

VERIFONE SYSTEMS, INC.

Form 10-Q

June 05, 2015

Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended April 30, 2015

Or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number: 001-32465

VERIFONE SYSTEMS, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

04-3692546

(I.R.S. Employer Identification No.)

88 West Plumeria Drive

San Jose, CA 95134

(Address of principal executive offices with zip code)

(408) 232-7800

(Registrant's telephone number, including area code)

N/A

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer  (Do not check if a smaller reporting company)

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

The number of shares outstanding of each of the issuer's classes of common stock, as of the close of business on May 29, 2015:

Class

Number of shares

Common Stock, \$0.01 par value per share

114,292,577



Table of Contents

VERIFONE SYSTEMS, INC.  
TABLE OF CONTENTS

PART I — FINANCIAL INFORMATION

Item 1	<u>Financial Statements:</u>	<u>3</u>
	<u>Condensed Consolidated Statements of Operations</u>	<u>3</u>
	<u>Condensed Consolidated Statements of Comprehensive Loss</u>	<u>4</u>
	<u>Condensed Consolidated Balance Sheets</u>	<u>5</u>
	<u>Condensed Consolidated Statements of Cash Flows</u>	<u>6</u>
	<u>Notes to Condensed Consolidated Financial Statements</u>	<u>7</u>
Item 2	<u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>30</u>
Item 3	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>50</u>
Item 4	<u>Controls and Procedures</u>	<u>50</u>

PART II — OTHER INFORMATION

Item 1	<u>Legal Proceedings</u>	<u>51</u>
Item 1A	<u>Risk Factors</u>	<u>51</u>
Item 2	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>73</u>
Item 3	<u>Defaults Upon Senior Securities</u>	<u>74</u>
Item 4	<u>Mine Safety Disclosures</u>	<u>74</u>
Item 5	<u>Other Information</u>	<u>74</u>
Item 6	<u>Exhibits</u>	<u>75</u>
	<u>Signatures</u>	<u>76</u>

## PART I — FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

## VERIFONE SYSTEMS, INC.

## CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended April 30,		Six Months Ended April 30,	
	2015	2014	2015	2014
	(Unaudited, in thousands, except per share data)			
Net revenues:				
System solutions	\$324,300	\$290,734	\$637,700	\$551,900
Services	165,844	175,683	338,670	350,583
Total net revenues	490,144	466,417	976,370	902,483
Cost of net revenues:				
System solutions	188,972	187,571	374,640	355,079
Services	97,269	103,572	198,657	201,913
Total cost of net revenues	286,241	291,143	573,297	556,992
Total gross margin	203,903	175,274	403,073	345,491
Operating expenses:				
Research and development	47,579	49,999	96,482	100,531
Sales and marketing	55,371	56,417	112,781	107,028
General and administrative	49,457	48,749	96,807	99,663
Litigation settlement and loss contingency expense	1,213	9,000	1,213	9,000
Amortization of purchased intangible assets	20,567	24,657	42,899	49,332
Total operating expenses	174,187	188,822	350,182	365,554
Operating income (loss)	29,716	(13,548)	) 52,891	(20,063)
Interest, net	(7,432)	) (9,490)	) (15,327)	) (20,879)
Other income (expense), net	(3,169)	) (1,183)	) (2,926)	) (6,310)
Income (loss) before income taxes	19,115	(24,221)	) 34,638	(47,252)
Income tax provision (benefit)	1,449	(658)	) 2,844	(7,592)
Consolidated net income (loss)	17,666	(23,563)	) 31,794	(39,660)
Net income attributable to noncontrolling interests	(102)	) (352)	) (382)	) (488)
Net income (loss) attributable to VeriFone Systems, Inc. stockholders	\$17,564	\$ (23,915)	) \$31,412	\$ (40,148)
Net income (loss) per share attributable to VeriFone Systems, Inc. stockholders:				
Basic	\$0.15	\$ (0.22)	) \$0.28	\$ (0.36)
Diluted	\$0.15	\$ (0.22)	) \$0.27	\$ (0.36)
Weighted average number of shares used in computing net income (loss) per share:				