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

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

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

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

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

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

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

**VERIFONE SYSTEMS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

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

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

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

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

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

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

Warranty

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

**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 pre-determined amount based on the nature service. 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. Incremental costs of obtaining a contract are expensed as incurred if the amortization period of the asset that otherwise would have been recognized is estimated to be one year or less.

Stock-Based Compensation

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

Advertising Costs

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

**VERIFONE SYSTEMS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

Research and Software Development Costs

Research and development costs are generally expensed when incurred.

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

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

Restructuring

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

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

Income Taxes

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

We have established valuation allowances on U.S. deferred tax assets and certain non-U.S. deferred tax assets because realization of these tax benefits through future taxable income is not more likely than not as of October 31, 2023 and October 31, 2022. 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.

**VERIFONE SYSTEMS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

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.

Inventories

Inventories are stated at the lower of standard cost or 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.

**VERIFONE SYSTEMS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

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.

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

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

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

Derivative Financial Instruments

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

**VERIFONE SYSTEMS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

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 of interest rate swaps and caps, 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 and caps, using observable Level II inputs at the measurement date and discount future amounts to a single present amount reflecting current market expectations. Level II inputs for the valuations include London Interbank Offered Rate (USD LIBOR) and Secured Overnight Financing Rate (SOFR) rate curves, futures, volatilities and basis spreads at each period end date. Derivative asset and liability fair values are adjusted for credit quality.

The variable cash flow on our term debt and derivative financial instruments was based upon USD LIBOR rates which was discontinued on June 30, 2023 and replaced by a spread-adjusted SOFR rate. When we enter into hedges we formally assess hedge effectiveness. In our initial assessment, we applied several optional expedients provided under ASU 2020-04 Reference Rate Reform (Topic 848) to disregard the impact of the rate changes due to reference rate reform.

After our initial effectiveness assessment, we assess 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.

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. Gains and losses arising from derivative financial instruments that are designated as cash flow hedges are recorded in Accumulated other comprehensive income (loss) on our Consolidated Balance Sheets, and are subsequently reclassified into earnings in the period or periods during which the underlying transactions affect earnings.

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 over 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 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 finance type 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.

**VERIFONE SYSTEMS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

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.

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

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

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

Debt Issuance Costs and Original Issue Discounts

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

**VERIFONE SYSTEMS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

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.

Leases

We determine whether an arrangement is a lease for accounting purposes at contract inception. For our operating leases, we record a right-of-use (ROU) assets in our Consolidated Balance Sheets, which represents our right to control the use of an underlying asset for the lease term. Control of an underlying asset is conveyed if we obtain the rights to direct the use of the asset, and if the company obtains substantially all of the economic benefits from the use of the asset. Lease expense for variable leases and short-term leases is recognized when the obligation is incurred. A corresponding lease liability, which represents our obligation to make lease payments arising from lease, is recorded in Accrued and other liabilities and Long-term lease liability in our Consolidated Balance Sheets.

ROU assets and lease liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. We use our incremental borrowing rate to calculate the present value of the lease payments. The incremental borrowing equals the rate of interest we would have to pay or borrow on a collateralized basis over a similar term an amount equal to the lease payments in a similar economic environment. The incremental borrowing rate is determined at the beginning of each fiscal period, and is applied to all leases entered in that fiscal period.

We elected the short-term lease exception and will not recognize ROU assets or lease liabilities for qualifying leases with a term of less than 12 months from lease commencement. Lease payments for short-term leases are recognized on straight-line basis.

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 the 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 our estimates. During the measurement period, which is not to exceed one year from the acquisition date, we may record adjustments to the assets acquired and liabilities assumed, with the corresponding offset to goodwill. Upon the conclusion of the measurement period, any subsequent adjustments are recorded to earnings.

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

**VERIFONE SYSTEMS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

***Concentrations of Credit Risk***

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

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

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

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

Our accounts receivable are derived from sales to a large number of direct customers, resellers, and distributors globally. We perform ongoing evaluations of our customers' financial condition and limit the amount of credit extended when deemed necessary, but generally require no collateral. As of October 31, 2023 and 2022, no single customer accounted for more than 10% of our total Accounts receivable, net. For fiscal years ended October 31, 2023 and 2022, 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, Thailand, 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.

**VERIFONE SYSTEMS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

***Reclassifications***

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

***Recently Adopted Accounting Pronouncements***

In October 2021, the Financial Accounting Standards Board (FASB) issued Accounting Standards Updates (ASU) No 2021-08, "Business Combinations (Topic 805), Accounting for Contract Assets and Contract Liabilities for Contracts with Customers" ("ASU 2021-08"). ASU 2021-08 requires that an entity (acquirer) recognize and measure contract assets and contract liabilities acquired in a business combination in accordance with Topic 606 "Revenue from Contracts with Customers" instead of fair value as required by current GAAP rules. We adopted this standard effective November 1, 2022 with no impact to consolidated financial statements.

***Recent Accounting Pronouncements Not Yet Adopted***

In 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. ASU 2016-13 provides a framework to determine our allowance for doubtful accounts on the consolidated balance sheets. The adoption of ASU 2016-13 is not expected to have a material impact on our consolidated financial statements. We will adopt this standard on November 1, 2023.

**Note 2. 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 years 2023 and 2022, we contributed \$9.1 million and \$8.8 million to these plans.

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

***Equity Incentive Plan***

2018 Equity Incentive Plan

On August 20, 2018, Vertex Holdco, Inc. approved the 2018 Vertex Holdco, Inc. Stock Incentive Plan (the 2018 Plan) pursuant to which Vertex Holdco may grant options, stock appreciation rights, and other stock-based awards to its employees and those of its affiliates, for up to an aggregate of 22.3 million shares plus any shares purchased at fair market value under a share purchase program. Under this equity incentive plan, time-based stock options of 1.9 million and 1.4 million and performance based stock options of 1.9 million and 1.3 million were granted to key employees, directors, and other service providers of the Company during the fiscal years ended October 31, 2023 and 2022.

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 grant date. Vertex Holdco is the parent entity of VeriFone Systems, Inc.

**VERIFONE SYSTEMS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

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

The following table provides a summary of stock option activity for the fiscal year 2023:

	<b>Number of Shares (in thousands)</b>	<b>Weighted Average Exercise Price (per share)</b>	<b>Weighted Average Remaining Contractual Term (in years)</b>
Outstanding at beginning of period	10,194	\$ 10.54	
Granted	3,900	\$ 10.02	
Canceled	(747)	\$ 10.66	
Expired	(215)	\$ 10.15	
Outstanding at end of period	<u>13,132</u>	\$ 10.36	7.33
Vested or expected to vest at October 31, 2023	<u>8,694</u>	\$ 10.37	7.07
Exercisable at October 31, 2023	<u>3,941</u>	\$ 10.28	5.91

As of October 31, 2023, 9.1 million shares remained available for future grants under this plan.

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

	<b>Years Ended October 31,</b>	
	<b>2023</b>	<b>2022</b>
Expected term (in years)	6.11	6.11
Risk-free interest rate	3.91 %	3.06 %
Expected dividend rate	— %	— %
Expected stock price volatility	67.2 %	49.3 %

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 our shares are not traded publicly.
- The average risk-free interest rate is based on the U.S. Treasury zero-coupon issues with a remaining term equal to the expected term of the awards.
- The dividend yield assumption is based on our dividend history and future expectations of dividend payouts. We do not expect to have dividends in the future.

As of October 31, 2023 and 2022, total unrecognized stock-based compensation expense for unvested options was \$9.6 million and \$8.2 million and is expected to be recognized over a weighted average period of approximately 2.8 years and 3.1 years. The weighted-average grant-date fair value for stock options granted during the fiscal years ended October 31, 2023 and 2022 was \$4.07 and \$4.11. The total fair value of stock options vested during the fiscal years ended October 31, 2023 and 2022 was \$2.9 million and \$3.7 million.

**VERIFONE SYSTEMS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

***Topco Profit Interest Units***

On October 4, 2022, Vertex Topco LP (“Topco”) issued a total of 2.7 million profit interest units in Topco including 1.3 million time-based units and 1.4 million performance units. The units entitled the holder the rights to Topco distributions in excess of the threshold of \$11.66. Time-based units vest over a four year service period from the date of grant and the performance units vest upon the achievement of a two times total equity return to the existing Topco partners. The units have a maximum term of ten years.

The fair value attributed to the time-based units was \$2.5 million at the grant date. The fair value of the time-based units will be recognized over the remaining service period. The fair value of the performance 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):

	<b>Years ended October 31,</b>	
	<b>2023</b>	<b>2022</b>
Cost of net revenues	\$ 573	\$ 395
Research and development	626	647
Sales and marketing	1,515	1,456
General and administrative	1,166	1,510
Total stock-based compensation expense	<u>\$ 3,880</u>	<u>\$ 4,008</u>

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

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

VERIFONE SYSTEMS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

**Note 3. Income Taxes**

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

	Years ended October 31,	
	2023	2022
United States	\$ (60,412)	\$ (173,991)
Foreign	(26,623)	95,033
Income (loss) before income taxes	<u>\$ (87,035)</u>	<u>\$ (78,958)</u>

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

	Years Ended October 31,	
	2023	2022
Current:		
Federal	17,480	695
State	1,288	(83)
Foreign	52,125	111,501
Total current provision for income taxes	<u>70,893</u>	<u>112,113</u>
Deferred:		
Federal	(2,787)	3,646
State	(973)	1,465
Foreign	(29,351)	(72,646)
Total deferred benefit from income taxes	<u>(33,111)</u>	<u>(67,535)</u>
Income tax provision (benefit)	<u>\$ 37,782</u>	<u>\$ 44,578</u>

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

	Years Ended October 31,	
	2023	2022
Provision for (benefit from) income taxes computed at the federal statutory rate	(18,277)	(16,581)
State income tax, net of federal tax benefit	475	914
Foreign income taxes at other than U.S. rates	29,849	46,045
Valuation allowance, net	44,349	(22,332)
Israel settlement deferred tax liability	(10,140)	24,235
Base Erosion and Anti-Abuse Tax (BEAT) Disallowance	6,195	15,623
Unrecognized tax benefit	(5,165)	(31)
Prior Period True Ups	(6,654)	(1,212)
Other	(2,850)	(2,083)
Income tax provision (benefit)	<u>\$ 37,782</u>	<u>\$ 44,578</u>

**VERIFONE SYSTEMS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

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):

	October 31,	
	2023	2022
Deferred tax assets:		
Loss carry forwards	\$ 418,811	\$ 154,708
Basis differences in deductible goodwill and purchased intangibles	48,822	48,759
Foreign tax credit carry forwards	8,533	17,426
Accrued expenses and reserves	50,768	44,881
Contract liabilities	9,629	7,840
Unrealized foreign currency losses	14,814	15,406
Right of use lease liabilities	5,647	6,274
R&D credit carry forwards	2,064	7,322
Interest carry forwards	104,273	88,047
Inventories	12,882	12,673
Section 174 Capitalization	45,432	—
Other deferred tax assets	32,708	19,158
Total deferred tax assets	754,383	422,494
Valuation allowance	(660,540)	(340,132)
Deferred tax liabilities:		
Basis differences on purchased intangibles	(80,481)	(96,466)
Basis differences in investments in foreign subsidiaries	(9,522)	(17,566)
Other deferred tax liabilities	(70,769)	(65,216)
Total deferred tax liabilities	(160,772)	(179,248)
Net deferred tax liabilities	\$ (66,929)	\$ (96,886)

Provisions enacted in the the Tax Cut and Job Act ("TCJA") related to the capitalization for tax purposes of research and development expenditures became effective on November 1, 2022. These provisions require us to capitalize research and development expenditures and amortize them on our U.S. tax return over five or fifteen years, depending on where research is conducted.

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

The valuation allowance increased by \$320.4 million in fiscal year 2023 primarily due to increased tax attributes as a result of current year losses, capitalized research expenditures and disallowed interest expense carryforward.

## VERIFONE SYSTEMS, INC.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The tax loss carry forwards as of October 31, 2023 were related primarily to tax losses of \$850.2 million in the U.S. federal jurisdiction, of which \$417.5 million can be carried forward indefinitely, \$94.2 million in Ireland, \$13.9 million in Romania \$62.7 million in France, \$3 million in Netherlands, \$11.2 million in the Hong Kong, \$11.5 million in Germany, \$1,250 million in Luxembourg and \$9.3 million in various other non-U.S. countries. Approximately \$1,437.2 million of foreign tax losses may be carried forward indefinitely. The remaining approximately \$18.1 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 2024, if not utilized. Various states have tax loss carry forwards of \$1,219.7 million that will expire at various dates beginning in fiscal year 2024 if not utilized.

Due to our acquisition by the Investor group in FY18, utilization of \$632.4 million of our U.S. NOL and \$14.1 million of our 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. Under Section 382 of the Tax Code, the ability to utilize NOL carryforwards or other tax attributes, such as research tax credits, in any taxable year may be limited if we have experienced an “ownership change.” Generally, a Section 382 ownership change occurs if there is a cumulative increase of more than 50 percentage points in the stock ownership of one or more stockholders or groups of stockholders who own at least 5% of a corporation’s stock within a specified testing period. Similar rules may apply under state tax laws. During FY23, we have performed an analysis under Internal Revenue Code Sections 382 and 383 through October 31, 2023 to determine the amount of our net operating loss carryforwards and research development credit carryforwards will be subject to annual limitation. The analysis concluded that we have experienced one or more such ownership changes prior to October 31, 2023 and the Company's net operating losses and tax credit carryforwards generated prior to the identified ownership changes are subject to limitation under Sections 382 and 383. Due to the Section 382 limits, \$5.1 million of the Federal research and development credits will be expired unused. Net operating losses generated after December 31, 2017 are not subject to expiration, but the utilization of these net operating losses will be limited to 80% of the taxable income in the years in which they are utilized. We may experience ownership changes as a result of future financing or other changes in the stock ownership.

As of October 31, 2023, we have recorded U.S. foreign tax credit carry forwards of \$8.4 million which will expire at various dates beginning in fiscal year 2024, if not utilized. In addition, we have recorded U.S. federal and state research and development tax credit carry forwards of \$13.3 million and \$4.9 million, which will expire at various dates beginning in fiscal year 2034, if not utilized.

#### *Israel Tax Audit Assessment*

On November 14, 2022, we entered into a final agreement with the Israeli Tax Authorities (ITA) to settle all tax related disputes. We were under audit by the Israeli Tax Authorities for fiscal years 2011 through 2015.

As part of the Settlement Agreement, we agreed to pay the ITA in a total sum of 347.5 million NIS (approximately \$85.4 million in USD at the foreign exchange rate as of October 31, 2023) in installments starting in FY2023 through FY2026, in addition to interest and CPI on the unpaid tax liability. During fiscal year 2023, we paid 32.7 million NIS in total to the ITA (\$8.0 million at the foreign exchange rate as of October 31, 2023) including taxes, interest and CPI. We have reversed the uncertain tax position reserve and recorded short-term and long-term liabilities associated with the settlement payments and interest.

#### *Other Audits*

We have certain other foreign subsidiaries under audit by foreign tax authorities, including Germany for years 2013 through 2018, India for years 2009 through 2020, Romania for years 2011 through 2016, Philippines for year 2019 and 2021, Thailand for year 2019 through 2020, UK for the year 2022, and Indonesia for year 2022. Although we believe we have appropriately provided for income taxes for the years subject to audit, the Germany, India, Romania, Philippines, and Thailand taxing authorities may adopt different interpretations. We have not yet received any final determinations with respect to these audits.

**VERIFONE SYSTEMS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

We have accrued tax liabilities associated with these audits, except for UK and Indonesia where audit has been initiated recently. 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):

	October 31,	
	2023	2022
Balance at beginning of period	\$ 350,110	\$ 303,083
Lapse of statute of limitations	(1,484)	(1,382)
Increases in balances related to tax positions taken during prior periods	14,175	52,063
Decreases in balances related to tax positions taken during prior periods	(3,397)	(7,532)
Increases in balances related to tax positions taken during current period	21,636	4,070
Settlements	(59,276)	(192)
Balance at end of period	\$ 321,764	\$ 350,110

Of the total \$321.8 million gross unrecognized tax benefits, 44.7 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. As a result of the final settlement of the Israeli tax audits on November 14, 2022, there has been a decrease of uncertain tax benefits in the amount of \$58.9 million and related accrued interest of \$40.1 million in FY2023, for a total amount of \$99.1 million. In addition, 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, 2023, we have accrued \$2.4 million for the payment of interest and penalties related to unrecognized tax benefits. We recognize interest and penalties related to unrecognized tax benefit on the income tax line in the accompany consolidated statement of operations. Accrued interest and penalties are included on the related liability lines in the consolidated balance sheet.

We are subject to income tax in many jurisdictions in and outside of the U.S. Our operations in the US and certain jurisdictions remain subject to examination for years 2004 to 2023, some of which are currently under audit by local tax authorities. The resolution of each of these audits is not expected to be material to our consolidated financial statements.

**Note 4. 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):

	October 31,	
	2023	2022
Cash and cash equivalents	\$ 99,132	\$ 97,860
Restricted cash included in Prepaid expenses and other current assets	87,161	105,889
Restricted cash included in Other long-term assets	3,162	6,564
Total cash, cash equivalents and restricted cash	\$ 189,455	\$ 210,313

**VERIFONE SYSTEMS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

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

As of October 31, 2023 and 2022, \$70.9 million and \$71.1 million 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>2023</u>	<u>2022</u>
Balance at beginning of period	\$ 7,843	\$ 7,447
Charges to bad debt expense	7,166	2,559
Write-offs, recoveries and adjustments	(3,126)	(2,163)
Balance at end of period	<u>\$ 11,883</u>	<u>\$ 7,843</u>

***Inventories***

Inventories consisted of the following (in thousands):

	<u>October 31,</u>	
	<u>2023</u>	<u>2022</u>
Raw materials	\$ 19,759	\$ 27,336
Work-in-process	1,596	1,136
Finished goods	99,027	113,131
Total inventories	<u>\$ 120,382</u>	<u>\$ 141,603</u>

***Prepaid Expenses and Other Current Assets***

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

	<u>October 31,</u>	
	<u>2023</u>	<u>2022</u>
Prepaid expenses	\$ 33,198	\$ 33,783
Prepaid taxes	26,076	27,686
Restricted cash	87,161	105,889
Derivative financial instruments	15,329	13,734
Other current assets	30,735	3,438
Total prepaid expenses and other current assets	<u>\$ 192,499</u>	<u>\$ 184,530</u>

**VERIFONE SYSTEMS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

***Property and Equipment, Net***

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

	Estimated Useful Life (Years)	October 31,	
		2023	2022
Revenue generating assets	5	\$ 131,690	\$ 112,328
Computer hardware and software	3-5	37,241	36,938
Machinery and equipment	3-10	27,584	21,687
Leasehold improvements	Lesser of the term of the lease or the estimated useful life	13,295	11,805
Office equipment, furniture, and fixtures	3-5	6,159	5,696
Buildings	50	1,896	1,902
Total depreciable property and equipment, at cost		217,865	190,356
Accumulated depreciation		(130,522)	(111,711)
Depreciable property and equipment, net		87,343	78,645
Construction in progress		5,209	2,307
Land		1,170	1,170
Total property and equipment, net		\$ 93,722	\$ 82,122

***Accruals and Other Current Liabilities***

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

	October 31,	
	2023	2022
Merchant payable	\$ 82,093	\$ 111,686
Accrued expenses	75,541	96,614
Income taxes	50,593	23,983
Other current liabilities	46,446	37,045
Accrued interest	37,803	27,832
Accrued compensation	34,203	33,512
Short-term lease liability	11,701	14,688
Accrued contingent liabilities	10,256	11,717
Total accruals and other current liabilities	\$ 348,636	\$ 357,077

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

**VERIFONE SYSTEMS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

***Accrued Warranty***

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

	<b>Years Ended October 31,</b>	
	<b>2023</b>	<b>2022</b>
Balance at beginning of period	\$ 6,423	\$ 7,853
Warranty charged to Cost of net revenues	8,295	4,271
Utilization of warranty accrual and others	(8,970)	(5,701)
Balance at end of period	5,748	6,423
Less: current portion	(5,190)	(5,608)
Long-term portion	<u>\$ 558</u>	<u>\$ 815</u>

***Accumulated Other Comprehensive Loss***

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

	<b>Foreign currency translation adjustments <sup>(1)</sup></b>	<b>Unrealized gain (loss) on derivatives designated as cash flow hedges <sup>(2)</sup></b>	<b>Other <sup>(3)</sup></b>	<b>Total</b>
Balance as of October 31, 2021	\$ (64,244)	\$ (23,086)	\$ 776	\$ (86,554)
Gains (losses) before reclassifications, net of tax	(137,485)	30,568	5,973	(100,944)
Amounts reclassified out of Accumulated other comprehensive loss, net of tax	970	11,445	(854)	11,561
Other comprehensive income (loss)	(136,515)	42,013	5,119	(89,383)
Balance as of October 31, 2022	\$ (200,759)	\$ 18,927	\$ 5,895	\$ (175,937)
Gains (losses) before reclassifications, net of tax	21,605	7,073	591	29,269
Amounts reclassified out of Accumulated other comprehensive loss, net of tax	1,364	(8,221)	104	(6,753)
Other comprehensive income (loss)	22,969	(1,148)	695	22,516
Balance as of October 31, 2023	<u>\$ (177,790)</u>	<u>\$ 17,779</u>	<u>\$ 6,590</u>	<u>\$ (153,421)</u>

(1) In 2023 and 2022, amounts reclassified from Accumulated other comprehensive loss, net of tax, were recorded in Noncontrolling interests in subsidiaries in the Consolidated Balance Sheets.

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

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

**VERIFONE SYSTEMS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

**Note 5. Financial Instruments**

*Fair Value Measurements*

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

*Interest Rate Cap Agreements Designated as Cash Flow Hedges*

Prior to fiscal year ending October 31, 2023, we used interest rate swaps to hedge the variability in cash flows related to interest payments of our term loans. These interest rate swaps expired in November 2022. In our fiscal quarter ending on October 31, 2022, we entered into interest rate caps to replace the expiring interest rate swaps. Six interest rate caps have a notional value of \$1.2 billion and a cap rate of 4.0% and one interest rate cap has a notional value of \$0.25 billion and a cap rate of 4.5%. The 4% interest rate caps mature on August 20, 2025 and the 4.5% interest rate cap matures on March 25, 2024. All interest rate caps were effective on November 30, 2022. The interest rate cap agreements require us to pay premiums of \$5.4 million and \$15.6 million in the fiscal years ending October 31, 2024 and 2025.

The interest rate caps qualify for hedge accounting treatment as cash flow hedges. We excluded the time value from our initial assessment of hedge effectiveness and will recognize the interest rate cap premiums in Interest expense, net on a straight line basis over the term of the interest rate caps.

As of October 31, 2023 and 2022, we recorded assets related to our interest rate caps of \$15.4 million and \$16.4 million. The assets are measured at fair value on a recurring basis and are classified in Level 2 within the fair value hierarchy. There were no transfers in fair value hierarchy in the fiscal years ended October 31, 2023 and 2022.

As of October 31, 2023, the estimated net derivative gain related to our cash flow hedges included in Accumulated other comprehensive loss that will be reclassified into earnings in the next 12 months is \$12.1 million. The derivative gain reclassified from Accumulated other comprehensive loss to Interest expense, net was \$8.2 million for the fiscal year ended October 31, 2023. The derivative loss reclassified from Accumulated other comprehensive loss to Interest expense, net was \$11.4 million for the fiscal year ended October 31, 2022.

*Cash Flows Attributed to Interest Rate Swaps*

We received interest payments of \$1.3 million during the fiscal year ending October 31, 2023 on interest rate swap agreements modified on June 24, 2019 and we paid interest of \$24.8 million during the fiscal year ending October 31, 2022, on the same interest rate swap agreements. These cash receipts and payments are included in Other financing activities, net on the Consolidated Statements of Cash Flows.

**Note 6. Equity Investments**

*Equity Method Investments*

We had a 25.3% equity interest in Gas Media Holdings, LLC ("Gas Media") at October 31, 2022. We accounted for its equity interest in Gas Media under the equity method of accounting.

**VERIFONE SYSTEMS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

On June 21, 2023, we sold our entire equity interest in Gas Media for \$104.0 million in cash consideration with \$70.0 million received at close and \$34.0 million in non-interest bearing installment payments due from September 2023 to November 2024. Gas Media entered into a credit agreement to finance the transaction and we signed a subordination agreement that limited our rights to receive future installment payments in certain instances and prohibited liens to secure the installment payments. After the close, we have no involvement in or obligations to the Gas Media business and our rights are limited to the future installment payments.

The carrying value of our Gas Media investment was \$37.6 million on the sale close date. We estimated the fair value of the total consideration to be \$100.2 million and recognized a gain on sale of the equity investment of \$62.6 million during the fiscal year ending October 31, 2023.

***Fair Value Alternative Investments***

We have investments accounted for under the fair value alternative that have a carrying value of \$34.0 million as of October 31, 2023 and 2022 and were included in Other long-term assets in our Consolidated Balance Sheets. One of these investments is in variable interest entity where we are not the primary beneficiary. Our known maximum exposure to loss on the variable interest entity is our carrying value of the investments of \$30.3 million and a promissory note issued by the variable interest entity with a carrying value of \$1.2 million on October 31, 2023. These investments do not have a readily determinable fair values and we did not record any other-than-temporary impairments for the fiscal years ended October 31, 2023 and 2022.

**Note 7. Goodwill and Purchased Intangible Assets**

***Goodwill***

Activity related to goodwill for the fiscal years ended October 31, 2023 and 2022 consisted of the following (in thousands):

	<u>Years Ended October 31,</u>	
	<u>2023</u>	<u>2022</u>
Balance at the beginning of period	\$ 1,549,157	\$ 1,585,547
Currency translation adjustments	12,822	(36,390)
Balance at the end of period	<u>\$ 1,561,979</u>	<u>\$ 1,549,157</u>

During the fourth quarter of fiscal year 2023, we completed our annual impairment assessment and concluded that there was no impairment to goodwill. We used the quantitative method in our 2023 annual assessment related to both of our reporting units.

***Purchased Intangible Assets, Net***

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

	<u>October 31, 2023</u>			<u>October 31, 2022</u>		
	<u>Gross Carrying Amount</u>	<u>Accumulated Amortization</u>	<u>Net Carrying Amount</u>	<u>Gross Carrying Amount</u>	<u>Accumulated Amortization</u>	<u>Net Carrying Amount</u>
Customer relationships	\$ 1,149,753	\$ (587,178)	\$ 562,575	\$ 1,141,185	\$ (473,661)	\$ 667,524
Developed technology	258,977	(213,522)	45,455	478,135	(349,556)	128,579
Trade name	158,800	(55,039)	103,761	158,800	(44,453)	114,347
Other	2,942	(2,608)	334	2,886	(1,838)	1,048
Total	<u>\$ 1,570,472</u>	<u>\$ (858,347)</u>	<u>\$ 712,125</u>	<u>\$ 1,781,006</u>	<u>\$ (869,508)</u>	<u>\$ 911,498</u>

Activity related to the gross carrying amount of purchased intangible assets during the fiscal year ended October 31, 2023 includes \$8.6 million in acquisition additions and \$8.4 million in currency translation adjustments offset by \$216.8 million in

**VERIFONE SYSTEMS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

retirements and \$10.7 million related to an impairment of a technology intangible. Activity related to accumulated amortization amount of purchased intangible assets during the fiscal year ended October 31, 2023 included \$209.8 million in amortization and \$1.7 million in currency translation adjustments offset by \$216.8 million in retirements and \$5.9 million related to an impairment of a technology intangible.

Activity related to the gross carrying amount of purchased intangible assets during the fiscal year ended October 31, 2022 includes \$4.5 million in acquisition additions offset by \$15.1 million in retirements and \$103.8 million in currency translation adjustments. Activity related to accumulated amortization amount of purchased intangible assets during the fiscal year ended October 31, 2022 included \$227.4 million in amortization offset by \$39.0 million in currency translation adjustments and \$15.1 million in retirements.

Total future amortization expense for purchased intangible assets that have finite lives, based on our existing intangible assets and their current estimated useful lives as of October 31, 2023, is estimated as follows (in thousands):

	<u>Cost of Net Revenues</u>	<u>Operating Expenses</u>	<u>Total</u>
<b>Fiscal Years Ending October 31:</b>			
2024	\$ 34,602	\$ 128,374	\$ 162,976
2025	8,638	127,839	136,477
2026	2,215	127,473	129,688
2027	—	126,375	126,375
2028	—	104,269	104,269
Thereafter	—	52,340	52,340
Total future amortization expense	<u>\$ 45,455</u>	<u>\$ 666,670</u>	<u>\$ 712,125</u>

**Note 8. Financings**

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

	<u>October 31,</u>	
	<u>2023</u>	<u>2022</u>
Credit Agreements		
First lien term loan	\$ 2,068,279	\$ 2,090,228
Revolving credit facility	—	29,000
Total principal payments due	<u>2,068,279</u>	<u>2,119,228</u>
Less: original issue discount and debt issuance costs	(16,415)	(25,491)
Total amounts outstanding	<u>2,051,864</u>	<u>2,093,737</u>
Less: current portion	(21,616)	(50,552)
Long-term portion	<u>\$ 2,030,248</u>	<u>\$ 2,043,185</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 provided for \$200.0 million under an eight-year priority secured term loan facility.

**VERIFONE SYSTEMS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

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

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

On May 13, 2022, we entered into a Third Amendment to our First Lien Credit Agreement which amended the quarterly financial covenants to increase certain allowable ratios related to net financial leverage and added a minimum liquidity requirement that is tested monthly until August 20, 2023.

On July 21, 2022, we entered into a Fourth Amendment to our First Lien Credit Agreement which extended the maturity on \$175.0 million of our revolving commitments and revolving loans under the First Lien Credit Agreement, transitioned the revolving loans from LIBOR to SOFR, amended certain future quarterly financial covenants related to allowable net financial leverage ratios, and amended the minimum liquidity covenant to test liquidity until August 20, 2025. We incurred fees and third party expenses of \$0.7 million related to this amendment.

On July 21, 2023, we entered into the Fifth Amendment to our First Lien Credit Agreement which transitioned our first lien term debt loans from LIBOR to term SOFR plus rate adjustment depending on the elected interest period. The rate adjustments range from 0.11% for one month term SOFR to 0.43% for six month term SOFR.

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, 2023. 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 SOFR at our option plus applicable margin based upon certain leverage ratios, determined and payable quarterly. Applicable margin on borrowings under the revolving loan range from 2.0% to 2.5% on the alternate base rate loan and 3.0% to 3.5% on the SOFR 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 a commitment fee on the aggregate outstanding revolving commitments ranging from 0.25% to 0.50% per annum, depending upon the leverage ratio.

**VERIFONE SYSTEMS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

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, 2025.

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, 2023, we elected the SOFR loan option on all of our borrowings. SOFR loans bear interest at a market interest rate plus a margin according to the credit agreement. As of October 31, 2023, the market interest rate was 5.7% on the first lien term loan with an applicable margin of 4.0%.

As of October 31, 2023, the commitment fee for the aggregate outstanding revolving commitment was 0.5% per annum, payable quarterly, and the amount available to draw under the revolving facility was \$170.2 million.

***Principal Payments***

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

	<u>Amounts</u>
<b>Years ending October 31:</b>	
2024	\$ 21,771
2025	<u>2,046,508</u>
Total	<u><u>\$ 2,068,279</u></u>

**Note 9. Leases**

We have operating leases for certain facilities throughout our global operations. The lease term for all of our leases includes the non-cancellable period of the lease plus any additional periods covered by an option to extend the lease that we are reasonably certain will exercise. Operating leases are included in Right-of-use assets, Other current liabilities and Long-term lease liabilities on our Consolidated Balance Sheet. ROU lease assets and liabilities are recognized at each lease's commencement date based on the present value of its lease payments over its respective lease term.

Operating lease expenses were \$18.4 million and \$18.9 million for the years ended October 31, 2023 and 2022. We have no material short-term and variable lease costs or sublease income for the period ended October 31, 2023 and 2022.

Cash paid for operating leases during the fiscal years ended October 31, 2023 and 2022 was \$17.6 million and \$20.1 million.

Supplemental balance sheet information related to Company's leases is as follows:

	<u>October 31,</u>	
	<u>2023</u>	<u>2022</u>
	(in thousands)	
ROU lease assets	\$ 44,884	\$ 49,006
Accruals and other current liabilities	11,701	14,689
Long-term lease liabilities	<u>37,810</u>	<u>38,176</u>
Total operating lease liabilities	<u><u>\$ 49,511</u></u>	<u><u>\$ 52,865</u></u>
Weighted average remaining lease term (years)	5.63	5.65
Weighted average discount rate	7.44 %	5.28 %

**VERIFONE SYSTEMS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

Maturity of operating lease liabilities as of October 31, 2023 were as follows (in thousands):

	<u>Amounts</u>
<b>Years ending October 31:</b>	
2024	\$ 14,619
2025	11,871
2026	9,683
2027	6,681
2028	4,843
2029 and thereafter	13,012
Total	<u>60,709</u>
Less: imputed interest payments	11,198
Present value of lease liabilities	<u>\$ 49,511</u>

**Note 10. Commitments and Contingencies**

Manufacturing Related Agreements

We work on a purchase order basis with our contract manufacturers, which are located predominantly in China, Malaysia, Vietnam, Thailand 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, 2023, the amount of purchase commitments issued to contract manufacturers and component suppliers totaled approximately \$87.4 million.

Guarantees

We have issued bank guarantees with maturities ranging from one 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, 2023, the maximum amount that may become payable under these guarantees was \$23 million, of which \$8.3 million was collateralized by restricted cash deposits.

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.

**VERIFONE SYSTEMS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

*Oren Ganor v. Casponet Ltd. Israel*

On August 14, 2018, a class-action complaint was filed against Casponet Ltd. in Israel claiming that ATMs that Casponet provides to merchants violate Israel's disability and accessibility laws. Before Casponet's deadline to respond to the original complaint, the plaintiffs amended their complaint to allege that Casponet should have published a February 6, 2018 decision by the Israeli disability and accessibility commission approving a compliance-extension request allowing Casponet to meet accessibility requirements gradually with milestones through 2023. On September 29, 2019, Casponet responded to the amended complaint, denying any liability. On September 19, 2021, the Court granted plaintiffs' class-certification motion, and class notice was published in October 2021. Casponet filed its statement of defense on December 15, 2021, denying any liability. Fact discovery has concluded, and both parties have filed their evidence. Expert discovery is continuing. An evidentiary hearing is scheduled to begin on January 16, 2024, and continue on April 10, 2024, and closing arguments are scheduled on May 22, 2024.

*Israeli Consumer Council v. Casponet Ltd. Israel et al.*

On February 1, 2022, nonprofit organization The Israeli Consumer Council filed a class-action complaint in Israel against ten defendant banks, Casponet Ltd., and a Casponet competitor claiming that defendants improperly disclose and overcharge fees for ATM cash withdrawals. The complaint also claims that the defendant banks have been unfairly closing branches to the particular detriment of disabled and old customers and that all ATM fees (including specifically disclosed service fees) are unlawfully excessive. On August 8, 2022, Casponet responded to the complaint, denying any liability and requesting dismissal. Discovery is proceeding. A preliminary hearing was held on December 20, 2022, but no trial date has yet been set.

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

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

*Other Litigation*

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

**VERIFONE SYSTEMS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

*Income Tax Uncertainties*

As of October 31, 2023, the amount payable for unrecognized tax benefits was \$41 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 on our Consolidated Balance Sheet as of October 31, 2023. We are unable to make a reasonably reliable estimate as to when cash settlement with a taxing authority may occur.

**Note 11. Related parties**

In August 2021, we divested our controlling interest in Verifone Systems (China), Inc. to the former general manager and minority shareholder of this business. The general manager and Verifone Systems (China), Inc. are related parties to VeriFone Systems, Inc. Subsequent to the divestiture, we purchased \$45.5 million and \$39.2 million in payment devices and development services from Verifone Systems (China), Inc. in the fiscal years ended October 31, 2023 and 2022. As of October 31, 2023 and 2022, we had \$8.9 million and \$6.1 million outstanding as accounts payables.

**Note 12. Subsequent events**

The Company has evaluated subsequent events through January 12, 2024, which is the date that these financials statements were available to be issued. Based on our evaluation there are no material subsequent events to be reported.